

# Fintech landscape in MEA

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**“BEYOND ALL BARRIERS”**

**18<sup>th</sup> Nov 2021 – Atlantis Palm Jum**



# Introduction

## Bank

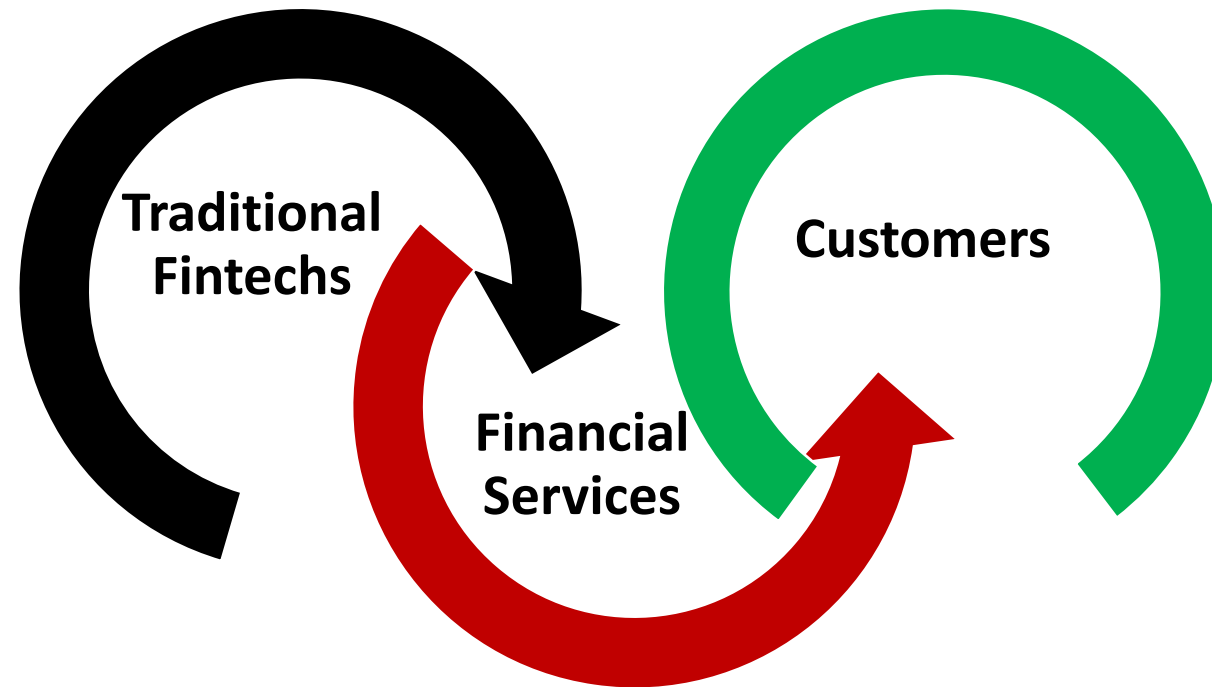
A **bank** is a financial institution licensed to **receive deposits** and **make loans (Finance)**. Banks may also provide financial services, such as wealth management, currency exchange and safe deposit boxes. **(Deposit, Finance , Payments , Services)**

## Fintech (Financial Technology)

A **FinTech** is a portmanteau of financial technology that describes an emerging financial services sector in the 21st century. **Originally**, the term applied to technology applied to the back-end of established consumer and trade **financial institutions**. Since the end of the first decade of the 21st century, the term has expanded to include any **technological innovation** in the financial sector, including innovations in financial literacy and education, retail banking, investment and even crypto-currencies like bitcoin. “Investopedia”



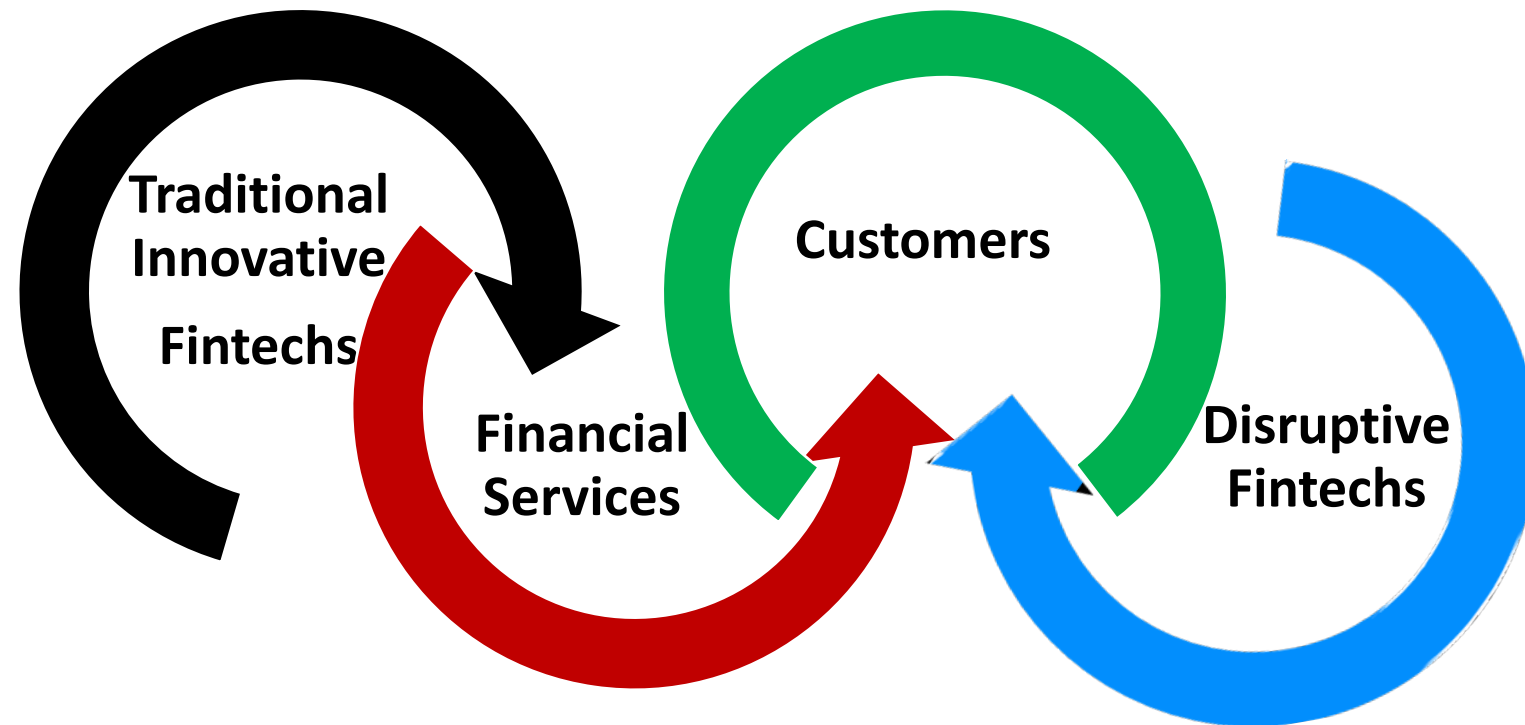
# Fintech Evolution - Traditional Ecosystem



## Fintech Startups :

1. **Complementing** banking services and integrate with banks (Financial aggregation , Mobile CRM , Big data analytics / scoring,...)

