Is Big Tech Taking Over Our Money?

FS Club Webinar 16/07/2024

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Why is the trend urgent TODAY?



Bylan Darby Microsoft is preparing to launch an online bank to give it control of consumers' purse strings along with their PCs. The company is talking to established banks to find a partner for the project, which may be launched with the brand name Easy Bank.

The bank will be introduced as part of the Microsoft Network (MSN) web service later this year. Microsoft currently offers a range of transactional elements on MSN, including a flight booking service called Expedia, available to UK and US consumers, a US car-buying service called CarPoint and a US estate agency service called Home Advisor.

Microsoft confirmed that it



dominant market position, is committed to expanding its range of online services. Bill Gates, chairman and CEO of Microsoft, recently said that it was in the process of unifying its web site activity around the MSN brand. In an ddress to shareholders last September, he said: "Our strategy is to break down the barriers between online and offline products and services. making it even simpler for our customers to experience the power of the internet." Online banking is a massive growth area in the US and h K. Around 300 banks offer an internet service in the US and five million US customers | a

Gates: committed to offering a wider range of services via the internet

is in talks with financial instigoing on with some banks to Tesco, which have set up access bank accounts via the tutions to back an online link with their services." brands backed by the Bank of web. Datamonitor figures h banking venture. Richard Microsoft's relationship Scotland and Royal Bank of suggest that there are 450,000 er Horsfield, Microsoft's indus- with a banking partner could Scotland respectively. online banking customers in ot try manager for financial ser- be comparable to supermar- The software giant, cur- the UK but that this could Et vices, said: "There is work kets such as Sainsbury's and rently embroiled in a US anti-reach 2.5 million by 2002.



