

Minutes of the regular meeting of the
FINTECH ADVISORY GROUP
10:30am-12:00pm, Wednesday, April 8, 2020
Federal Reserve Bank of New York
Conference Call

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

Federal Reserve Bank of New York attendees:

John C. Williams, Chair	Elizabeth Caviness, Secretariat
Arlynda Berdynaj	Chelsea Cruz
Matthew Bray	Brad Groarke
Lacey Dingman	Vanessa Kargenian
Pamela Dyson	Kimberley Liao
Adrian Franco, Secretariat	Rosanne Notaro
Jack Gutt	Erika Ota Liedtke
Michael Held	Joshua Rosenberg
Sandra Lee	Kevin Stiroh
Antoine Martin	Michael Strine
Joey Patel	Hannah Van Demark

Adrian Franco called the meeting to order at 10:30am. The theme of the meeting was the impact of the Coronavirus pandemic in the Fintech ecosystem. John C. Williams, President and Chief Executive Officer of the Federal Reserve Bank of New York, offered welcome remarks.

Fintech Advisory Group (FTAG) members discussed how the coronavirus spurred demand on select fintech products and services. Artificial intelligence, advanced data analytics, cloud services, and digital payments are among those in high demand. Members highlighted the reliance on home connectivity given the preponderance of people working from home and the need to understand the risk associated with such products. Members also discussed how fintech may help implement parts of the government-stimulus programs, including the Paycheck Protection Program of the CARES Act.

Members noted the increased importance of operational resilience in the financial system, and the relevance of testing in a fully online world. They highlighted specific examples related to technology infrastructures, and encouraged that these infrastructures, whether mainframe or cloud-based, be included in the regulatory perimeter. Members also discussed the role of cloud infrastructure, noting that those firms that invested in cloud early are likely better positioned during these times compared to those operating on mainframe.

Members discussed the vulnerabilities and risks of the fintech ecosystem under coronavirus. Vulnerabilities for the fintech ecosystem include the legacy infrastructure and plumbing of incumbent financial institution on which fintechs depend, reliance on investor funding, emerging cyber risks, and AML/ KYC issues. Separately, some members noted that fintech lending offerings - including unsecured personal loans, credit cards, and mortgages - are at higher risk given the economic conditions of households.

The discussion included the long-term effects of the coronavirus pandemic on the fintech industry. Members noted that actions taken during the Coronavirus pandemic will likely spur greater digitization in banking and financial services. Some members noted that banks' reliance on some fintech service providers could increase, and new vendor risk assessments would likely come in place. Incumbent institutions could also adopt agile secure infrastructure more rapidly given lessons-learned from coronavirus pandemic.

Members shared that many fintech tools and applications built pre-Coronavirus will likely need to be re-tested and adjusted, including the unprecedented volumes clearing and settling through the economy. Lastly, members discussed that fintech consolidation would likely increase due to increased merger and acquisition activity coming from those fintechs that are positioned with better balance sheets and cash flows.

The meeting adjourned at approximately 12:00pm.