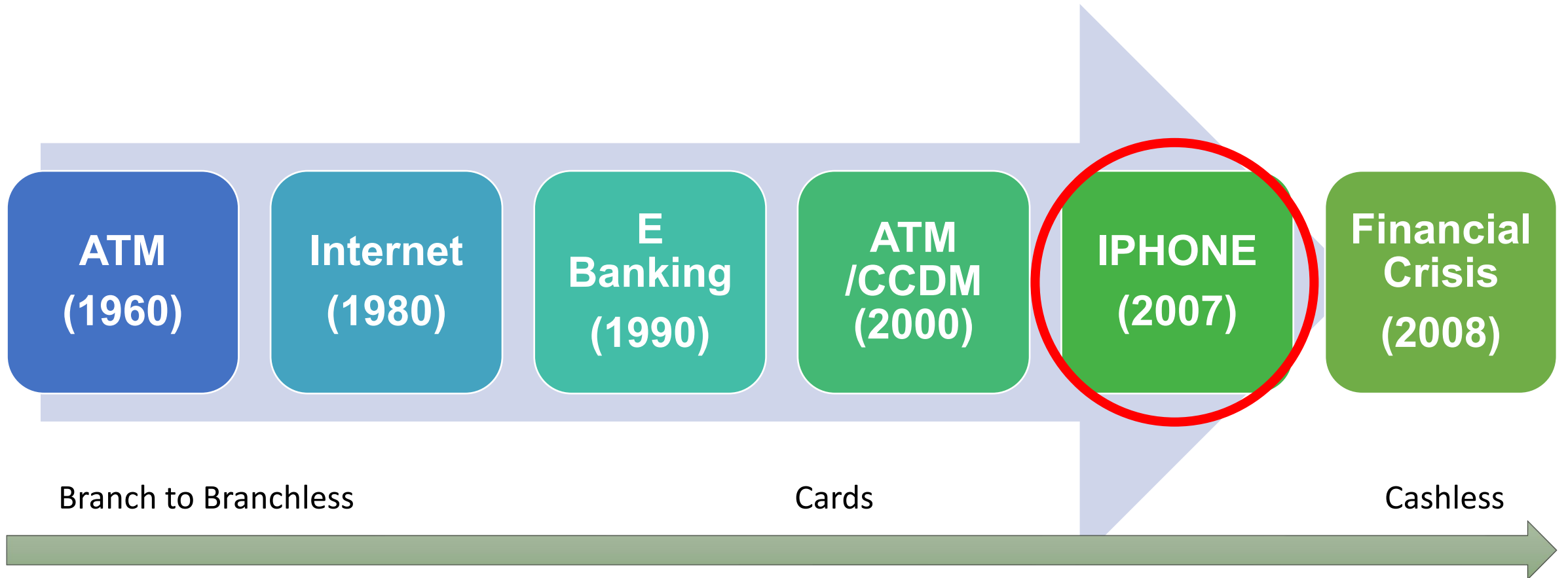
# Fintech Evolution - Disruptive ecosystem



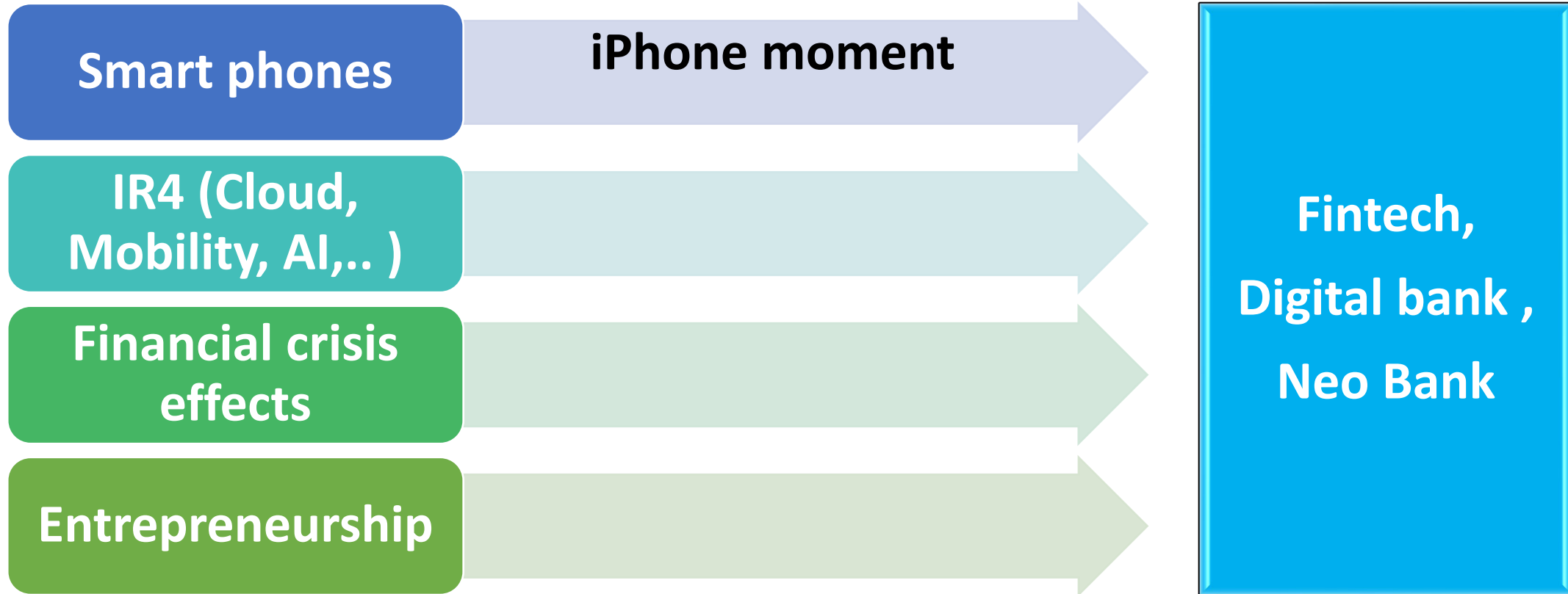
## Fintech Startups :

1. **Complementing** banking services and integrate with banks (Financial aggregation , Mobile CRM , Big data analytics / scoring,...)
2. **Disrupting** Banks , mainly focus on payments and some started on lending for SME and microfinance.

