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# FinTech Strategy Guidelines for the Arab Region

**Arab Regional FinTech Working Group**

**December 15<sup>th</sup> 2019**  
**Abu Dhabi**

## Pillars of the FinTech Strategy Guidelines for the Arab Region

- **WORKING GROUP PURPOSE**
- **NATIONAL FINTECH STRATEGY (NFTS)**
- **DEMAND PILLAR**
- **FUNDING PILLAR**
- **GOVERNANCE AND COLLABORATION PILLAR**
- **TALENT PILLAR**
- **REGULATIONS PILLAR**

# Working Group Purpose

## 1. Strategy Identification

- ✓ Identification of Strategy Pillars
- ✓ Global Benchmarks

## 2. FinTech Strategy Guidelines

- ✓ FinTech Strategy Framework Toolkit
- ✓ KPIs and Tools

## 3. Unified Arab FinTech Policy

- ✓ Implementation Roadmap
- ✓ Collaborative Tactics



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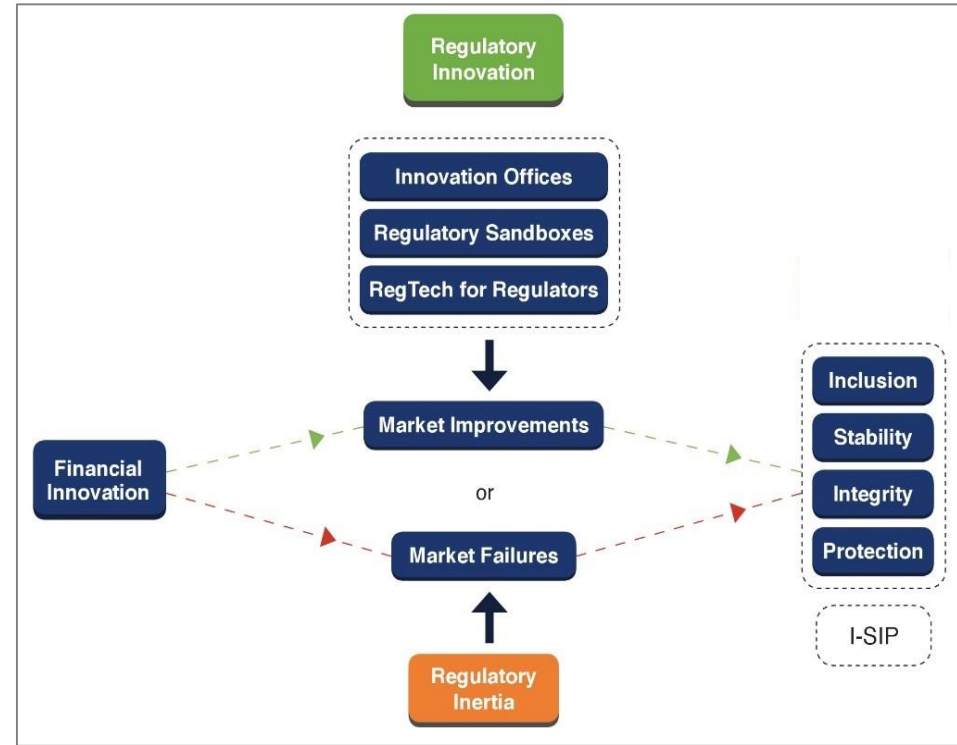
# National FinTech Strategy

# FinTech Innovation & Policy Objectives

## Fundamental trends in finance taking place

1. Type of players in finance are changing
2. Traditionally segregated sectors are converging
3. Rate of innovation and data volumes are changing
4. Scope of policy objectives of regulators change
5. Regulatory tools for enablement and supervision change

→ Requires active, holistic, coordinated approach to strengthen the enabling ecosystem for safe FinTech innovation balanced with financial policy objectives



Source: UNSGSA FinTech Working Group and CCAF, 2019.

