

# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

**Fourth Meeting 2015**  
13 November 2015  
10:15 AM – 12:15 PM  
Ballroom 2, Fairmont Makati  
Makati City, Philippines

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## Meeting Paper 8-B FinTech in APEC The Next Wave in Financial Services

*Citi*

<b>PURPOSE</b>	For consideration.
<b>ISSUE</b>	Proposed 2016 agenda on FinTech
<b>BACKGROUND</b>	Digital data and systems are transforming the delivery of financial services in the 21st Century.
<b>PROPOSAL</b>	<p>4 Key Components of work on FinTech in APEC:</p> <ol style="list-style-type: none"> <li>1) Understanding the impact of new technologies on financial services and markets</li> <li>2) Developing FinTech ecosystems in individual countries and the region</li> <li>3) Achieving greater financial inclusion via the use of technology</li> <li>4) Addressing regulatory issues arising from new technologies, platforms and providers</li> </ol> <p>Proposed conference in San Francisco on February 24 (before ABAC I): Title: "Harnessing Financial Innovation: Building Bigger, Robust and Inclusive Markets" Topics to include:</p> <ul style="list-style-type: none"> <li>• Disrupter technologies, products &amp; services</li> <li>• Improving financial access via digital technology</li> <li>• Data privacy &amp; security issues</li> </ul> <p>Possible outcome: further work on FinTech in APEC</p>
<b>DECISION POINT</b>	Consider the ideas proposed in designing the conference.

# FinTech in APEC

## The Next Wave in Financial Services

Presentation to APEC Business Advisory Council

Catherine Simmons, Head of Government Affairs, Asia Pacific  
Manila, November 13, 2015



# Agenda

1. 21<sup>st</sup> Century Finance
2. FinTech
3. APEC FinTech Initiative
4. Existing APEC Financial Services Initiatives
5. Next Steps: ABAC 1 2016 San Francisco

## Digital data and systems will transform delivery of financial services in the 21st Century

- Branchless banking will increase as service delivery models change meaning more people can access banking services
- Stored value cards will empower a wider group of people including the unbanked poor
- E-commerce will grow as SMEs and others sell products via credit cards and non-bank financial institutions
- Cashless economies will increase as governments seek enhanced transparency and reduced corruption
- Crypto currencies will emerge as new forms of payment
- Financial literacy via digital platforms will become increasingly important as a broader range of consumers touch financial products

# FinTech – What Is It?

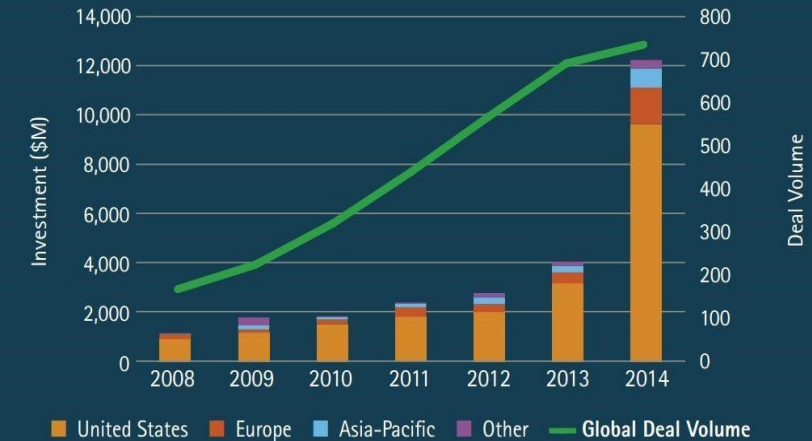
- Broadly defined as technology that creates new products and services, delivery mechanisms and platforms in financial services
- Examples include innovations in payments (e.g. online and mobile payments like PayPal or M-Pesa) currencies (e.g. Bitcoin), software (e.g. back and middle office processing), platforms (e.g. peer-to-peer lending and aggregators) and data analytics (e.g. telematics, biometrics and compliance) – *PWC: States of Guernsey 2015*
- Relevant to traditional providers becoming more digital and new entrants disrupting current businesses with new approaches

# FinTech - Why Is It Important?

## FinTech is profoundly changing the way individuals and businesses conduct their banking and financial activities

- Led primarily by the growth of the internet and increased penetration of smart phone technology
- Greater efficiency, extended reach and lower costs provided by innovation assists current providers and new entrants
- Opportunities exist for countries to develop technology and financial sector by creating FinTech Ecosystem
- Need to consider regulatory, legal and policy issues stemming from new technologies, platforms and providers
- Privacy, security, intellectual property and a level playing field are some of the issues that need to be addressed

Figure 4: Global FinTech Financing Activity



Source: Accenture and CB Insights

The key is to ensure that regulators and market players collaborate to encourage innovation and provide necessary protections against the back drop of rapid changes.