# Digital banking (Fintech) history



# Digital banking (Fintech) Enablers



**Economic downturn** — Decreased consumer sentiment and trust coupled with job losses and salary stagnation.

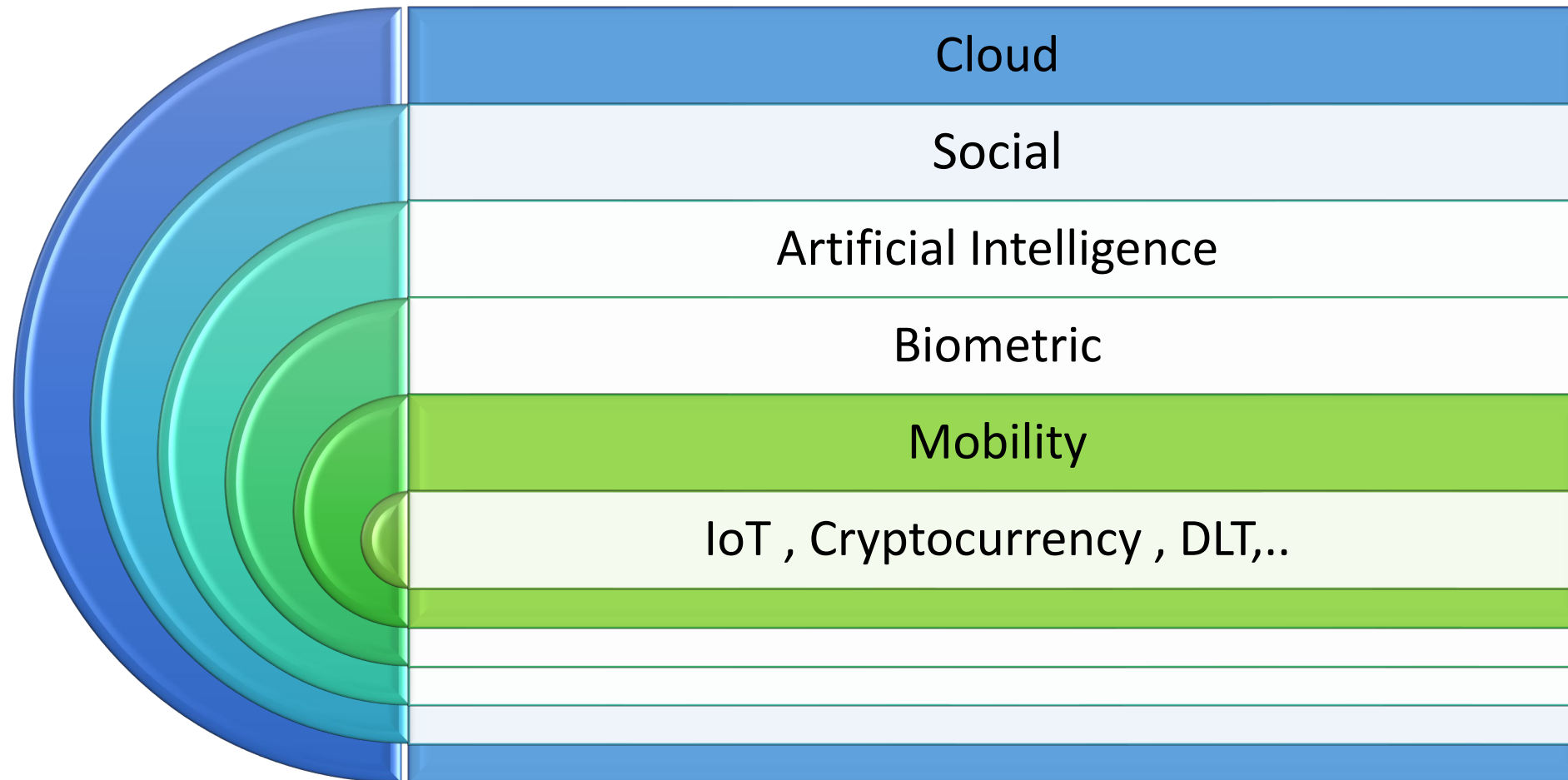
# Digital banking (Fintech) history

I want to be an Entrepreneur



**Entrepreneurs success stories** : Facebook, Paypal , Ali Baba,...

# Digital banking technology enablers





# Why Fintech ?

- Innovation around user experience , frictionless ,...
- Mobile only
- Focus in one or few products (not one stop shop)
- Some Regulations (PSD2 , Open banking) in some regions
- Favoring media buzz and support after Financial crisis
- Fresh outlook (No legacy)
- Failure of banking channels strategy to meet customer demands

