

# U.S. DEPARTMENT OF THE TREASURY

## New Treasury Report Shows Fintech Industry Requires Additional Oversight to Close Gaps, Prevent Abuses and Protect Consumers

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Report Recommends that Fintech-Bank Partnerships be Subject to Enhanced Supervision

WASHINGTON — The U.S. Department of the Treasury, in consultation with the White House Competition Council, has released a report entitled “Assessing Impacts of New Entrant Non-bank Firms on Competition in Consumer Finance Markets.” The report finds that, while concentration among federally insured banks is growing, new entrant non-bank firms, in particular “fintech” firms, are adding significantly to the number of firms and business models competing in core consumer finance markets and appear to be contributing to competitive pressure. While these fintech firms are enabling new capabilities, they are also creating new risks to consumer protection and market integrity, such as risks related to data privacy and regulatory arbitrage. To protect consumers in these rapidly changing markets and enable sustainable competition, among other recommendations, the report calls for enhanced oversight of the consumer financial activities of non-bank firms.

“Innovation and competition must work hand in hand in a healthy economy,” U.S. Secretary of the Treasury Janet L. Yellen said. “While non-bank firms’ entrance into core consumer finance markets has increased competition and innovation, it has not come without additional risks to consumer protection and market integrity. This report lays out actions that would maintain fair, transparent, and competitive markets while encouraging responsible innovation that benefits consumers. With existing authorities, regulators can encourage competition and innovation while further safeguarding and protecting consumers.”

The report is a product of President Biden’s July 2021 Executive Order, “Promoting Competition in the American Economy,” and is the final in a series of reports assessing competition in various aspects of the economy, including the alcohol industry and the labor market. Today’s report recommends a series of steps to encourage fair and responsible

competition that benefits consumers and their financial well-being:

- To address market integrity and safety and soundness concerns, regulators should provide a clear and consistently applied supervisory framework for bank-fintech relationships. A bank-fintech relationship that delivers consumer financial services provided by an insured depository institution (IDI) must operate in compliance with the laws, regulations, and risk management standards applicable to the IDI.
- To protect consumers, regulators should robustly supervise bank-fintech lending relationships for compliance with consumer protection laws and their impact on consumers' financial well-being.
- To encourage consumer-beneficial innovation, regulators should support innovations in consumer credit underwriting designed to increase credit visibility, reduce bias, and prudently expand credit to underserved consumers.

[The full report can be viewed here.](#)

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