# FinTech – Ecosystem Development

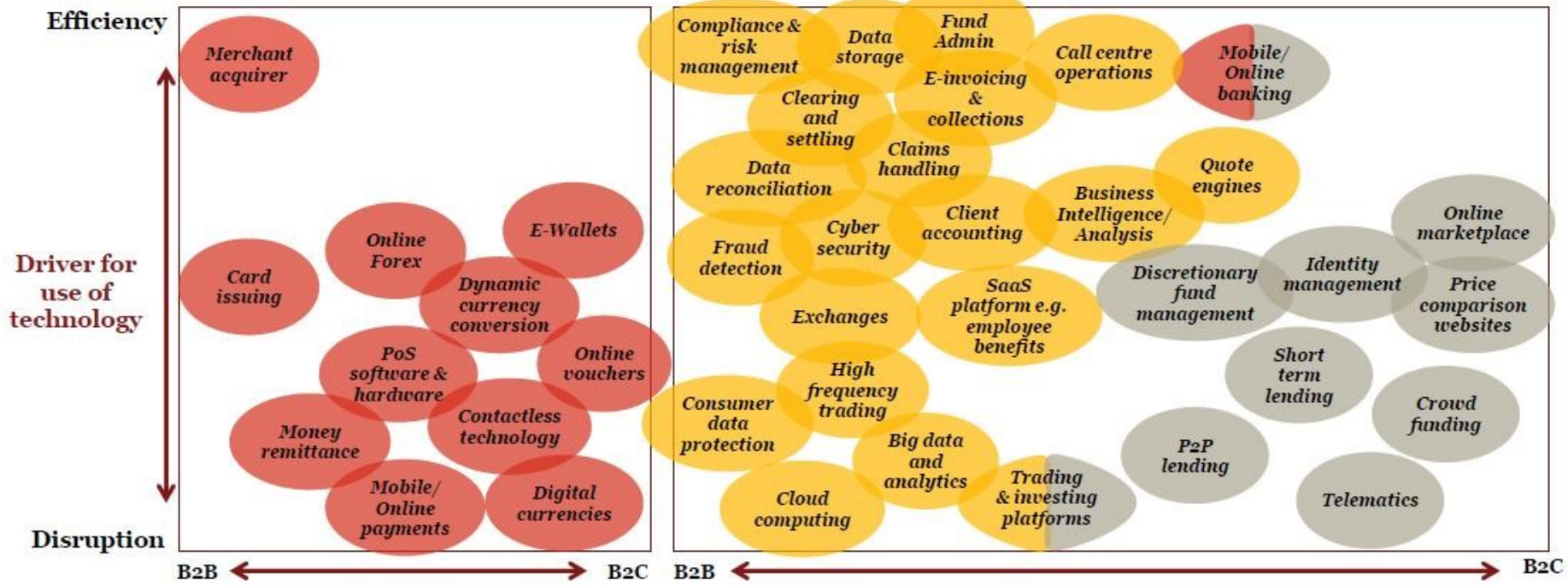
**KPMG analysis of different FinTech hubs (Silicon Valley, New York, London, Dublin, Berlin, Tel Aviv, Singapore and Hong Kong) demonstrates that in order to develop a strong FinTech ecosystem the following factors are important enablers:**

- Available and accessible early stage funding for FinTech start-ups and a strong pipeline of opportunities for investors/VC funds;
- Depth of financial services and technology talent and close proximity of these talent pools to each other (in city locations);
- A robust financial services industry, with a vibrant technology start-up community with mentoring, networking and high visibility;
- Government commitment and regulatory support for the FinTech sector specifically, and technology start-ups generally; and,
- Business backing for a FinTech hub, with high levels and collaboration and a strong culture of knowledge-sharing and entrepreneurship

Source: 'Unlocking the potential: The FinTech opportunity for Sydney'. October 2014, KPMG

# FinTech – Ecosystem Development: Example

PWC segmented the FinTech market into three distinct areas according to their characteristics:



Customer focus

Source: PWC Analysis - State of Guernsey 2015





# FinTech - Government Initiatives

## Asia Pacific governments are recognizing the need to develop FinTech:

### Hong Kong:

- March 30, 2015: Secretary of Finance established Steering Group on FinTech to advise government on how to develop and promote Hong Kong as a FinTech hub
- The Steering Group comprises 10 non-official members drawn from industry and research and development institutions, as well as relevant Government officials and representatives from the banking and securities regulatory authorities
- The steering group will advise on: 1) Economic and business opportunities provided by the development of FinTech for Hong Kong; 2) Potential and existing gaps of developing Hong Kong into a FinTech hub; and 3) The measures needed to promote Hong Kong as such a hub

