



FinTech in ASEAN

Get up, Reset, Go!



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Foreword

The year 2020 will be remembered for many things, but mostly for a pandemic that has altered the way we live and accelerated digital transformation in many areas.

Last year, more than US\$1 billion of investor money flowed into ASEAN's financial technology (FinTech) scene¹. Given the macroeconomic headwinds and recovery uncertainties, this year's funding has dipped to US\$903.65 million as at Q3 2020. Investors are hunting for 'COVID discounts', while seeking refuge in safer bets. The closure of borders has also limited physical access for investors used to carrying out due diligence in person. With company pitches being pushed online, FinTech firms have had to embrace virtual dealmaking as the new reality.

Against this backdrop, our fourth edition of the **FinTech in ASEAN** report examines how ASEAN's FinTech firms have been affected by the pandemic. Given their nimble digital roots, how has 'The Great Lockdown' impacted their funding, growth plans and *modus operandi*?

What we have learnt is that despite some setbacks, many FinTech firms are taking the pandemic in their stride. Based on interviews and a survey we conducted among 109 FinTech firms operating in ASEAN, many are pruning operational costs, investing in fully-digitised processes, seeking out new markets and exploring new product lines to propel growth. One founder we spoke to has even found ways to start his FinTech business in a new market entirely virtually.

We have named this edition **Get up, Reset, Go!** in tribute to the enterprising FinTech founders and venture capitalists we talked to in the making of this report. While ASEAN's FinTech growth story may have been interrupted, there is still tremendous belief in the region's strong economic fundamentals. This is further evidenced by the fact that out of the top 10 most funded FinTech firms in ASEAN-6 this year, a record **five** ASEAN nations are represented, hinting at an exciting decade ahead for the region.



Janet Young

Managing Director and Head,
Group Channels and Digitalisation
United Overseas Bank



Wanyi Wong

FinTech Leader,
PwC Singapore



Chia Hock Lai

President,
Singapore FinTech Association



Executive summary



Funding cools but overall outlook remains upbeat

FinTech funding across ASEAN fell from 2019's high but still exceeded 2018 figures. Late stage funding (Series C and beyond) took the largest hit, falling to 45 per cent of total fundraising from 65 per cent in 2019. FinTech firms surveyed indicated that COVID-19 negatively affected early stage investing. Meanwhile, interviews with Venture Capital (VC) firms revealed a split, with some VCs staying focused on the long-term potential of early stage firms and others directing more resources to ensure their existing investments in late stage firms weathered the COVID-19 storm.

The challenging macro-environment may see would-be-founders hold back on establishing their start-ups, unless they have committed lines of funding, as they wait to see how the region's recovery will pan out.



Singapore continues to lead

Singapore remained the regional leader in terms of funding and deal numbers, with Indonesia placing second. Other ASEAN markets went through substantial reshufflings regarding their funding places, largely due to the FinTech scene in these markets being overly dependent on one large fundraising deal. Interviews with FinTech firms and VCs largely reflected the positioning of Singapore and Indonesia as the leading ASEAN areas of FinTech activity. The former due to its well-regarded regulator, fundraising scene and B2B opportunities, and the latter due to the substantial number of unbanked people and businesses that FinTech firms can reach.



Payments for the win

COVID-19 has accelerated the digital economy, creating numerous opportunities for FinTech firms across ASEAN. With an estimated 50 per cent of the ASEAN-6 population unbanked, and an additional 24 per cent underbanked², the market opportunity is huge. Payments, widely seen as the starting point for a nation's FinTech industry, remain the dominant FinTech sector across ASEAN-6. Based on discussions with FinTech firms and VCs, insurance technology (InsurTech) and alternative lending were additional areas they saw benefitting from COVID-19 behavioural changes.



K-shaped recovery

ASEAN's FinTech firms are likely to see a 'K-shaped' recovery, with 'sound' FinTech firms receiving additional support from their VC backers in the form of cash and other non-financial support, and those not deemed 'sound' not attracting the funding required, or having to discount their valuation to attract backers. Firms which survive, or thrive, in the current environment are likely to be well-positioned for the eventual recovery, with industry players expecting a wave of mergers and acquisitions (M&A) in the next 18 months. Four in five FinTech firms report that they will continue with their expansion plans.



Survival of the fittest

To give themselves the greatest chance of surviving in the current environment, FinTech firms are taking numerous steps including digitalising their internal processes, focusing on core areas and scaling-back on non-core activities, ensuring that they retain the right workforce, concentrating on growing revenues and leveraging the experience of their investors and sibling portfolio companies. In addition to self-directed actions, FinTech firms are taking advantage of support packages targeted at businesses as part of COVID-19 relief measures offered by national governments.



Chapter 1

Get up

While overall deals and funding numbers are down, green shoots of recovery are emerging.

Introduction

Since Singapore's inaugural FinTech Festival five years ago, the FinTech industry across ASEAN has developed swiftly, with the region's players and regulators reaching numerous milestones on their growth journey.

In 2017, UOB started charting the FinTech industry's growth in ASEAN, where the majority of firms were still at the early stages of funding and focused on building consumer-related solutions. In 2018, *FinTech in ASEAN: The Next Wave of Growth* noted how FinTech firms were shifting their focus from end-consumers to corporate and small- and medium-sized enterprise (SME) clients. Last year, we explored the expansion of FinTech firms across ASEAN's economically and culturally diverse markets.

This year, COVID-19, geopolitical tensions and a slowing global economy have pushed new priorities to the forefront, fast-tracking some plans while disrupting others. The lockdowns imposed by various governments to stem the

spread of COVID-19 accelerated digital adoption, as Southeast Asia welcomed 40 million new Internet users in 2020³ – sweet news for digital industries.

In this section, we review how the FinTech industry in the six biggest ASEAN economies (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam), also known as ASEAN-6, performed in 2020, up till the third quarter⁴.

The four other ASEAN nations – Brunei Darussalam, Cambodia, Laos and Myanmar – have not been included in the funding analysis as there were insufficient deals to be representative of funding activities⁵.

Explore the data

Five years of FinTech milestones in ASEAN



Dip in funding, with some recovery

Impact of COVID-19 on funding

The upward trend of funding⁶ over the past few years slipped in 2020. However, funding amounts for YTD 2020 still totalled US\$903.65 million despite the challenging economic conditions. This is a 20 per cent decline from the record US\$1.12 billion raised in the same period ending September 2019, but is still higher than the US\$814 million raised in the whole of 2018.

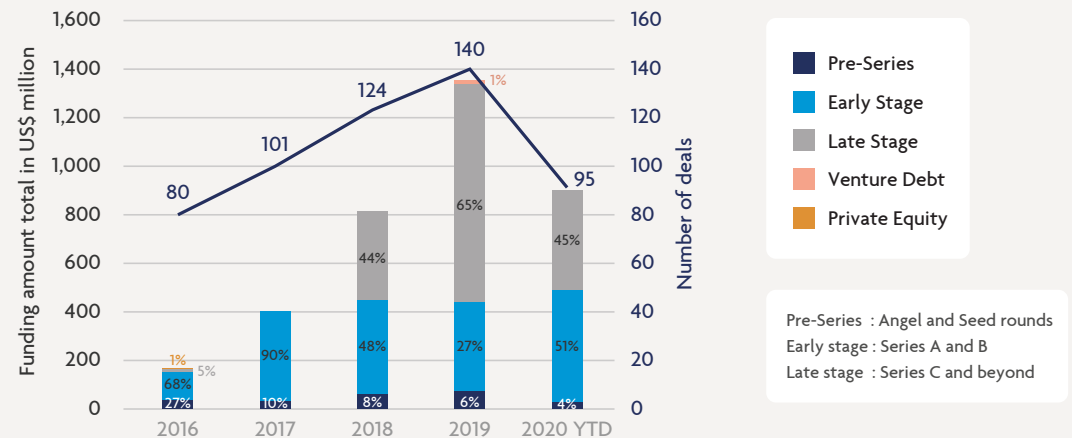


Figure 1 | Funding in 2020 YTD dipped 20 per cent YOY

Source: Tracxn, as at 30 September 2020, accessed on 28 October 2020

Green shoots of recovery in funding rounds

Funding amounts in the first half of 2020 (US\$657 million) increased relative to the first half of 2019 (US\$566.5 million), suggesting that the worst impact of COVID-19 on funding amounts in ASEAN-6 was over by the second quarter of 2020. This coincides with signs of recovery observed in both the number of funding deals and funding amounts, led by Singapore, in Q2 2020.

It comes despite the ASEAN-6 economies (with the exception of Vietnam) clocking contractions between -5 per cent to -17 per cent⁷ in terms of real gross domestic product (GDP) year-on-year in the same quarter.

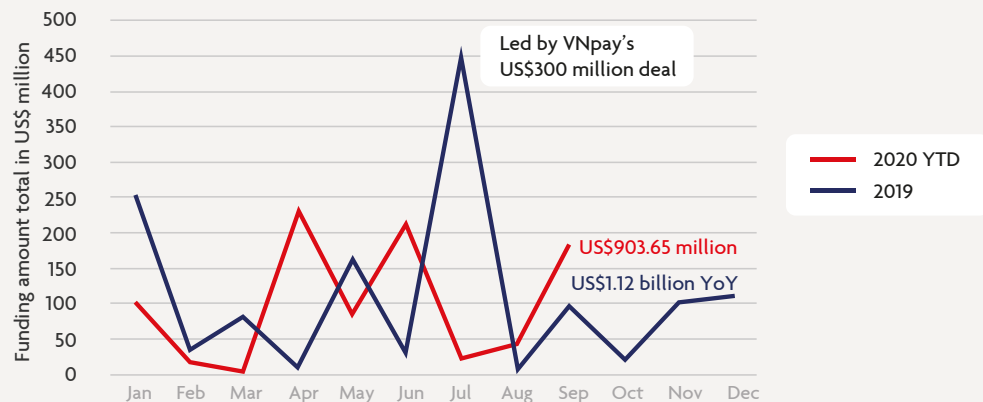


Figure 2 | Total funding by month in 2019 vs. 2020 YTD

Singapore leads funding numbers

Thailand and the Philippines get a boost

Singapore continued to attract the most FinTech investments within ASEAN-6, accounting for 42 per cent of the region's total disclosed deals. Singapore's ability to stabilise and to manage the spread of COVID-19 within its borders, along with its established leadership position in ASEAN's FinTech landscape, may also have contributed to its continuing strong performance in attracting funding.

Indonesia moved up to second spot at 20 per cent, while Thailand and the Philippines tied for third spot given a sharp increase in funding amounts year-on-year, driven mainly by three deals (Thailand: SYNQA - US\$80 million and Lightnet - US\$31.2 million, the Philippines: Voyager Innovations - US\$120 million).

Vietnam, which received the second-highest amount of funding last year due to VNpay's US\$300 million deal, closed four undisclosed early stage deals.