## Why a National FinTech Strategy?

*NFTS: policy instrument to promote FinTech innovation for competition or inclusion while putting in place safeguards for stability, integrity, consumer protection.*

= Framework for strengthening the FinTech ecosystem

- Informed by diagnostic, identifies FinTech drivers, key opportunities and challenges in priority areas
- Aligns policymaking for FinTech with financial (and non-financial) policy objectives
- Strengthens inter-institutional coordination of actions across public, private, civil society stakeholders to help achieve strategic objectives
- Phases reforms and investments (digital financial transformation process)
- Provides data and clarity on Government policy and regulatory approach
- Serves as foundation for action planning and M&E

# NFTS Pillars

- Introduction (*Rationale for FinTech*)
- Vision for FinTech
- Definition of FinTech
- FinTech Strategy Objective(s)
- Strategy Pillars (*priority opportunities and challenges*)





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# DEMAND PILLAR




## Demand Pillar

### Set of Proposed Objectives



Advances in  
Financial and  
Digital Literacy  
& Awareness



Usage of  
Mobile  
Payment &  
Digital  
Financial  
Services



Easier access to  
financing,  
payments &  
Wealth  
Management



Increase  
Financial  
Inclusion for  
the unbanked /  
underserved



Automation of  
financial Sector  
& Digital  
Transformation

### Strategy Pillars

Demand

Funding

Governance &  
Collaboration

Talent

Regulations

### Methodology



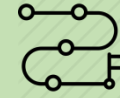
1. Market  
Study &  
Research



2. Global  
Market Trends  
& International  
Benchmarking



3. Gap Analysis  
& Assessment



4. Initiatives &  
Roadmap  
Development





5. Monitoring  
& Evaluation



## Demand – Consumer Education & Digital Literacy




### 1. Market Study & Research

- **Comprehensive Research to measure digital & financial literacy:**
  - I. Qualitative Research
  - II. Quantitative Research
- **Mapping Existing Initiatives and on-going programs by public & private sectors**
  -  **Egypt's Roundtable Discussion**
  -  **Problem Statements - Financial Literacy Pillar**




### 2. Global Market Trends & International Benchmarking

- **Set up a country's FinTech current resources as a benchmark across the world.**
  -  **G20 Leaders - Include Principle 6 on "Strengthen Digital and Financial Literacy and Awareness" on National Strategies for Financial Education.**




### 3. Gap Analysis & Assessment

- **Identify gaps & pain points that hinder consumer education**
  -  **Bahrain FinTech Bay – Local Talent Survey for demand & supply of FinTech.**




### 4. Initiatives & Roadmap Development

- **Roadmap & Initiatives design in collaboration with relevant stakeholders.**
- **Delivery Channels & Tools**
  -  **Banque Du Liban – Digital Literacy Program in educational institutions.**

