

Ravi Menon: Powering the next stage of Singapore FinTech

Speech by Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore, at the Singapore FinTech Festival “The Green Shoots Series – Leading Through a Crisis: Up Close and Personal with Mr Ravi Menon”, Singapore, 13 August 2020.

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Five years ago, we had a vision – to make Singapore a Smart Financial Centre.

- ♦ A financial centre where innovation is pervasive and technology is used widely –
 - ♦ to increase efficiency;
 - ♦ to create new opportunities;
 - ♦ to manage risks better; and most importantly
 - ♦ to improve people’s lives.

A new buzzword was emerging on the scene – “FinTech”. We set our goal to become a leading global FinTech hub.

At the core of our drive was a conviction that technology will fundamentally transform financial services ...

- ♦ ... that if our financial sector stood still, we would be swept away by the tides of technological changes.
- ♦ And the tides were coming in fast:
 - ♦ digital and mobile payments;
 - ♦ block chains;
 - ♦ cloud computing;
 - ♦ big data and analytics;
 - ♦ AI and learning machines.

Together with the industry, MAS set about creating a FinTech ecosystem that embraced both incumbents and insurgents.

- ♦ We wanted to facilitate the digital transformation of established financial institutions so that they can innovate and compete with the best.
- ♦ We also wanted to support FinTech firms outside the financial sector who were innovating new ways to provide financial services.
- ♦ The relationship between the incumbents and insurgents has been sometimes competitive but often collaborative – and both have been good for the ecosystem.

We adopted a multi-pronged strategy to build what is now regarded by many as one of the most vibrant FinTech ecosystems in the world.

First, a conducive regulatory approach that facilitates innovation while managing risks:

- ♦ simplifying rules;
- ♦ selectively easing licensing criteria;
- ♦ providing guidance on new areas like cloud computing, robo-advisers, and digital tokens;
- ♦ adopting activity-based regulation right-sized to the risks posed, as in our Payment

Services Act; and

- ♦ allowing experimentation through regulatory sandboxes.

Second, the digital infrastructure necessary for the adoption and proliferation of new technologies:

- ♦ a 24/7, real-time electronic payment system;
- ♦ a national digital identity and trusted data architecture that allows seamless online authentication and financial transactions;
- ♦ digital platforms to connect businesses, financial institutions, and FinTech firms:
 - ♦ matching buyers and sellers through, for example, *Business sans Borders*; and
 - ♦ matching problem statements and solutions through, for example, *the API Exchange (or APIX)*;
- ♦ cross-border data and digital connectivity agreements and frameworks; and
- ♦ *Project Ubin*- a blockchain based prototype platform for cross-border payment and settlement in different currencies on the same network – faster and cheaper than conventional cross-border payment channels.

Third, putting our money where our mouth is: MAS committed S\$225 million under the Financial Sector Technology & Innovation or FSTI Scheme:

- ♦ to attract financial institutions to set up their innovation labs in Singapore;
- ♦ to catalyse innovative solutions by financial institutions or FinTech firms; and
- ♦ to fund industry-wide infrastructure for inter-operability and seamless services.

Five years have passed, and we have made good progress towards our vision of a Smart Financial Centre. Singapore is consistently ranked among the top three or five FinTech hubs in the world.

We now host 40 innovation labs set up by global banks and insurers, compared to hardly any five years ago.

- ♦ These labs have embarked on close to 500 innovation projects. Two examples, just to give a flavour:
 - ♦ DBS' AI chatbot "JIM" that reviews resumes, collects applicants' responses to pre-screening questions, and conducts psychometric profiling of candidates; and
 - ♦ BNP Paribas's digital advisory platform "BeAdvised" that provides recommendations to wealth management clients customised to their portfolio preferences.

The innovation labs we have funded, have created 180 high value jobs.

- ♦ Approximately 60% of these jobs are held by Singaporeans.
- ♦ More than that, there is valuable learning and capability transfer, helping to build our local talent pool and pipeline for future leadership roles.

Beyond the innovation labs, financial institutions have been employing many more people across a wide range of tech areas such as cloud computing, data science, blockchain/DLT, customer journey design, digital marketing and cybersecurity as they

undergo digital transformation.

- ♦ These jobs account for a good part of the 22,000 net jobs the financial sector has created during 2016–2019.

