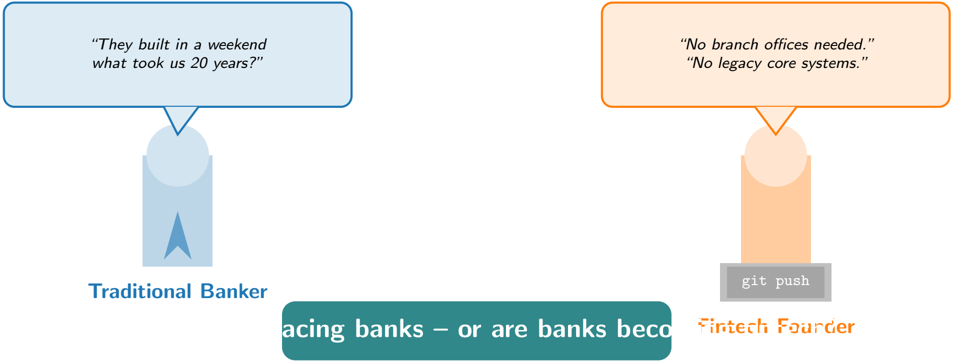
Why This Matters: Two Worlds Collide



Core tension: Technology is reshaping finance faster than any force since the printing press.

The Fintech in Your Pocket

A 90-Second Personal Audit

Think about the last 48 hours. How many financial transactions did you make?

How many involved a **traditional bank branch**?

Now open your phone. Count the apps that *touch your money*:

- **Banking** – current account, savings
- **Payments** – contactless, P2P, wallets
- **Investment** – robo-advisor, brokerage
- **Insurance** – on-demand, auto, health
- **Lending** – BNPL, credit line, mortgage
- **Budgeting** – spending analytics, alerts

Quick Exercise – Bring Your Count to the Discussion

For each app: is it from a **traditional bank**, a **fintech startup**, or a **big tech company**?
Typical MSc student: **5–10 financial apps** – and most are *not* from their bank.

This exercise recurs in L02 (Fintech Ecosystem). The pattern you notice today will deepen throughout the course.

Traditional Bank vs. Fintech: Five Dimensions

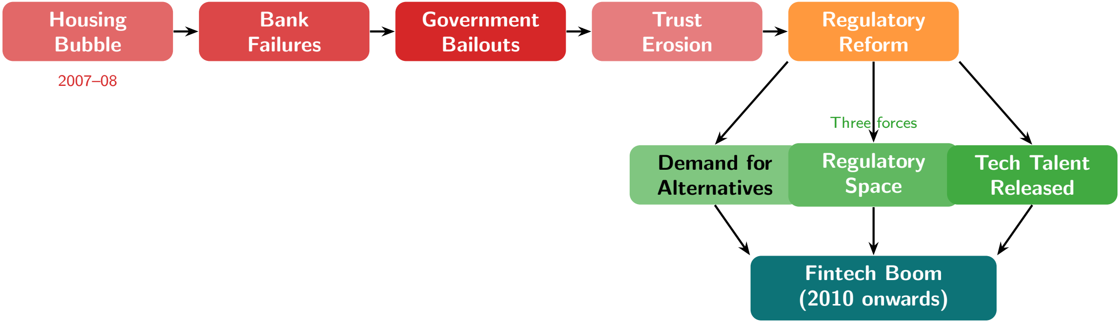
Dimension	Traditional Bank	Fintech Startup
Speed to market	Months to years (legacy IT, sign-off cycles)	Days to weeks (agile, cloud-nativ
Cost structure	High fixed costs (branches, compliance staff)	Low marginal cost (software scal
Customer experience	Consistent but often friction-heavy	Mobile-first, instant, highly perso
Regulatory position	Fully licensed, supervised, deposit-insured	Often operating under exemptio
Trust & resilience	Deep institutional trust, proven resilience	Trust must be earned; failure rat

The Strategic Insight

Neither side holds all the advantages. The most powerful fintech products *combine* bank-grade trust and licence with fintech-grade speed and experience.

The *unbundling thesis*: fintech companies attack the most profitable or least efficient slice of each dimension.

The 2008 Crisis: A Catalyst, Not a Cause



The crisis did **not** cause fintech – it removed the barriers (trust, regulation, talent) that had held fintech back for a decade.

By 2010, consumer trust in banks had fallen to historic lows in the US, UK, and Eurozone – creating demand for alternatives.

How Banks and Fintechs Work Together: Four Models

Partnership	Acquisition	White-Label / BaaS	Open Banking / API
Bank + Fintech co-create a product	Bank buys fintech outright	Fintech builds; bank brands the product	Regulator mandates data sharing via API
Fast. Less control.	*Full control. Expensive.*	*Scalable. Invisible.*	*Ecosystem play.*
Control: ★★★	**Control:** ★★★★★	**Speed:** ★★★★	**Openness:** ★★★★★

⟵ **More Bank Control** | **More Fintech Freedom** ⟶

Most large banks use **multiple models simultaneously** – partnering in payments, acquiring in lending, white-labelling for compliance infrastructure.

