

Minutes of the regular meeting of the
FINTECH ADVISORY GROUP
10:30am-1:30pm, Tuesday, October 8, 2019
Federal Reserve Bank of New York
33 Liberty Street, New York, NY

Present:

Michael Bodson, President and Chief Executive Officer, DTCC
Andrew Boyajian, Head of Banking, TransferWise
Lee Braine, Director of Research and Engineering, Barclays
Martin Fleming, Chief Analytics Officer and Chief Economist, IBM
Gary Gensler, Professor of the Practice of Global Economics and Management, MIT
Lena Mass-Cresnik, Chief Data Officer, Moelis & Company
Patrick Murck, Chief Legal Officer, Transparent Systems, Inc.
Ulku Rowe, Director of Financial Services, Google Cloud
David Waller, Partner and Head of Data Science and Analytics, Oliver Wyman

Federal Reserve Bank of New York attendees:

John C. Williams, Chair	Knarig Arabshian
Clive Blackwood	Christina Branche
Matthew Bray	Elizabeth Caviness
Joshua Campos	Chelsea Cruz
Lacey Dingman	Lisa Evanson
Elena Ferri	Brad Groarke
Michael Held	Vanessa Kargenian
Sandra Lee	Kimberley Liao
Antoine Martin	Meg McConnell
Harry Mendell	Erika Ota Liedtke
Joey Patel	Joshua Rosenberg
Asani Sarkar	Shrilaxmi Satyanarayana
Johanna Schwab	Kevin Stiroh
Ray Testa	Hannah Van Demark

Elizabeth Caviness, Officer, Markets, called the meeting to order at 10:30am. The theme of the meeting was Public/Private sector engagement to encourage safe and responsible innovation. John C. Williams, President and Chief Executive Officer of the Federal Reserve Bank of New York, offered welcome remarks.

Following a brief presentation by Andrew Boyajian, Fintech Advisory Group (FTAG) members discussed views on safeguarding consumer-focused enterprises from evolving risks. Members discussed the idea that the definition of banking is changing due to FinTech and new entrants to the market, and that there are many potential reasons to regulate such institutions. Members discussed the idea of the unbundling and re-bundling of banking services, and the importance of regulatory definitions evolving over time to keep pace with changes to the market landscape. Some members noted that regulators could look at risks inherent in a particular activity as well as risks introduced by the market itself. Some FTAG members highlighted that while no one wants to stop innovation, there is an inherent obligation to safeguard the financial system, and that firms with activities that pose systemic risks should have higher supervisory and regulatory considerations. Some members noted that it is natural that business models will evolve as new technology is adopted and firms mature.

Following a brief presentation by Gary Gensler, members discussed the role of algorithms in credit allocation, and the possible emergence of new risks and biases. Some FTAG members noted that artificial intelligence touches many functions in the financial system and could create dependencies, and that the official sector should not be reactionary. Members also discussed the dependencies between humans and technology, for example in the area of artificial intelligence, and that they should not be viewed or treated differently. Some members noted the importance of embedding technical expertise into the regulatory framework and toolkit, and emphasized the importance of FinTech education and engagement at all staff levels within the official sector.

FTAG members also discussed how the official sector may stay engaged to promote responsible innovation. Some members noted that while it is difficult to change laws, it is possible to make regulatory adjustments. Discussion shifted to potential guiding principles for regulators to encourage safe and responsible innovation in the financial sector. Some members noted that the official sector should define what innovation it considers desirable and the risks it seeks to mitigate, and be clear about communicating the goals of what it wants to achieve. In so doing, regulation should be technology neutral. Some FTAG members observed that regulation that is prescriptive risks being arbitrated. Some members highlighted the need to build internal capacity and competency continuously on FinTech.

The meeting adjourned at approximately 1:30pm.