

Fintech Foundations and Overview

Core Concepts (10 Slides)

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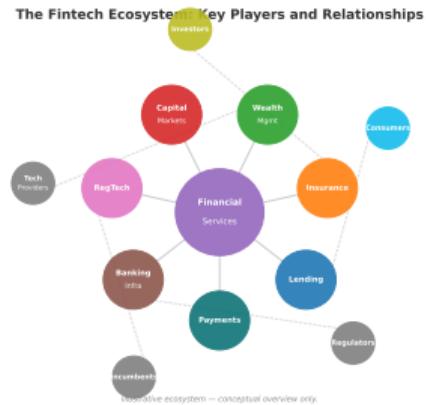
Welcome to Financial Technology

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This course examines how technology is transforming every corner of financial services — from payments and lending to insurance and wealth management.

This first lecture establishes the foundation:

- What fintech **is**
- Where it **came from**
- Where it **is going**



By the end of this lecture you will have a framework for understanding every topic in the rest of the course.

What Is Fintech? Definitions Across Perspectives

Perspective	Definition Focus
Academic	Technology-enabled financial innovation
Industry	Companies using tech to improve financial services
Regulatory	New entrants requiring new oversight frameworks
Consumer	Faster, cheaper, more accessible financial products

Notice: every definition emphasizes a different stakeholder.

Academics see *innovation*. Industry sees *competition*. Regulators see *risk*. Consumers see *convenience*.

Fintech is all four simultaneously.

Working Definition

Fintech is not a product — it is a force that reshapes how financial services are created, delivered, and consumed.

Before 2008 — The Trust Assumption

Before the crisis, the banking landscape was stable and predictable:

- High trust in institutions
- Limited alternatives for consumers
- Regulatory frameworks designed for incumbents
- Innovation happened *inside* banks, not outside

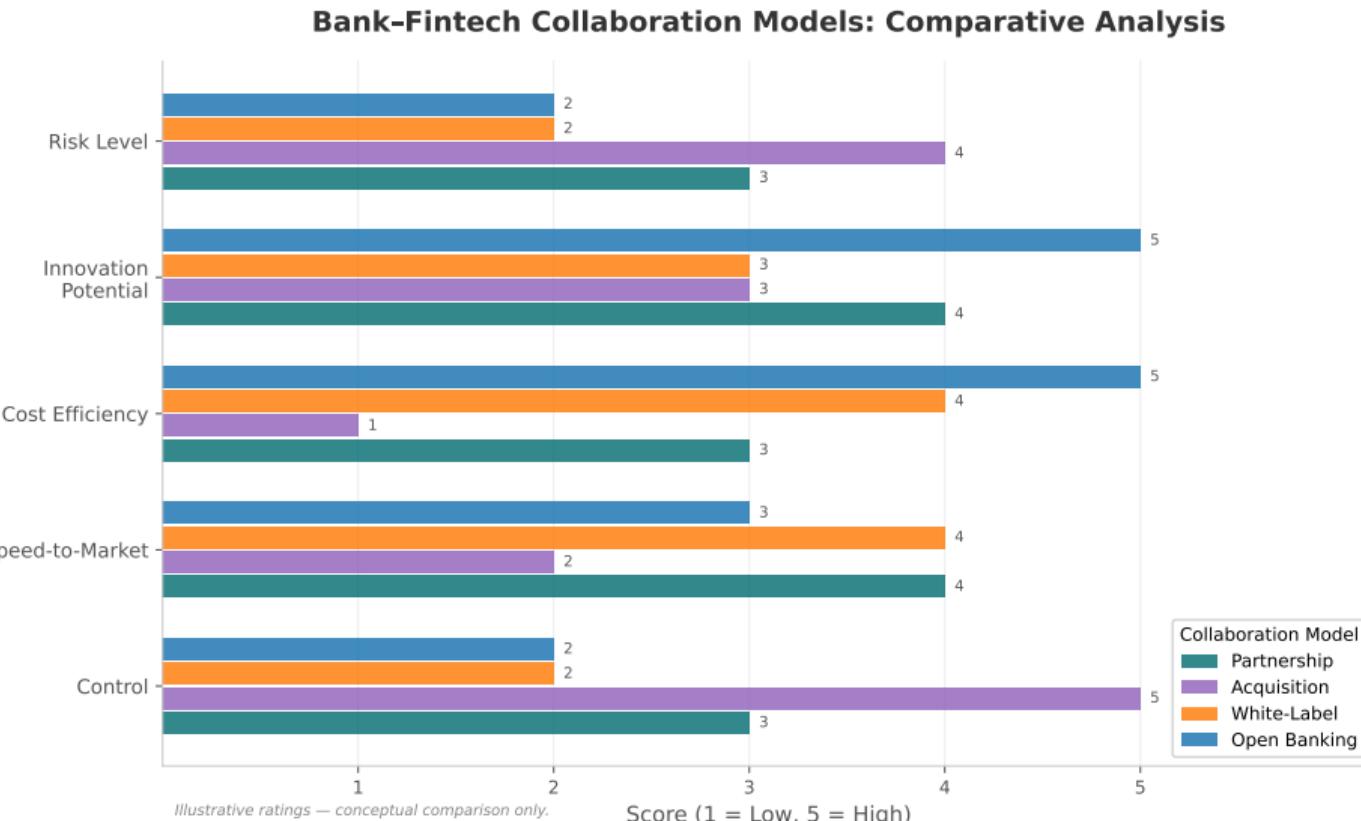
Banks were the only game in town. Consumers trusted them by default. Regulation protected them from competition. Innovation meant a new savings product, not a new business model.

