



Deloitte.

Development, prospects and regulatory environment of FinTech

Tejas Damania, Southeast Asia Digital Director

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FinTech is “hot” and emerging as the 21st century finance

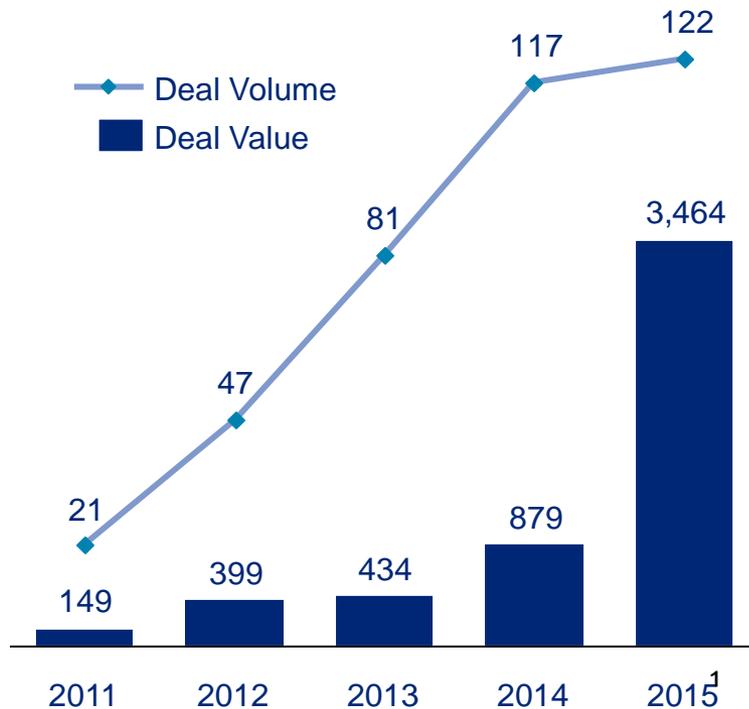
Ideas Changing the Financial Services Landscape	Products & Services	Major Players Making an Impact
Lending	<ul style="list-style-type: none"> Peer-to-peer lending , captive lending, crowdfunding, underwriter, and landing platforms 	
Payments	<ul style="list-style-type: none"> Payment processing, billing, and money transfer/ remittance platforms serving B2B and B2C customers 	
Digital Currency	<ul style="list-style-type: none"> Potential monetary medium of exchange that requires less processing time and lower fees for online transactions 	
Products & Services	<ul style="list-style-type: none"> Tools and services for financial institutions ranging from alternative trading systems to BPO, financial modeling and analysis software 	
Risk & Security	<ul style="list-style-type: none"> Cyber, compliance, and identity and transaction verification platforms and services 	
Wealth Management	<ul style="list-style-type: none"> Companies that help manage individuals manage their personal bills, accounts and/or credit as well as manage their personal assets and investments 	

Investment activity into FinTechs based in the Asia-Pacific region quadrupled in 2015, and the trend is set to continue

The amount of FinTech investments in APAC has been rapidly increasing over the past five years...

The trend is expected to continue going forward in APAC

**APAC FinTech Investment Volume and Value
2011 – 2015 (USD millions)**



¹ As of end Q3 2015

“Silicon Valley is coming.

There are hundreds of start-ups with a lot of brains and money working on various alternatives to traditional banking.”

- Jamie Dimon, JPMorgan Chase CEO

“All Asian countries have great potential for development of FinTech companies due to high population and deep penetration of low-cost smartphones”

- Vladislav S, Managing partner of VC Life SREDA

Advances in innovative technologies and need for alternative financial solutions for the private sector and individuals are fuelling the growth of FinTechs

Many incumbents from other financial centres are using the VC route to gain access to innovation in financial technology

