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## Liability, Information, and Anti-Fraud Investment in a Layered Retail Payment Structure

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### Abstract


Motivated by recently introduced retail payment schemes using information technology, often called “FinTech,” we examine the effects of fraud liability regime and information accessibility on the incentive for the anti-fraud investment in a vertically separated payment scheme. When the payment service providers make their revenue from consumer fee, it is shown that the anti-fraud investment is made more by parties with liability, and the anti-fraud investment is socially sub-optimal. When the FinTech payment service provider (FPP) makes its revenue other than from consumer fee, the FPP liability regime leads to greater anti-fraud investment and lower accident probability, compared to the case in raising revenue from consumer fees. The effect under the IPP liability regime, however, is inconclusive. Finally, under certain conditions, the FPP’s information accessibility to the IPP’s transaction data can enhance the anti-fraud investment and welfare.

**Keywords:** Payment system, Fraud, Liability, FinTech

**JEL Classification:** G23, G28, D43, L22

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