PSD2 (EU 2018) made open banking mandatory, turning the bank's data moat into a shared resource for all authorised third parties.

bIllustrative Adoption Score (0–10) ,

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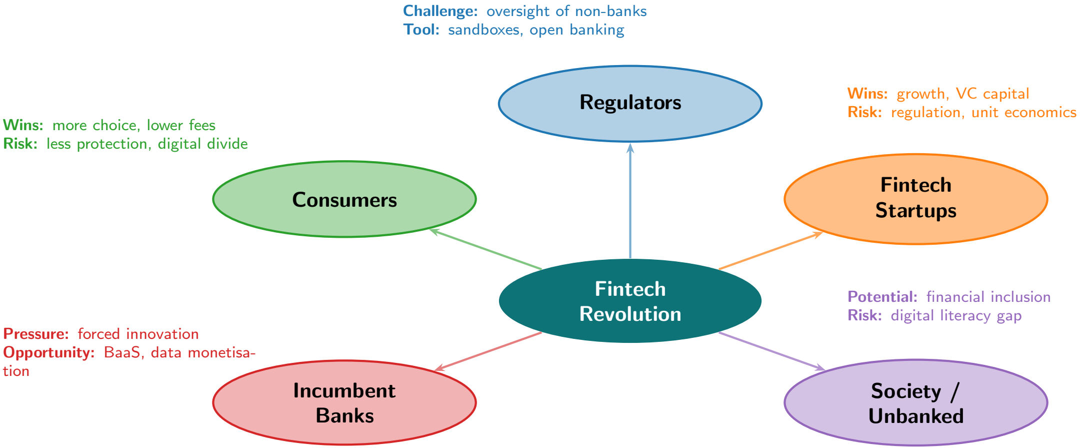
Mobile Payments, Digital Lending, Neobanks, InsurTech

Conceptual adoption levels – illustrative comparison only. Asia-Pacific leads in mobile payments; Europe in neobanks; North America in digital lending.

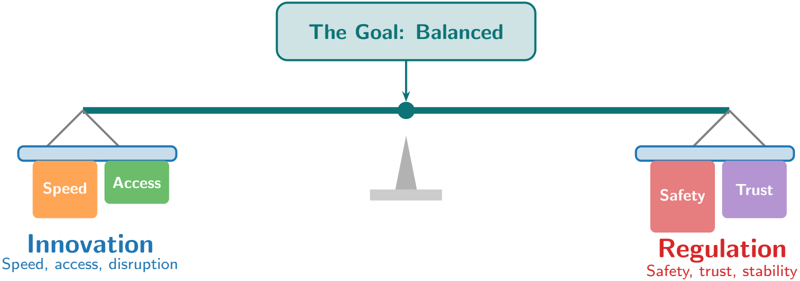
The “leapfrog effect”: regions with weak traditional banking infrastructure often adopt fintech faster (M-Pesa, Alipay, PIX are non-Western innovations).

Who Wins, Who Loses? A Stakeholder Map



Fintech is not zero-sum: consumers and institutions can both benefit – but the gains are not evenly distributed across the stakeholder map.

The Central Tension: Innovation vs. Regulation



The governance question: "Innovation without consumer protection is risk transfer from institutions to individuals." This course gives you the frameworks to evaluate *both sides of the scale*.

Each lecture in this course adds evidence. By L07 you will be able to place any fintech innovation on this scale and defend the placement.

Act: Evaluate Any Fintech in Five Questions

The Fintech Evaluation Framework

1. **Who is the customer?**
   Consumer, SME, enterprise, or another fintech?
2. **What value-chain layer does it attack?**
   Origination, distribution, servicing, or infrastructure?
3. **How does it make money?**
   Fees, subscription, data monetisation, or interest float?
4. **What is its regulatory position?**
   Licensed, white-labelled, or operating in a gap?
5. **Does it create or capture value?**
   New markets (inclusion) or share from incumbents?

Try It Now

Pick **one** financial app on your phone.

Work through the five questions.

Is the app from a:

- Traditional bank?
- Fintech startup?
- Big tech platform?

What does your answer reveal about the **collaboration model** in use?

Next Lecture

L02 – Fintech Ecosystem
Growth drivers, financial inclusion, trust, and behavioural dimensions.
11:30 today – bring your app count!

These five questions work for any fintech – in the news, in a VC pitch, or in your career. You will use this framework in the Workshop C evaluation exercise on