Biden administration expected to prioritize digital ID and tighten fintech regulations

Colorado first state in nation with law enforcement accepting mobile driver's licenses

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Katya Pivcevic

U.S. President-elect Joe Biden will be coming into office amid a rapidly changing outlook for fintech, digital identity, and AI, and is expected to introduce stricter measures surrounding finance regulatory regimes, states an article by Roll Call. The new administration will also prioritize digital identity creation with the goal of modernizing public services.

Creating a secure digital identity will also be made a priority for the administration, and this could modernize public services such as health care, government assistance and licensing. Legislation intended to improve the state of digital ID in the country is currently before Congress.

Fintechs have also been gaining attention throughout the pandemic through their development of innovative financial solutions. Under Biden, financial services issues will be prioritized, if they intersect with economic access and fairness, says Isaac Boltansky, director of policy research for Compass Point Research and Trading. Boltansky acknowledges that there is a space for fintechs in the market, following the difficulties which the government has faced in making payments to people during the pandemic. Rep. Bill Foster of the House Financial Services Committee Task Force on Artificial Intelligence, one of the authors of the above bill, supports the view that fintechs present a realistic opportunity to deal with the inequality in wealth across the country.

Yet fintechs built on regulatory arbitrage (for example digital assets that replicate derivatives or corporate securities) will likely face new restrictions.

Robert Hockett, a professor at Cornell University Law School states that a major part of the fintech sector currently revolves around working through loopholes in the finance regulatory regime. Hockett predicts that Biden's administration will address the current way in which fintechs are exploiting these loopholes. This could include a "revival of anti-fraud regulations, financial regulation and tech regulation," says Hockett.

To clarify what exactly this entails, the Chamber of Digital Commerce will request transparency from the administration on how digital assets should be managed by financial institutions, says Amy Kim, CPO of the Chamber.

Regarding concerns within financial services, there is hope that both parties will be able to work together for an agreement on data privacy and an ownership framework. Rep. French Hill, a Republican on the House Financial Services committee, states that in order for digital financial services to be effective, they must incorporate such an agreement.

Foster further mentions that establishing a U.S. digital dollar will be a top priority. Other countries are digitalizing their own currencies, and the U.S. plans to take a collaborative, international approach. However, there may be disagreements on the structure of the currency; using traditional cryptocurrency formatting has been suggested; and the idea 'digital wallet' and a free, no-fee bank account with the Federal Reserve has been supported. A bill introduced this year by the Senate Banking Committee allows creation of digital wallets for U.S. residents, citizens and businesses. This bill took inspiration from "FedAccounts" an idea proposed by several university professors from across the country.

Diego Zuluaga of the Cato Institute says that the new administration may also "delay the greater use of artificial intelligence" through stricter regulations, for example on credit applications. Therefore, using AI in making credit decisions could be a possibility in the future.

Meanwhile at the state level, digital ID has reached a significant milestone.

Colorado State Patrol announces acceptance of mDLs

The state of Colorado already accepts mobile Digital IDs for purchasing alcohol and marijuana, but now, a Digital ID will be valid in traffic stops by troopers too, Colorado State Patrol announced. NBC affiliate 9News reports it is the first state to generate a downloadable ID which is accepted by law enforcement.

The identity verification is provided by Ping Identity through seamless registration, multi-factor authentication and image verification to secure Colorado resident's data. The ID, which includes proof of age, address, vehicle registration and proof of insurance, can be downloaded via the myColorado app on a smartphone, and already more than 75,000 Coloradans have done so. Furthermore, this ID may be used with over 300 businesses and state agencies, including bars and restaurants who have joined the myColorado Partner Program.

Particularly relevant during the pandemic, it means CSP troopers will need to spend less time on the road handling physical IDs and exposing themselves to the virus. Full adoption will be completed by December 31, 2020 and will soon allow for cross-jurisdictional use throughout Colorado.