

Congress's think tank issues two reports highlighting issues of focus in FinTech space

By **Carey Child, Peyton Craig & Ronald Smith**

On April 28, 2020, the Congressional Research Service—Congress's think tank—issued two reports outlining various developments in the FinTech industry, the accompanying regulatory evolution arising alongside such developments, and considerations that policymakers should keep in mind as the industry continues to grow. Both reports cite one other and overlap in many of its discussion, but each is geared towards a different purpose. The first, [Fintech: Overview of Innovative Financial Technology and Selected Policy Issues](#) explains developing financial technologies, how those technologies interact with current legal and regulatory regimes, and the issues that policymakers will need to consider when taking legislative or regulatory action. The second, [Fintech: Overview of Financial Regulators and Recent Policy Approaches](#), on the other hand, focuses on how financial regulators have, and continue to, oversee, regulate, and collaborate with FinTech companies.

Fintech: Overview of Innovative Financial Technology and Selected Policy Issues gives an overview of the technological advances influencing the financial sector. From mobile technology and Big Data to AI and Cryptocurrencies, the report highlights the promise and peril technology brings to the financial industry. It ends each of its discussions by explaining how current legal regimes interact with these advancements, and how these innovations are either hindered or unbridled by current laws. For example, as non-bank lending through online platforms grows, a state-by-state regulatory regime makes it difficult to allow the efficiencies gained by such platforms to fully take form. And while more effective underwriting can occur when using algorithms and Big Data, deferring to such a process can make it difficult to understand a lender's or insurer's reasoning for certain decisions—resulting in difficulties in oversight and responsibility.

While much of the information, developments, and policy considerations will come as no surprise to those following the FinTech industry, these reports highlight the issues coming into congressional and regulatory focus. It also suggests that Congress and various regulatory bodies are seriously considering the legal and regulatory challenges to the industry's growth, while keeping in mind the risks to consumers and markets.

The second report, *Fintech: Overview of Financial Regulators and Recent Policy Approaches* explains more of how regulatory bodies are responding to these developments, and what they are doing with their current arsenal of rulemaking and guidance to regulate the rapidly growing industry. The report points out various safe-harbors and sandboxes that have been developed to help the industry grow while allowing regulators to keep up.

Much like the first report discussed above, the report focused more on giving a comprehensive overview of the current regulatory state than divulging groundbreaking developments in the industry. But one of the key areas of focus within the report offers optimism for the Fintech industry. In particular, after discussing the challenges facing various agencies and regulators, the report lists innovative efforts from each regulatory office and other select regulatory initiatives. These include, for example, the FDIC Tech Lab, the Commodity and Futures trading Commissions' LabCFTC, and the SEC's FinHub. These groups, and the others like it, show that policymakers are making sure to have a finger on the pulse of the industry and foster collaborative relationships.