Explore the data

FinTech funding in
ASEAN (2016—2020)



Singapore
42%

Indonesia
20%

The
Philippines
15%

Thailand
15%

Malaysia
8%

**US\$903.65
million**

2020 YTD

Singapore
46%

Indonesia
21%

The
Philippines
1%

Vietnam
30%

Thailand
2%

**US\$1.36
billion**

2019

Figure 3 | Funding breakdown by country (US\$), 2020 YTD vs. 2019

*Figures shown here do not include undisclosed deals

Hit by the no-travel bug

Dip in the number of deals

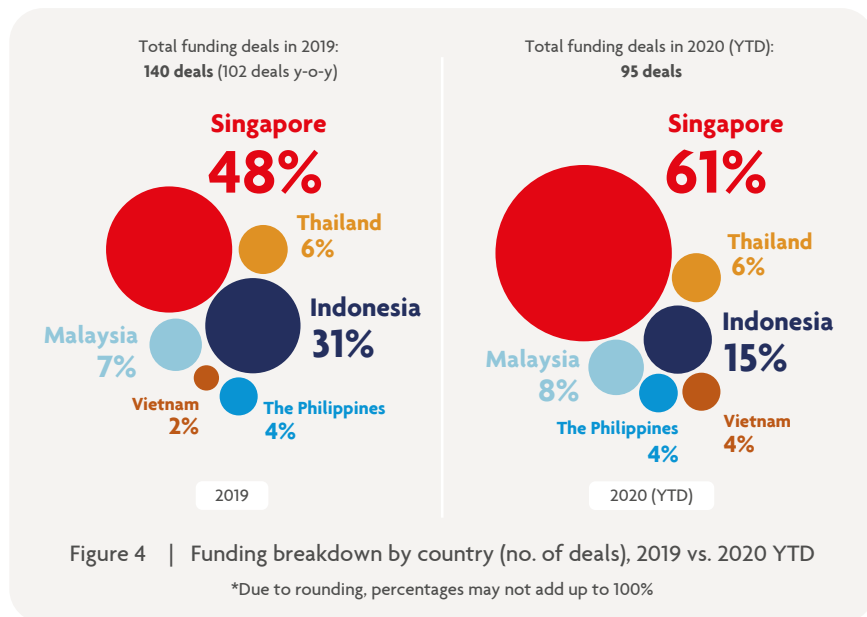
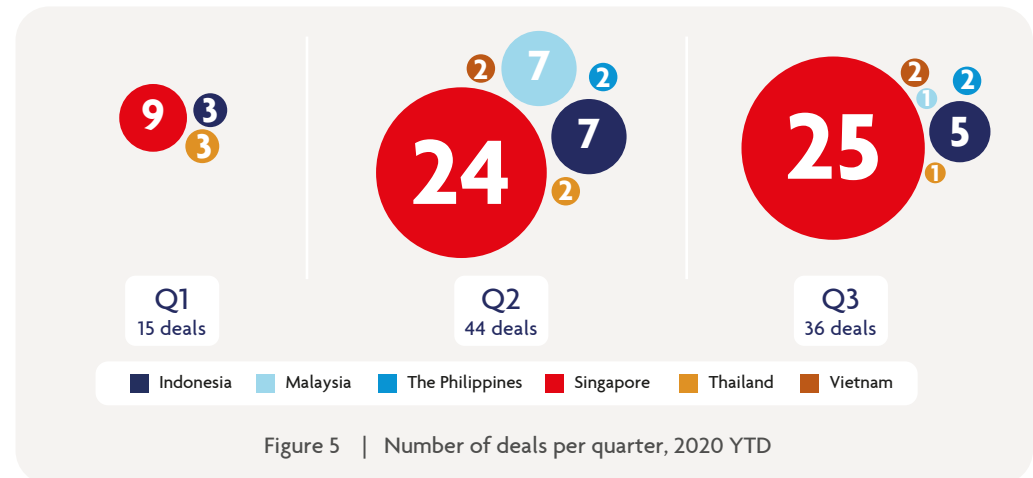
There were 95 deals completed in the first three quarters of 2020, down from 102 deals in the same period last year.

The gap between Singapore and second-placed Indonesia widened from 17 per cent in 2019 to 45 per cent in 2020 YTD. This strong position may be anchored in Singapore's sound fundamentals – both as a recognised traditional financial centre and as a global FinTech hub⁸ – boosting confidence for continued dealmaking in a pandemic.

Furthermore, even though almost half the FinTech firms (46 per cent) in ASEAN-6 are headquartered in Singapore, these firms are usually regional in nature, offering access to ASEAN's wider market despite travel restrictions.



Interestingly, the second quarter of 2020 saw the highest number of deals (44), despite the strict movement restrictions across ASEAN.



ASEAN-6 COVID-19 movement restriction summary



*Accurate as at time of printing (early Dec 2020)



Payments continue to dominate

Money in the bag

Across ASEAN, payments¹⁰ is by far the most funded category in 2020 at US\$470 million, followed by alternative lending¹¹ at US\$163 million. The gap between payments and alternative lending has widened from US\$185 million in 2019 to US\$308 million in 2020. The funding amount for both categories ranked the highest among all in the past five years.

Payments, which includes mobile payments and remittances, looks set to benefit from the

growth of digital commerce and changing consumer behaviours post COVID-19, as consumers and businesses seek out more convenient, contactless payments solutions.¹²

Singapore, with its more mature FinTech market, saw an injection of fresh funds into almost every FinTech category this year (see Figure 6). This shows the healthy diversification of Singapore's FinTech sector and its active investment scene.

Driving change

An estimated 50 per cent of the ASEAN-6 population remain unbanked, while another 24 per cent are underbanked⁹. The opportunities for change are greatest in Indonesia, Vietnam and the Philippines, where almost 80 per cent of the population do not have access to credit or long-term savings products.

Digital payments and alternative lending solutions provide an avenue for a mobile-ready, unbanked population to access basic digital financial services that can help boost their financial wellness in the long run.

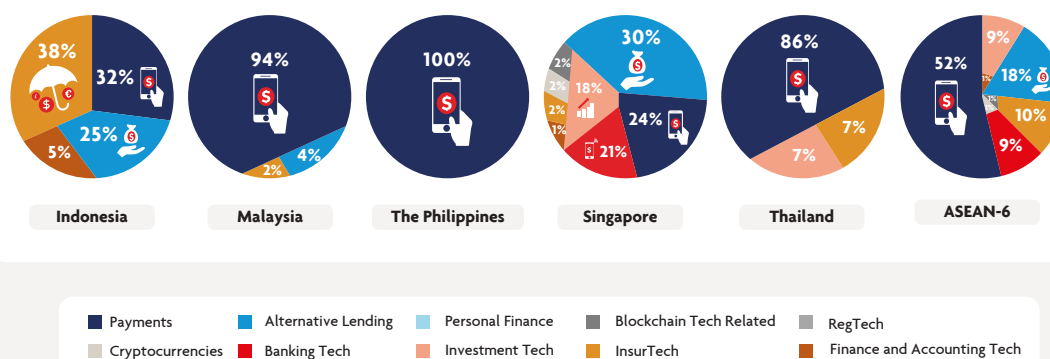


Figure 6 | Proportion of total investment deals by category (US\$), 2020 YTD¹³

*Vietnam's deals are undisclosed and no further analysis was done on the FinTech categories

*Due to rounding, percentages may not add up to 100%

Top 10 funded FinTech firms

Big opportunities across ASEAN

FinTech firms from Vietnam and Singapore dominated the top 10 list of most funded firms in ASEAN-6 up to Quarter 3, 2019 (see Table 2).

This year, we see greater representation from the ASEAN-6 countries, with the exception of Vietnam. The latter's two mega funding deals last year could explain why there is an ebb in the funding scene in Vietnam this year. While Myanmar's WaveMoney received US\$73.5 million in funding this year (third highest in ASEAN), it was subsequently acquired in June.

Although more countries are represented, payments is overwhelmingly the focus of the year, drawing the most funds and investor confidence.

In terms of deal size, the average funding amount has fallen from last year's, with only one deal crossing the US\$100 million mark (The Philippines: Voyager Innovations - US\$120 million).











Company	Round name	Primary category	Funding amount US\$ (million)
 Voyager Innovations	Series D	Payments	120
 SYNQA	Series C	Payments	80
 Boost	Series C	Payments	70
 Thunes	Series B	Payments	60
 PasarPolis	Series B	InsurTech	54
 Payfazz	Series B	Payments	53
 Funding Societies	Series C	Alternative Lending	40
 Lightnet	Series A	Payments	31
 Tonik	Series A	Banking Tech	27
 Investree	Series C	Alternative Lending	24
Average funding amount: US\$55.9 million			

Table 1 | Top 10 funded FinTech firms in ASEAN-6, 2020 YTD











Company	Round name	Primary category	Funding amount US\$ (million)
 VNpay	Series D	Payments	300
 Singapore Life	Series C	InsurTech	110
 MOMO Pay	Series C	Payments	100
 GoBear	Series A	Personal Finance	80
 Advance.AI	Series C	Banking Tech	80
 Deskera	Series A	Finance and Accounting Tech	40
 Akulaku	Series C	Alternative Lending	40
 Aspire	Series A	Alternative Lending	33
 Credit Culture	Series A	Alternative Lending	29
 YouTrip	Seed	Payments	26
Average funding amount: US\$83.8 million			

Table 2 | Top 10 funded FinTech firms in ASEAN-6, 2019 YoY (Jan-Sep 2019)

Flattening curve of new FinTech firms

Slowing growth of new FinTech firms within ASEAN

The ASEAN FinTech ecosystem has been growing for the past decade. Singapore, Malaysia and Indonesia are the main hubs in ASEAN where most of its FinTech firms are located.

However, the growth spurt has been tapering since 2018 (see Figure 8), dropping from 31 per cent growth to 13 per cent in 2019, and down to two per cent in 2020. It is likely that the economic fallout from COVID-19 may have contributed to the lack of new firms being set up this year, dampening start-up plans.

Explore the data

FinTech firms in
ASEAN-6 (2016–2020)

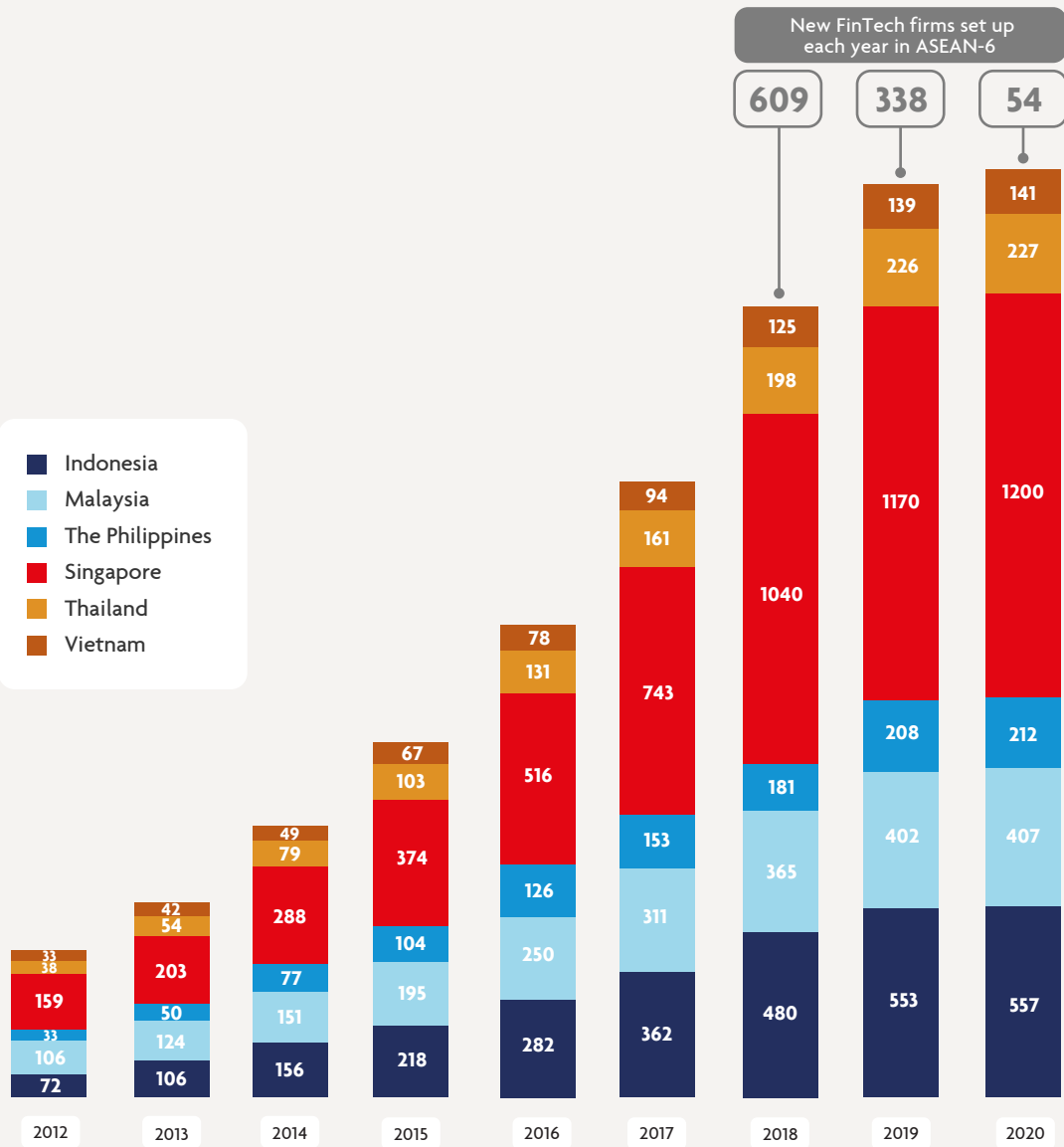


Figure 8 | Total number of operating FinTech firms headquartered in ASEAN-6, 2016-2020 YTD