### Singapore:

- 2014: Prime Minister launched 'The Smart Nation Program' to create an ecosystem to focus on innovation to create a more efficient economy
- The Monetary Authority of Singapore (MAS) will launch several initiatives to encourage FinTech development and will dedicate S\$225 million over the next 5 years to the government's Financial Sector Technology & Innovation scheme
- July 2015: MAS announced the formation of a new FinTech & Innovation Group (FTIG) to create development strategies and regulatory policies around technology innovation while ensuring safety and security

# FinTech - Exchange Initiatives

## HKEx News Release

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Updated: 02/11/2015

### HKEx supports programme for Hong Kong's emerging FinTech industry

Hong Kong Exchanges and Clearing Limited (HKEx) announced today that it has become a Supporting Organisation of the SuperCharger Accelerator, Hong Kong's first programme dedicated to helping both start-ups and more established financial technology, or FinTech, companies aiming to capture opportunities in Asia's growing markets.

The programme leverages on Hong Kong's traditional strength as Asia's finance and technology gateway. The historic opening-up of China's capital markets offers tremendous opportunities for Hong Kong across multiple asset classes, and HKEx has been setting the pace with unique and innovative solutions such as Shanghai-Hong Kong Stock Connect.

As the core infrastructure operator of Hong Kong's financial markets, HKEx touches almost every aspect of the trade life-cycle, from listing, trading and the distribution of market data to clearing and settlement. The SuperCharger Accelerator will allow HKEx to share knowledge and explore collaboration with some of the leading creative minds in FinTech.

"Harnessing the vibrant creativity that Hong Kong's start-up community offers is hugely important to our future," said Charles Li, Chief Executive of HKEx. "We are excited to be partnering with the SuperCharger Accelerator and look forward to working together with its participants over the coming months, and we hope beyond."

The SuperCharger Accelerator programme will run from 11 January to 8 April 2016. The deadline for applications is 20 November 2015.


For more information about the programme, please visit [SuperCharger's website](#).

Ends

# FinTech - Industry Initiatives

Industry is partnering to further the development of the FinTech industry

November 9, 2015

paymenteye 





FINTECH INNOVATION AWARDS 2016

13<sup>TH</sup> APRIL 2016  
THE BREWERY  
LONDON


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## Citi partners with PwC and IBM on FinTech mobile challenge

21 Sep 15 | Author [Ben Rabinovich](#) | [Partnerships](#) | [Mobile solutions](#)

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IBM and PwC have become Citi's strategic partners for the Citi Mobile Challenge in Asia Pacific. IBM will provide mentoring classes and its digital innovation platform, Bluemix, whilst PwC is working with Citi on an acceleration programme across the Asia Pacific region.



IBM's platform will allow developers who are participating in the Citi Mobile Challenge build, test and deploy their FinTech solutions and PwC's programme will provide relevant business leadership and industry content to programme finalists, together with structured mentoring from senior Citi management.

[Citi Mobile Challenge](#) is a next-gen accelerator that features a virtual hackathon as well as an incubator that's connected to a global network of experts and developers.

Citi will make available a variety of APIs from the bank and other leading financial and technology companies to help developers create real-world innovations that could function with existing Citi technology.

A panel of industry experts and financial technology leaders will evaluate the solutions at each event.

# FinTech - Financial Inclusion

## FinTech can assist in enhancing financial inclusion

- There are an estimated 1.2 billion people who do not have access to a bank account or formal financial services in the Asia Pacific
- Across the world, nearly 5 billion people are using mobile phones which is 2.5 times more than the number of bank accounts, creating opportunities in mobile banking
- The creation of inclusive financial systems is a powerful tool in the fight against poverty and critical for both social and economic progress and in developing the region's markets
- Enhanced financial inclusion will also help to create deeper, broader and more liquid capital markets and cross border capital flows



# FinTech – Regulatory, Legal and Policy Issues

## FinTech presents governments with a range of issues

- Digital data and advanced systems need to be managed by highly-trained professionals backed up by reliable IT infrastructure
- Data collected needs to be effectively utilized by business to enhance competitiveness and efficiency while ensuring privacy of individuals
- Data needs to be secured against fraud, criminal activity and natural disasters in an increasingly complex and interconnected world
- Cross-border data transfer, processing and storage of data lead to discussions about onshore versus offshore activities



