



# Fintech Developments in Asia

Cindy Li

Federal Reserve Bank of San Francisco

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# Asia's Fintech Landscape

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## The next fintech hubs

- Banks/Financial institutions
- Fintech-focused venture capital/family office/private equity investors



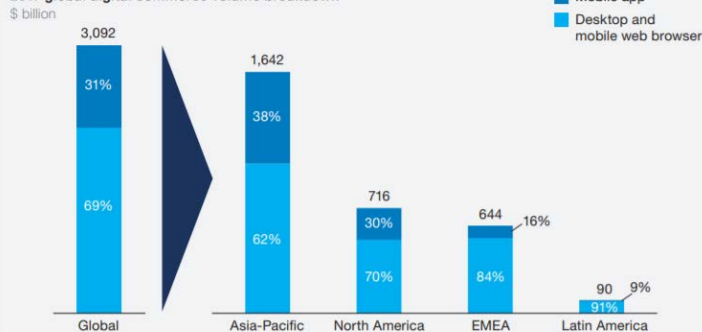
Source: Reed Smith



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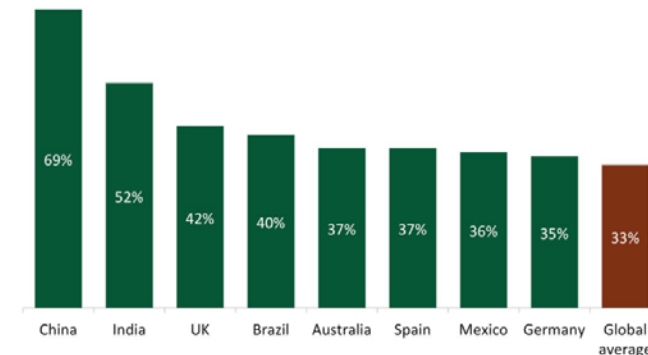
Mobile apps accounted for more than 30 percent of global digital commerce volume in 2017.

### 2017 global digital commerce volume breakdown



Source: GCI Analytics

## Percentage Of Digitally Active Consumers Who Use Fintech



Asia has...

- Large unbanked population
- Fast internet growth
- Open-minded, digitally active consumers
- High mobile app and social network penetration

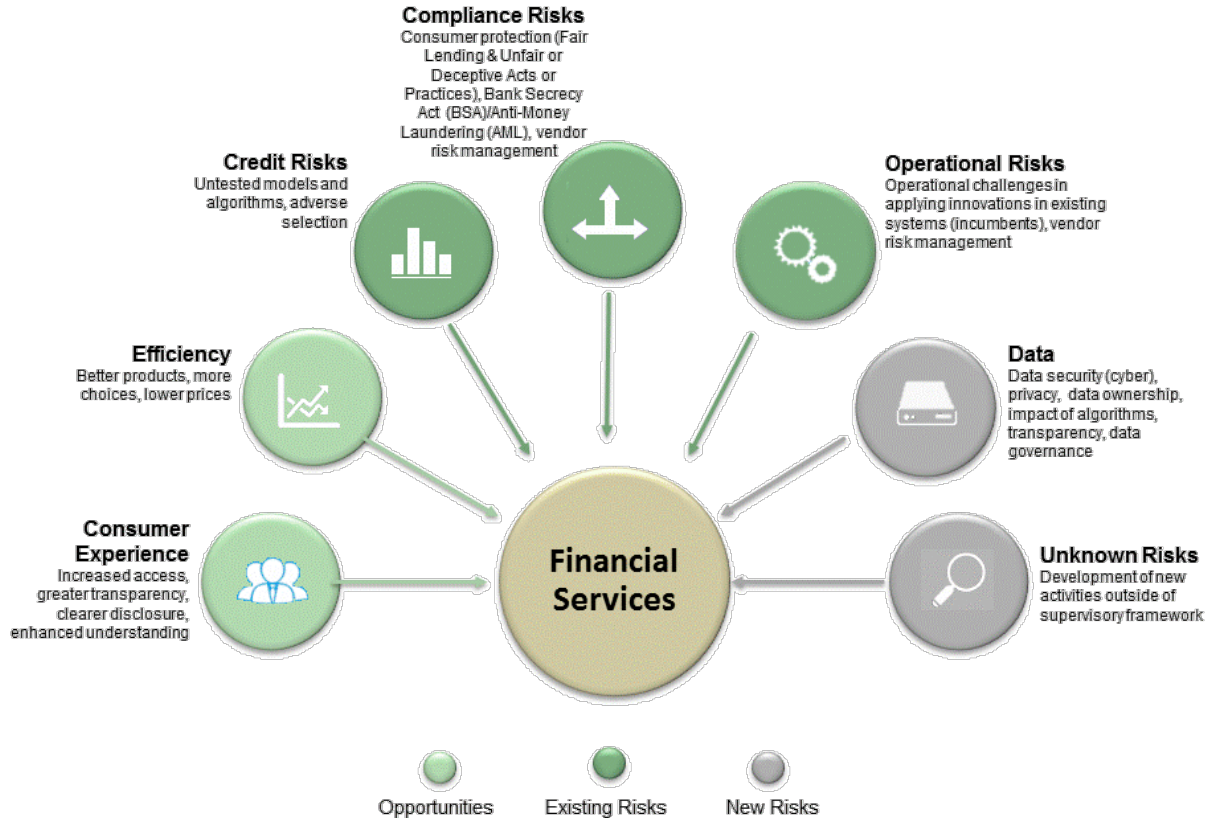
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# Fintech and Banks Connect in Many Ways

