

To FinTech and Beyond

Itay Goldstein



**Based on special issue of Review of Financial Studies
(joint with Wei Jiang and Andrew Karolyi)**

New York Fed Inaugural FinTech Conference

Why FinTech? And Why Now?

2

- Technology has always influenced the way the financial industry operates
- What is so special about the current FinTech revolution?
 - The pace at which new technologies are tested and introduced into finance is faster than ever before
 - Much of the change is happening from outside the financial industry, as young start-up firms and big established technology firms are attempting to disrupt the incumbents

Where is the Academic Research?

3

- In late 2016, there was very little academic research on this growing phenomenon
- The editors team of the Review of Financial Studies decided to make concerted editorial push to stimulate research on the topic
- We adopted a novel editorial protocol based on the “Registered Reports” format; Shifting risk from the researchers to the journal
- We received 156 proposal submissions, leading to a forthcoming special issue with 10 papers

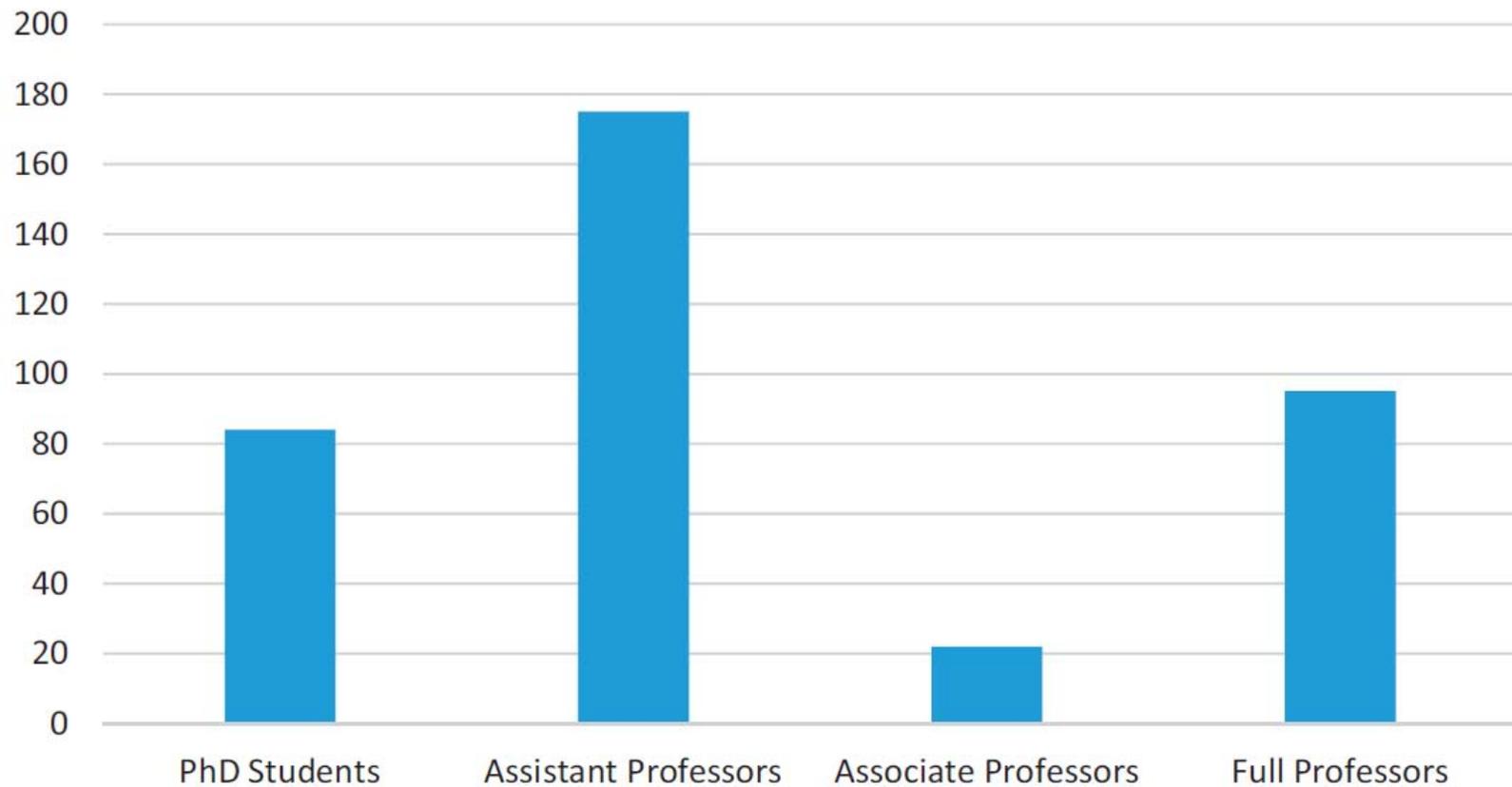
Novel Editorial Process: Registered Reports