# APEC FinTech Initiative

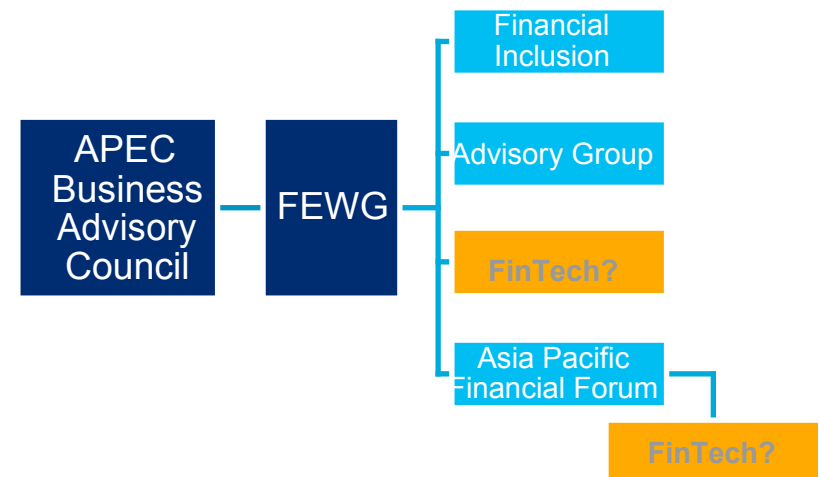
**A work stream on FinTech is a logical next step in APEC's work given FinTech is the next wave in financial services**

## 4 Key Components of work on FinTech in APEC:

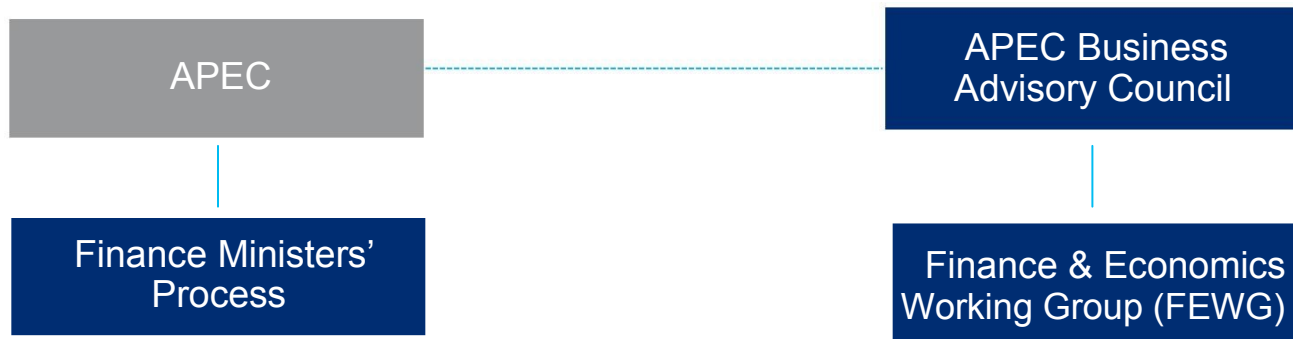
- 1) Understanding the impact of new technologies on financial services and markets
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## Potential positioning of FinTech work stream in existing ABAC Finance & Economics Working Group (FEWG) structure:

- Work strand under APFF?
- Stand alone item under FEWG?



# Existing APEC Financial Services Initiatives



- **Roadmap to develop infrastructure investment through public-Private Partnerships (PPP)**
- Capacity Building: PPP Centers and the APEC PPP Experts Advisory Council
- **Regional Financial Integration Public-Private Collaboration: The Asia Pacific Financial Forum**
- Asia Regional Funds Management Passport
- Fiscal and Taxation Policies and Reform for Economic Restructuring
- **Improving SME Access to Finance**
- Enhancing Disaster Risk Financing
- Monitoring and assessing macroeconomic developments and developments in the international financial system
- **Encouraging capital market development and integration**
- **Boosting SMME and financial inclusion**
- **Stimulating infrastructure finance and investment**
- Improving valuation standards and practices in APEC

# Next Steps: ABAC 1 2016 San Francisco

## Proposed Conference – February 24, 2016:

Title: “Harnessing Financial Innovation:  
Building Bigger, Robust and Inclusive  
Markets”

Topics to include:

- Disrupter technologies, products & services
- Improving financial access via digital technology
- Data privacy & security issues

Possible outcome: further work on  
FinTech in APEC

## Key APEC groups to involve:

- Finance & Economics Working Group:
  - Financial Inclusion Caucus
  - Asia Pacific Financial Forum (APFF)
  - AP Infrastructure Partnership
- APEC Steering Group on the Internet Economy
- Regional Economic Integration Working Group
- SMME & Entrepreneurship Working Group
- Infrastructure & Connectivity Working Group

## Possible firms to involve:

Financial firms and firms providing internet-based technology and consultancy services, e.g. Google, Ebay, Visa, MasterCard, Paypal, IBM, PWC, Citi



The Citi logo is centered on a blue gradient background. It features the word "citi" in a white, lowercase, sans-serif font. A red, curved arch is positioned above the letters "i" and "t". To the right of the word "citi" is a small white registered trademark symbol (®).

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