

## Ravi Menon: Asia's digital transformation

Remarks by Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore, at the GIC Institutional Investors Roundtable, Singapore, 31 October 2018.

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Ladies and gentlemen, good morning. I thank GIC for the invitation and am pleased to meet all of you.

### Why FinTech?

About three-and-a-half years ago, the Monetary Authority of Singapore (MAS) made a momentous decision - to promote an innovative and dynamic financial sector by working with the industry to harness the power of technology.

- ♦ We saw that technology was transforming the way people live their lives, the way companies deliver products and services, and the way cities work and connect.
- ♦ Meanwhile, the financial industry globally was facing the headwinds of slower economic growth, tighter regulation, and keen competition from non-financial technology players.

Technology presented an opportunity to inject new dynamism and new growth in financial services.

- ♦ It was an opportunity to *increase efficiency* in an industry that had some of the most archaic practices around – just think of interbank payments and settlements.
- ♦ It was an opportunity to *manage risks better*: financial institutions were pouring ever more resources into compliance and risk management – and still getting into trouble.
- ♦ Most of all, it was an opportunity to *improve people's lives*
  - ♦ to bring financial services to the unbanked and uninsured in Asia;
  - ♦ to help a growing middle class plan its finances more holistically and efficiently;
  - ♦ to help enterprises raise money, make payments, and tap new markets.

In short: to maintain its position as one of the top financial centres in the world, Singapore must embrace FinTech – harnessing its benefits, managing its risks.

Thus began Singapore's FinTech journey. And by FinTech, I mean two things:

- ♦ encourage and support financial institutions to experiment and harness technology; and
- ♦ promote non-financial FinTech players to provide competition and inject innovation so that the ecosystem as a whole benefits.

MAS takes an even-handed approach, allowing competition between financial institutions and non-financial FinTech players as well as facilitating collaboration among them.

And of course, doing all this with a keen eye on managing the risks associated with technology – safeguarding financial stability and maintaining public confidence.

MAS and the financial industry are not doing this in a vacuum, but within the larger context of Singapore's Smart Nation agenda – to build a digital economy and society for higher productivity and more gracious living.

### Asia's Digital Transformation

Singapore's Smart Nation drive is itself playing out against the backdrop of a dynamic Asia on the cusp of a digital revolution.

- ♦ Asia remains the fastest growing region in the world, with the ASEAN-4 economies<sup>1</sup> expected to grow at 4.7% p.a. over the next 10 years, China at 5.7%, and India at 6.5%.
- ♦ Growing affluence, rapid urbanisation, and expanding education, are propelling strong demand for modern services like travel, shopping, and financial services.

Yet large segments of Asia's population have no access to banking and payments services, insurance cover, or investment opportunities.

- ♦ According to the World Bank, 170 million people in the ten member states of ASEAN with mobile phones remain unbanked.
- ♦ Some 53 million people still receive agriculture payments in cash.

Financial technology or FinTech is making significant headway in bringing these under-served markets into the formal financial economy.

- ♦ Example: Digital financial transactions have increased by 30% in Thailand from 2014 to 2017.

The FinTech revolution in Southeast Asia is being driven by three forces.

**First, there is a thriving FinTech start-up scene in ASEAN.** These start-ups are building large digital businesses and changing the face of financial services while doing so.

- ♦ Take for example Wing in Cambodia, Wave Money in Myanmar, Momo in Vietnam, and MatchMove in Singapore.
- ♦ They have quickly scaled by providing unbanked individuals with the means to store value and transact digitally.
- ♦ And by extending their services to SMEs, these FinTech firms are facilitating the digitalisation of entire supply chains.

**Second, the advent of pervasive e-commerce platforms has provided an Asian model for financial inclusion.**

- ♦ These platforms rapidly develop a consumer base and offer a broad stack of services, expanding into areas such as payments and credit.
- ♦ E-commerce platforms are among the best-funded ASEAN businesses.
- ♦ Grab, Go-Jek, Carousell, and Lazada have together raised nearly US\$6 billion in 2018.
- ♦ According to a study by Google and Temasek, e-commerce is projected to grow explosively in ASEAN, from US\$5.5 billion in 2015 to US\$88 billion in 2025.