K-shaped recovery

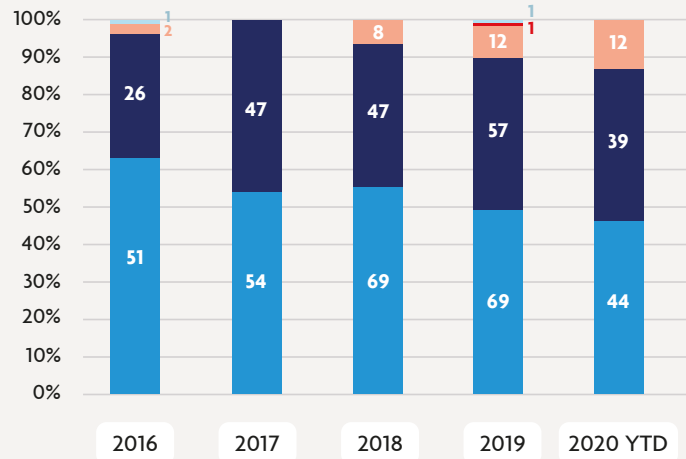


Figure 9 | Number of funding deals by company stage

■ Pre-Series ■ Early Stage ■ Late Stage ■ Venture Debt ■ Private Equity

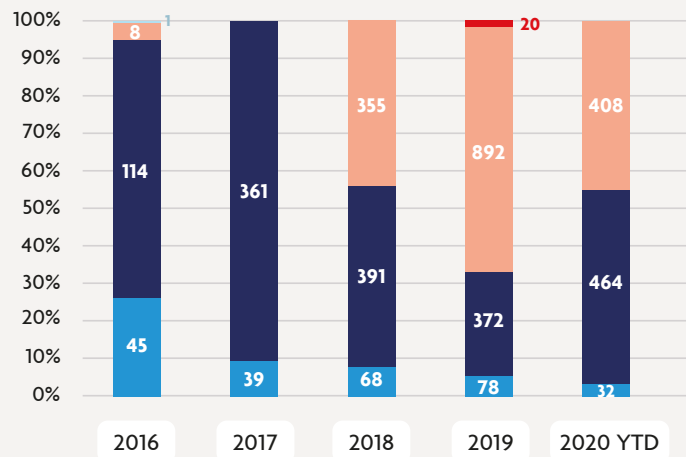


Figure 10 | Funding amount (US\$) by company stage

As at the third quarter of 2020, year-on-year deal counts for late stage FinTech firms increased from nine per cent to 13 per cent (see Figure 9).

Early stage firms experienced an increase of US\$92 million in funding amounts (see Figure 10), despite a challenging year with fewer deals than 2019.

With economic recovery forecasted to be uneven due to the varying impact of the pandemic across markets, newly-incorporated seed stage companies may face an uphill task in winning overseas investor dollars, given the retreat in funding.

As one of the VC interviewees shared, the ASEAN FinTech space may be trending towards a K-shaped recovery in which quality firms are seeing higher valuation, while firms at the opposite spectrum are facing difficulty in attracting investment dollars.

However, there are still ways to turn a Zoom year into a boom year in 2021.

In Chapter 2, we speak to a few VCs to get their opinions on the funding scene and to get a first-hand perspective on how FinTech firms have been affected by the pandemic.

“























From a Southeast Asia investor's perspective, there's more pressure amid the crisis and the liquidity push in the region to close in on the stronger bets in the portfolio and ferry them to sizeable exits.



Yinglan Tan
Founding Managing Partner,
Insignia Ventures Partners

Who invested this year

The most active FinTech investors in 2020 YTD by number of deals include new entrants AMTD (Hong Kong), Saison Capital (Singapore) and SCB 10X (Thailand).

Active FinTech investors (including VCs, Private Equity and Institutions)			
Investor	HQ location	Number of deals	Selected portfolio companies
Y Combinator	 US	8	Payfazz, PayMongo
Insignia Ventures	 SG	5	Payfazz, Tonik, Wiz
AMTD*	 HK	5	Funding Societies, Active.ai, CardUp
500 Startups	 US	4	BukuKas, Split
East Ventures	   JP, ID, SG	4	BukuWarung, Helicap
BRI Ventures	 ID	4	NIUM, Payfazz, Investree
Openspace Ventures	  SG, ID	3	Igloo, Validus, Finnomena
Quona Capital	  US, IN	3	BukuWarung, Koinworks, Sunday
K3 Ventures	 SG	3	Validus, Wiz, Qapita
Dymon Asia Ventures	 SG	3	Spark Systems, Flow
Vertex Ventures	  SG, ID	3	NIUM, Payfazz, Sunday
Antler	   SG, EU, US	3	Moneko, Empala, Volopay
Surge	 US	3	BukuKas, Qoala
Saison Capital*	 SG	3	KoinWorks, BukuKas, Helicap
SCB 10X*	 TH	3	SYNQA, Flow, Sunday

*New investors into the ASEAN FinTech market

Table 3 | List of FinTech investors that backed at least three deals this year



Chapter 2

Reset

Impact of the pandemic
on FinTech firms and their
outlook on the future.

The research

In this section, we delve into the insights and observations from a survey with FinTech firms, as well as in-depth interviews with FinTech firms and VCs. We explore the steps that FinTech firms and VCs are taking as they reset their operations in anticipation of recovery and expansion.

Survey methodology



The survey was conducted in September 2020 via an electronic survey questionnaire with 109 respondents, each representing one FinTech firm¹⁴. The respondents include members of the Singapore FinTech Association (SFA) as well as clients and partners of UOB and PwC Singapore.

Screening was done to ensure that only one individual per firm was surveyed, with priority going to FinTech founders or those in the leadership team of these firms.

Key findings



Business impact

- 1 The pandemic aided FinTech firms' **business growth** and **customer acquisition**, while their **cashflow** and **profitability** were hardest hit.
- 2 **Payments, AI and Data Analytics** and **Cybersecurity** were the top three FinTech sectors that were likely to benefit the most from the pandemic.



Fundraising

- 3 **Early stage fundraising** was perceived to be more negatively impacted by COVID-19 versus late stage fundraising.
- 4 **Two in three** FinTech firms said COVID-19 would have a **neutral or positive impact** on their future fundraising plans.
- 5 **86 per cent** of younger FinTech firms (< two years) prefer **equity financing**.



Post-pandemic outlook

- 6 **Four in five** FinTech firms will **continue to expand** despite COVID-19, with **ASEAN** being the key region for 70 per cent of firms.
- 7 FinTech firms will focus on **growing revenue** to enhance business resilience in the next 12 months.
- 8 **87 per cent** of FinTech firms said they are **on track** to make their businesses **future-ready post-pandemic**.

Finding #1

The pandemic aided FinTech firms' business growth and customer acquisition, while their cashflow and profitability were hardest hit

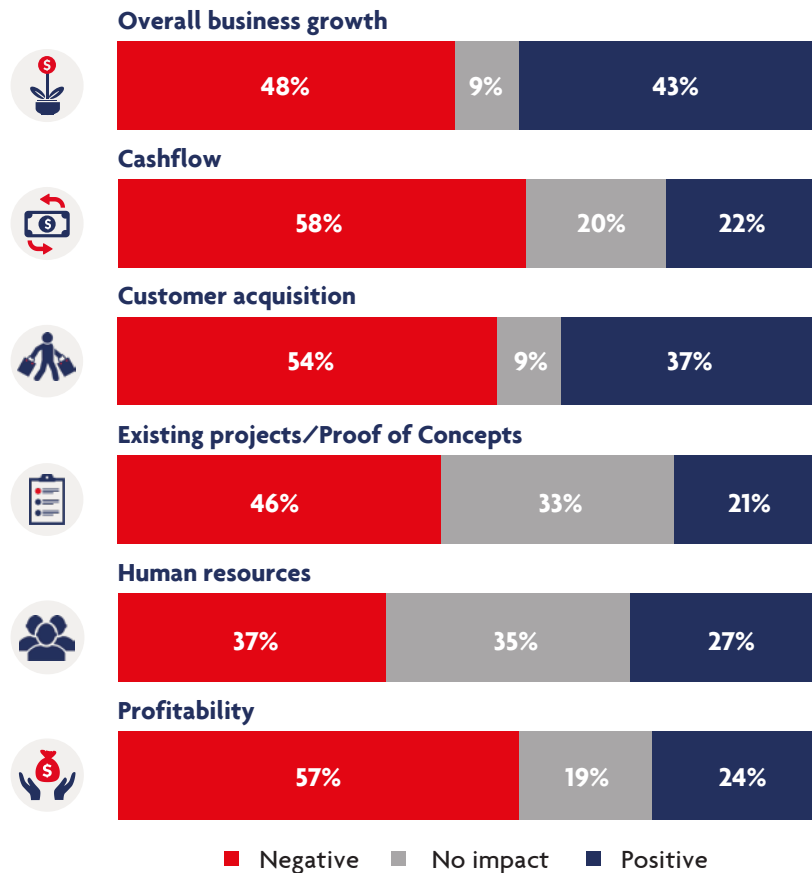


Figure 11 | COVID-19's impact on various aspects of a FinTech firm's business



Business impact

- FinTech firms saw **positive business growth** and **customer acquisition** as existing and prospective customers sped up digital transformation initiatives due to the effects of the pandemic. This created a ready market for the technologies produced by FinTech firms.
- Conversely, **cashflow** and **profitability** were their hardest hit areas, given a pullback in spending by consumers and business partners, and caution in investing by VCs.
- Delays in project completion and longer deal closures also impacted cashflow.



Survey Q25

How has COVID-19 impacted your business in the following areas?

Explore the data

COVID-19's impact on
ASEAN's FinTech firms





Insights from interviews

Hitting the pause button

As COVID-19 hit economies globally and borders were closed, many FinTech firms took the opportunity to reflect on their business processes and operations to ensure that they would emerge from the pandemic in the best possible position. FinTech firms that saw their cashflow and profitability erode looked for ways to manage their business costs and processes more effectively. Some firms reviewed their headcount to ensure that only the most motivated and competent team members stayed to ride out the COVID-19 storm.

VCs also stepped up, eager to protect their portfolio companies. Besides providing additional financing, many VCs have been very active in providing non-financial assistance to the firms in which they have invested. This includes assisting them in undertaking operational reviews, hiring new talent or reallocating job roles and driving collaboration among their constituent FinTech investee companies.

“

Introducing various sources of financing to manage cashflow is an area a fund manager can add value to a FinTech firm.



Thng Tien Tat

Executive Director, UOB Venture Management

“

Sales were hugely impacted, but revenue was not really affected because business from other industries helped cover our losses from the airline industry.



Piyachart Ratanaprasartporn

CEO, 2C2P

“

When COVID-19 hit, we were cognisant that this would not go away very soon. From a cashflow perspective, we really tightened our belts and completed an analysis of all countries within seven to ten days, eliminating costs which we thought were peripheral. That has really helped us.