Global financial institution	FinTech VC funds	Fund size (USD mm)	Country of fund	Year of Origin
Goldman Sachs	Goldman Sachs Strategic Investments	Undisclosed		Since 2009
JP Morgan	JP Morgan Asset Management and JP Morgan Strategic Investments	Undisclosed		Since 2009
Citigroup	Citi Ventures	Undisclosed		Jan 2010
SBERBANK	SBT Venture Capital	100		Dec 2012
BBVA	BBVA Venture	100		Jan 2013
Commerzbank	Commerz Ventures	Undisclosed		Jan 2014
Westpac	Reinventure	50		Mar 2014
HSBC	HSBC Fund	200		May 2014
Santander	Santander InnoVentures	100		July 2014
Capital One	Capital One Ventures	Undisclosed		Oct 2014
Prudential	Gibraltar Ventures	Undisclosed		Dec 2014
AXA	AXA Strategic Ventures	220		Feb 2015
NAB	NAB Ventures	50		July 2015
Allianz	Allianz Digital Corporate Ventures	Undisclosed		Sep 2015

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FinTech provides opportunities for a nation to become more competitive in financial services sector

Technology enabled finance has the opportunity to:



Increase efficiency



Create new opportunities



Manage risks better



Improve people's lives

Smarter finance supported by six key technologies



Authentication and biometrics



Cloud computing



Learning machines



Digital and mobile payments

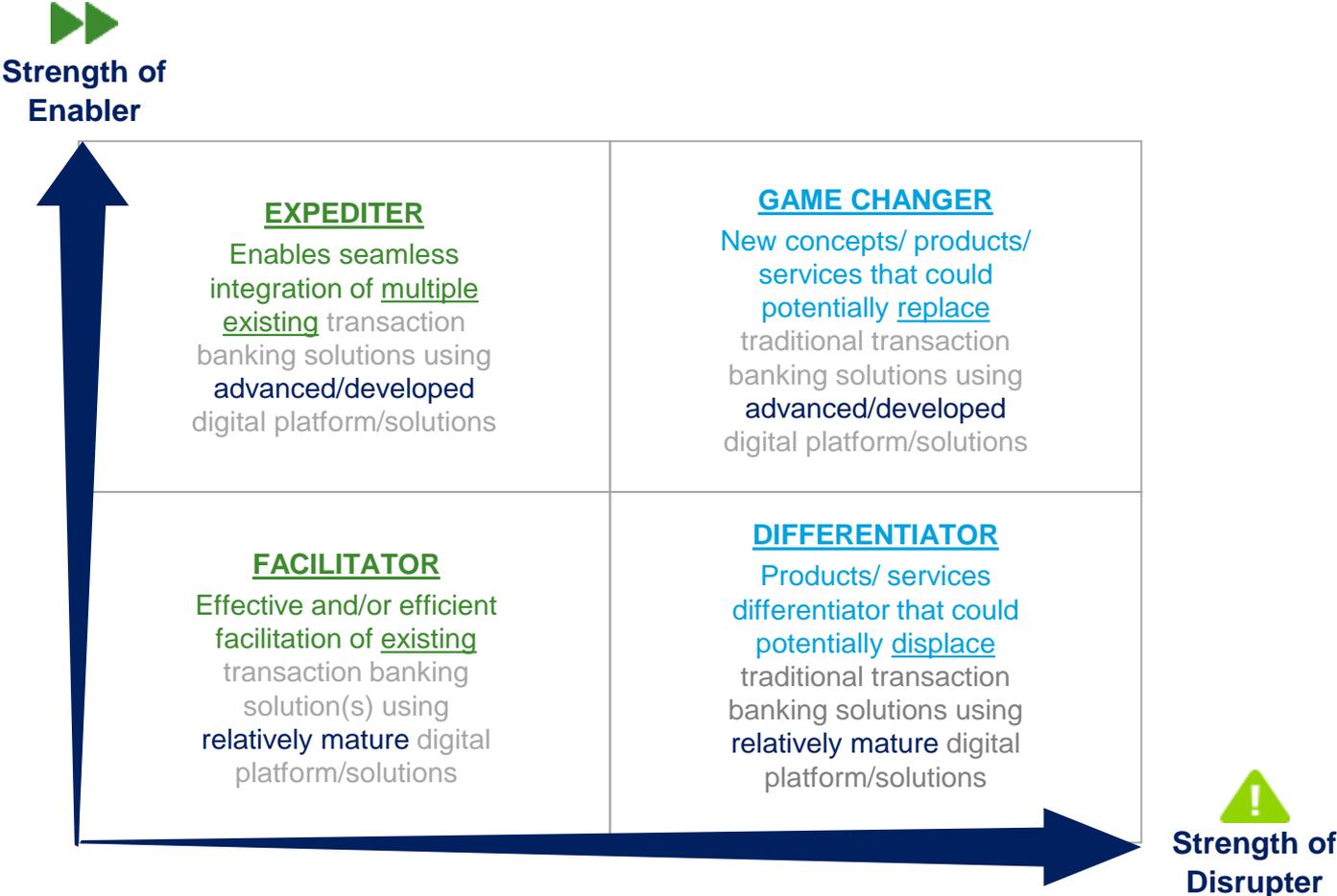


Block chains and distributed ledgers



Big Data

Different types of FinTech companies have emerged to meet shift in client demands for digital products & solutions

