

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**

The Fintech Ecosystem: Key Players and Relationships



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.

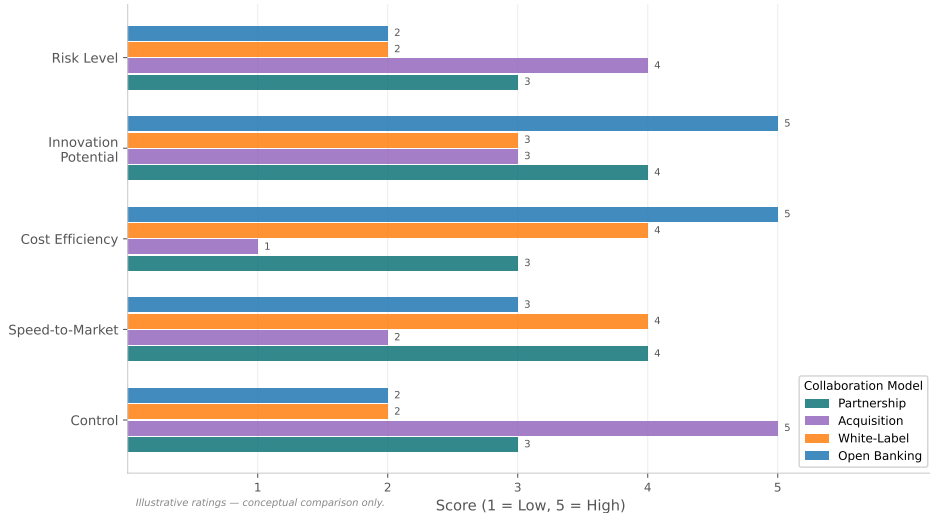
Key Insight

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

Bank-Fintech Collaboration Models: Comparative Analysis



When Fintech Fails — Common Failure Modes

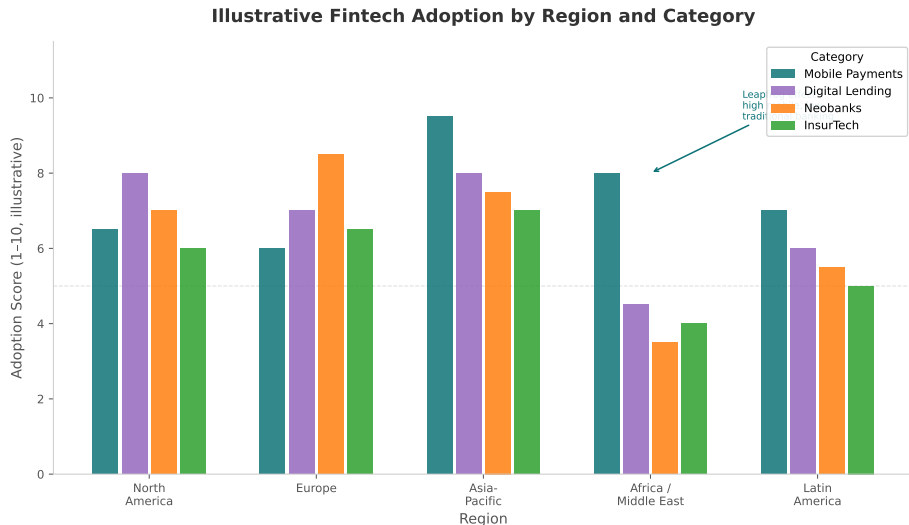
- ① **Regulatory risk** — Operating without adequate licenses; crossing jurisdictional boundaries without authorization.
- ② **Trust risk** — Data breaches; lack of deposit insurance; unclear complaint resolution pathways.
- ③ **Scalability risk** — Customer acquisition costs exceed lifetime value; unit 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

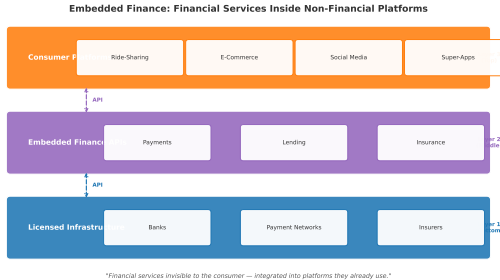
Fintech disruption is not risk-free. The question is whether fintech creates *new* risks or merely redistributes old ones.

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

Fintech Around the World — Regional Patterns



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

❶ Who is the customer?

Consumer, SME, enterprise, or another fintech?

❷ What part of the value chain does it attack?

Origination, distribution, servicing, or infrastructure?

❸ How does it make money?

Transaction fees, subscription, data monetization, or float?

❹ What is its regulatory position?

Licensed, partnered, or operating in a gap?

❺ 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

- ➊ **Fintech defined:** Technology-enabled innovation that creates new financial products, processes, or business models.
- ➋ **Historical arc:** From credit cards (1950s) through online banking (1990s) to embedded finance (2020s) — each wave built on the last.
- ➌ **Crisis catalyst:** The 2008 financial crisis eroded trust, opened regulatory space, and released talent — creating the conditions for fintech's explosive growth.
- ➍ **Unbundling:** Fintech companies attack specific layers of the banking value chain, not the entire bank.
- ➎ **Collaboration spectrum:** Banks and fintechs interact through partnership, acquisition, white-label, and open banking — each with distinct trade-offs.
- ➏ **Global variation:** Fintech adoption is highest where traditional banking infrastructure is weakest (the leapfrog effect).
- ➐ **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?