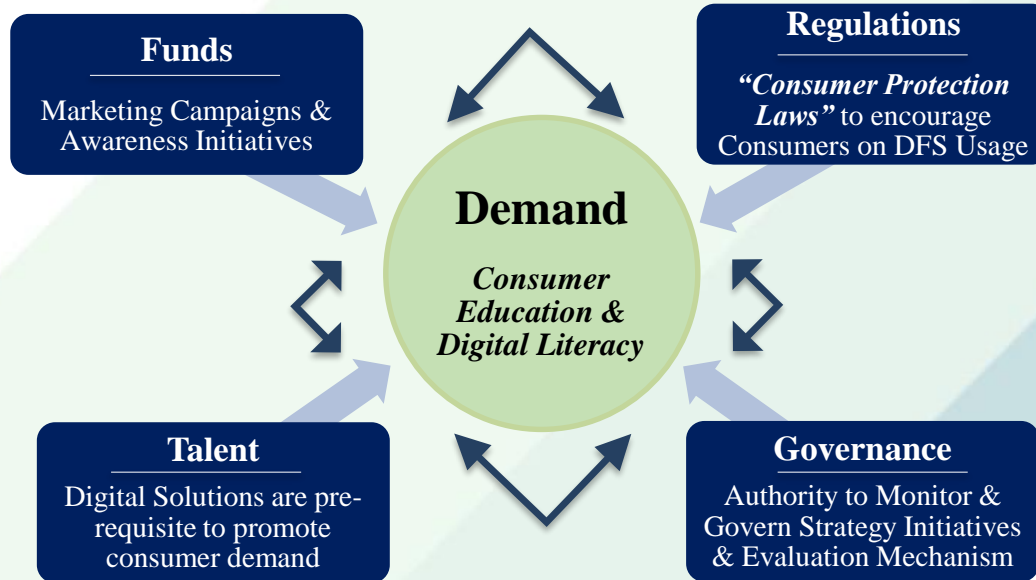


### 5. Monitoring & Evaluation

- **International Key Performance Indicators:**
  - ❖ EY FinTech Adoption Index
  - ❖ Digital Financial Services (DFS) Indicators, AFI Group
  - ❖ Global Findex Database
-  **Commission for Financial Capability (CFFC) – Financial Behavioural Index**

## Pre-requisites of Success of the Demand Pillar

### Pre-requisites for the success of the Demand Pillar





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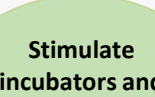
# FUNDING PILLAR

## Funding Pillar

### Set of Proposed Objectives




Make available and accessible FinTech funding across stages



Stimulate incubators and accelerators and diversify sources of funds



Enhance FinTechs governance and performance



Increase joint investments between private FinTech players

### Strategy Pillars

Demand

Funding

Governance & Collaboration

Talent

Regulations

### Methodology



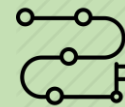
1. Market Study & Research



2. Global Practices & Arab Regional Initiatives



3. Potential Challenges



4. Joint investments options



5. FinTech Performance



## Funding Pillar



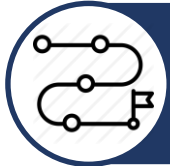
### 1. Market Study & Research



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### 4. Joint investments options

