

# Regulatory overhaul for nonbanks may be on the horizon as calls for change grow

Article

**The news:** M&T Bank CEO René Jones urged industry watchdogs to hold alternative lenders to the same regulatory standards as traditional banks in a [letter](#) to shareholders.

**More on this:** The regional US bank's head questioned the effectiveness of current regulations.

- Jones asked how **effective the watchdog can be** if nonbanks and traditional banks aren't overseen by the same regulatory standards.
- He singled out nonbanks' **growing share of the lending market** and said the "pace of this disintermediation from the regulated banking industry has accelerated."
- Jones also took aim at the **Community Reinvestment Act (CRA)**, a law seeking to ensure that banks serve low to moderate income savers. Alternative lenders aren't required to adhere to the CRA despite holding what he claimed was around 60% of the market share.

**Watchdog inconsistency? Customer complaints within the banking industry spiked** in the last year, per a Deloitte [report](#), much of it driven by product innovation like buy now, pay later (BNPL) financing and digital currencies.

- Financial products like these are often sold to consumers by entities regulated as nonbank lenders at the state level, but in many cases, they're working in partnership with a federally supervised bank.
- The **shifting US banking landscape** has created a complex patchwork of legislation. That means regulators sometimes treat banks and alternative lenders differently, which could leave consumers unwittingly unprotected against things like fraud.

**What's next?** The pace of banking innovation has left regulators grappling with how to govern the new lending ecosystem effectively.

- Remarks from industry leaders like Jones raise the prospect of **stronger consumer protection laws and regulations** in US banking that extend to alternative lenders, like a modernized CRA.
- More **regulatory guidance is needed** to address a lack of clarity and consistency among US regulatory agencies on the treatment of new digital products like crypto and BNPL.
- The **gap in regulation** has hurt both borrowers and traditional banks. Updated regulations are needed to level the competitive field and to address the evolving banking landscape.

## Banking Products/Services from Nonbanking Firms that Would Interest Banking Customers Worldwide, by Business Type, Nov 2020

*% of respondents in each group*

	Accounts	Cards	Payment	Lending
Big techs	18%	30%	38%	10%
Educational institutes	14%	23%	26%	9%
Fintech	24%	25%	29%	11%
Healthcare providers	13%	26%	29%	9%
Mobility providers	10%	21%	33%	7%
Quick-service restaurants	10%	27%	33%	7%
Retailers	12%	30%	34%	11%
Telecom operators	13%	25%	33%	8%
Travel and hospitality companies	10%	31%	30%	8%

Note: n=8,559

Source: Capgemini, "World Retail Banking Report 2021" in collaboration with Efma, March 25, 2021

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