

When FinTech Competes for Payment Flows

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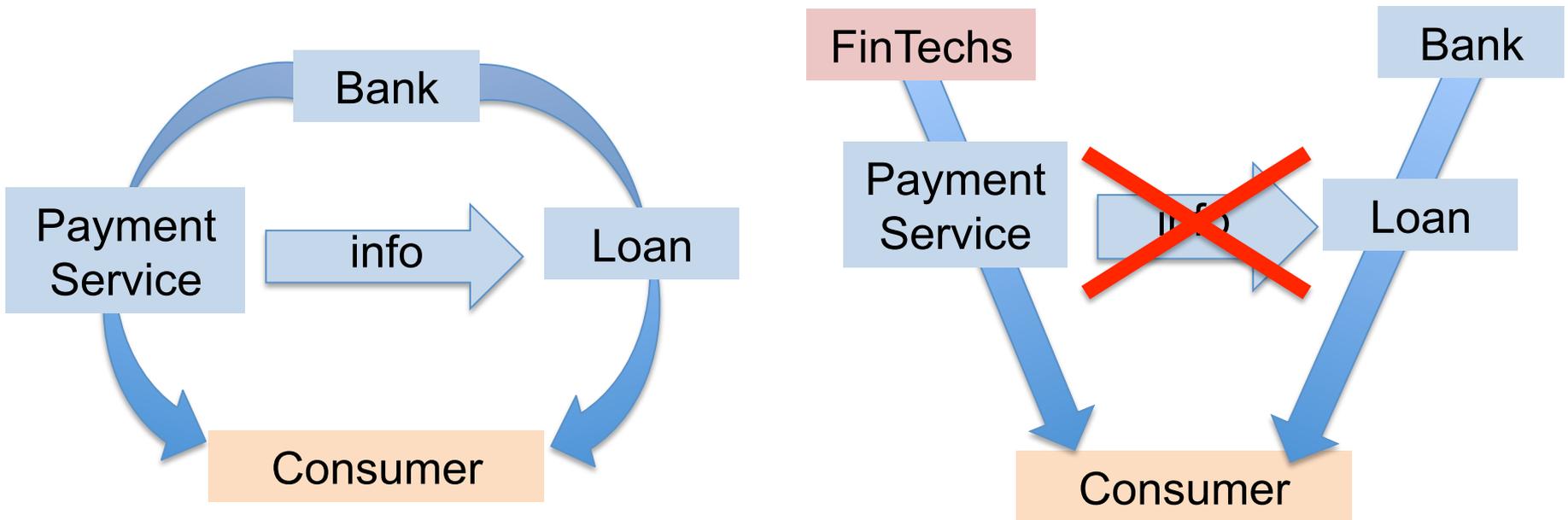
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Summary: FinTech Entry



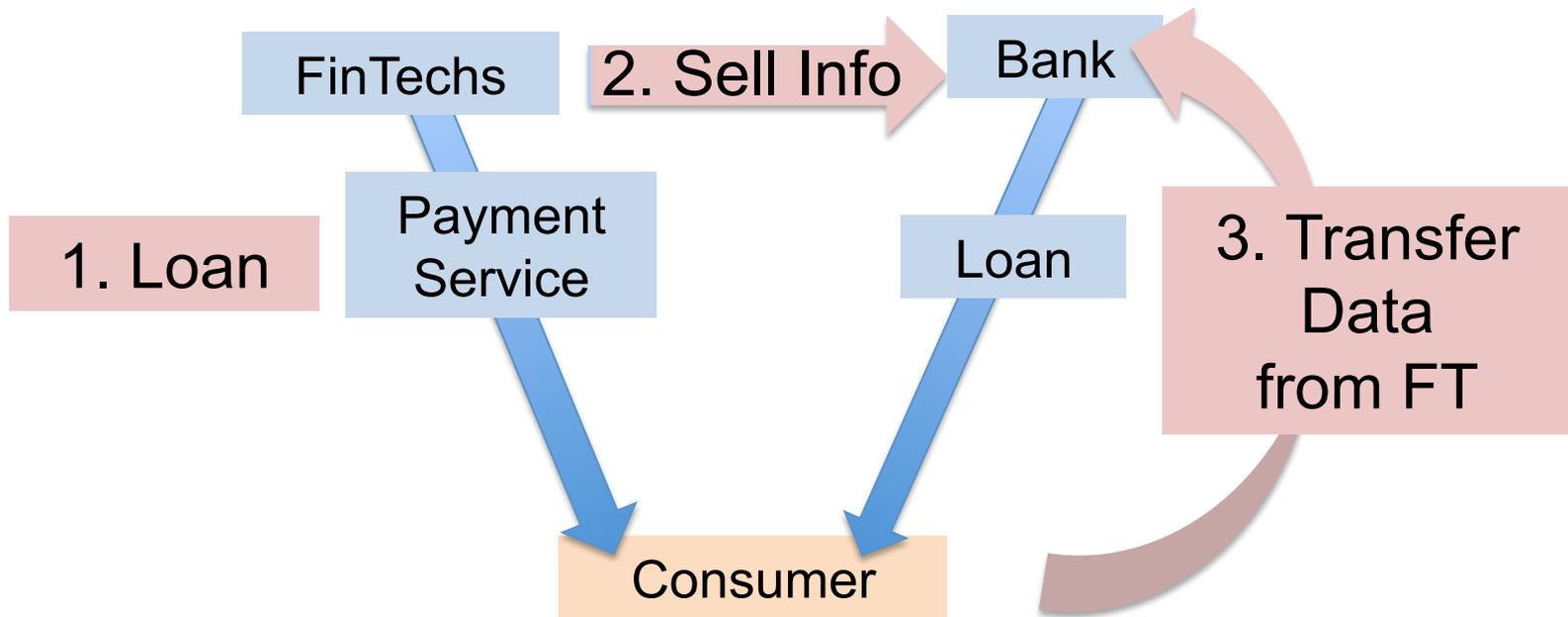
1. Price of payment service

- Affinity distribution and its hazard rate
- Is the residual demand more/less sensitive?
- Bank worse off, consumer surplus depends on affinity dist.

2. Loan

- Less data for the bank, lower quality of loan

Summary: Restoring Data Flow



- Loan quality highest
- Impact on CS unclear, but
 - Affinity distr. important!
 - Data portability could harm all consumers
 - Unraveling concern serious (↔ social media?)

What does the paper tell us?

- Trade-offs
 - Consumer welfare vs. Bank stability (loan quality)
 - High vs. Low affinity consumers
 - (Consumer surplus vs. Total surplus)
- Key objects
 - Bank affinity distribution (connection to empirics?)
 - Value of data for lenders and consumers
- Different regimes on a “data market”

Comments

- **Very interesting work!** Important trade-offs in a clean model
- Some specific assumptions, but general insights
 - Affinity distribution \Leftrightarrow impact of competition
 - Unraveling
- **Which regime should we adopt?**
 - Data sales & FinTech lending: Competition for data works
 - Difference b/w welfare increasing vs. decreasing information?
 - Does the size of Δ_{S_ℓ} or Δ_π matter?

Advantage of FinTech?

- Already have data on consumers (e.g., social media)
 - Substitutes: Data sales same as data portability?
 - Complements: Stronger competition to get payment data
 - Hard vs. soft info (Vives 2020)
- More capable of analyzing data
- Network externalities on nonfinancial services
 - Market power from nonfinancial to financial services?
(e.g., bundling)
 - Does competition between FinTech firms hold in the long run?
- Bank affinity distribution will remain important!