Banks can...

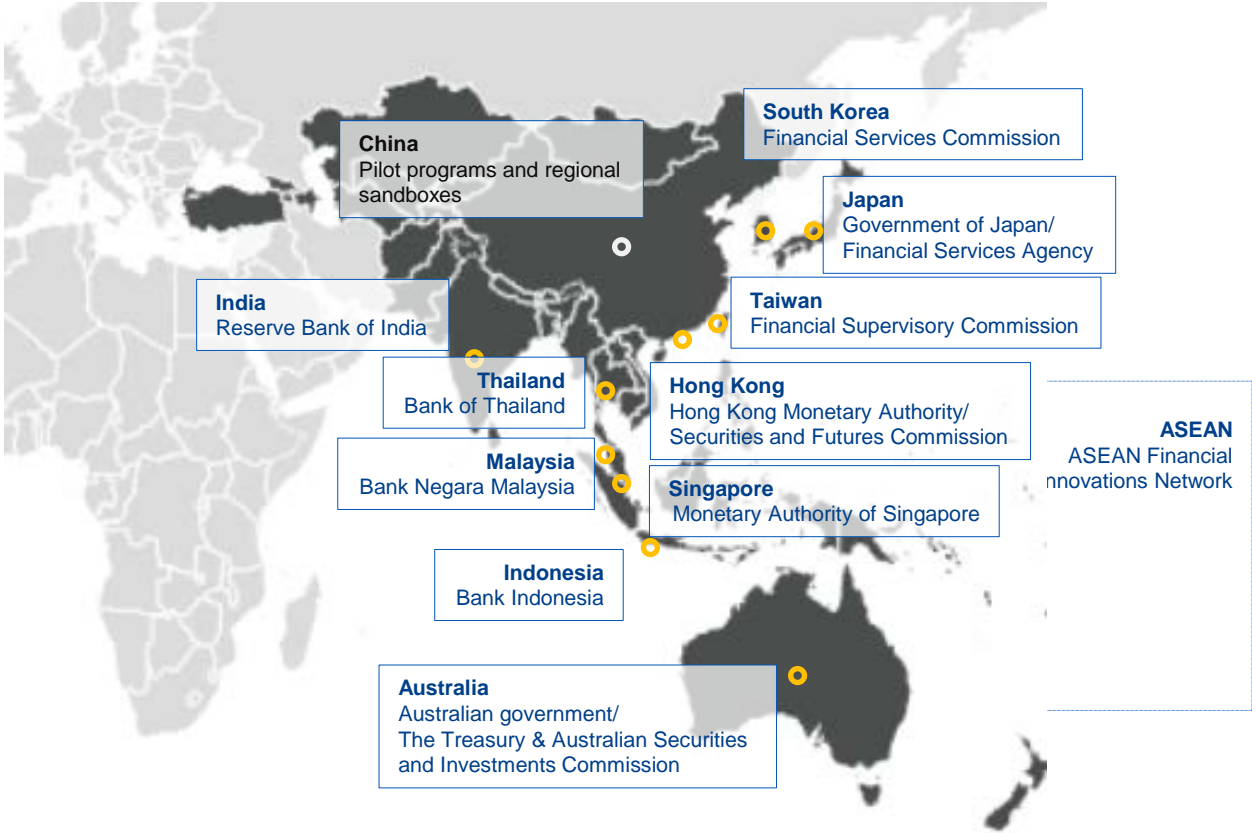
- Invest in fintech companies
- Start-up programs to incubate fintech companies
- Partner with fintech companies
  - Originate loans for fintech companies
  - Retail business platform provider – cobranding arrangements
  - White label / private label arrangements
  - Referral arrangements for a fee
- Acquire fintech companies
- Launch their own fintech solutions