# Digital banks / Neo Banks (Fintech)

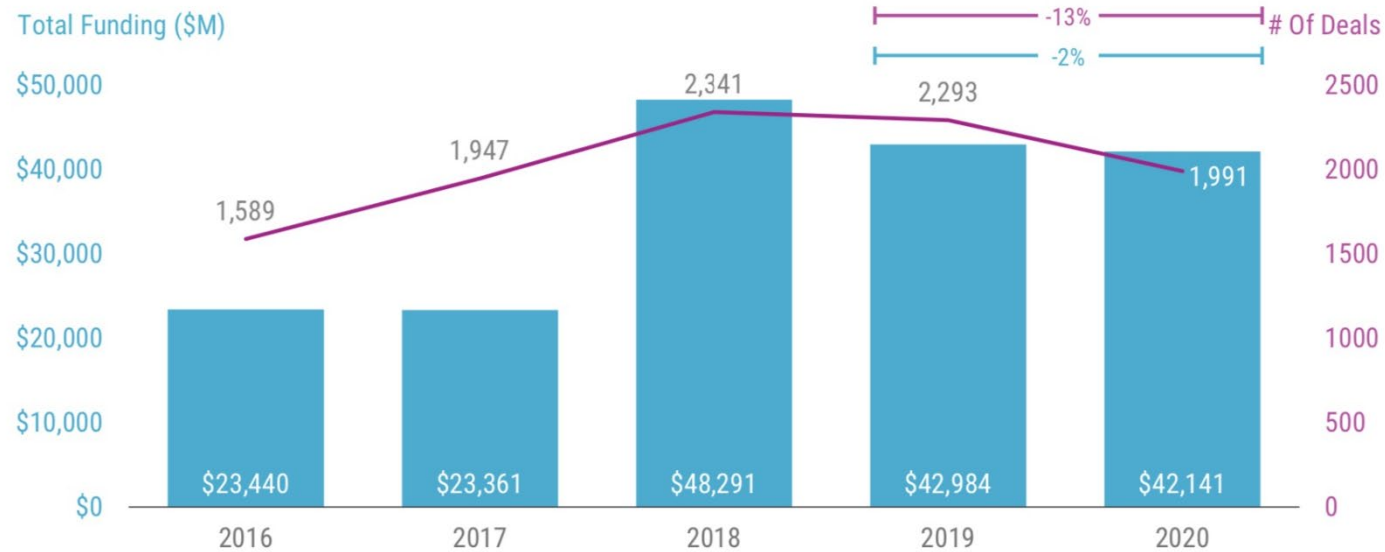
| Company         | Personal / Consumer | Mortgage | Business | Student | Credit Card | Debit Card | Peer-to-Peer | Processing / Gateway | Brokerage | Robo-Advisor | Savings | Crypto | Point of Entry (first product) |
|-----------------|---------------------|----------|----------|---------|-------------|------------|--------------|----------------------|-----------|--------------|---------|--------|--------------------------------|
| CHASE           | ✓                   | ✓        | ✓        |         | ✓           | ✓          | ✓            | ✓                    | ✓         | ✓            | ✓       |        | Bank                           |
| Bank of America | ✓                   | ✓        | ✓        | ✓       | ✓           | ✓          | ✓            | ✓                    | ✓         | ✓            | ✓       |        | Bank                           |
| Wells Fargo     | ✓                   |          | ✓        |         | ✓           | ✓          |              | ✓                    |           |              | ✓       |        | Bank                           |
| Marcus          | ✓                   |          |          |         | ✓           | ✓          |              |                      |           |              | ✓       |        | Bank                           |
| amazon          |                     |          | ✓        |         | ✓           | ✓          |              | ✓                    |           |              |         |        | Tech Platform                  |
| SoFi            | ✓                   | ✓        |          | ✓       |             | ✓          | ✓            |                      |           | ✓            | ✓       |        | Alternative Lending            |
| LendingClub     | ✓                   |          | ✓        |         |             | ✓          |              |                      | ✓         |              |         |        | Alternative Lending            |
| Square          | ✓                   |          | ✓        |         |             | ✓          | ✓            | ✓                    |           |              |         | ✓      | POS Payments                   |
| robinhood       |                     |          |          |         |             | ✓          |              |                      | ✓         |              | ✓       | ✓      | Brokerage                      |
| coinbase        |                     |          |          |         |             | ✓          |              |                      | ✓         |              |         | ✓      | Crypto Brokerage               |
| affirm          | ✓                   |          |          |         |             | ✓          |              | ✓                    |           |              | ✓       |        | POS Lending                    |
| Klarna          | ✓                   |          |          |         |             | ✓          |              | ✓                    |           |              |         |        | International POS Lending      |
| Betterment      |                     |          |          |         |             |            |              |                      |           | ✓            | ✓       |        | Robo-advisor                   |
| wealthfront     | ✓                   |          |          |         |             |            |              |                      |           | ✓            |         |        | Robo-advisor                   |
| PayPal          | ✓                   |          | ✓        |         | ✓           | ✓          | ✓            | ✓                    |           |              |         |        | Payments                       |
| acorns          |                     |          |          |         |             | ✓          |              |                      |           | ✓            |         |        | Micro-investing                |
| STASH           | ✓                   |          |          |         |             | ✓          |              |                      | ✓         |              |         |        | Investing                      |
| chime           | ✓                   |          |          |         |             | ✓          |              |                      |           |              | ✓       |        | Digital Banking                |
| TransferWise    |                     |          |          |         |             | ✓          | ✓            |                      |           |              |         |        | International Money Transfer   |
| Revolut         |                     |          |          |         |             | ✓          | ✓            |                      | ✓         |              |         | ✓      | International Digital Banking  |
| monzo           | ✓                   |          |          |         |             | ✓          | ✓            |                      |           |              |         |        | International Digital Banking  |
| N26             |                     |          |          |         |             | ✓          | ✓            |                      |           | ✓            | ✓       |        | International Digital Banking  |
| stripe          |                     |          | ✓        |         |             | ✓          |              | ✓                    |           |              |         |        | Payments                       |
| Kabbage         |                     |          | ✓        |         |             | ✓          |              | ✓                    |           |              |         |        | Business Lending               |
| BREX            |                     |          |          |         | ✓           | ✓          |              |                      |           |              |         |        | Business Banking               |

- Fintech start with one product then move to multiple products
- Fintech backed by major banks offer all products