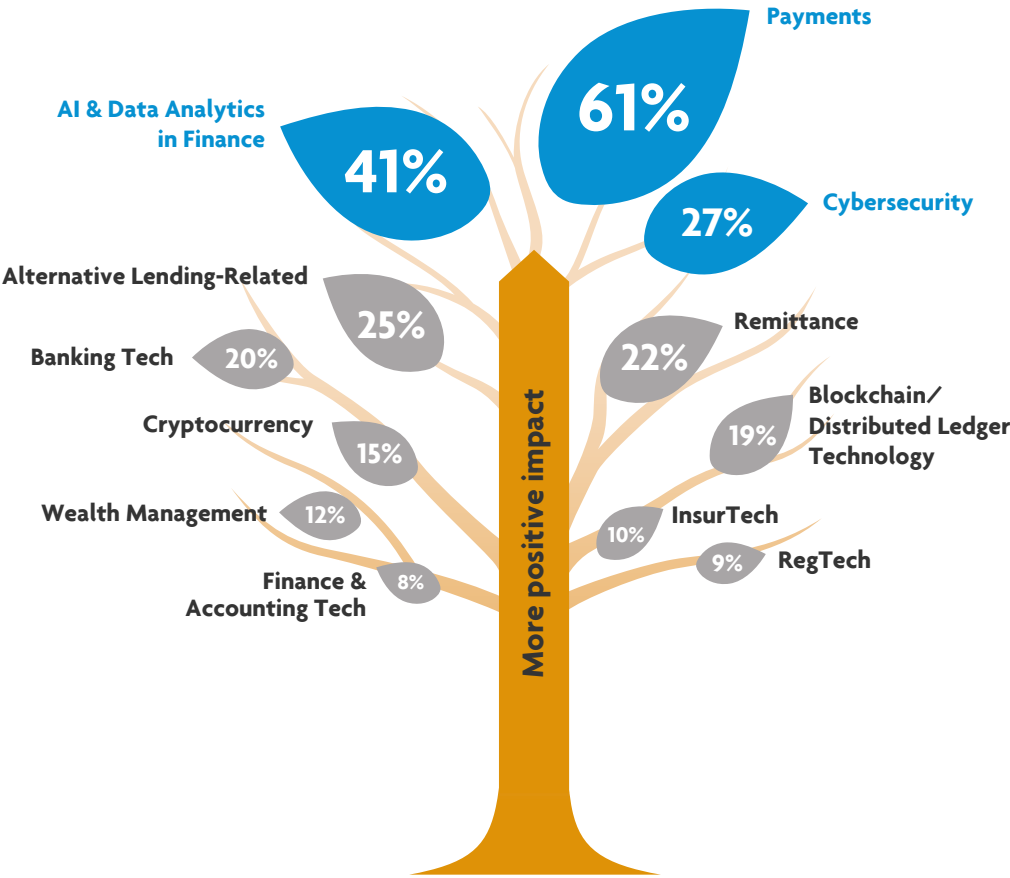


Vikas Nahata

Co-founder and Executive Director, Validus

Finding #2

Pandemic benefactors - Payments, AI and Data Analytics, as well as Cybersecurity FinTech firms



Business impact

- **Payments, AI and Data Analytics** as well as **Cybersecurity** were the top three FinTech sectors perceived to benefit the most from the pandemic.
- RegTech, Finance and Accounting Tech, as well as Wealth Management and InsurTech are expected to benefit less in comparison.



Survey Q24
Which FinTech industries do you think are well poised to ride through the pandemic? Please pick the top 3.

Figure 12 | Sectors perceived by respondents to most likely benefit from COVID-19



Insights from interviews

Some VCs remarked that the pandemic has accelerated the digitalisation trend by five to 10 years. Lending, payments and InsurTech are areas that some VCs identified as bullish.

In addition, digital banks and FinTech firms that focus on financial inclusion will also make a positive impact on the region. For example, some VCs have highlighted Indonesia as a market of particular interest, given its disparate and unbanked population, as well as underserved SMEs.

Cybersecurity and other forms of digital protection have also been cited by VCs as a promising area of FinTech in ASEAN. As other FinTech and technology companies amass and analyse increasing amounts of data, they will need to ensure that they maintain the highest security standards.

“

What we're really excited about right now are the opportunities in payment infrastructure, enabling businesses and individuals to transact more effectively, more efficiently and more securely. This is a huge opportunity in Southeast Asia.

We believe that InsurTech will play a huge part in closing that protection gap in Southeast Asia. This will drive more traditional insurance or reinsurance players to partner with InsurTech firms to expand their coverage around the region and provide products that are more fit for purpose.



Herston Powers

Co-founder and Managing Partner, 1982 Ventures

“

There's been a massive uptick in the demand and take-up of digital financial services in the Philippines as a result of the lockdowns. Depending on the digital payments lanes, consumer digital payments are up anywhere from two to eight times based on the numbers that I've seen, which absolutely creates a much bigger demand for our services.

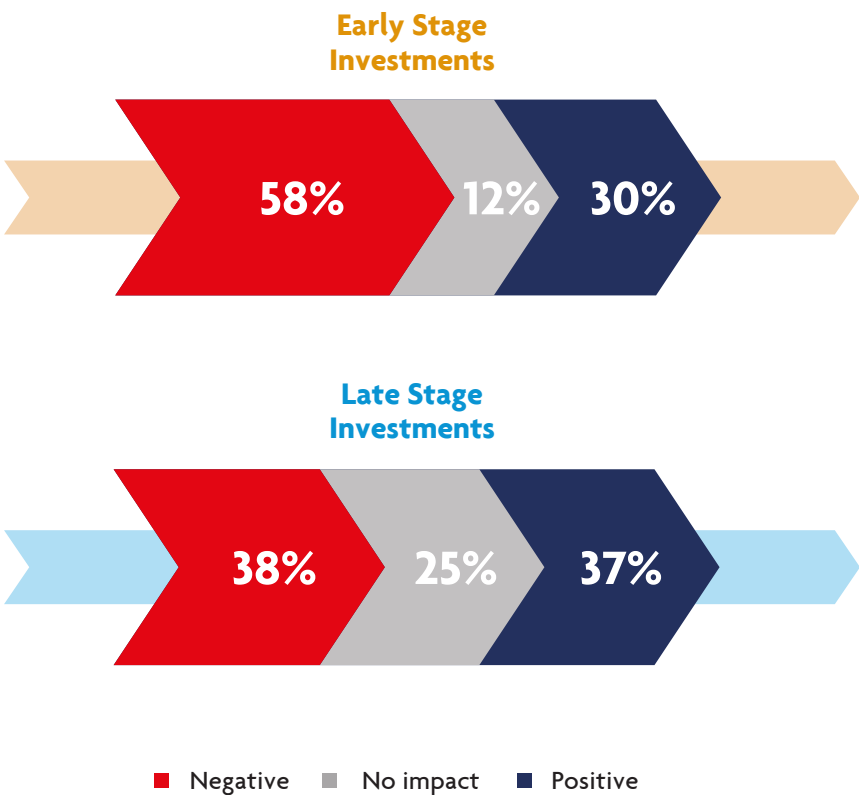


Greg Krasnov

Co-founder and CEO, Tonik

Finding #3

Early stage fundraising perceived to be more negatively impacted by COVID-19 versus late stage fundraising



- More than one in two FinTech firms see COVID-19 as having a **negative impact on early stage** investments, whereas there is a more balanced view towards the impact on late stage investments.



Survey Q17, 18
What sort of impact do you think COVID-19 will have on early-stage investment (Pre-Series A to Pre-Series C, i.e. before and during the development stage) for FinTech firms?

What sort of impact do you think COVID-19 will have on late-stage investment (Series C and beyond, i.e. past the development stage) for FinTech firms?

Figure 13 | Impact of COVID-19 on early stage (top) vs. late stage (bottom) investment, as perceived by survey respondents



Insights from interviews

Despite the pandemic, many VCs remain focused on the long term and believe things will get better incrementally. However, they have differing views on the investment prospects with regards to FinTech start-ups.

VCs that focus on investing in companies at seed stage believe seed and early stage start-ups are in a more favourable position than late stage start-ups. This is because VCs that focus on early stage investments are investing with a long-term view in mind and are setting their sight on the potential for these FinTech firms to grow when they have weathered the current economic climate.

Other VCs observed that capital is being directed towards late stage start-ups as investors seek companies that have “a clear path to profitability and some level of regulatory certainty”, while early stage deals have been declining. This is due to late stage start-ups being more likely to have higher valuations after several rounds of fundraising; investors are also preferring to back companies that have established market leadership positions.

While there has been a slowdown in high-quality deals in 2020 compared with the year before, this can also be attributed to quality companies holding off on additional fundraising at this time due to possible impairment of valuations. However, some VCs said that based on a K-shaped recovery, quality firms will continue to attract higher valuations in the long run.

Firms that are looking for new investors, but are faced with cashflow issues may find themselves neglected as investors favour more stable companies that offer solid prospects over the next two to three years. Previously, VCs may have been more willing to invest based on the expectation and promise of future growth, but the current trend is pointing towards a preference for stability. For firms that find themselves in need of bridge financing, particularly in the form of notes, they can expect to be subject to discounts as investors look for increased compensation for their risk.

“

We’re seeing greater amounts of capital directed at later stage investments, especially from investors outside of Southeast Asia. This is in contrast to data we’ve seen on early stage deals which has been on the decline. The funding is likely going to many of the larger players that are riding on COVID-19’s digitalisation tailwinds and seeking to retain or strengthen their market leadership.



Yinglan Tan

Founding Managing Partner, Insignia Ventures Partners

“

It’s actually the later stage rounds that are going to get hit the most. Whether a company is valued at two million or four million post-money, in the grand scheme of things at a seed stage, it doesn’t make that much difference – it’s really about how much progress they can get to before their next round.



Herston Powers

Co-founder and Managing Partner, 1982 Ventures

Finding #4

Two in three FinTech firms said COVID-19 would have a neutral or positive impact on their future fundraising plans

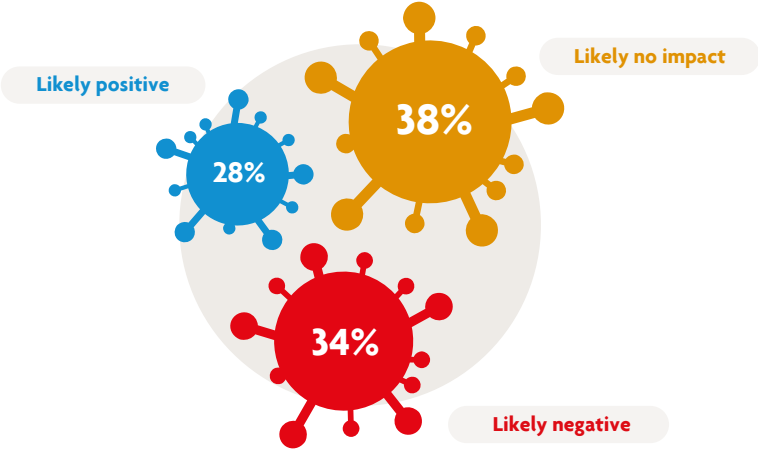


Figure 14 | COVID-19's impact on future fundraising

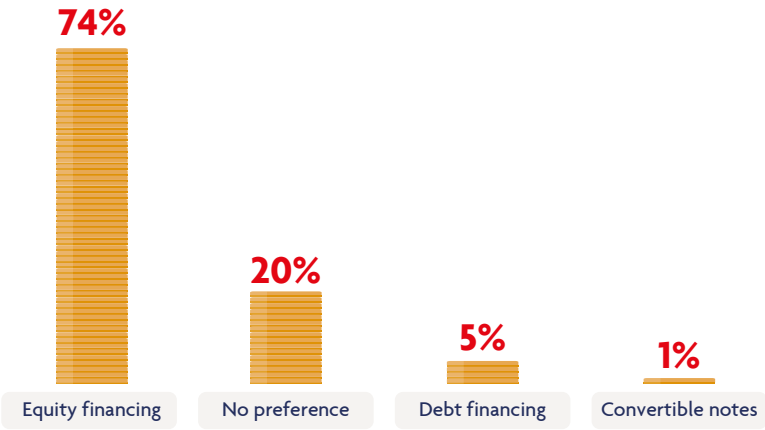


Figure 15 | Funding type preferred by FinTech firms



Fundraising

- Two in three FinTech firms said the pandemic would have a **neutral or positive impact** on their future fundraising plans.
- Around three in four FinTech firms prefer **equity financing** to other funding types for future fundraising.



Survey Q20, 22
What sort of impact do you think COVID-19 will have on your fundraising activities/plans for the next 2 years?

Which of the following types of funding would you prefer, should you decide to raise in the next 3 years?



Insights from interviews

Nature of investments

VCs reported that while the demand for debt financing has increased during the pandemic, investors have held back as the challenging macro environment has led to the higher risk of insolvency. Equity financing remains the dominant form of investment, mainly directed towards stronger, more established FinTech firms.

Some VCs state that FinTech firms seeking fundraising from private investors prefer convertible notes if the option is available, largely as it shields firms from lower valuations. However, they noted that this option could lead to dilution effects when the start-up reaches seed-level investing rounds.

Family offices

VCs noted that more family offices are investing directly in start-ups and other early stage investments and becoming more savvy on the nature of the deals in which they invest. Pre-COVID, family offices – both single and multi – typically invested in start-ups indirectly via a VC fund, even though some VCs said they had seen family offices setting up special purpose vehicles to invest directly in FinTech firms.

