

Press release

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FSB report considers financial stability implications of BigTech in finance in emerging market and developing economies

The Financial Stability Board (FSB) today published a [report about market developments and financial stability implications from the provision of financial services by BigTech firms in emerging market and developing economies \(EMDEs\)](#). The report is being delivered to G20 Finance Ministers and Central Bank Governors for their virtual meeting on 14 October.

The report finds that the expansion of BigTech firms in financial services in EMDEs has generally been more rapid and broad-based than that in advanced economies. Lower levels of financial inclusion in EMDEs create a source of demand for BigTech firms' services, particularly amongst low-income populations and in rural areas where populations are under-served by traditional financial institutions. The supply of financial services by BigTech firms in EMDEs has been supported by the increasing availability of mobile phones and internet access. Such technology – along with the data it generates and the flow of such data across borders – allows these firms to reach customers who were previously under-served, for example due to their lack of credit history. BigTech firms also make lending decisions based on novel sources of customer data, including from their core technology businesses.

The expansion of BigTech firms in EMDEs has had benefits but can also give rise to risks and vulnerabilities. Use of technology has increased the efficiency with which financial services are provided. It has also given rise to financial services that can be cheaper, more convenient, and tailored to users' needs, thereby offering opportunities to improve consumer welfare and support financial stability. However the expansion of BigTech activity also gives rise to operational and consumer protection risks and concerns about market dominance. Competition from BigTech firms may, in places, also reduce the profitability and resilience of incumbent financial institutions and lead to greater risk-taking.

The experience of some EMDEs demonstrates the positive role that strong regulation, supervision and other official-sector policy can play in supporting innovation in financial services and mitigating risks. Governments in some EMDEs have also driven the development of financial infrastructures and digital identity. In doing so, they have facilitated the growth of financial technology, including that employed by BigTech firms. The experience of EMDEs also underscores the need to apply the principle of 'same risk – same regulation' with respect to BigTech firms' activities, whilst tailoring regulatory frameworks to reflect the relative size and scope of those firms' activities. Financial authorities may also usefully contribute to the development of robust public policy and frameworks with respect to data governance, consumer protection and operational risk management.

Notes to editors

The report published today is part of the FSB's ongoing work to monitor market developments and assess the financial stability implications raised by FinTech. On 9 October the FSB published a report published a report on the use of supervisory (SupTech) and regulatory (RegTech) technology by FSB member authorities and regulated institutions.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.