The Consumer Financial Protection Bureau (CFPB) has announced its intent to exercise a “dormant” authority granted to it under Dodd-Frank to expand the scope of the entities it supervises to nonbanks and fintechs. In a new insight, Director of Financial Services Policy Thomas Wade discusses how the lack of a unified approach to fintech oversight has created a turf war among relevant agencies. Wade argues that the CFPB is particularly ill-equipped to regulate fintechs due to its lack of knowledge, manpower, and resources—as well as its antipathy toward the entities it regulates.

Key points:

It is difficult to look at the murky policy underpinnings, enforcement excesses, and basic unconstitutionality of the CFPB and wish that there were more of it, and yet that is what we have been provided. While entirely within scope of the broad powers afforded to it by the Dodd-Frank Act, the CFPB’s attempt to extend its coverage to nonbanks indicates that it is keen to enter the tightly contested regulatory and supervisory airspace over fintechs. In a landscape where the remaining financial services regulatory agencies are limping along, the CFPB may get its way simply by virtue of haste, and this has enormous implications both for adding to an already bloated CFPB and strangling a nascent fintech industry in its cradle.

Read the analysis