## 2020 deal activity fell 13% YoY, but total funding remained in line with 2019

Global VC-backed fintech financing trends, 2016 – 2020

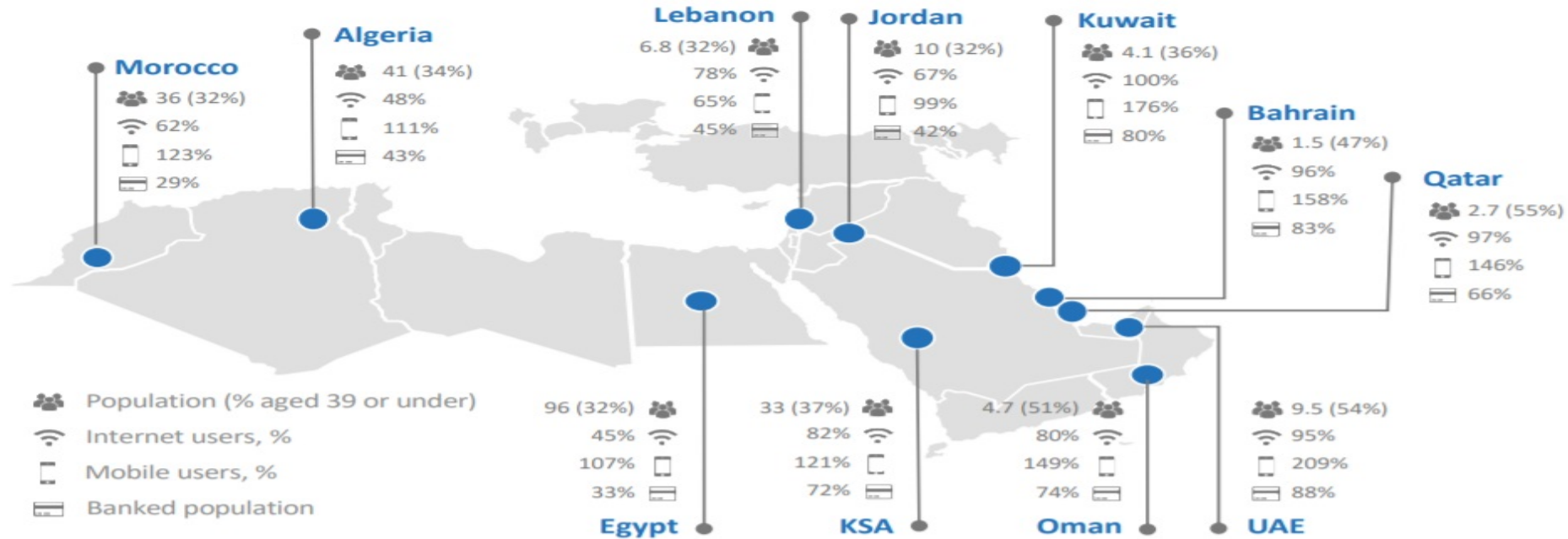


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Source : CB insights

# MENA – Demographic , Internet and mobile penetration

## MENA Macro & Demographic Factors

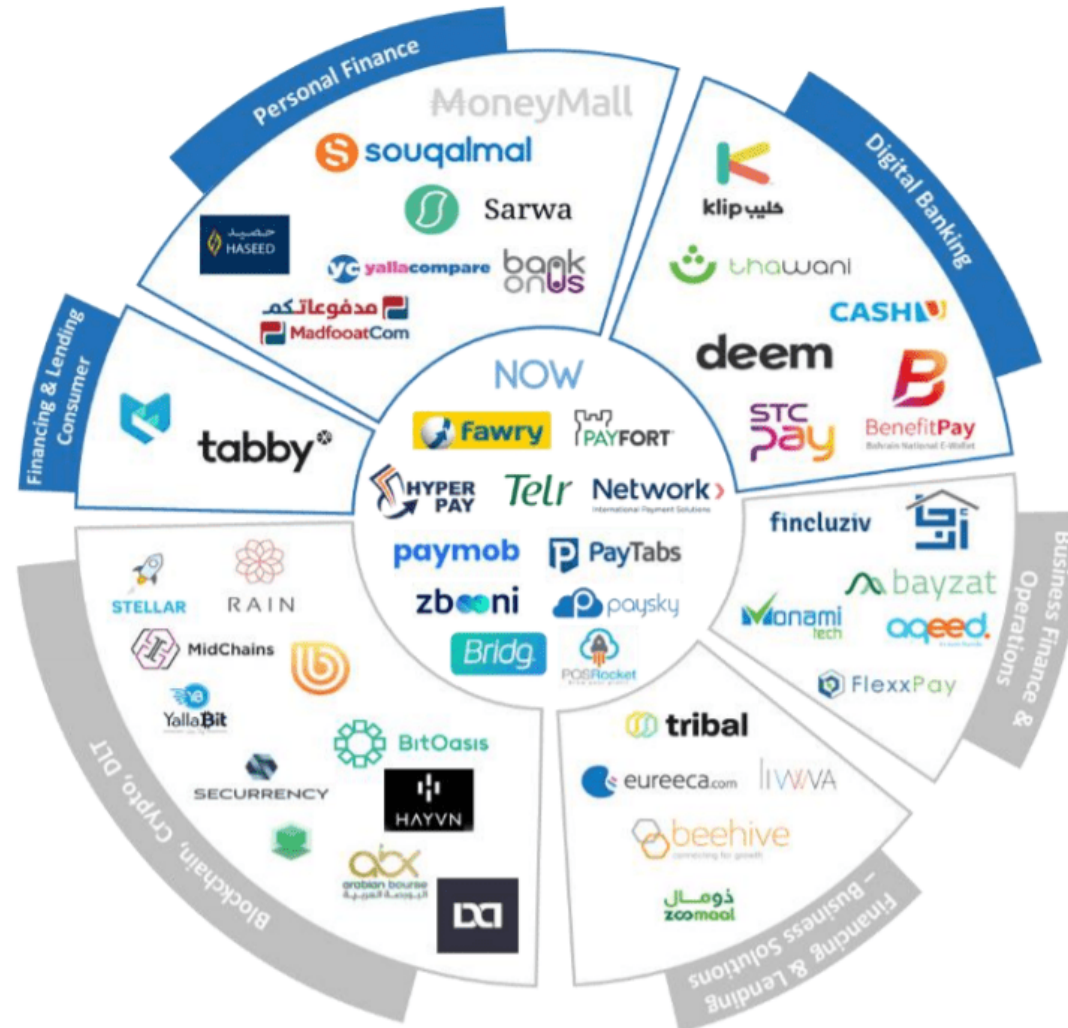


Note: Internet users represents individuals using the Internet (% of population), Mobile users represents mobile cellular subscriptions (per 100 people), Banked population is defined as account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+).

Source: World Bank Data



# MENA Fintech landscape



- Payments and Remittances
- Lending and Finance
- Wealth Management
- Insurance
- Blockchain and Crypto
- Islamic Fintech