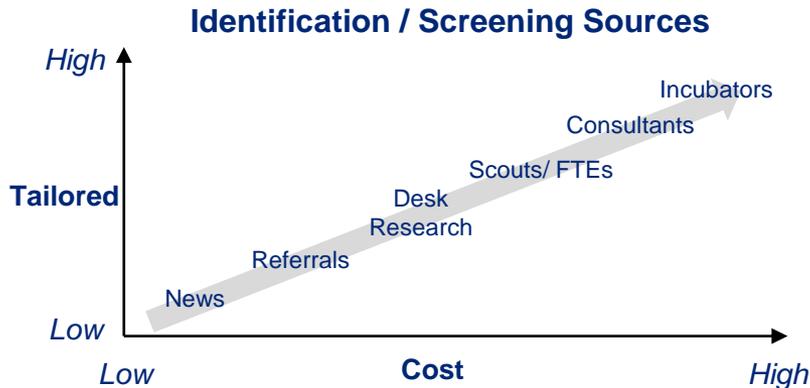


The emergence of alternative service providers present considerable opportunities for transaction banks to potentially leverage enablers’ digital capabilities and address disruptors’ revolutionary business offerings

However, there are some challenges for banks to work together with FinTech

Banks

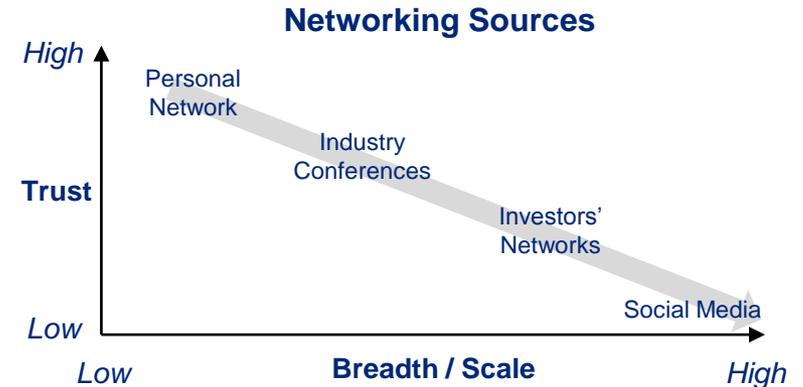
Banks spend time trying to identify the right startups to work with....



- Majority of startup relationships come from referrals and are opportunistic in nature
- Banks lack internal subject matter expertise to appropriately screen cutting-edge sectors

FinTechs

...and fintechs spend time trying to network to bank decision makers.



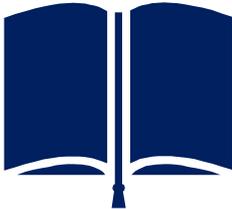
- Relationship-based networking methods lack scale
- Fintechs struggle to connect with the right bank decision makers

There are also some challenges and barriers for FinTech development in the region



Capital to support growth of digital financial services business

Regulation that allow domestic as well as cross-border Digital solutions



Scalability of the digital solutions given the cultural and language nuances in Asia

Talent pipeline to drive the digital agenda in the financial services ecosystem



Digital and physical infrastructure to enable execution of the digital agenda

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There are three different examples of governments working on FinTech development plan