However, VCs point out that funds offer better access to high-quality deals rather than direct investments brokered through private bankers. This is especially so at the seed stage of investing, where family offices partnering an early stage VC could gain a competitive advantage over waiting for Series A or Series B opportunities.

“

One area of attention for start-ups in our region is on how to most effectively handle convertible notes, especially before Series A. Founders often underestimate the real impact of having large amounts of convertible notes on the dilution of their founders' shareholding. As the conversion calculation is not obvious, and sometimes not well anticipated, they realise the effects only when it materialises, at the price round. That impact can be significant, regardless of your company's valuation.



Neo Weisheng
Manager, Qualgro

“

Many start-ups are also looking to family offices to seek funding, especially in countries such as the Philippines where there aren't as many venture capital firms or dedicated tech investors.



Yinglan Tan
Founding Managing Partner, Insignia Ventures Partners

Finding #5

86 per cent of younger FinTech firms (< two years) prefer equity financing

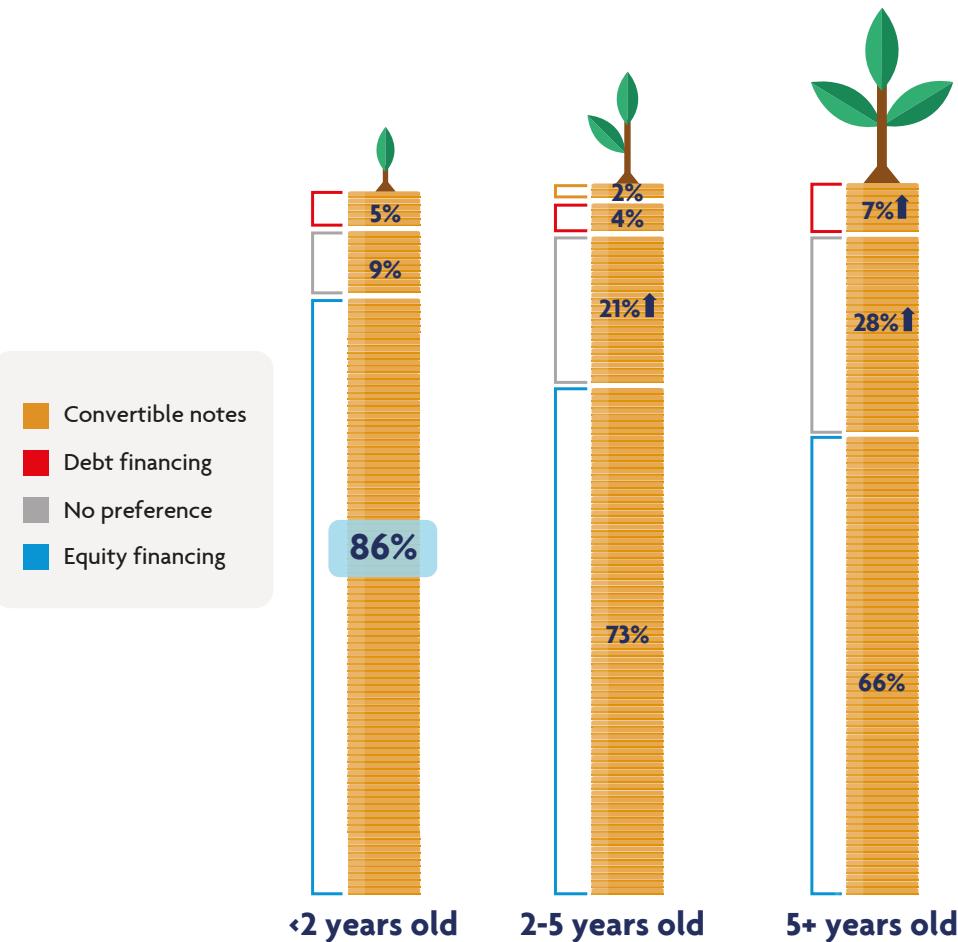


Figure 16 | Preferred funding type by age of FinTech firm



Fundraising

- Younger FinTech start-ups prefer to raise funds via **equity financing**.
- Preference towards equity financing decreases as FinTech firms become more established.



Survey Q2, 22
What is the age of your firm?

Which of the following types of funding would you prefer, should you decide to raise in the next 3 years?

Debt, C-notes, Equity: What to use when

There are trade-offs when FinTech founders sell off parts of their company to raise money. Here are some things to consider before choosing a financing option.

What is the difference?	Debt financing	Convertible notes (C-notes)	Equity investments
What is it	A non-convertible term loan.	A hybrid debt-equity short term loan where the holder can convert into an equity investment at a later date, normally with a conversion discount.	An equity stake in the company in exchange for capital.
Valuation	Does not require establishing a valuation on the company.	Avoids placing a valuation on the firm. However, some term sheets may include valuation caps.	Equity investment requires placing a valuation on the firm.
Execution period	Venture debts are simpler to document from a legal perspective, making them less expensive and quicker to execute.	Convertible note financings are simpler to document from a legal perspective, making them less expensive and quicker to execute.	Equity investment requires strict due diligence, thus it is more expensive and takes longer to execute.
Voting rights	No voting rights for financing provider.	No voting rights for financing provider prior to conversion.	Equity holders (depending on size of the stake) typically have some sort of voting rights that govern various decisions of the company.
Repayment of capital	Repayment starts almost immediately on a fixed schedule.	Repayment on maturity, or converted to equity.	No repayment needed – equity stake will be cashed out upon sale of company.
When to use it	<ul style="list-style-type: none"> ● To complement an existing financing round ● To fund working capital needs with little dilution to equity ● To finance an acquisition 	<ul style="list-style-type: none"> ● Need some capital ● Want to fundraise quickly ● Not ready to establish company valuation 	<ul style="list-style-type: none"> ● Need to raise a lot of capital ● Expecting massive growth e.g. IPO ● Need long runway before profitability

Table 4 | Differences between debt financing, convertible notes and equity investments

Finding #6

Four in five FinTech firms will continue to expand despite COVID-19

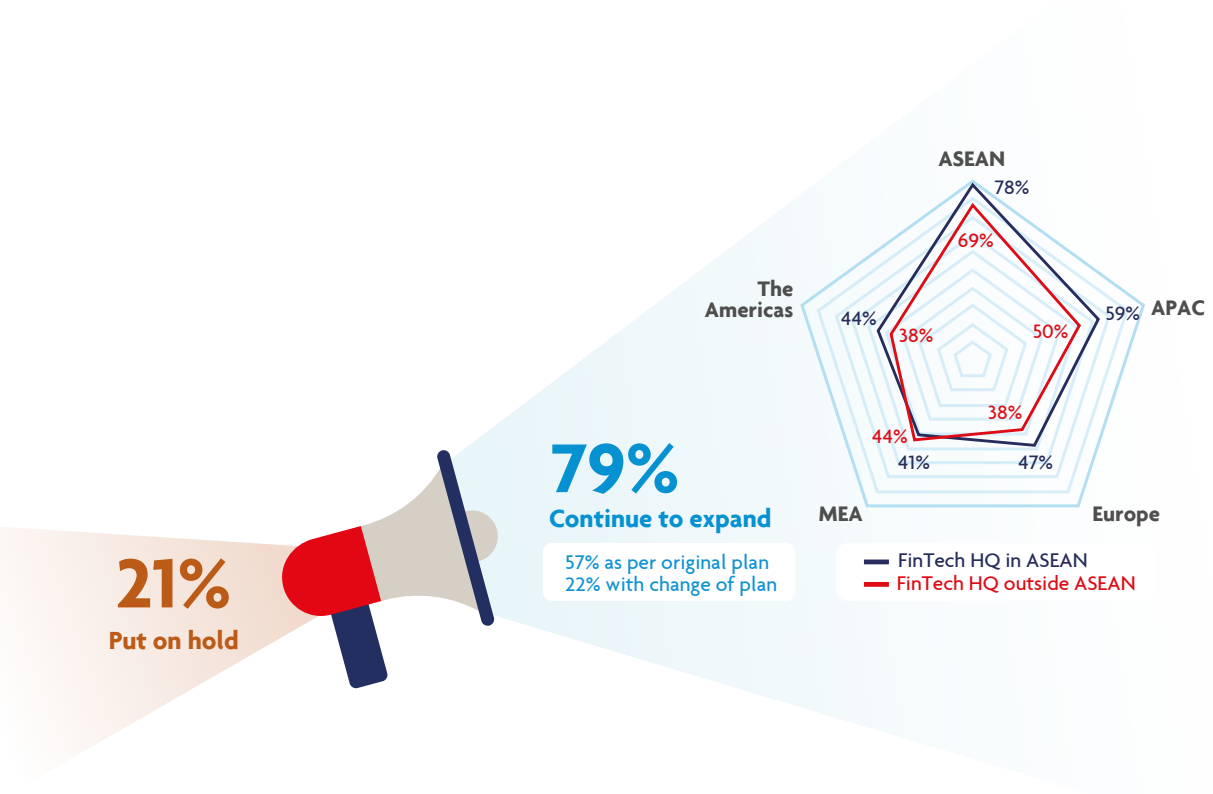


Figure 17 | Impact on expansion plans (left), with target region of expansion (right)



Post-pandemic outlook

- **79 per cent** of FinTech firms intend to **continue expanding**, while 21 per cent will put their plans on hold.
- **ASEAN remains the top choice** for market expansion plans for both FinTech firms headquartered within ASEAN (78 per cent) and those based outside ASEAN (69 per cent).



Survey Q35
Will COVID-19 have an impact on your market expansion activities in the next 2 years? If you plan to expand, which regions do you plan to expand into?



Insights from interviews

ASEAN expansion and outlook

Both FinTech firms and VCs are taking the time to reassess their business operations and to position themselves for future recovery. As the survey results show, COVID-19 has not seriously dampened their regional expansion plans and strong interest remains in the opportunities arising from ASEAN's FinTech industry.

Forward-looking regulators, a large unbanked population, growing Internet and smartphone penetration and a young, emerging middle class, all contribute to the bright prospects of FinTech in ASEAN.

“

What we are going to see in APAC over the next 12-18 months is a continued wave of M&A activity. That is clear as day for us.



Frank T. Troise

Managing Partner and CEO, SoHo Advisors Pte Ltd

“

[The VCs we work with] have very intricate ecosystems that we can become a part of, which was a huge help to us. As we expand to other countries, some of them have presence in these countries as well, where they understand the ecosystem far better than us. This means, it takes me six months instead of a regular one year to launch something, because they will link us up with the right channel.



Vikas Nahata

Co-founder and Executive Director, Validus

“

The Bangko Sentral is an incredible institution. They really take the issue of financial inclusion to heart. They understand deeply that closing the financial inclusion gap will take profound commitment to digitalisation and they're taking aggressive and pioneering steps to do that.