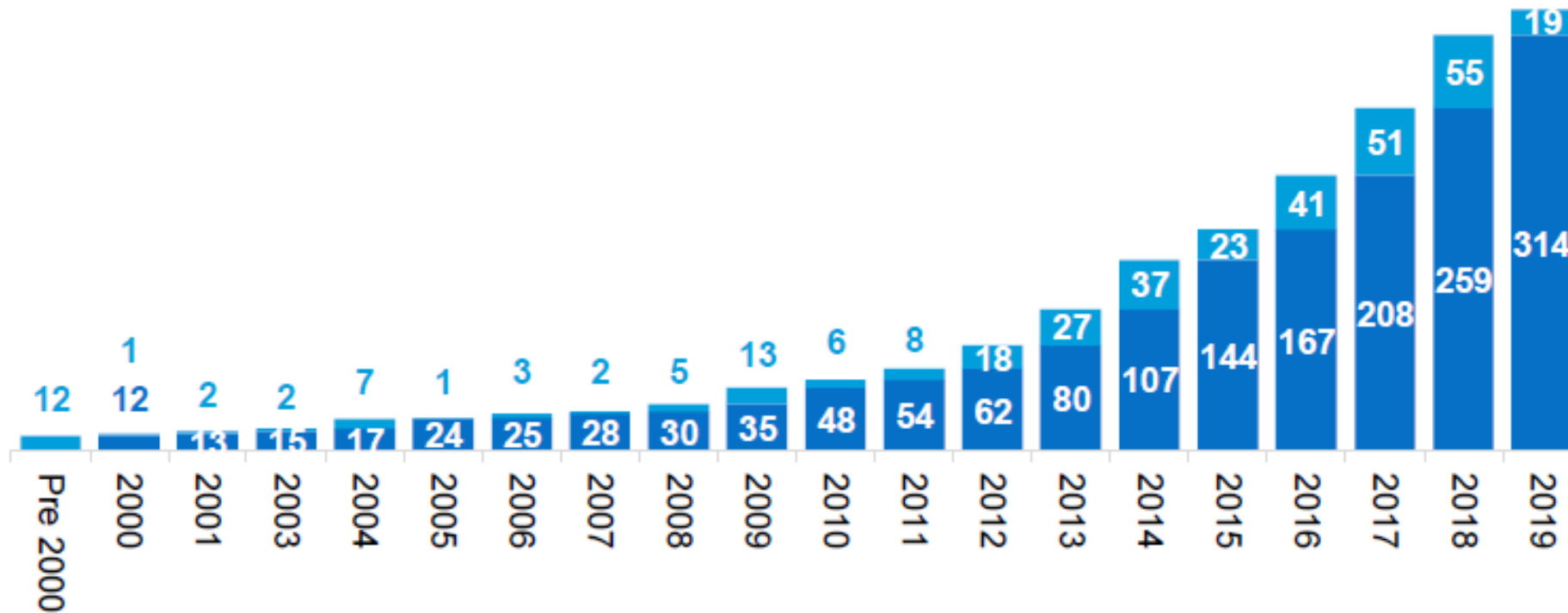




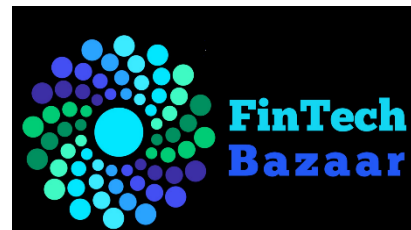
# Fintech growth in the Arab world

## Annual FinTech additions in the Arab World\*

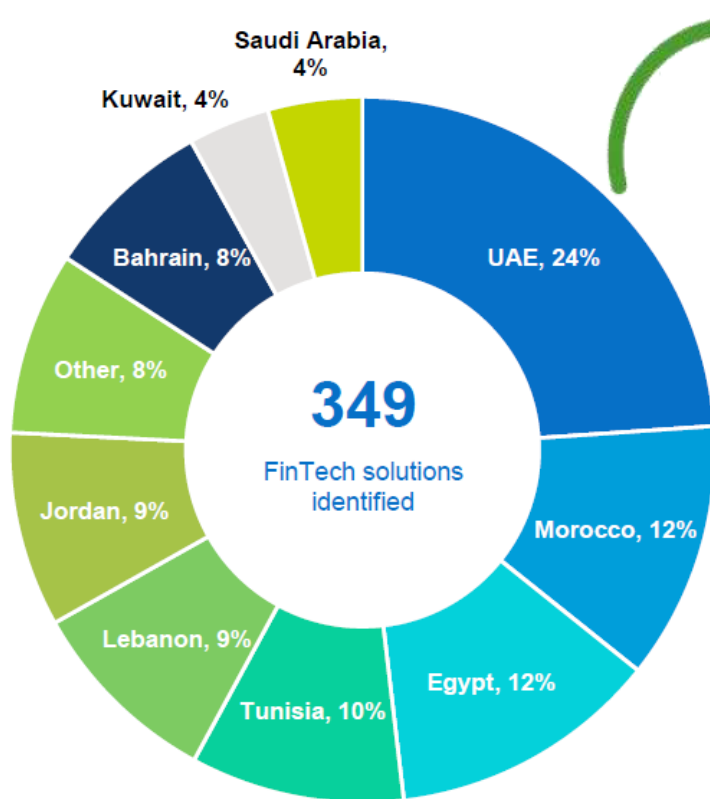
■ Active FinTechs added in previous years ■ FinTechs added in year



Source : FinTech Landscaping in the Arab World



# Fintech by country



\* Based on currently active FinTechs with available information

- ❖ **349** Active FinTech solutions identified
- ❖ **326** unique FinTech providers
- ❖ **44%** of FinTechs are in the Payments & remittances category
- ❖ **18+** FinTechs established annually since 2013
- ❖ **UAE** hosts the most FinTechs followed by Morocco, Egypt, Tunisia, Lebanon, and Jordan
- ❖ **22** solutions are headquartered globally and operate in Arab countries focused primarily on Payments & Remittances
- ❖ **43%** of solutions have a Financial Inclusion potential – 149 identified active financially inclusive FinTech solutions

Note: FinTechs with financial inclusion were determined based on:

- Having a clear and explicitly stated financial inclusion mandate;
- OR FinTechs which offer the same product as another company/solution with clear financial inclusion mandate, and as such could be viewed as a competing for the same customer.
- OR FinTechs that have had material impact on financial inclusion or provide services similar to others that did, without an explicit financial inclusion mandate.

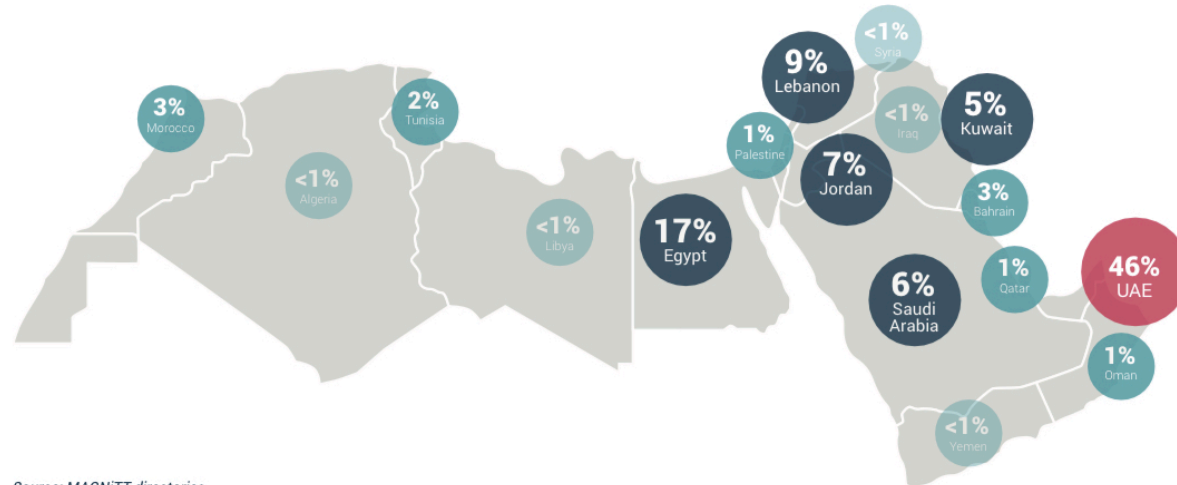
Source : FinTech Landscaping in the Arab World





# Fintech by country (different perspective)

Percentage (%) of total FinTech startups by country, 2018



Source: MAGNiTT directories

## KEY TAKEAWAYS

























- 310** The number of active FinTech startups in the MENA region
- 39%** The CAGR in FinTech startups across the MENA region from pre-2013 to 2018
- 1<sup>st</sup>** The UAE ranks first by total number of FinTech startups in MENA

Source : Magnitt







# Fintech and Regulatory in MENA

## Current Regulatory Coverage for Select Countries and Technologies

| Country/ City   | Payment Services/<br>Mobile Wallets   | Cryptocurrency<br>Trading/ICOs  | Crowdfunding  | Sandbox/Regulatory<br>Testing License | Main regulator(s)               |
|---|---|---|---|---------------------------------------|---------------------------------|
|  UAE     |  |  |  | Yes                                   | ADGM FSRA, DFSA, (CBUAE), (SCA) |
|  Bahrain |  |  |  | Yes                                   | Central Bank of Bahrain (CBB)   |
|  KSA     |  |  |  | Yes                                   | SAMA                            |
|  Kuwait  |  |  |  | Yes                                   | Central Bank of Kuwait (CBK)    |
|  Jordan  |  |  |  | Yes                                   | Central Bank of Jordan (CBJ)    |
|  Egypt   |  |  |  | Yes                                   | Central Bank of Egypt (CBE)     |

### Current Regulatory Environment:

-  Regulation Implemented
-  Regulation planned
-  No specific regulations, but conducted under regulatory supervision
-  No specific regime now or anticipated in the near future