# Fintech's Impact on Financial Services



10/29/2019

# Fintech Regulatory Sandboxes in Asia



# Singapore: Innovation Landscape

## Grants for Innovation

Get funding on proof-of-concepts, hiring, business development and more.

## Trade Finance

The Global Trade Connectivity Network (GTCN) is a cross-border Distributed Ledger Technology (DLT) project to digitalise trade and trade finance.

## Regulatory Sandbox

Sandbox relaxes specific regulatory requirements to enable live experiments of innovation within boundaries.

## API Exchange

World's first open architecture platform for financial institutions to easily discover FinTechs, quickly design prototypes and rapidly deploy solutions.

## Project Ubin

An industry collaboration exploring the use of Blockchain and Distributed Ledger Technology (DLT) for Central Bank Digital Currency.

## Business sans Borders

A collaborative AI-driven global solutions hub to foster SME digitalization.

## IP Protection

Protect your intellectual property faster through the FinTech Fast Track Initiative, Patent Prosecution Highway and ASEAN Patent Examination Co-operation.

## Singapore FinTech Festival

The world's largest FinTech festival for the global FinTech community to connect, collaborate and co-create.

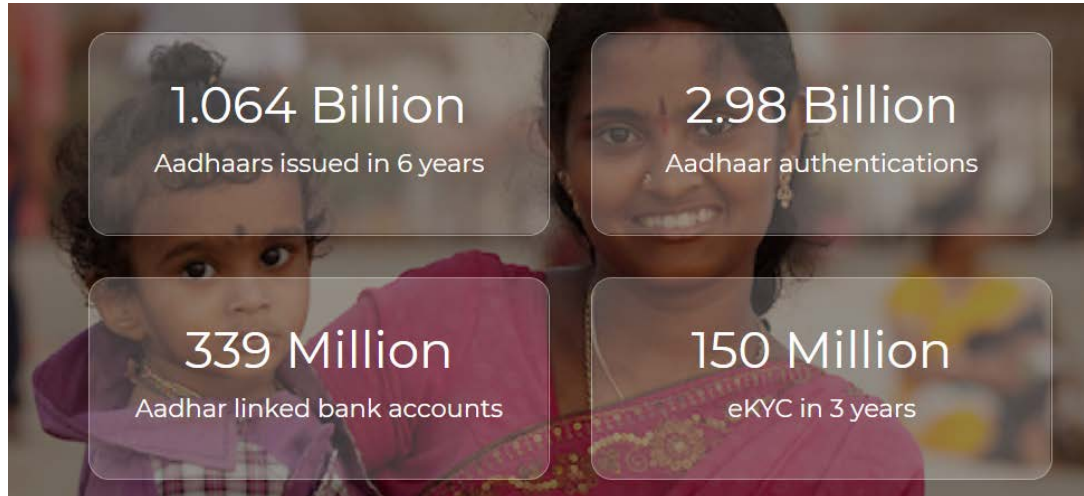
## E-Payments

Understand more about MAS' payment initiatives like SGQR, FAST, PayNow and UPOS.



# India: Digital Identity and eKYC

- India Stack: A public-private push to create digital infrastructure to support a range of public and private services, including non-cash payments
- Through India Stack, a series of open APIs enable digital financial infrastructure to promote financial inclusion and e-commerce.
- Relies on Aadhaar, India's universal national biometric identification system.