Greg Krasnov

Co-founder and CEO, Tonik

Finding #7

FinTech firms will focus on growing revenue to mitigate the effects of COVID-19

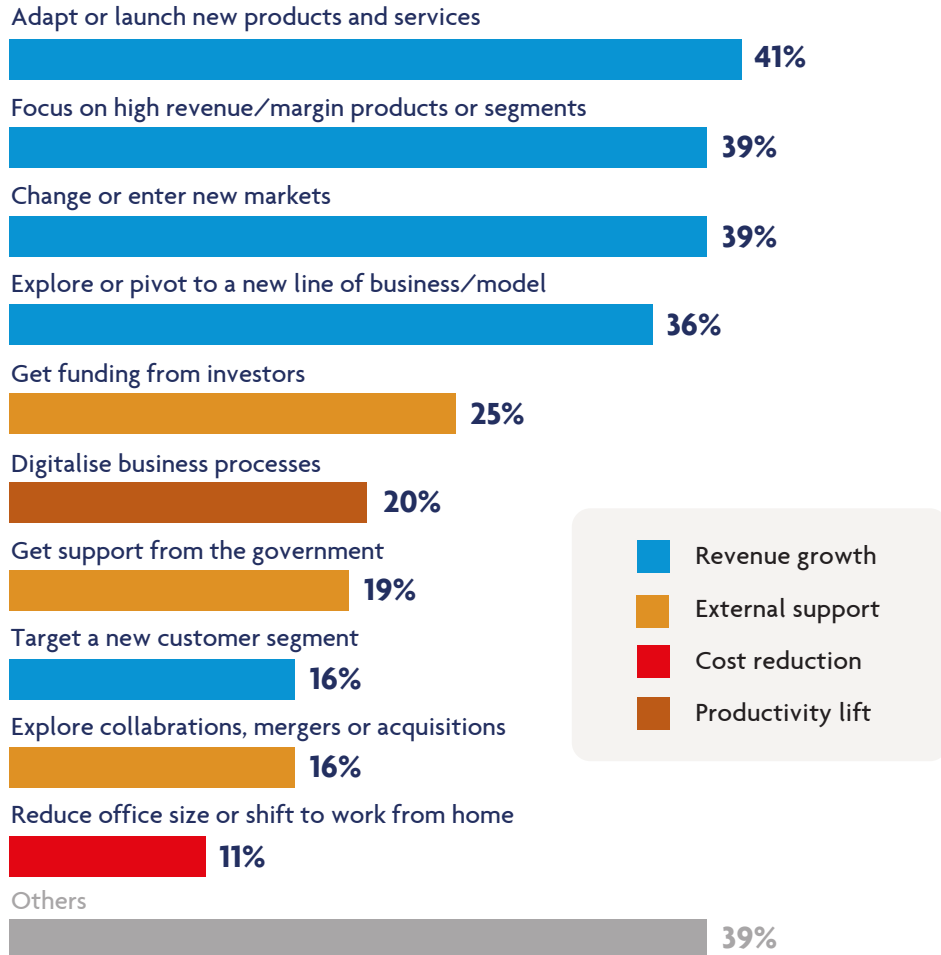


Figure 18 | Top key initiatives FinTech firms will focus on in the next 12 months



Post-pandemic outlook

- In the next 12 months, FinTech firms will focus on **product innovation, high-revenue products or segments, entering new markets** or pivoting to a new line of business.
- **Securing external support** will be the next priority, via additional funding from investors, salary support/relief measures from the government or through mergers and acquisitions.



Survey Q32

Which three key initiatives do you plan to focus on in the next 12 months, which you believe are key to making your business more resilient post-pandemic?

Explore the data

How FinTech firms responded to COVID-19



Finding #8

87 per cent of FinTech firms say they are on track to make their businesses future-ready post-pandemic

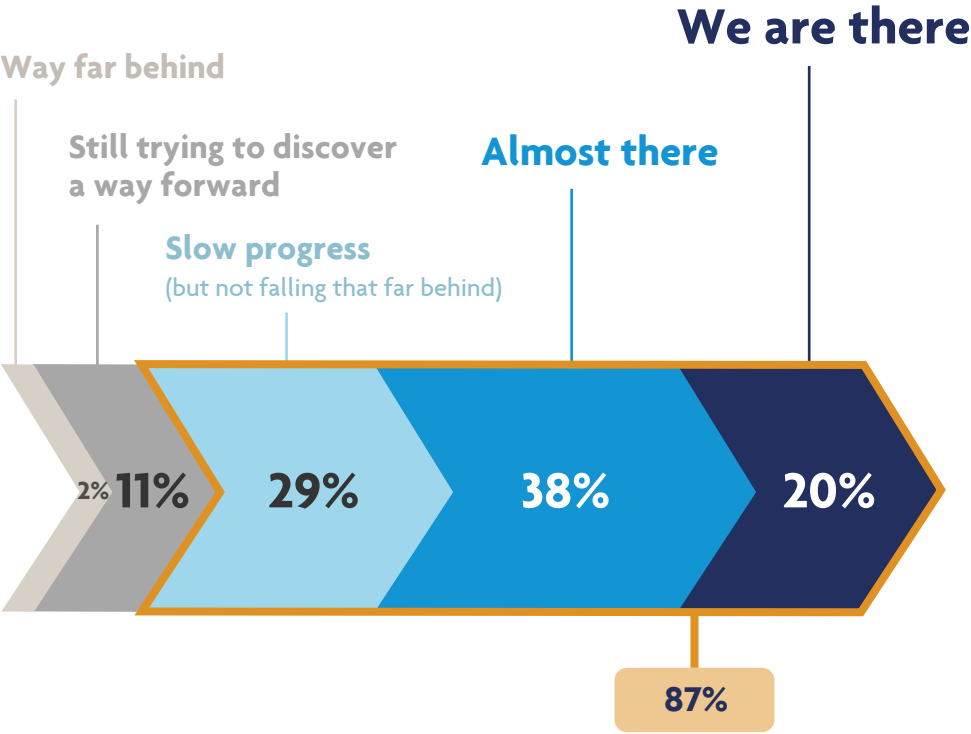


Figure 19 | Where FinTech firms are in future-proofing their business



Post-pandemic outlook

- Most FinTech firms think they are **on track to make their businesses more resilient** to major disruptions outside their control and being more prepared to take on future challenges.



Survey Q31
How close do you think you are to making your business more resilient to major disruptions post-pandemic?

Beyond 2020: From survival to success

Quotes from the VCs and associations

“ The crisis has proven to be an opportunity for FinTech firms to drive adoption in Southeast Asia. The challenge now, especially for those that have experienced an increase in transactions or users, will be to sustain this growth.



Yinglan Tan

Founding Managing Partner, Insignia Ventures Partners

“ For FinTech companies in Vietnam to succeed, they will need to manage the balance between growth and regulatory compliance.



Vy Le

Co-founder and General Partner, Do Ventures

“ As investors, we are looking for an exit – we tell the CEOs to be pragmatic and work towards an exit.



Frank T. Troise

Managing Partner and CEO, SoHo Advisors Pte Ltd

“ Be nimble and able to react fast – try to make everything variable.



Ben Cheah

Director, Innoven Capital

“ What we recommend founders do is to ensure they are hyper-focused on their business, customer segments and markets. Also, founders at an early stage must ensure that their companies remain investable in the future. Understand the terms when they accept funding – whether from family, friends, accelerators, family offices or VCs – keeping in mind the next round of investors.



Herston Powers

Co-founder and Managing Partner, 1982 Ventures

“ No organisation is immune to crises. However, think of the strengths and key competencies you, as a founder, can build with your team to capture and build new competitive advantages to future-proof your company. This way, you will be in a good position once recovery starts to happen.



Neo Weisheng

Manager, Qualgro

“ The current situation is opening up ideas that otherwise would not have been thought of before. This is also the time to reassess the business, to determine if the direction one has to take is right or if you need to pivot.



Chanda Pen

Chairman, Cambodia FinTech Association

Quotes from the FinTech firms

“Hunker down, expand cashflow, increase revenue, monetise, monetise, monetise. Don't just grow users – grow revenue. And try to make sure that revenue is actually positive EBITA (earnings before interest, taxes, amortisation). That's something that a lot of start-up founders haven't heard about yet. They need to start thinking about it.



Greg Krasnov
Co-founder and CEO, Tonik

“Don't put all the eggs in one basket. Do whatever you are an expert in, but do it in many aspects.



Piyachart Ratanaprasartporn
CEO, 2C2P

“It is vital for any FinTech company considering a move to Southeast Asia to take into account the changing needs and expectations of a relatively young and tech-savvy population, and to specifically target your product to a millennial audience. This requires focusing on driving customer engagement and using your digital channels as a strategic asset.



Georg Ludviksson
CEO and Co-founder, Meniga

“Analyse and identify the new opportunities that are being presented in this chaotic pandemic. History has taught us that every crisis tends to open up new opportunities.



Wilson Beh
Co-founder, PolicyStreet

“I think it's time for everybody to go back to the drawing boards and find out, how good is my product-market fit today?



Vikas Nahata
Co-founder and Executive Director, Validus

“The only way to penetrate ASEAN markets successfully is to go glocal (global + local). Each global target needs to have a local office with local staff that understands the local culture, norms and activities. By hiring a local team and localising the offering, content and even pricing models, you are more likely to be able to be successful.



Yaron Klein
APAC Delivery Manager, Personetics





Chapter 3

Go!

Developments in ASEAN's FinTech industry and what the future is shaping up to be.

What is next for the industry

While the impact of COVID-19 on ASEAN's FinTech industry is still being felt, the pandemic will pass.

Looking ahead to a post-COVID-19 world where borders will reopen and travel will recommence, several key indicators have emerged during the preparation of this report.

China and the super app model

When looking for a business model that could guide ASEAN FinTech firms' regional development, several FinTech firms and VCs cited the example of China and the path its FinTech industry has taken.

This was with reference to the spate of news reports on Chinese FinTech and TechFin investments in ASEAN in the second half of 2020, with Alibaba¹⁵, Tencent¹⁶ and ByteDance¹⁷ announcing plans to deepen their presence in Southeast Asia.

That said, it is unlikely that the development of ASEAN FinTech firms will fully emulate that of China's FinTech scene, given the differing regulatory and operating landscapes across the region.

Take the subject of "super apps". China has 微信 (WeChat) and Alipay, within whose functionalities nearly one's whole life can be supported. Across ASEAN, arguably no such all-encompassing super

app exists, though two market leaders, namely Grab and Gojek, could provide the genesis of a national or even regional super app¹⁸.

The creation of a regional super app requires hyper-localised services that meet the unique needs of each of the ASEAN markets. However, the expected imminent wave of M&A forecast over the next 12 to 18 months, which could involve the aforementioned market leaders¹⁹, may provide a clearer path to this outcome.

“Complete emulation of Chinese business models is unlikely in ASEAN as ASEAN is very diverse and there are many regulators with different needs.



Ben Cheah
Director, Innoven Capital

“Southeast Asia is five to ten years behind China, but the key difference here is that we are talking about multiple markets instead of one massive market.



Yinglan Tan
Founding Managing Partner,
Insignia Ventures Partners

Wider regional integration of standards and protocols

ASEAN's FinTech industry will also likely see wider regional integration, specifically in the areas of cross-border payments, smart contracts, the issuance and depositing of crypto-assets and tokens and digital currencies.

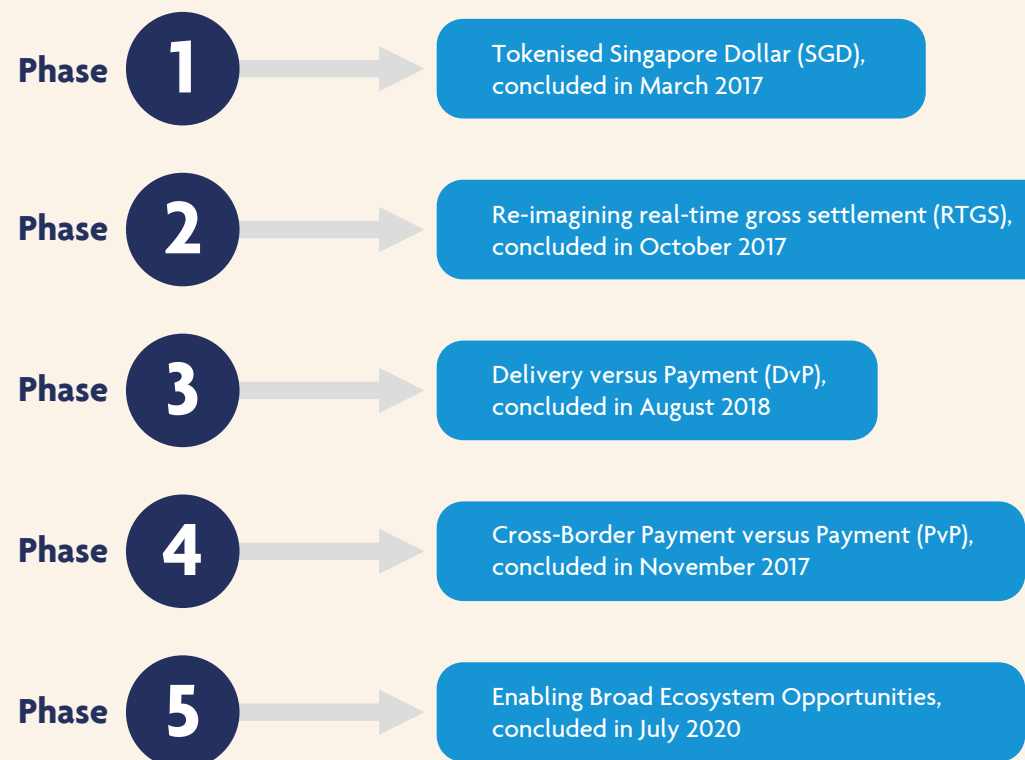
This integration is likely to be driven by developments in blockchain and distributed ledger technology (DLT). Singapore is taking a prominent role in this regard, with the Monetary Authority of Singapore (MAS) having embarked on Project Ubin, a multi-phase initiative exploring the use of blockchain and DLT for the clearing and settlement of payments and securities.