ADGM Abu Dhabi Global Market's  
 FSRA: Financial Services Regulatory Authority  
 DFSA: Dubai Financial Services Authority  
 CBUAE: Central Bank of the United Arab Emirates  
 SCA: UAE Securities and Commodities Authority  
 SAMA: Saudi Arabian Monetary Authority

Source: LendIt Fintech & DIFC – “A Roadmap for Fintech Firms Entering Fast-Growing Emerging Markets”, internal research



## Product category

| Product                           | Share % |
|-----------------------------------|---------|
| Payments and Remittances          | 44      |
| Back- and Middle-office solutions | 17      |
| Wealth Management & Investments   | 11      |
| Lending and Finance               | 9       |
| Regtech & Compliance              | 6       |
| Others                            | 13      |

Source : FinTech Landscaping in the Arab World



# Customer Segment

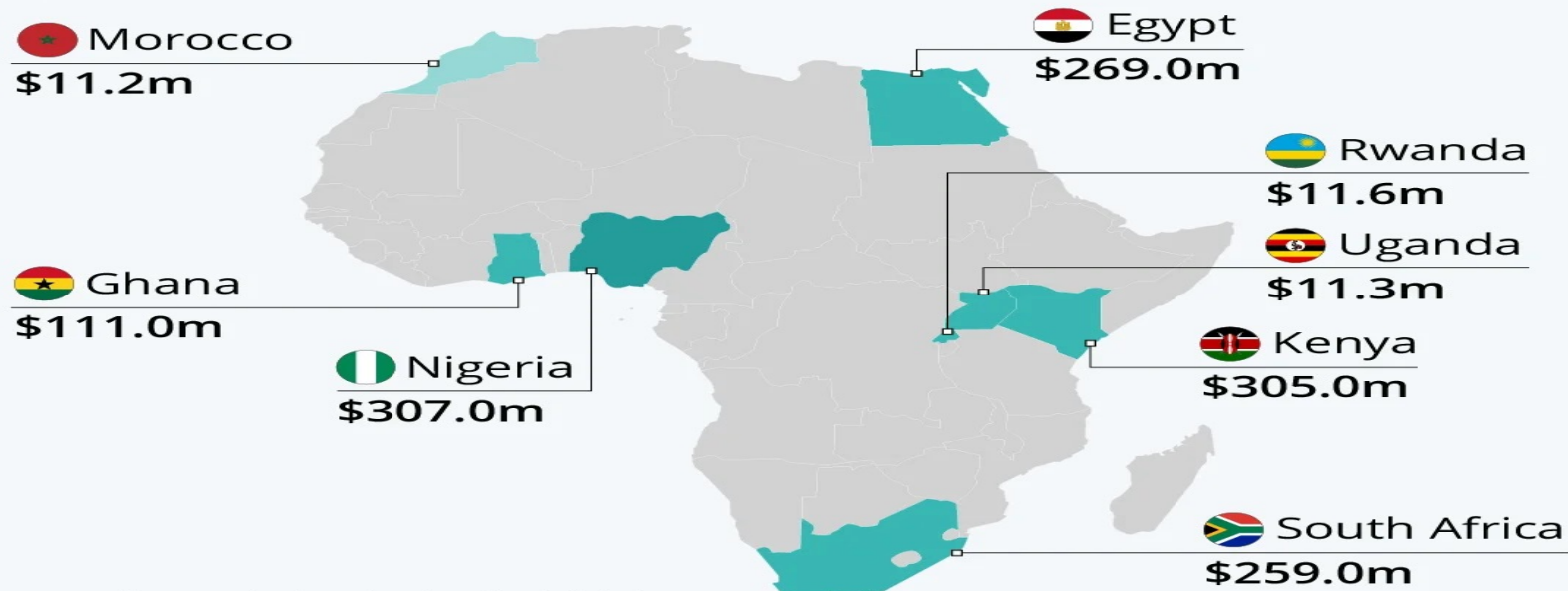
| Product                                  | Share % |
|--|---------|
| Business to Consumer (B2C)               | 64      |
| Business to Business (B2B)               | 25      |
| Business to Business to Consumer (B2B2C) | 11      |

Source : FinTech Landscaping in the Arab World



## Where Africa's Startup Activity Is Concentrated

Top countries for VC investment in Africa in 2020  
(in million U.S. dollars)