**Third, traditional financial institutions in Asia have embarked on a digitalisation journey, enabled by core technologies such as cloud computing.**

- ♦ Almost every major financial institution has an active innovation agenda to strengthen its business by harnessing technology.
- ♦ In just the last three years, more than 30 global financial institutions have set up innovation labs in Singapore, testing new technologies and collaborating with FinTech start-ups to develop solutions.

Let me give some examples of collaboration from the Singapore FinTech ecosystem:

- ♦ Hedge fund managers are using a solution deployed by SQREEM to provide them behavioural insights related to equities, foreign exchange markets or political events like Brexit.
- ♦ Relationship managers are using a solution by AIDA, to predict whether their clients are likely to increase their assets under management or make a withdrawal.
- ♦ FINQUEST is using big data analytics to connect small to mid-sized companies globally to growth capital and potential acquirers.
- ♦ APVERA is helping enterprises detect anomalies in the behaviour of their employees and flag data leakage risks.

These three driving forces – FinTech start-ups, e-commerce platforms, and financial institutions harnessing technology in a big way – are creating the synergies that power Asia’s digital transformation.

### **Initiatives to Foster the FinTech Ecosystem**

MAS has an active and wide-ranging FinTech agenda.

- ♦ In the interest of time, let me highlight three key initiatives we have taken in recent years to nurture the FinTech ecosystem in Singapore and integrate it across ASEAN.

#### ***First, the ASEAN Financial Innovation Network, or AFIN for short.***

This is a collaboration among the International Finance Corporation (IFC), the ASEAN Bankers Association, and the MAS.

AFIN is a platform that offers two functions:

- ♦ One, it is a *marketplace* where financial institutions in ASEAN seeking solutions to specific problems can connect with relevant FinTech firms across the region and beyond.
- ♦ Two, it is a *sandbox* where the financial institutions and FinTech firms can test potential solutions and achieve scale in a cost-efficient manner.

#### ***Second, deepening the enterprise financing ecosystem.***

We want to make Singapore an Asian hub for enterprise financing, to support the next generation of Asian growth companies.

We are enhancing the private markets infrastructure.

- ♦ Last year, MAS simplified the regulatory regime for venture capital managers, shortening the authorisation process from 16 to 4 weeks.
- ♦ We are working with the industry to establish private market platforms to enable Asian growth companies to connect with investors for capital and expertise.

We are strengthening the public markets ecosystem.

- ♦ We are working with the industry to develop an information aggregation utility for SMEs to demonstrate credit worthiness in the pre-IPO phase.

We are deepening the research ecosystem for both private and public markets.

- ♦ In the private markets, we are curating ASEAN venture capital (VC) and private equity (PE) research with industry partners to raise awareness of investment opportunities in the region.
- ♦ In the public markets, we are funding research to support market liquidity in the post-IPO

phase.

Institutional investors have been leveraging on Singapore's strong connectivity and vibrant fund management ecosystem to access regional markets.

- ♦ There are currently some 220 VC and PE managers located in Singapore.
- ♦ VC and PE assets under management in Singapore has grown at an average 28% p.a. over the last 5 years.
- ♦ More than 75% of their investments are across ASEAN, South and North Asia.

### ***Third, the Singapore FinTech Festival.***

- ♦ This is the largest financial technology event in the world.
  - ♦ It drew more than 30,000 participants from more than 100 countries last year.
  - ♦ There were 300 FinTech exhibition booths from 30 countries.
- ♦ The FinTech Festival is a platform for the global and Asian FinTech community – to learn new developments, exchange ideas, network and collaborate.
- ♦ The third edition of the Festival will be held in two weeks' time, 12-16 Nov.

A key component of the Festival is the Global Investor Summit, which brings together FinTech start-ups and investors and facilitates deal-making.

- ♦ This year, we have a new deal-making platform - called MATCH – to curate and showcase promising ASEAN start-ups and enterprises to local and global investors.
- ♦ Do check out the Global Investor Summit.

To sum up, Asia is undergoing a digital transformation.

- ♦ The Asian FinTech scene in particular is blooming.
- ♦ Opportunities abound for long term investors.
- ♦ And Singapore sits at the centre of this exciting ecosystem of innovation and growth, from which to tap these opportunities.

Thank you, and I hope to see you in two weeks' time at the Singapore FinTech Festival.

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<sup>1</sup> ASEAN-4 (Malaysia, Indonesia, Philippines, Thailand)