4



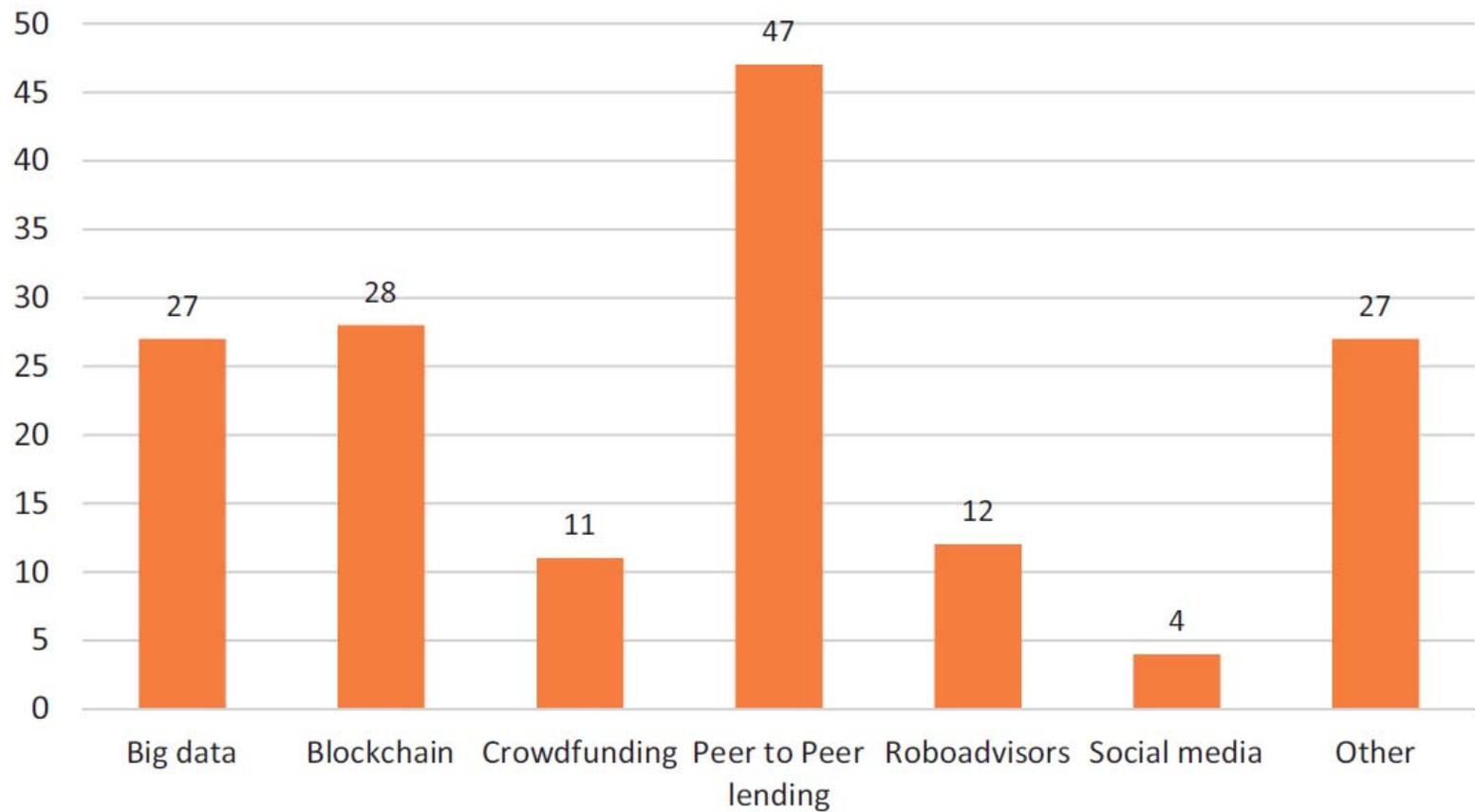
Distribution of Authors

5



Submissions by Topic

7



The Forthcoming Special Issue

8

ISSN 0693-9454 (PRINT)
ISSN 1465-7368 (ONLINE)