Our FinTech start-up community has grown exponentially –

- ♦ Five years ago, we had about 50 FinTech firms; we now have more than 1,000.
- ♦ Last year, FinTech firms attracted a record S\$1 billion of investment.
 - ♦ For the first half of this year, despite COVID-19, the FinTech sector continued to attract equity funding and M&A amounting to \$650 million.
- ♦ The FinTech sector has been a powerful creator of jobs.
 - ♦ We estimate there are nearly 10,000 people employed by FinTech firms, many of which are also classified as part of the financial services sector.

We have seen many examples of innovative solutions that use technology to meet the daily needs of consumers of financial services.

- ♦ The Proof of Concept (or POC) Grant, under FSTI, provided funding support for experimentation, development, and dissemination of such solutions.
- ♦ One example of successful commercialisation is *SoCash*, who partnered with Standard Chartered Bank to pioneer micro cash distribution in Singapore, by turning any retail shop into an ATM alternative and allowing users to withdraw cash at the checkout.
 - ♦ SoCash subsequently raised S\$8.2M in Series B funding to expand its distribution network into overseas markets such as Indonesia, Malaysia and Hong Kong.

The financial industry has begun to make progress in frontier technologies like AI.

- ♦ The AI and Data Analytics (or AIDA) Grant, under FSTI, has helped to promote the adoption and integration of AI and data analytics in financial institutions.
- ♦ MAS has funded 23 AIDA projects and published 5 requests-for-proposals on topics such as Quantum Computing and Explainable AI.
- ♦ To promote the responsible use of AI and data analytics, MAS and the industry co-created the FEAT principles – for fairness, ethics, accountability, and transparency.

Perhaps the most visible payoff for the investment in technology is in how well the industry has responded the COVID-19 crisis and been able to continue serving customers.

- ♦ Imagine if there was no retail electronic payment system or infrastructure for digital banking or buying insurance online or trading from home how would we have coped with circuit breakers and lockdowns?
- ♦ If the financial industry had not built up its digital capabilities, it would not have been able to continue operating without disruption, let alone grow by more than 5% during the first half of this year when the overall economy contracted by 6.7%.

But we are still only about half-way along our journey to becoming a Smart Financial Centre.

- ♦ COVID-19 has shown that the world is changing in ways we may have never

imagined.

- ♦ The pace of digital transformation will only accelerate.
- ♦ Our work is not done yet.

We will announce at the Singapore FinTech Festival in December more of our plans and initiatives for the next stage of our journey. But let me share with you here what we are willing to commit by way of funding.

Of the \$225 million committed in 2015 for FSTI, we have utilised half the amount.

I am pleased to announce that MAS will roll over the unutilised portion and augment it with additional funds to make a fresh commitment of \$250 million for the next 3 years under FSTI 2.0.

Let me share with you three key enhancements under FSTI 2.0, taking onboard industry feedback

First, FSTI 2.0 will encourage the expansion of the existing innovation labs and further develop Singaporean talent in FinTech and innovation.

- ♦ The Innovation Lab Grant under FSTI 2.0 will co-fund 50% of the salaries of incremental Singaporean hires for a period of 2 years.

Second, FSTI 2.0 will encourage more experimentation and early-stage development of novel solutions in the industry by enhancing the POC Grant.

- ♦ We will double the funding cap of the POC Grant from \$200,000 to \$400,000.
 - ♦ This will support POCs that are larger in scale and more complex in nature.
- ♦ We will also introduce a merit-based tiered funding approach.
 - ♦ If your proposal manages to secure unanimous votes from the evaluation panel, you will have access to 70% funding support, up to a quantum cap of \$400,000.
 - ♦ This is enhanced from current FSTI parameters of 50% funding support, up to a quantum cap of \$200,000.

Third, FSTI 2.0 will seek to accelerate large-scale adoption of AI solutions in the financial industry while supporting workers through the transformation brought about by AI.

- ♦ We will increase the maximum funding quantum for the AIDA Grant from S\$1 million to S\$1.5 million per AI project.
- ♦ We will introduce a new AIDA-Lite track to support financial institutions adopting existing AI solutions in the market.
- ♦ We will require all AIDA applicants to work with the Institute of Banking and Finance (IBF) to actively look out for at-risk workers impacted by AI adoption, and to develop a training plan to keep them employable.

To sum up, the enhanced FSTI 2.0 renews and anchors MAS' resolve to support the financial industry in its journey ...

- ♦ a journey of continued innovation and experimentation;
- ♦ deepening our local talent pool in new technologies; and

- ♦ better serving our societies – here in Singapore and across the world.