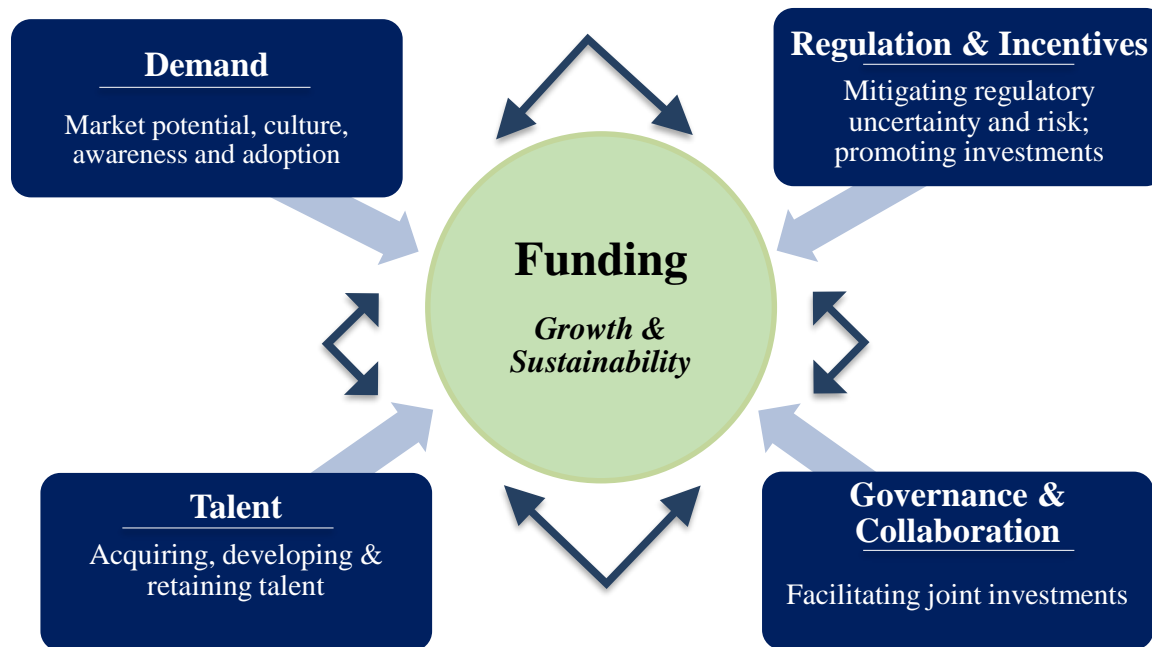


### 5. Performance of FinTechs

- Leveraged existing global and regional studies covering FinTech investments
- Identified country indicators for the Funding pillar using international sources
- Identified global and regional practices related to government support for start-up funding and policymakers initiatives to improve access to private capital
- Highlighted potential challenges to FinTech financing and funding in terms of investment targets, markets, stakeholder support, among others
- Discussed the role and forms of investment collaboration among FinTechs, banks, telcos and others to accelerate growth
- Presented the key health metrics of a FinTech along four perspectives:
  - ❖ Financial
  - ❖ Customer
  - ❖ Internal processes
  - ❖ Learning and growth



### Drivers of funding growth and sustainability





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# GOVERNANCE AND COLLABORATION PILLAR



## Governance and Collaboration Pillar

### Set of Proposed Objectives



Best track for growth



Establishing synergy for stronger entities



Products & Markets Potential



Enhancing Regulatory & compliance framework



Scale up FinTech Operations & Access to funds

### Strategy Pillars

Demand

Funding

Governance & Collaboration

Talent

Regulations

### Methodology



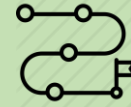
1. All stakeholders' Collaboration



2. Global Practices & Arab Regional Initiatives



3. Barriers and Gaps for Collaboration



4. Successful and structured Partnership



5. Closing the Gap for Collaboration





### 1. Collaboration among all Stakeholders

- Heart of collaboration exist among regulators, banks & FIs, and FinTech companies and startups, it's not only about FinTechs



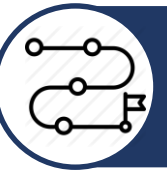
### 2 . Global Practices & Arab Regional Initiatives

- Global includes:
  - CFTC and FCA Collaborate on FinTech Development for Regulatory Best Practice
  - Within US market: Both the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) created FinHub and LabCFTC
  - Among FinTech & FIs: PayPal
- Arab Region involves:
  - Central Bank of Bahrain and Monetary Authority of Singapore (MAS)
  - DFSA with MAS and others
  - Among FinTech & FIs: Norbloc (eKYC-UAE); Meeza National Debit Card (Egypt), ISAC platform (UAE Banks Federation)



### 3. Barriers & Gap for Collaboration

- Control of technological solutions, and/or sharing customer data,
- No mutual drivers for entities to collaborate which diminish synergy,
- Buy in from both entities.



