North American Securities Administrators Association (NASAA)

FEBRUARY 2018 PULSE POLL:
Fintech
Methodology

• Survey timeframe
  • November 14, 2017 – December 14, 2017

• Audience
  • Survey was conducted internally among NASAA’s membership of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

• Respondents
  • 35 regulators from NASAA member organizations.

• Focus
  • NASAA administered the Pulse Poll to members to highlight members’ views on emerging issues in financial technology (fintech).
Key Findings

• **Millennials most at risk for fraud**: Regulators viewed Millennials as both most likely to use fintech products (84 percent) and also as most at risk of fraud from fintech products (41 percent). While Baby Boomers were viewed as least likely to use fintech, they were still viewed as the second most likely demographic group to be at risk of fintech fraud (37 percent).

• **Not all risks are created equal**: While all regulators viewed fintech at large as having a high (28 percent) or moderate (72 percent) chance of fraud, the risk varied widely by specific products with ICOs and cryptocurrencies being most commonly identified as high risk (94 percent) and robo-advising being least commonly identified as high risk (3 percent).

• **Fraudsters most knowledgeable**: More than half of regulators (56 percent) said they viewed fraudsters as the most knowledgeable about the risks of fintech, nearly all respondents felt that investors were the least knowledgeable about these risks (94 percent).

• **Fighting fintech fraud is getting harder**: Three-fourths of respondents (75 percent) felt that preventing fintech fraud is getting more difficult.
Fintech’s Impact on Investors

In your opinion, is the rapid evolution of fintech products and services a positive or negative development for investors?

![Bar chart showing the percentage of respondents' opinions on fintech's impact on investors. The chart includes the following data points:

- Too Soon to Tell: 46%
- Positive: 34%
- Negative: 20%]
Not all Risks are Created Equal

Fintech in General

![Risk of Fraud Graph]
Not all Risks are Created Equal

Cryptocurrencies/Initial Coin Offerings (ICOs)

Risk of Fraud

Percentage of Respondents

- High Risk of Fraud: 94%
- Moderate Risk of Fraud: 6%
- Low Risk of Fraud: 0%

NASAA
Not all Risks are Created Equal

Robo-Advising

Risk of Fraud

<table>
<thead>
<tr>
<th>Risk of Fraud</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Risk of Fraud</td>
<td>3</td>
</tr>
<tr>
<td>Moderate Risk of Fraud</td>
<td>66</td>
</tr>
<tr>
<td>Low Risk of Fraud</td>
<td>31</td>
</tr>
</tbody>
</table>
Not all Risks are Created Equal

Blockchain

![Risk of Fraud Chart]

- High Risk of Fraud: 39%
- Moderate Risk of Fraud: 58%
- Low Risk of Fraud: 3%

Percentage of Respondents
Not all Risks are Created Equal

Crowdfunding

Risk of Fraud

<table>
<thead>
<tr>
<th>Percentage of Respondents</th>
<th>High Risk of Fraud</th>
<th>Moderate Risk of Fraud</th>
<th>Low Risk of Fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>34</td>
<td>50</td>
<td>16</td>
</tr>
</tbody>
</table>
Demographics

Which generation do you feel is MOST LIKELY TO USE fintech in general?

Note: No respondents indicated that Baby Boomers or members of the Silent Generation were MOST LIKELY to use fintech.

Millennials: 18-34 years
Generation X: 35-50 years
Baby Boomers: 51-69 years
Silent Generation: 70 and older
Demographics

Which generation do you feel is MOST LIKELY TO FALL VICTIM to fintech fraud?

Note: No respondents indicated that members of the Silent Generation were MOST LIKELY TO FALL VICTIM to fintech fraud.

- **Millennials**: 18-34 years
- **Generation X**: 35-50 years
- **Baby Boomers**: 51-69 years
- **Silent Generation**: 70 and older

Percentage of Respondents:
- Millennials: 41
- Generation X: 37
- Baby Boomers: 22
- Silent Generation: None

Millennials: 18-34 years
Generation X: 35-50 years
Baby Boomers: 51-69 years
Silent Generation: 70 and older
Industry’s Role

Do you think industry currently is doing enough to mitigate fintech fraud?

- Yes: 3
- No: 97

Percentage of Respondents
In the Know

Who do you think currently is **MOST/LEAST KNOWLEDGEABLE** of the risks of fintech?

**Most Knowledgeable**
- Industry: 56
- Regulators: 38
- Investors: 6
- Fraudsters: 6

**Least Knowledgeable**
- Industry: 56
- Regulators: 6
- Investors: 94
- Fraudsters: 6
Detection and Prevention

Is it getting EASIER/HARDER to detect or prevent fraud in fintech?