# China: Rapid Growth, Evolving Regulation

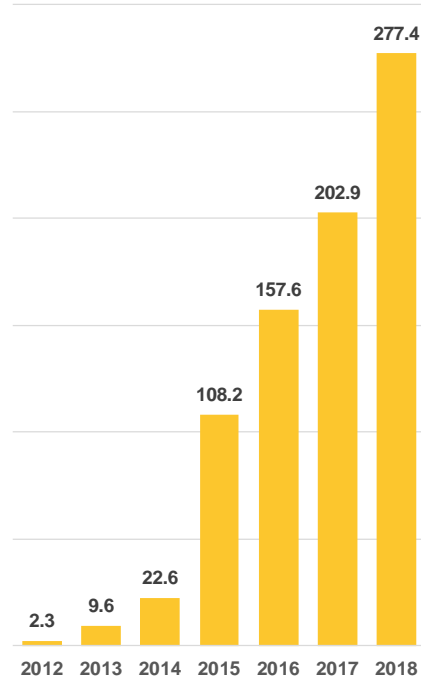
“China is known as a safe zone for startups to test new applications and ideas.” ([Michael Moon, SWIFT](#))

“[Suptech] is another area where China is generally thought of as a world leader.” ([Financial Times](#))

“The PBoC is not negative on cryptocurrency... it just wants to be in control of what’s going on.” ([Financial Times](#))

## Mobile Payment

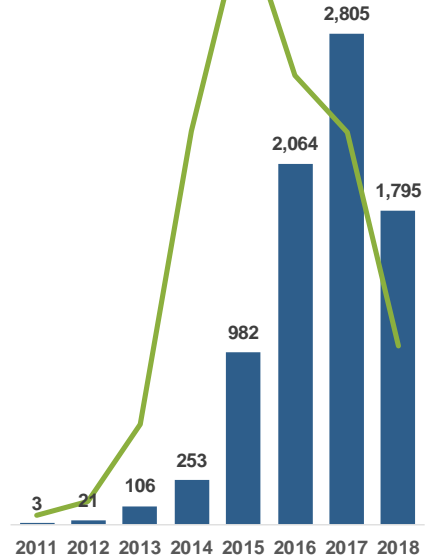
Transaction Volume (RMB tn)



## P2P Lending

Transaction Volume (RMB bn)

Number of P2P Platforms



Source: People’s Bank of China, WDJJ.

# **From Fintech to Techfin: An Asia Perspective**

# Unbundling a Bank



Source: CB Insights

# Building a Fintech Ecosystem

Leading Chinese fintechs are usually part of an ecosystem spanning the full fintech spectrum.

Europe and US		China				
Wide array of successful, focused fintechs		Large fintechs usually part of broader ecosystem				Relatively few niche, standalone fintechs
		Ant Financial	Tencent	Ping An	JD.com	
Payments	PayPal Stripe	Alipay	Tenpay	E-wallet	JD Pay	99Bill Lakala Ping ++
Wealth management	Betterment Wealthfront	Yu'e Bao	Li Cai Tong	LU.com	JD Finance JD Expert	CreditEase Golden Axe Wacai
Financing	LendingClub SoFi	Ant Check Later	Weilidai	Ping An Orange	JD Finance	Qudian.com ppdai.com Dianrong.com
Insurance	Oscar Metromile	Zhong An Insurance	WeSure Zhong An Insurance	Ping An Insurance Zhong An Insurance		
Banking	Atom	MYbank	WeBank	Ping An Orange		
Credit scoring	Credit Karma	Zhima Credit	Tencent Credit	LU.com	JD Credit	

Source: McKinsey.

# A Model for Creating Financial Super Apps

1. Leverage existing user base (e.g., e-commerce, social network) to expand into mobile wallets



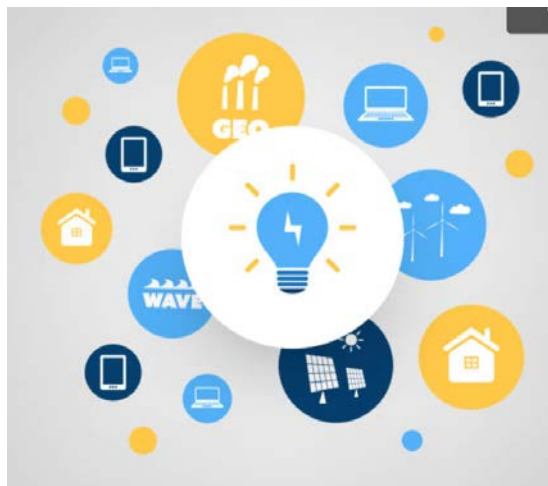
2. Engage users by offering competitively priced consumer loans and money management products