Early leader



United Kingdom

- UK has an official FinTech development plan
- The UK Government as an early adopter of FinTech since 2008
- FCA and the PRA collaboration in **RegTech**, technologies to facilitate delivery of regulatory requirements
- Both organization also partnering in developing **regulatory sandbox** for the UK financial sector
- **Level 39**, largest technology accelerator in Europe, housing more than 170 FinTech and 500 related talents

Plans to leapfrog



Australia

- Australia has an official FinTech development plan
- Creation of innovation hubs in New South Wales (NSW)
 - 1) **The Financial Services Knowledge Hub:** Platform for network and collaboration between stakeholders in financial sector
 - 2) **Stone & Chalk:** FinTech innovation centre, housing 41 FinTech and supported by financial incumbents in Australia
- **Skilled Nominated(190) Visa:** 4,000 immigration places in 2015-16 for priority skilled occupation, included FinTech related occupation.

Building on strong electronic foundation



Estonia

- First country to **offer e-Residency system**, providing digital identity globally for anyone interested in establishing an online-only business
- **Digital signatures and authentication** allow citizens to
 - 1) Digitally sign documents and contracts
 - 2) Verify the authenticity of signed documents
 - 3) Establish an Estonian company online within a day
 - 4) Access online payment service providers
 - 5) Conduct e-banking and remote money transfers

In Singapore, MAS has taken a lead by encouraging FinTech growth through development of FSTI and FTIG

Recently, MAS launched the Financial Sector Technology & Innovation (FSTI) scheme and the formation of the FinTech & Innovation Group (FTIG) to enhance Singapore's financial sector

FSTI

Launched in June 2015, FSTI scheme will provide SG225mm in funding over the next 5 years to grow FinTechs especially in collaboration with FIs to enhance Singapore's financial sector. The three main uses of the funding are:

- | | | |
|--|---|--|
| 1. Innovation centres | 2. Institution-level projects | 3. Industry-wide projects |
| Encourage FIs to set up their R&D and innovation labs in Singapore | Support development of creative solutions that have the capacity to contribute to efficiency, growth or competitiveness | Assist establishment of industry-wide technology infrastructure that may be required for delivery of new, integrated solutions |

The focus areas of FinTech innovation under the FSTI scheme include:

- Blockchain based record keeping system
- Digital and mobile payments
- Cyber security
- Authentication and biometrics
- Cloud computing
- Unified POS terminal systems
- Efficient regulatory reporting
- Smart surveillance systems

FTIG

Formed in July 2015, FTIG is responsible for regulatory policies and development strategies to facilitate the use of technology and innovation to better manage risks, enhance efficiency, and strengthen competitiveness in the financial sector. FTIG comprises of:

- | | |
|--|---|
| Payment & Technology Solutions Office | Responsible for formulating regulatory policies and develop strategies for simple, swift and secure payments and other technology solutions for financial services |
| Technology Infrastructure Office | Responsible for regulatory policies and strategies for developing safe and efficient technology enabled infrastructures for the financial sector |
| Technology Innovation Lab | Responsible for seeking out cutting-edge technologies with potential application to the financial industry and work with the industry and relevant parties to test-bed innovative new solutions |

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Policy and regulations are changing,
Infrastructure is scaling and most of
all, Consumer's behaviour is evolving
to embrace digital life

What will be your next step?

Speaker profile



Tejas Damania
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Tejas Damania is a director of technology with Deloitte Digital. His primary focus is to implement digital strategy in SEA through integration of technology components and business services.

Tejas brings with him over 20 years in digital, technology and project management experience with the last few years focusing on Asia Pacific markets. Prior to joining Deloitte Digital, Tejas led the core product development for Learning Management System at Saba. His patented business application server powers Saba's various talent management products.

He has worked with Accenture Digital, leading ecommerce, analytics and mobility solutions for regional clients. His key focus are retail, healthcare and financial services industries. He is a fan of API-based architecture and strongly believes that it will become a de-facto service model standard for digitally enabled enterprises for clients' internal and external consumers.

Tejas has a degree in engineering as well as an MBA. He holds a patent for the design of a business application server which runs one of the top human capital enterprise application suite in market today.



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