Multiple technological breakthroughs are reshaping market dynamics

by

demanding core competencies native to Big Tech

Tech giants are innovation powerhouses pushing banking into the digital age



Lower costs

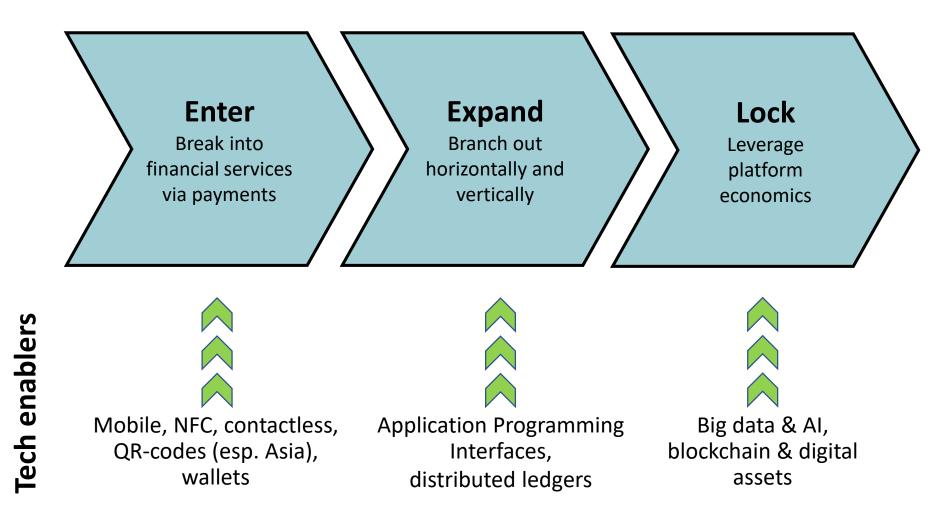
Boosted financial inclusion

Enhanced usability

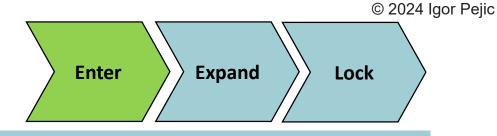
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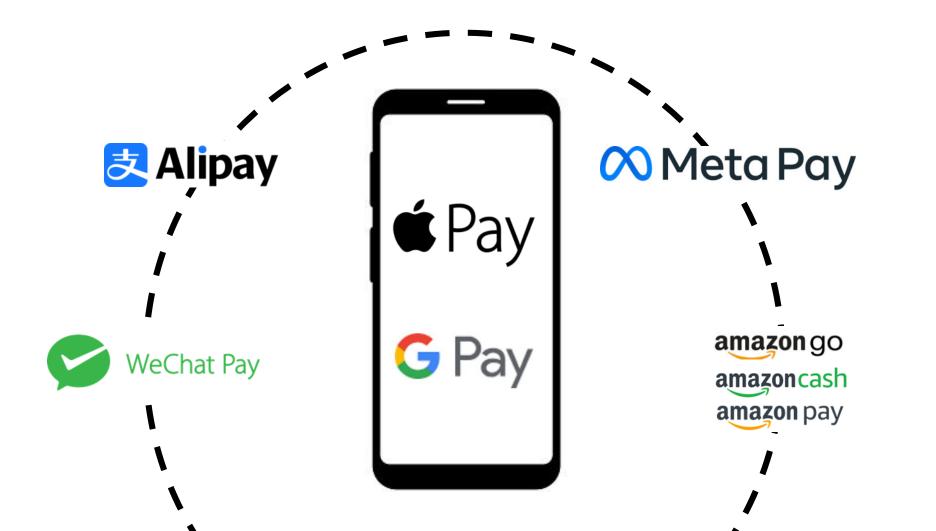
Today neither regulators nor banks are prepared to respond to Big Tech's initiatives.

The Big Tech strategy for financial services



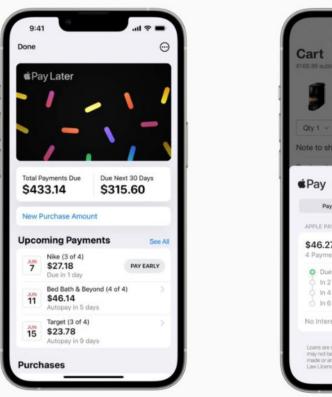
No tech giant without a payment initiative

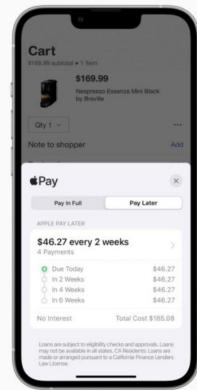




Lock

Apple Pay Later ventures into lending and cuts the banking partner





Apple performs the credit checks, risk management, and BNPL operations in-house

Expand

Enter

...while leveraging data from its eco-system

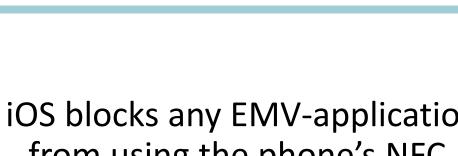
Discontinued (announced June 2024)

Other steps

Apple Card, Apple savings account (US), Connected Cards (UK), investment feature (US, abandoned)

Lock

Gatekeeper on the smartphone - Apple's NFC-chip



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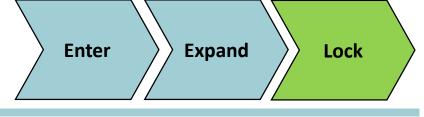


iOS blocks any EMV-application from using the phone's NFCchip

Expand

Legal challenges by banks (e.g. US) and laws mandating to open up the chip (e.g. Germany)

Libra/Diem – Facebook's failed attempt to mint its own money



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INSIDER

Facebook's plan to revolutionize how money works, and why companies and lawmakers are so worried about it, explained in 30 seconds

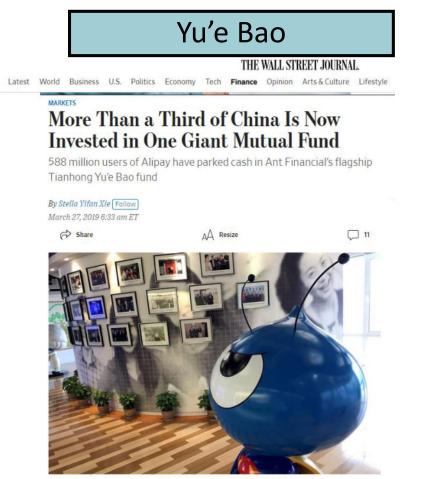
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Plan to issue a stablecoin pegged to a basket of currencies