### 4. Collaboration Features

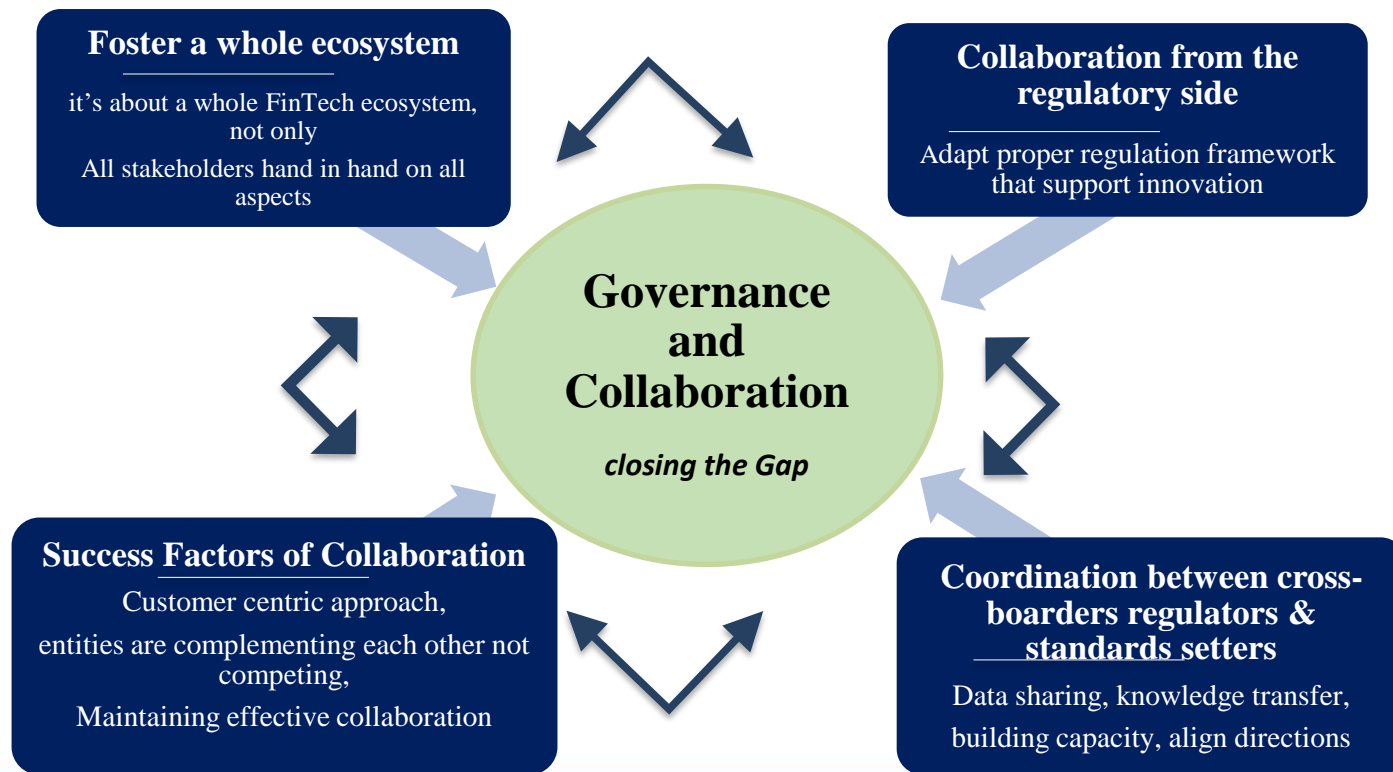
- Collaboration via win -win situation by aligning strategic goals and models
- Successful collaboration put the customer first for better experience
- Structured and effective Collaboration to mitigate challenges



### 5. Closing the Gap for Collaboration

- Collaboration between stakeholders will create synergy for business entities, better ecosystem for regulators investors and accelerators to work in:
  - Focusing on creating value for customers
  - Sharing information,
  - Raising awareness,
  - Building capacity