Key Insight

Trust in banks was not earned — it was **assumed**. The crisis exposed the assumption.

In 2007, over 80% of consumers in developed markets expressed high trust in their primary bank.

The Collaboration Spectrum — From Competition to Partnership



When Fintech Fails — Common Failure Modes

- ① **Regulatory risk** — Operating without adequate licenses; crossing jurisdictional boundaries without authorization.
- ② **Trust risk** — Data breaches; lack of deposit insurance; unclear complaint resolution pathways.
- ③ **Scalability risk** — Customer acquisition costs exceed lifetime value; unit economics never work at scale.
- ④ **Systemic risk** — Fintech becomes “too connected to fail”; concentration in a small number of cloud providers.

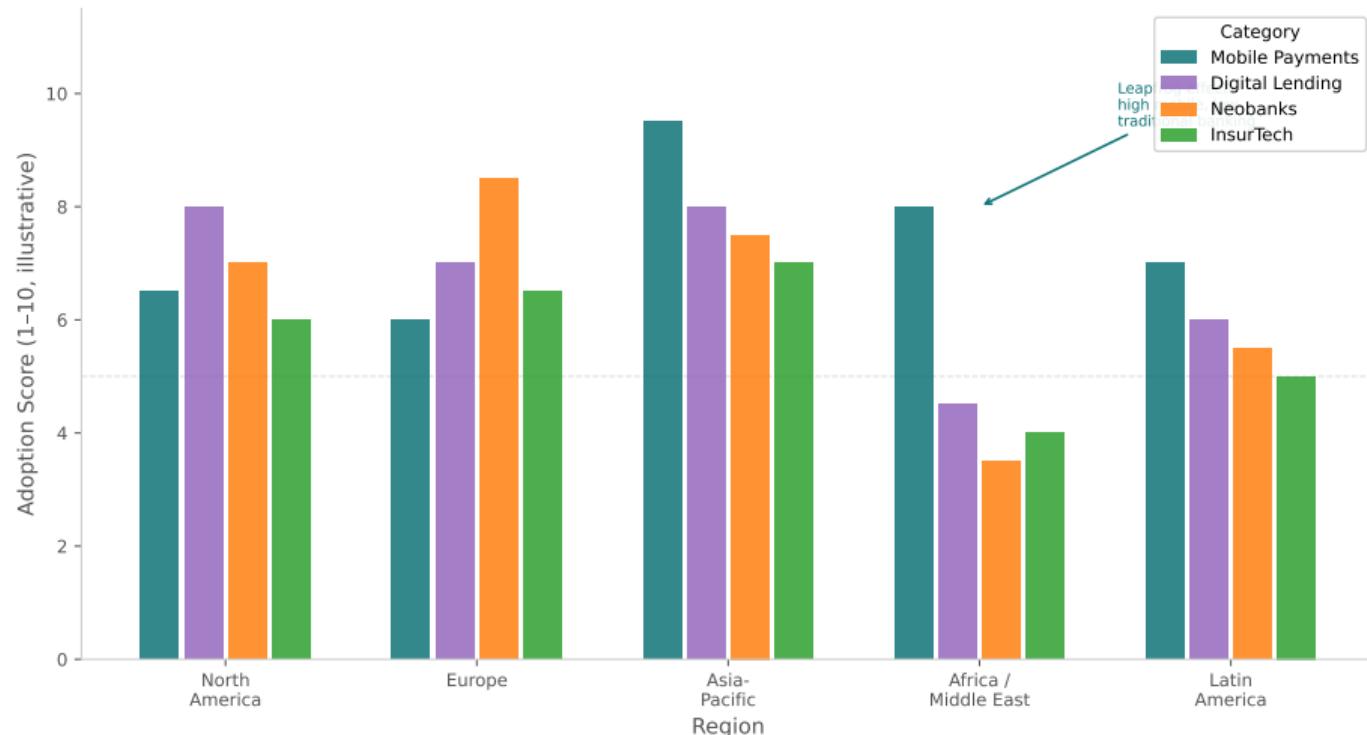
The Bigger Question

Fintech disruption is not risk-free. The question is whether fintech creates *new risks* or merely redistributes old ones.