3. Build marketplaces for third-party asset managers and insurers



4. Add additional layers of engagement to sell more financial products, which in turn expands user base

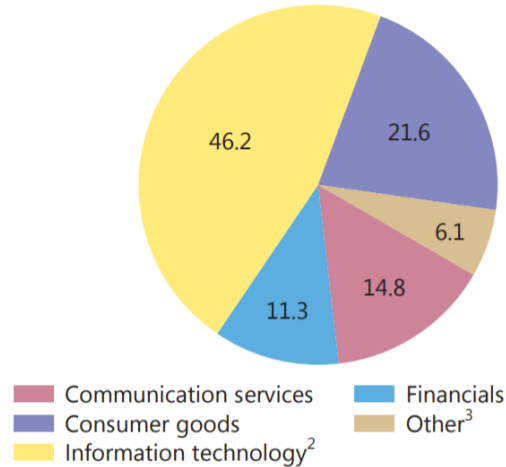


# Big Tech in Finance

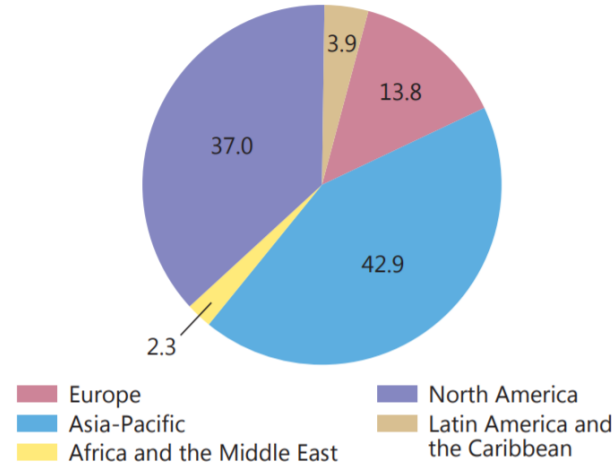
In per cent

Graph III.1

Big techs' revenues by sector of activity<sup>1</sup>



Regional distribution of big techs' subsidiaries<sup>4</sup>



The sample includes Alibaba, Alphabet, Amazon, Apple, Baidu, Facebook, Grab, Kakao, Mercado Libre, Rakuten, Samsung and Tencent.

<sup>1</sup> Shares based on 2018 total revenues, where available, as provided by S&P Capital IQ; where not available, data for 2017. <sup>2</sup> Information technology can include some financial-related business. <sup>3</sup> Includes health care, real estate, utilities and industrials. <sup>4</sup> Shares are calculated on the number of subsidiaries as classified by S&P Capital IQ.

Sources: S&P Capital IQ; BIS calculations.

# Rideshare, or Financial Services?



## Transport

Takes you from A to B safely with upfront prices.



## Food

Gets you a meal when you're too busy (or tired) to go out.



## Pay

Helps you make cashless payments quickly, safely, and securely.



## Delivery

Gets your documents or packages to their destination, on-demand.



## Ticketing

Simplifies your movie tickets booking experience.



## Videos

Helps you catch up with all your favourite shows.



## Hotels

Gets your hotel bookings sorted, easy.



## Rewards

Lets you earn points, and unlock benefits with every Grab transaction.

## GrabPay

A seamless point-of-sale (POS) system for merchants and a trusted mobile wallet of choice in Southeast Asia for payments such as in-store purchases, Grab transactions and fund transfers.

## GrabFinance

A financial empowerment programme that provides drivers, merchants and enterprises greater access to a suite of financial services, so they can realise their fullest potential.

## GrabInsure

Offering you peace of mind with access to simple, convenient and affordable insurance products tailored to your lifestyle needs.

## GrabRewards

Southeast Asia's largest loyalty programme where customers can earn points with every Grab transaction, getting access to exclusive benefits.

# Fintech Giants Grow in Size and Complexity

## PAYMENTS



**Alipay:** A **mobile wallet** with ~900m active users in China.

## WEALTH MANAGEMENT



**Yu'e Bao:** A **money market fund** that invests spare change from Alipay wallets, with ~\$150B in assets under management.



**Ant Fortune:** A **marketplace** for other Ant Financial and third-party financial products, with 68 investment funds selling products.

## INSURANCE



**Ant Financial Insurance Service** offers thousands of products from ~100 insurance companies.

## CREDIT SCORES



**Zhima Credit** creates a credit score based on social networks and payment history, among other factors.

## CONSUMER LENDING



**Ant CashNow** and **Ant Credit Pay** offer small **consumer loans**. Taken together, the two companies accounted for more than 50% of ABS issuance in China in 2018.



Source: CB Insights, Alibaba investor presentations.