Source: Partech Analysis via AfricArena



# Future outlook

## Buy now pay later (BNPL), Marriage between E Commerce and Fintech



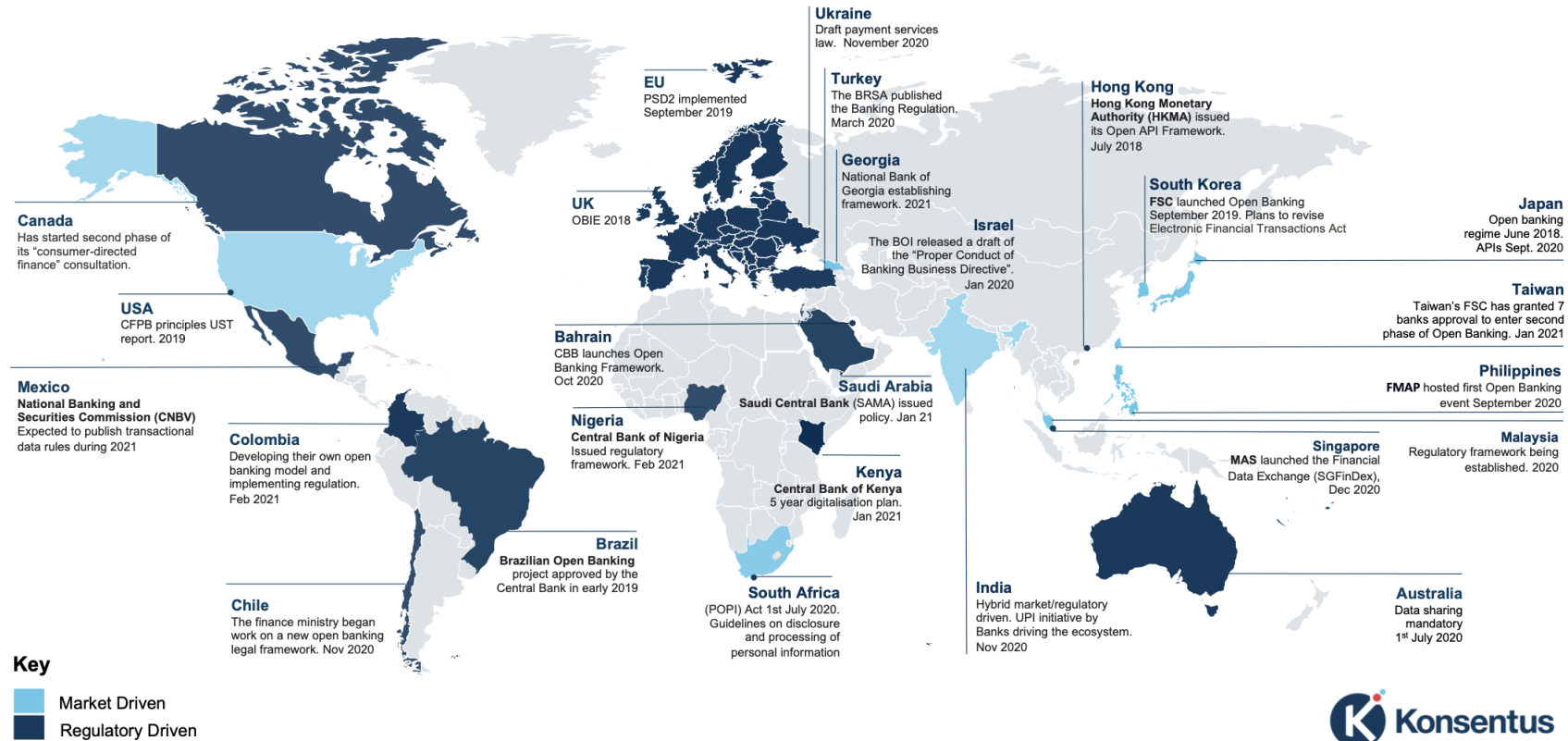
## Future outlook

- ❑ **Open Banking** : A term used to describe the process of banks and other financial institutions opening data for regulated providers to access, use and share, Mainly for third parties like Fintechs to access customer data at incumbent after customer consent , started in UK and Europe in 2018 and being adopted globally, Initially focused on payments and account aggregations.
  - ❑ **Bahrain launched regulations in 2020**
  - ❑ **KSA launched open banking roadmap in 2021**
  - ❑ **AMF launched open banking guidelines for the Arab world 2021**
  - ❑ **ADGM launched third part guidelines in 2021**
  - ❑ **UAE CB expected to set regulations soon**
  - ❑ **Egypt showed intention on regulations and launched non finance regulations in 20201**
  - ❑ **Kenya , Nigeria and South Africa launching guidelines**

# Future outlook

## Open Banking

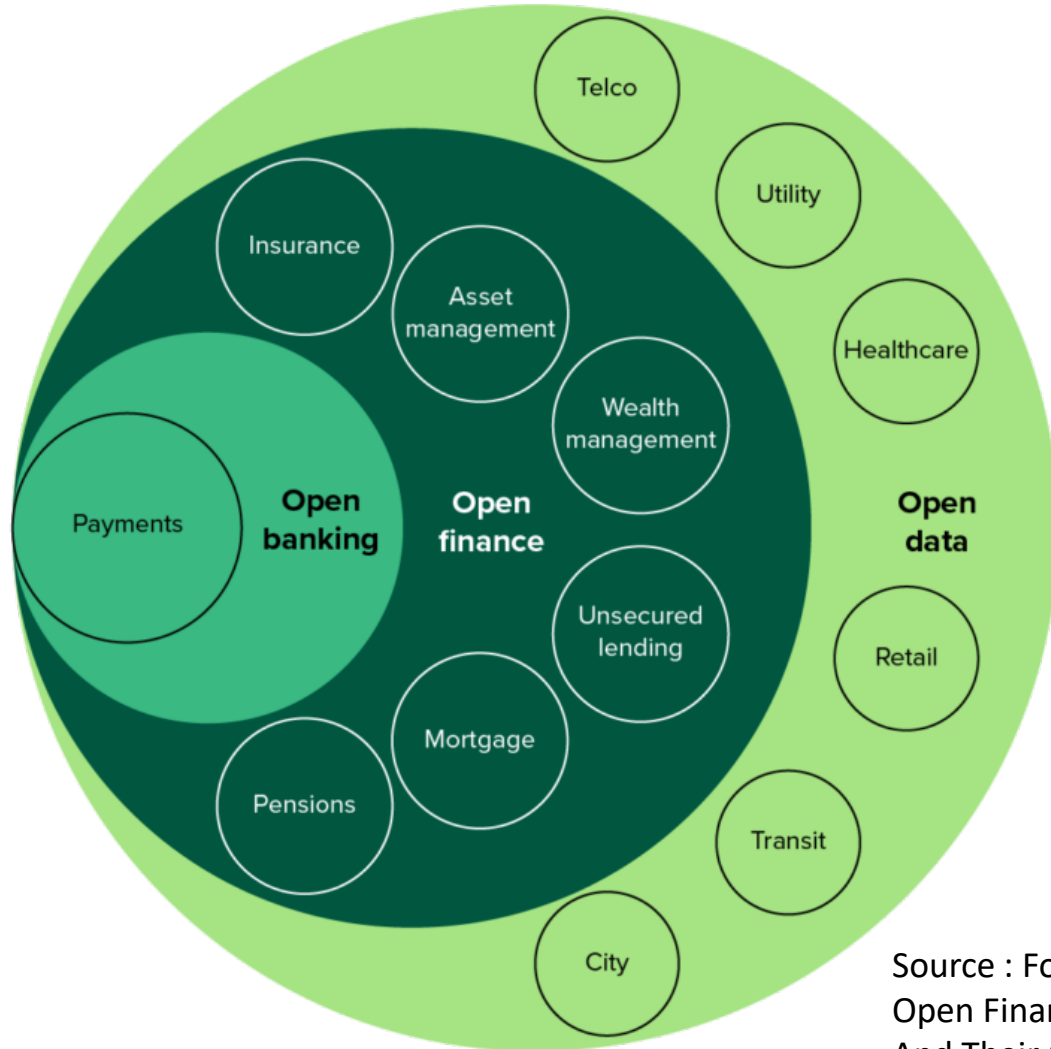
### The world of open banking





# Future outlook

## □ Open Banking leading to Open Finance



**Open Finance** : Extending open banking into the whole financial services needs of consumer such as pension , insurance and wealth management , this would lead into Embedded Finance

**Embedded Finance** : The use of financial tools or services — such as lending or payment processing — by a non-financial provider

Source : Forrester  
Open Finance Will Reshape The Relationship Between Banks  
And Their Customers

## Future outlook

- ❑ **Artificial Intelligence , Big Data and Advanced analytics Fintechs (Data is the future oil)**
  - Focus on product offerings more than risk & compliance
- ❑ **SME Finance - Supply chain Finance**

# Challenges for Fintechs

Regulations

Scalability

Consumer acquisition and confidence

Narrow focus on consumer demands

# The way forward for Fintechs

**Collaboration** with incumbent (Back office vs customer interface)

Move to more products offering (consolidation between Fintechs)

Move from consumers only to Business and SME

## Conclusion


**“If you want to go fast, go alone. If  
you want to go far, go together.”  
—African Proverb**



Q&A

Thank you

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[www.linkedin.com/company/fintechbazaar](https://www.linkedin.com/company/fintechbazaar)

