

Fintechs in the firing line as US watchdog plans to level regulatory playing field with banks

Article

The news: The Consumer Financial Protection Bureau (CFPB) has signaled that it plans to exercise greater oversight of fintechs under a dormant legal provision that lets it examine

nonbank financial companies which “pose risks to consumers,” per a press release.

More on this: The CFPB said it will hold fintechs to the same standards as banks.

- The watchdog noted it would use **law enforcement powers** to help protect consumers from being harmed by companies.
- It also said the law empowered it to **conduct reviews into fintechs’ records**.

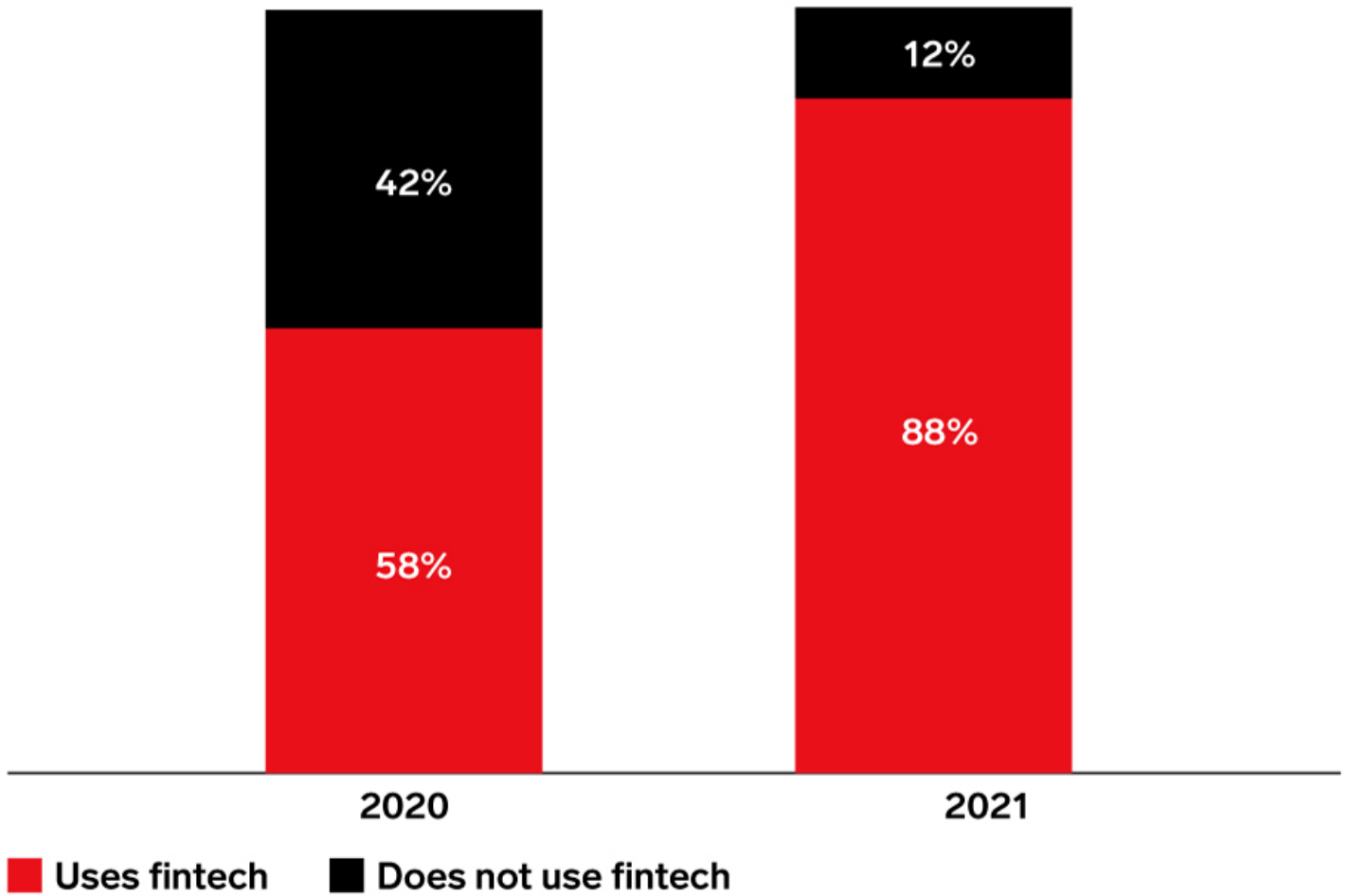
Neobank backlash: Regulators are clamping down on fintechs and challenger banks:

- Earlier this month, the **International Monetary Fund (IMF)** **urged** stronger regulation of fintechs, saying that they’re introducing systemic risks because they don’t follow the same rules as traditional financial institutions (FIs).
- The UK’s **Financial Conduct Authority (FCA)** **hinted** last week that it may take a harder stance against challenger banks after finding they had inadequate financial crime defenses and money laundering risks.
- **CFPB** Director Rohit Chopra reportedly **plans** to testify before Congress this week about measures to regulate open banking and small business lending that would affect fintechs and neobanks.

Why now? As inflation hits multi-decade highs, regulators seeking to protect consumers from its aftershocks have turned their attention to the unequal oversight of highly regulated banks and lightly regulated fintechs. In a **recent [ComplyAdvantage report](#)**, compliance officers listed cybercrime, ransomware, and money laundering as the financial crime trends to be most concerned about in 2022.

US Adults Who Use Fintech, 2020 & 2021

% of respondents



Source: Plaid, "2021 Fintech Report: The Fintech Effect: Fintech's Mass Adoption Moment" conducted by The Harris Poll, Oct 12, 2021

271745

InsiderIntelligence.com

What's next? Challenger banks in the US and UK need to invest more in compliance and avoid breaking things as they move fast and try to maintain their growth. The rules for neobanks likely will resemble the rules for incumbents, leveling the playing field between the two. Firms that fail to toe the line on compliance will face severe fines and sanctions as well as the risk of considerable reputational damage.