The Review of Financial Studies

Volume 32 • Number 5 • May 2019

Special Issue: To FinTech and Beyond

Itay Goldstein, Wei Jiang, and G. Andrew Karolyi, editors

To FinTech and Beyond

Itay Goldstein, Wei Jiang, and G. Andrew Karolyi

The Blockchain Folk Theorem

Bruno Biais, Christophe Bisière, Matthieu Bouvard, and Catherine Casamatta

Blockchain-Based Settlement for Asset Trading

Jonathan Chiu and Thorsten V. Koepl

Blockchain Disruption and Smart Contracts

Lin William Cong and Zhiguo He

Sex, Drugs, and Bitcoin: How Much Illegal Activity is Financed through Cryptocurrencies?

Sean Foley, Jonathan R. Karlson, and Tālis J. Putniņš

The Role of Technology in Mortgage Lending

Andreas Fuster, Matthew Plosser, Philipp Schnabl, James Vickery

Peer-to-Peer Lenders Versus Banks: Substitutes or Complements?

Huan Tang

Marketplace Lending: A New Banking Paradigm?

Boris Vallée and Yao Zeng

The Promises and Pitfalls of Robo-Advising

Francesco D'Acurto, Nagpuranand Prabhala, and Alberto G. Rossi

Big Data as a Governance Mechanism

Christina Zhu

How Valuable Is FinTech Innovation?

Mark A. Chen, Qinxu Wu, and Baozhong Yang

Published on behalf of The Society for Financial Studies
<https://academic.oup.com/rfs>

OXFORD
UNIVERSITY PRESS

The Forthcoming Special Issue – Cont'd

9

- 10 papers (plus an editorial) constitute FinTech special issue:
 - Four papers on blockchains
 - Four papers on how technology disrupts services
 - ✦ Three papers on on-line lending and P2P
 - ✦ One paper on roboadvising
 - Two papers on big data
 - ✦ One paper on FinTech patenting, innovation
 - ✦ One using big data as governance mechanism

Some Lessons for the Future of Research in FinTech

10

- **Balancing theory and empirical work**
 - Abundant sources of data are great for empirical work but theory is needed to understand new market mechanisms
- **International dimensions**
 - Frontier of FinTech activity is happening outside the US, which is an opportunity to expand the boundaries of research
- **Interdisciplinary collaborations**
 - The nature of the questions being analyzed lends itself to collaborations between financial economists, computer scientists, lawyers, etc.
- **Links to existing research**
 - Keep in mind that many of the phenomena we see now echo phenomena we have seen before, such as disruptions by shadow banks, information technologies, etc.

Some Lessons for the Future of Research in FinTech – Cont'd

11

- **Loss of trust in the current system**
 - A key trigger to the breakthroughs in FinTech was the loss of trust in current financial system, but it is not clear if new technologies will gain trust without the involvement of traditional players
- **Rightsizing regulation**
 - How should we regulate FinTech firms? Can we level the playing field between them and traditional financial institutions? Can we regulate by activity instead of by entity? What kind of risks emerge and what regulation do they imply (operating risk)?
- **A new market equilibrium**
 - What will be the new market equilibrium between traditional financial institutions and new entrants? Is there a happy co-existence? Will banks boost up their technology and continue to be dominant? What will banks do in the face of this existential threat?
- **Welfare matters**
 - Welfare analysis of the effect of FinTech is challenging, as we need to think about the financial sector, but also the end users, i.e., borrowers and lenders; more theoretical research is needed to help us understand welfare implications

Conclusion

12

- Exciting new area of research with lots of opportunities going forward
- Effects will be across all fields of finance and economics more broadly
- The special issue provides a first batch of research papers based on a novel editorial process
- It is an opportunity to take stock and think of directions for future research
- We look forward to seeing how the literature (and the financial industry) develop