The first phase of Project Ubin was launched in 2017, while the final phase, Phase 5, concluded in July 2020. The project has paved the way for the financial industry and blockchain community to identify commercialisation opportunities for blockchain technology, including use cases in digital identity, digital currencies, multi-currency payments and financial asset tokenisation.

A S\$12 million Singapore Blockchain Innovation Programme was announced at SFF x SWITCH 2020 to strengthen Singapore's blockchain ecosystem and to pave the way forward for real-world blockchain applications.²⁰

Project Ubin: Payments crossing borders

Blockchain and DLT are areas of focus for MAS' Project Ubin²¹, which was launched to explore the use of these technologies for the clearing and settlement of payments and securities. The project, after five phases, is now completed.



Digital banks are here (to stay)

Digital banks are seen as a positive development for ASEAN's financial services industry, as they can contribute to digital innovation in banking and address unmet customer needs.

Regulators in Hong Kong issued eight digital banking licences in 2019. In ASEAN, Singapore recently announced the recipients of the digital bank licences, while Malaysia is at the beginning of its policy-making stage.

In Singapore, the digital bank licences are split into two categories: digital full bank licences and digital wholesale bank licences. Even though Singapore has a high banking penetration rate

of 97.9 per cent²², this did not deter 21 applicants from vying for a digital bank licence to serve the five million-strong population.

Four licences have been awarded, out of 14 shortlisted applicants that included the likes of SP Group, AMTD and Razer. With the strict eligibility criteria that the MAS has laid out for the digital bank licences, it is unsurprising that the majority of applicants are consortiums comprising a diverse range of entities coming together to enhance the proposed digital bank's value proposition.



The four licensees are:

Digital Full Bank (DFB)

- 1 A consortium comprising Grab Holdings Inc. and Singapore Telecommunications Ltd.
- 2 An entity wholly-owned by Sea Ltd.

Digital Wholesale Bank (DWB)

- 3 A consortium comprising Greenland Financial Holdings Group Co. Ltd, Linklogis Hong Kong Ltd, and Beijing Co-operative Equity Investment Fund Management Co. Ltd.
- 4 An entity wholly-owned by Ant Group Co. Ltd.



The challengers

Digital bank contenders in ASEAN have adopted different business models in order to establish the right market fit for their operations. Undeterred by its failure to win a license in Singapore, Razer Inc. has said it will push on with its plan to roll out Razor Youth Bank, the world's first global youth bank, in other markets such as Malaysia and the Philippines²³.

Neobank Tonik – set to launch in the Philippines next year – is seeking to provide high quality, basic banking services targeted at the 70 per cent unbanked population in the country. These services include savings and term deposit accounts and unsecured consumer lending.

While the case for having digital banks in ASEAN is clear, digital banks themselves will have to ensure that their business models have a clear path to profitability. Some of these characteristics include being able to:

- ✓ address large market inefficiencies for success
- ✓ tap an ecosystem of partnerships to scale
- ✓ offer unsecured lending to drive revenue
- ✓ leverage data and technology to enhance product offerings
- ✓ have proper risk management and regulatory compliance
- ✓ have the distribution channels to reach target customers
- ✓ have a lean operating model that ensures long-term viability
- ✓ balance data security with innovation



The incumbents

Amid the impending arrival of new digital banks, the ASEAN-6 banking incumbents have been proactively transforming their businesses digitally to improve their online and mobile banking offerings.

The availability of digital banking channels became an imperative during movement restrictions in ASEAN as a result of the pandemic, when bank branches were closed temporarily and customers were encouraged to bank digitally.

Examples of the incumbents making a head start in the all-digital banking space include:



Thailand

Kasikornbank and Grab teaming up to launch GrabPay by KBank, a mobile wallet.



Thailand

UOB launching TMRW, ASEAN's first digital bank for the digital generation.



Indonesia



The Philippines

CIMB Bank launching in the Philippines as an "all-digital, mobile-first" bank through its app, Octo²⁴.

In a larger playing field, the customer wins

The VCs and FinTech firms we spoke with were almost unanimous in their opinion that ASEAN's market opportunities are big enough for incumbents, digital banks and FinTech firms to coexist.

For the incumbents, relying on their existing advantages over new industry entrants, such as having a large customer database and a network of physical branches, is not enough. They have to invest continually in data technology, to tap collaborations and to enhance the customer experience so as to maintain a competitive edge. Having access to rich and precise data will enable better product customisation and identification of cross- and up-sell opportunities.

For new digital-only banks, customers' financial data could be scarce, but alternative information such as geolocation and telecommunications data, utility consumption or e-commerce transactional data could be available to fill the

gaps. By working together within a consortium of partners, digital banks are able to tap on a wider net of customer data, which can refine their solutions while drawing interest in their product proposition across the region.

The FinTech firms we interviewed agree that they will be playing a role within the digital banking ecosystem, as their solutions complement rather than compete with the incumbent or digital banks. Indeed, as regulators require that digital bank operators demonstrate deep capabilities across several FinTech areas, including RegTech and cybersecurity capabilities, FinTech firms that are able to find common goals with the digital banks will be able to work together successfully.

Ultimately, improvements to the digital banking offering and financial access for underserved markets will benefit the region and bode well for ASEAN's future economic growth.



I definitely think we will be playing a role within the digital banking ecosystem. The exact nature of the role will evolve in time.



Vikas Nahata

Co-founder and Executive Director, Validus

Indonesia

Regulators in Indonesia imposed stricter regulations for FinTech firms operating within their remit. Two significant developments in this regard are:

- The capping of fees for payments involving QR codes and the establishment of standards to ensure interoperability of payments in January 2020²⁵.
- The publishing of the Indonesia Payment Systems (IPS) Blueprint 2025²⁶ in November 2019 which outlines the long-term plan for modernising and digitalising Indonesia's payments system.

The economic fallout from COVID-19 has led to borrowers on P2P lending platforms applying for loan restructuring, affecting FinTech firms offering this service. Specifically:

- As at April 2020, 50 per cent of members of the Indonesia FinTech Lenders Association – representing around 80 P2P lending platforms – received loan restructuring requests from their clients due to the adverse impact of COVID-19²⁷. SME loans were the most affected, as business activity fell as the result of lockdowns.

Quick Facts²⁸

- Population size (2020) : 267 million
- Median age (2020) : 30.5 years
- Internet penetration rate (2020 est.) : 72.8%
- Smartphone penetration rate (2018) : 27.4%

FinTech Regulators

- Bank Indonesia
- Otoritas Jasa Keuangan

Regulatory Sandbox

- Yes

FinTech Associations

- Indonesian FinTech Association
- Indonesia FinTech Lenders Association
(Asosiasi FinTech Pendanaan Bersama Indonesia)



Malaysia

Regulators in Malaysia have introduced new guidelines in 2020, including:

- In January 2020, the Securities Commissions (SC) introduced the Guidelines on Digital Assets (Guidelines), which regulate fundraising via digital token offerings and Initial Exchange Offering (IEO) through registered digital asset exchanges.²⁹
- In October 2020, the SC announced revised Guidelines regulating digital assets, with the aim of governing IEO and digital asset custodians and promoting responsible innovation.³⁰
- The Ministry of Finance is in the midst of preparing a regulatory framework for digital banks in Malaysia, following the draft by Bank Negara Malaysia (BNM) in March 2020. The framework takes a balanced approach to encourage the admission of digital banks, while ensuring the stability of its financial system. Meanwhile, BNM has indicated it intends to issue up to five digital bank licences.³¹

Malaysia's lawmakers also provided support to FinTech firms via specific provisions, specifically:

- The Islamic Economic Blueprint was announced in Budget 2020 to position Malaysia as a centre for excellence for Islamic finance. BNM aims to announce the next blueprint for the industry by 2021. This is expected to benefit FinTech firms focused on the Islamic FinTech space.³²



Quick Facts

- Population size (2020) : 32.7 million
- Median age (2020) : 29.2 years
- Internet penetration rate (2020 est.) : 94.1%
- Smartphone penetration rate (2018) : 57.5%

FinTech Regulators

- Bank Negara Malaysia
- Securities Commission Malaysia (However, scope is still being defined and focused on the handling of digital assets)

Regulatory Sandbox

- Yes

FinTech Associations

- FinTech Association of Malaysia



The Philippines

A new digital banking framework, with an expanding crypto exchange and mobile payments ecosystem, is in the works:

- After the signing of the Innovative Start-up Act in 2019, which provided a number of beneficial measures for start-ups including tax breaks and the removal of registration barriers, the Philippines central bank approved the digital banking framework in November 2020 allowing the creation and licensing of digital banks, and permitting them to offer financial services.³³
- In 2020, Bangko Sentral ng Pilipinas (BSP) approved 16 crypto exchange operators³⁴, while the government-owned Cagayan Economic Zone Authority licensed 37 crypto exchange operators³⁵ after formulating a regulatory framework in early 2017.
- The BSP targets to speed up the adoption of the National QR Code Standard for payments, ensuring interoperability not only on domestic but also on a wider regional or global scope.³⁶



Quick Facts

- Population size (2020) : 109.2 million
- Median age (2020) : 24.1 years
- Internet penetration rate (2020 est.) : 72.7%
- Smartphone penetration rate (2018) : 44.9%

FinTech Regulators

- Bangko Sentral ng Pilipinas
- Securities and Exchange Commission of the Philippines
- Department of Information and Communications Technology

Regulatory Sandbox

- Guidelines on the adoption of a regulatory sandbox framework for InsurTech were released in June 2020

FinTech Associations

- FinTech Philippines Association

Singapore

Progress of digital bank licenses in Singapore:

- By January 2020, the MAS received 21 applications for digital bank licenses. In June, 14 applications had been shortlisted. On 4 December, the MAS announced it had awarded the digital bank licenses to four bidders. The new digital banks are expected to commence operations by early 2022.³⁷

Measures to assist the industry in response to COVID-19:

- MAS launched targeted financial aid packages for FinTech firms to help them strengthen their long-term capabilities and to weather the impact of COVID-19. A S\$125 million package was launched in April 2020, and a S\$6 million grant scheme was launched in May 2020 to support FinTech firms.³⁸
- In response to COVID-19 and climate change, MAS launched a S\$1.75 million MAS Global FinTech Innovation Challenge in June 2020 to seek innovative FinTech solutions to help financial institutions adjust to the post-pandemic norm.³⁹

Other developments:

- The Payment Services Act came into force at the end of January 2020. The Act serves to amplify the regulatory framework for payment services in Singapore, to enhance consumer protection and to raise confidence in the use of e-payments.⁴⁰
- The Asian Institute of Digital Finance, hosted by the National University of Singapore and backed by MAS and the National Research Foundation, was launched on 7 December 2020.⁴¹ It will offer thought leadership and aims to build up synergies between education, research, and entrepreneurship in digital finance.
- A S\$12 million Singapore Blockchain Innovation Programme was launched in December to strengthen Singapore's blockchain ecosystem. It will involve close to 75 companies that include multinational corporations, large enterprises and info-communications technology companies.⁴²



Quick Facts

- Population size (2020) : 6.2 million
- Median age (2020) : 35.6 years
- Internet penetration rate (2020 est.) : 82.4%
- Smartphone penetration rate (2018) : 91%

FinTech Regulators

- Monetary Authority of Singapore

Regulatory Sandbox

- Yes

FinTech Associations

- Singapore FinTech Association



Thailand

Progress on digital banking licenses, cross-border payments and digital currencies:

- The Bank of Thailand (BoT) announced in January 2020 that it was considering issuing digital banking licenses. The introduction of such licenses would be expected to create more opportunities for domestic players and to spur innovation within the sector with the introduction of new entities into Thailand's banking industry.⁴³
- In February 2020, Thailand and Cambodia launched an interoperable QR code for retail payment linkage between both countries. This means that visitors from Thailand and Cambodia will be able to scan a QR code using their mobile banking applications to pay for goods and services at participating businesses in the other country.⁴⁴
- BoT announced a digital currency prototype in June 2020, building on an earlier blockchain-based initiative between eight participating banks and several FinTech firms. The latest initiative seeks to provide innovation around high payment efficiency and to deliver faster and more agile payments across businesses and suppliers.⁴⁵



Quick Facts

- Population size (2020) : 69 million
- Median age (2020) : 39 years
- Internet penetration rate (2020 est.) : 75%
- Smartphone penetration rate (2018) : 43.7%

FinTech Regulators

- Bank of Thailand
- Securities and Exchange Commission

Regulatory Sandbox

- Yes

FinTech Associations

- Thai FinTech Association

Vietnam

Regulatory sandbox to bring the industry forward

- In June 2020, the State Bank of Vietnam (SBV) announced that it is planning to pilot a FinTech regulatory sandbox for FinTech firms to offer banking services, before the issuance of an official legal framework.
- Seven FinTech sectors would be allowed to participate in the sandbox: Payments, credit, peer-to-peer lending, customer identification support, open application programming interface (open API), technology-based solutions and other banking support services.⁴⁶
- The regulatory sandbox is important to allow for the development of innovative FinTech solutions while mitigating possible risks – for example, security and data breaches, money laundering and financing of terrorism – while regulations are being developed.
- SBV plans to allow banks and FinTech firms to apply for participation in the sandbox from 2021 after public consultation.