Seeking to run the settlement, asset, and gateway layer

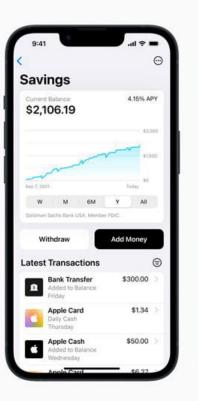
Big bang launches and speed-to-scale



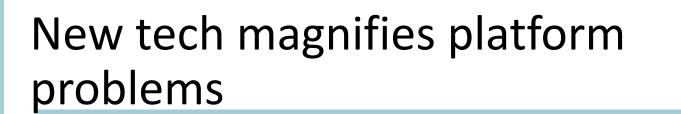
An Ant Financial mascot is seen at its office in Hangzhou. PHOTO: JOHN RUWITCH/REUTERS

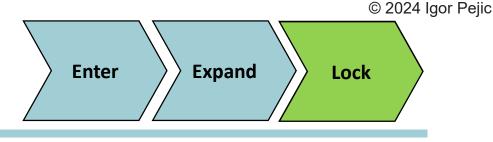
Source pictures: https://www.wsj.com/articles/more-than-a-third-of-china-is-now-invested-in-one-giant-mutual-fund-11553682785 https://www.apple.com/newsroom/2023/04/apple-cards-new-high-yield-savings-account-is-now-available-offering-a-4-point-15-percent-apy/

Apple Savings Account









Finance tomorrow

Multi-asset world Increasing asset interconnectedness

Scale advantages on big data & AI

fosters

Monopolistic tendencies Systemic risks Margin pressure for banks



Regulators must **level the playing-field** for all actor groups to **safeguard an efficient market**

How to level the playing field and contain risk

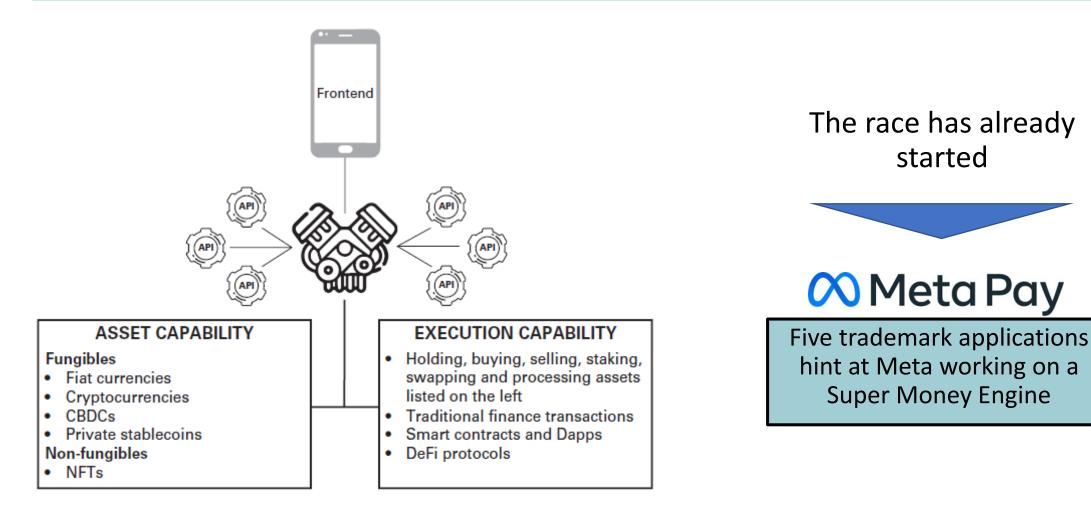
- 1. Prevent Big Tech from abusing gatekeeper function (e.g. NFC-chip, mobile OS)
- 2. Designate Big Tech as Nonbank Systemically Important Financial Institutions ("SIFI")

Hybrid-approach: Entity-based + activity-based approach

➢Advocated by IMF, FSB, and BIS

- 3. Implement tight controls of Big Tech launching stablecoins pegged to fiat or other TradFi assets
- 4. Ensure that licensed banks are allowed to engage in the same digital asset and DeFi activities as non-licensed entities

TradFi and DeFi assets merging in Super Money Engines



Read more about how Big Tech will disrupt banking

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(by Kogan Page)

IGOR PEJIC BIG TECH IN FINANCE

HOW TO PREVAIL IN THE AGE OF BLOCKCHAIN, DIGITAL CURRENCIES AND WEB3

Available here:

https://amzn.to/3VLGPtK

Watch the market closely, regularly





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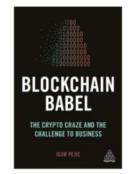


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Big Tech in Finance

(Kogan Page, May 2023)



Blockchain Babel

(Kogan Page, March 2019)