### Pre-requisites for Collaboration to promote a proper FinTech ecosystem



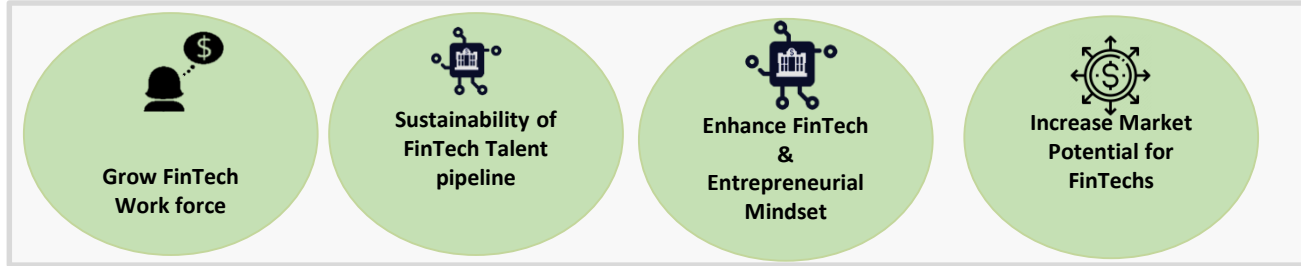


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# TALENT PILLAR

## Talent Pillar

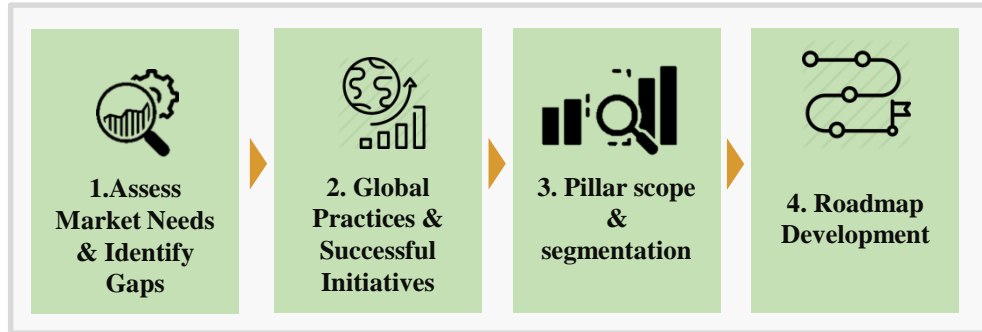
### Set of Proposed Objectives



### Strategy Pillars



### Methodology



## Talent Pillar



### 1. Assess Market Needs & Identify Gaps

- Pinpoint talent gaps by identifying & assessing market FinTech needs.
- Assess health of talent pipeline to meet future demand and requirements.



### 2. Global Practices & Successful Initiatives



- LBS offers conferences among key players to shape new research findings & policy directions



- Encourage Investors & Entrepreneurs through tax & grant incentives



### 3. Pillar Scope & Segmentation

- Identify talent scope by segmenting the market into:



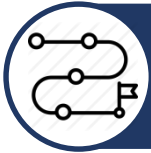
Students



Professionals



Entrepreneurs



### 4. Roadmap development

- FinTech Curricula & Academia
- Competitions & Hackathons
- Vocational Training
- Workshops & Conferences



FinTech focused lectures  
in Lebanon

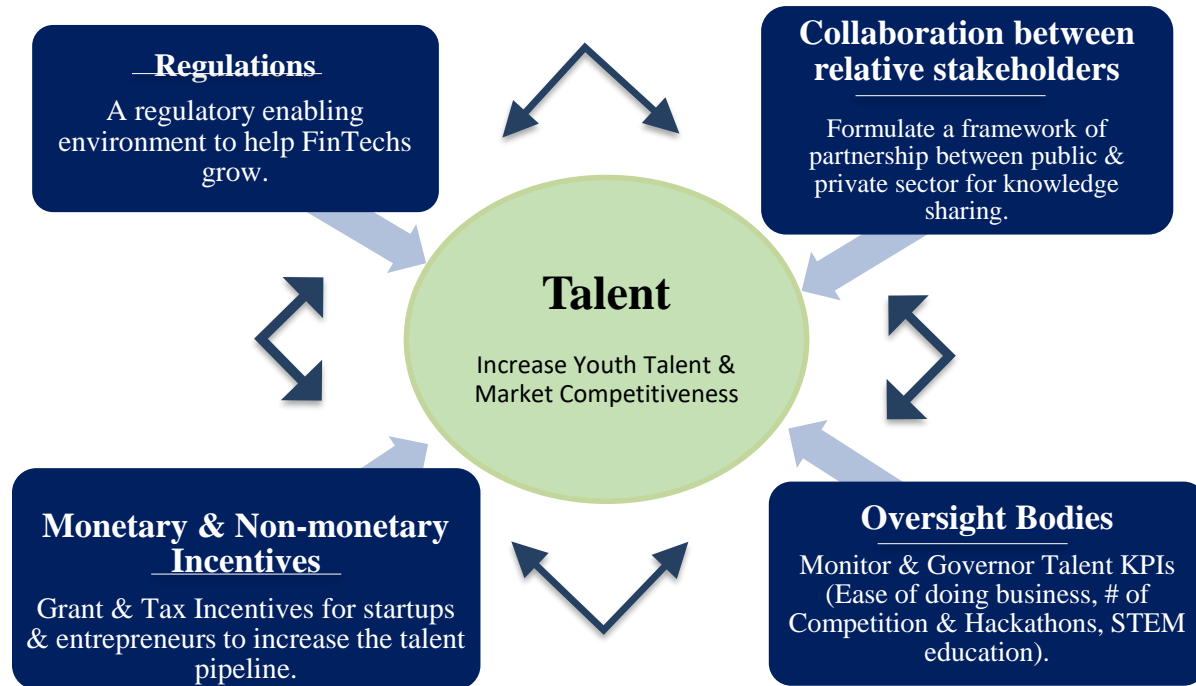
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## Talent Pillar