# The Emergence of Virtual/Digital Banks

Alibaba (China)	MyBank
Baidu (China)	AiBank
Grab (Singapore)	Application in progress
Kakao (South Korea)	Kakao Bank
Rakuten (Japan)	Rakuten Bank (Japan), Rakuten International Commercial Bank (Taiwan)
Samsung (South Korea)	n/a
Tencent (China)	WeBank



# Open API Initiatives in Asia

## India

- Through IndiaStack, third-party providers gain access to Aadhaar, e-KYC, e-signing, privacy-protected data sharing, and Unified Payments Interface (UPI)
- Recent Supreme court ruling restricts the use of Aadhaar

## China:

- No official framework
- Leading fintech platforms and some major banks have started exploring open API

## Singapore:

- The Association of Banks in Singapore and the Monetary Authority of Singapore published *the API Playbook* in 2016, which provides comprehensive guidance on developing and adopting an open API-based system architecture
- API Exchange, led by Singapore, serves as an ASEAN-wide platform



## South Korea

- The Financial Services Commission's open API Framework is to be launched in December 2019

## Hong Kong

- Hong Kong Monetary Authority published an Open API framework in 2018 with phased implementation plan

## Malaysia

- Bank Negara Malaysia has published a policy document which sets out guidance for financial institutions on the development and publication of open APIs

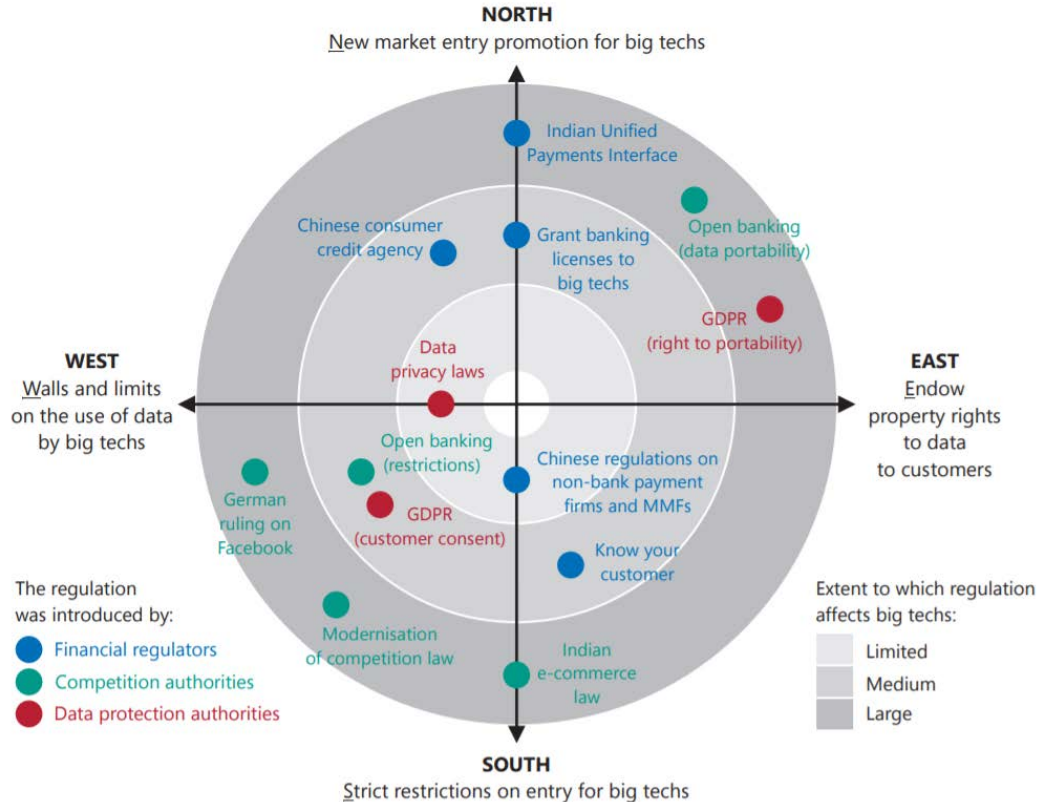
## Australia

- An open banking regime is being introduced in Australia, with a phased implementation from July 2019. The open banking regime is part of the development of a national Consumer Data Right (CDR).

## New Zealand

- Payments NZ launched an API center in 2019
- Efforts mostly led by the industry

# Fintech Regulatory Toolkits



Source: Bank for International Settlements.

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