See L04 (RegTech and Fintech Regulation) for detailed analysis of regulatory failure modes.

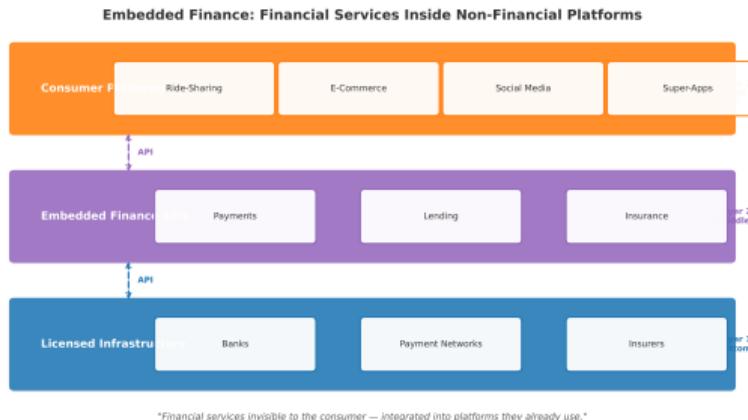
Fintech Around the World — Regional Patterns

Illustrative Fintech Adoption by Region and Category



Conceptual adoption levels — illustrative comparison. Not actual survey or market data.

Stakeholder Impact Analysis



- **Consumers:** More choice, lower fees — but less protection
- **Banks:** Competitive pressure, forced innovation, potential disintermediation
- **Regulators:** New oversight challenges, innovation vs. stability trade-off
- **Fintechs:** Growth opportunity — but funding cycles and regulatory uncertainty
- **Society:** Financial inclusion gains — but digital divide risks

Not Zero-Sum

Fintech is not zero-sum. Both consumers and institutions can benefit — but the benefits are not evenly distributed.

Five Questions That Reveal Any Fintech's True Strategy

① Who is the customer?

Consumer, SME, enterprise, or another fintech?

② What part of the value chain does it attack?

Origination, distribution, servicing, or infrastructure?

③ How does it make money?

Transaction fees, subscription, data monetization, or float?

④ What is its regulatory position?

Licensed, partnered, or operating in a gap?

⑤ Does it create or capture value?

Building new markets or taking share from incumbents?

Lecture 1: Key Concepts at a Glance

CONCEPT	ONE-SENTENCE SUMMARY
Fintech Definition	Technology-enabled innovation creating new financial products, processes, or business models.
Historical Evolution	From credit cards (1950s) through internet banking (1990s) to embedded finance (2020s).
Crisis Catalyst	The 2008 crisis eroded trust, opened regulatory space, and released talent for fintech.
Value Chain Unbundling	Fintechs attack specific banking layers (origination, distribution, servicing) not the whole bank.
Collaboration Models	Partnership, Acquisition, White-Label, Open Banking — each with distinct trade-offs.
Global Patterns	Adoption highest where traditional banking is weakest: the “leapfrog effect” (M-Pesa, PIX).
Evaluation Framework	Five questions: customer, value chain layer, revenue model, regulatory position, value creation.

Apply these concepts to evaluate any fintech company you encounter in this course.

Key Takeaways

- ① **Fintech defined:** Technology-enabled innovation that creates new financial products, processes, or business models.
- ② **Historical arc:** From credit cards (1950s) through online banking (1990s) to embedded finance (2020s) — each wave built on the last.
- ③ **Crisis catalyst:** The 2008 financial crisis eroded trust, opened regulatory space, and released talent — creating the conditions for fintech's explosive growth.
- ④ **Unbundling:** Fintech companies attack specific layers of the banking value chain, not the entire bank.
- ⑤ **Collaboration spectrum:** Banks and fintechs interact through partnership, acquisition, white-label, and open banking — each with distinct trade-offs.
- ⑥ **Global variation:** Fintech adoption is highest where traditional banking infrastructure is weakest (the leapfrog effect).
- ⑦ **Evaluation tool:** Five questions (customer, value chain, revenue model, regulatory position, value creation) reveal any fintech's true strategy.

Review question: Which collaboration model would you recommend for a mid-sized European bank entering mobile payments? Why?