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### Pre-requisites for Talent to promote a sustainable FinTech market

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# REGULATIONS PILLAR



## Policies, Laws & Regulations Pillar

### Set of Proposed Objectives



Analyse risks and identify legislation gaps



Balance innovation vis-à-vis underlying risks



Eliminate financial exclusion and concentration



Encourage promulgation of specific regulations

### Strategy Pillars

Demand

Funding

Governance & Collaboration

Talent

Regulations

### Methodology



1. Analysis of FinTech oversights



2. Evaluation of opportunities and risks



3. Gap analysis and balancing of risks vis-à-vis opportunities



4. Guidelines to foster development of FinTech



## Regulations - Methodology



### Analysis of FinTech oversights

- Principles for effective FinTech risk management
- SAMA - a regulatory sandbox to create a 'safe space'
- HKMA – established FinTech facilitation Office to facilitate ecosystem development



### Evaluation of opportunities and risks

- Increased efficiency in delivering financial services
- Contribution to innovation and digitization versus the risks of financial stability



### Gap analysis and balancing of risks vis-à-vis opportunities

- Identification of legislation gaps vis-à-vis risks to consumer, FinTech companies and financial markets

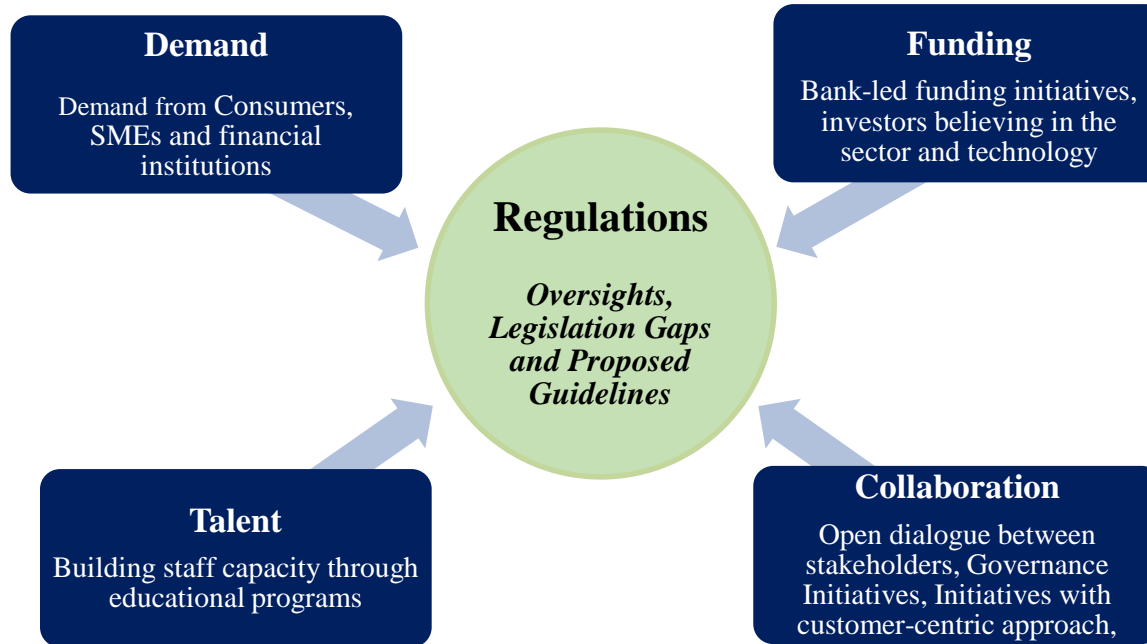


### Propose guidelines to foster development of FinTech

- Bali FinTech Agenda
- FSB - Financial Stability Implications from FinTech
- Regulations for cloud computing, sandboxes, data protection, digital KYC etc.

## Pre-requisites

Pre-requisites for Regulations Pillar to contribute to the success of a National FinTech Strategy.



## Authors of the FinTech Strategy Guidelines



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