

THE FINTECH TIMES

Fintechs Optimistic About Biden Presidency Amid Increased Focus on Industry

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*Analysis from **The Fintech Times** shows that fintechs in the US are optimistic about a **Joe Biden** presidency, believing it will likely usher in favourable policy changes amid an environment in which US officials have become circumspect about the increased size and power of fintech companies.*

Some believe there could even be a relaxation of rules for fintechs, which at present are restrictive in terms of payments and lending.

Pro-fintech policies under Biden

One fintech executive points to a relaxation on immigration rules and granting consumers greater control of their data as two policy areas Biden will shift towards.

Alexandra Roddy, CMO at **Zafin**, the Canadian fintech which has offices in the US, adds: “There are big differences between Biden and Trump in their posture toward tech.

“In general, Biden is inclined towards greater government investment and involvement combined with policies and oversight designed to protect the public interest.”

Current anti-fintech environment

But not everyone thinks the Biden era will be fintech friendly, pointing out that the growth of US fintech companies -which are spreading their tentacles into more areas of finance -has put them on the radar of US officials.

For example, the Department of Justice has recently launched an antitrust lawsuit to block **Visa**’s \$5.3bn (£4bn) purchase of **Plaid**, the API provider that links bank accounts to apps and other financial services. This follows recent US lawsuits against the likes of **Google** and **Apple**.

Scott Talbott, senior vice president, government relations, **Electronic Transactions Association**, said: “We can expect a shift away from tech.

“In general, **President Trump** was once described as being more pro-tech where president-elect Biden is expected to be less pro-tech and some in his circle might even be against tech.”

“Part of the shift against tech is not necessarily from president-elect Biden himself. It is the current environment that even some Republications are pursuing.”

Fintechs backed Biden with funding

One measure of US fintechs appetite for a Biden presidency can be seen by campaign donations.

For example, according to the policy website **Roll Call**, big-ticket fintechs gave more campaign donations to Biden compared to the Trump campaign.

As of September, it pointed to **PayPal** employees and affiliates giving \$263,300 (£199,600) across all federal races, including \$34,400 (£26,100) for Biden and \$5,100 (£3,865) for Trump.

The likes of **Intuit**, **Square** and **Stripe** all gave donations with similar margins favouring Biden while JPMorgan Chase & Co affiliates offered considerably more financial support to Biden, \$255,7000 (£193,800), compared to Trump, \$77,500 (£58,762).

Key appointments crucial

One key question is who will lead key bodies and US finance regulators, including the Consumer Financial Protection Bureau, the Federal Reserve, the Federal Trade Commission and the Office of the Comptroller of the Currency.

The president gets to appoint heads of many key finance bodies, which help set policy. Whoever Biden picks as secretary of treasury will have an important influence on who takes up these positions.

But many of these appointments have to be approved by the Senate, which the Republicans are confident of keeping hold of although the result has yet to be decided. Holding the Senate would give Republicans a buffer against Democratic policies.

Diego Zuluaga, an associate director of financial regulation studies at the Cato Institute's Centre for Monetary and Financial Alternatives, said the Republicans hanging on to the Senate would frustrate the Democrat's financial legislative changes.

He said: "This means that long-standing legislative changes in any policy area, but particularly in financial regulation, which is one where I think Democrats will feel that they want to intervene more, that those will be forestalled likely because there is going to be not the kind of consensus and broad majorities that Democrats expected."

Rise of Open Banking in the US, the digital dollar and payday lending

One area that is likely to have "enormous implications for fintech" under Biden is momentum behind Open Banking, adds Zuluaga. The Consumer Financial Protection Bureau recently issued a consultation to come up with rules in this area. This could put the US on a more standardised journey to Open Banking, similar to the UK, permitting fintechs to offer personal finance and payment tools via APIs to willing consumers.

Another potential fertile area for fintechs under Biden would be the arrival of digital dollars and central bank digital currencies. The calls for a tech upgrade to the central bank's issuing system – which Biden is said to be a fan of- has gained momentum during Covid-19. Its backers say that a

digitised currency would allow large sums of money to be quickly disbursed to people with varying access to banking services.

A further opportunity for fintech may be in the Democrats being more interventionist in clamping down on payday lenders, with fintechs offering alternative, more consumer-friendly short-term loans.

Public credit reporting agency bad news for fintech

One Democrat initiative which could potentially spell bad news for fintechs is the creation of a public credit reporting agency.

The idea behind a government-supported public credit reporting agency would be to ensure that credit scoring- which would factor in rent payment and payment of utility bills- would be less discriminatory than it is now and minimise ethnic minority disparity. It would effectively compete against the likes of **Experian** and **TransUnion**.

“It would be bad news because a lot of fintechs have made it their value proposition to improve underwriting using data,” said Zuluaga. “If the government is going to take over that role and mandate as it were a utility credit scoring agency, that everyone has to use and underwrite under, then a lot of their value proposition declines.”

Biden on immigration

Immigration policy under Biden is likely to favour fintechs, Biden has pledged to reverse Trump’s hardline agenda on immigration and to banish Trump’s travel ban which led to accusations of racism.

He is also likely to do away with widespread restrictions on work and family-based visas that Trump brought in this year.

Fintechs, financial service providers and mortgage experts give their view on a Biden presidency

Sipho Simela, head of mortgage strategy at **Ocrolus**, the New York-based fintech, said: “Following the results of the election, a massive change could be on the horizon for mortgage lending best practices. We could see an environment where the overall supply of loans could increase.

“A new administration could mean an increased focus on reducing the bias surrounding lending practices. We could see financial institutions start to prioritize implementing technology that helps reduce bias in lending decisions in order to avoid being penalized for unfair practices.”

Paul Fredrick, financial services and insurance manager, **Hyland**, the software company said: “It is still too early to say if a Biden administration will have a large impact on consumer data security. Biden has not prioritized speaking to consumer data security in speeches or proposed policy as of yet. Currently, I think that data security is being taken more seriously on a state level as we have seen with California.

“However, within a few years, I think we will start to see data privacy laws roll up to a federal level. When data privacy laws do move towards being federally mandated, it will be important for financial institutions to harness fintech solutions to secure data and comply with data regulations.”

Laurie Ehrbar, CMO at **Bizagi**, a UK-headquartered software company with US offices, said: “While President Trump has spent the last four years limiting skilled worker visas, Biden has taken a stand to revoke limits that could help reduce the tech talent shortage in the fintech space.

“Most fintechs want financial inclusion, and under a Biden presidency, we’re hopeful that this will become a reality.”

Erin Bruehl, director of communications, **Current**, the US challenger bank whose customers are the millions who live paycheck to paycheck, said Current was “pretty aligned policy-wise” to a Biden presidency. Bruehl pointed to the likelihood of a rise in the minimum wage level which would “extremely beneficial” to Current’s customers.