Quick Facts

- Population size (2020) : 99 million
- Median age (2020) : 31.9 years
- Internet penetration rate (2020 est.) : 65%
- Smartphone penetration rate (2018) : 37.7%

FinTech Regulators

- State Bank of Vietnam

Regulatory Sandbox

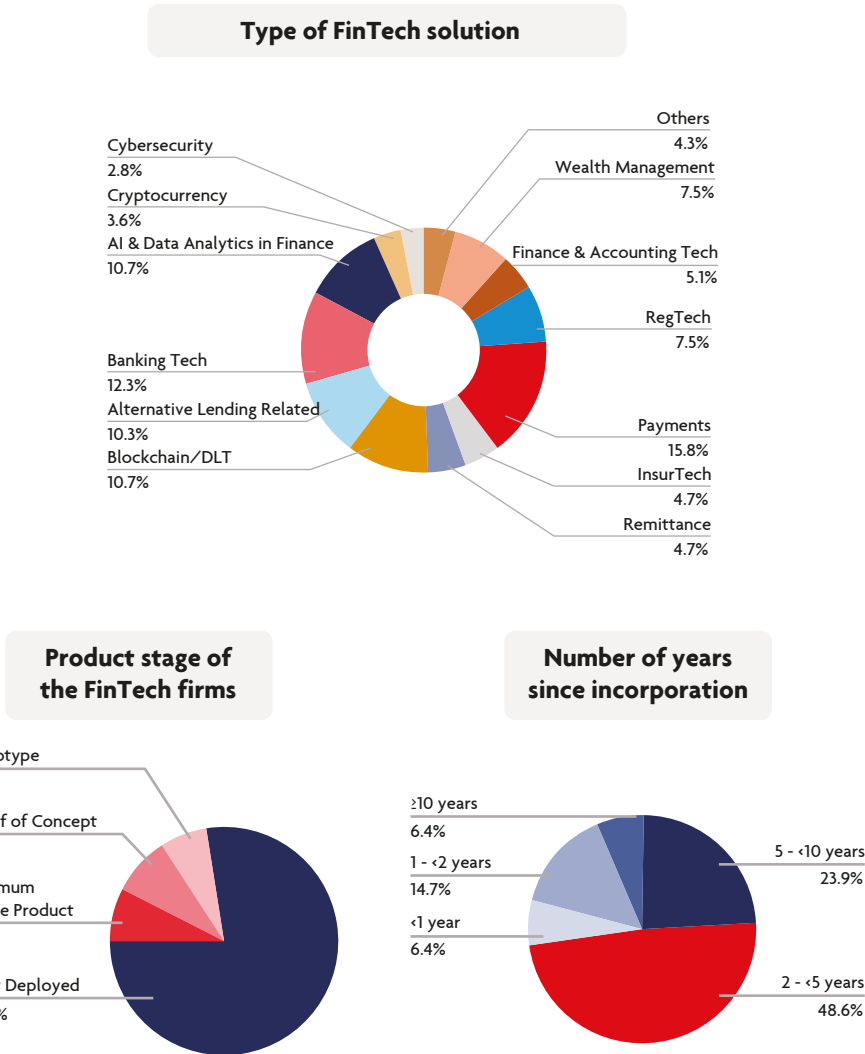
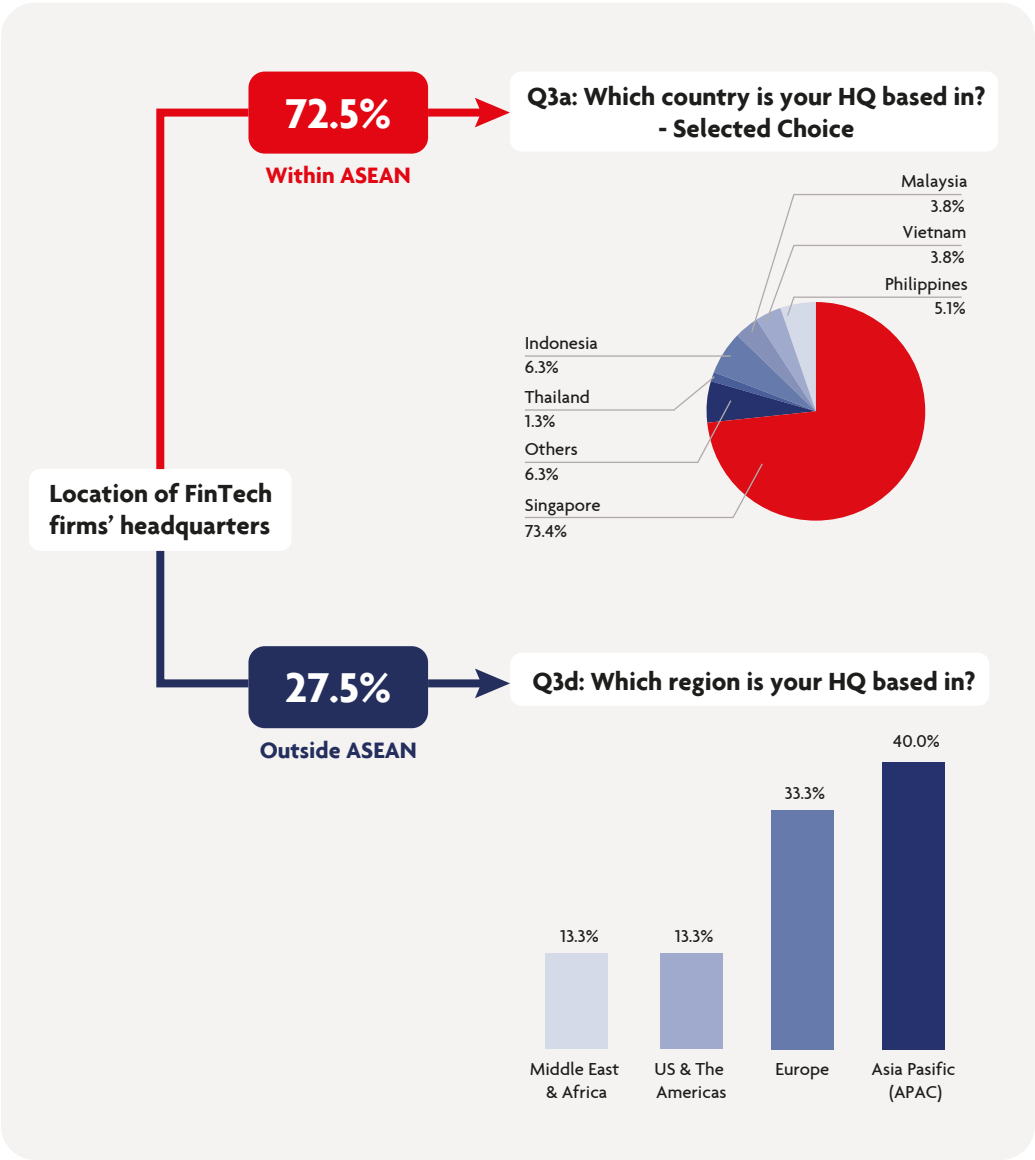
- Yes

FinTech Associations

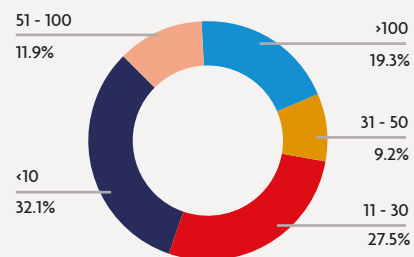
- Vietnam FinTech Club



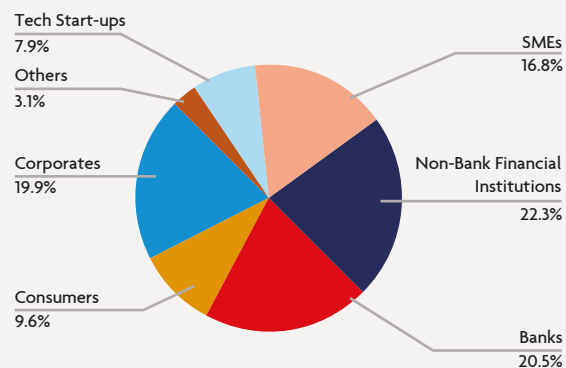
Survey respondents



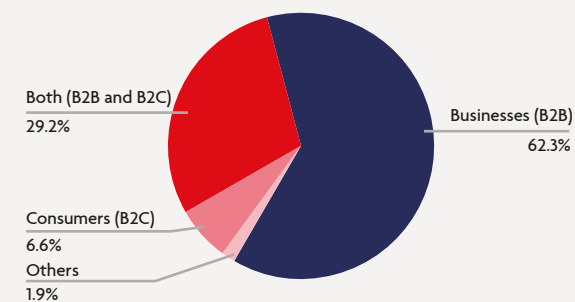
Number of employees



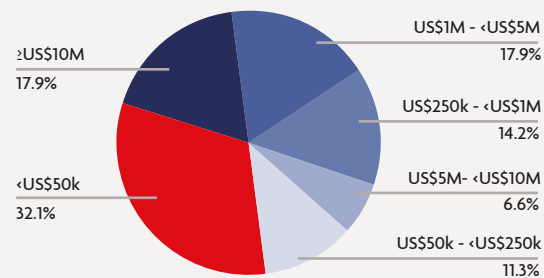
Key target customers



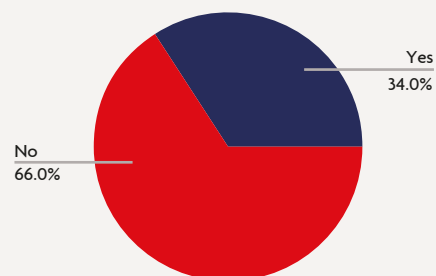
Business model



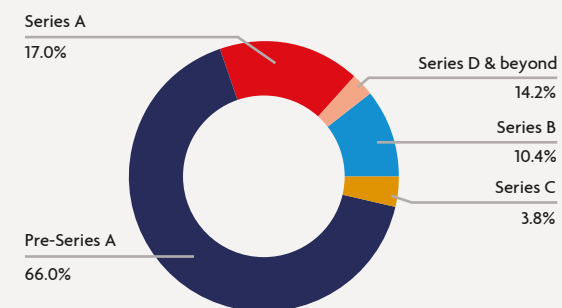
Annual turnover



Whether the FinTech firms have reached profitability



Last fundraise stage



Interviewee profiles



Herston Elton Powers
Co-founder and Managing Partner



1982 Ventures invests in early stage FinTech start-ups in Southeast Asia. It brings together the best founders who positively impact the future of financial services. Visit <https://1982.vc/> for more information.



Vy Le
Co-Founder and General Partner



Do Ventures is an early stage Venture Capital fund that focuses on making investments in tech start-ups in Vietnam. It looks for pioneers who create disruptive products that deliver outstanding customer value.



Ben Cheah
Director



Paul Ong
Director



InnoVen Capital is the largest venture debt provider to start-up and growth stage companies in Asia. Portfolio companies use venture loans to accelerate growth and extend their cash runway while minimising equity dilution.



Tan Yinglan
Founding Managing Partner



Insignia Ventures Partners is an award-winning early-stage technology venture fund focusing on Southeast Asia. It manages capital from premier institutional investors in Asia, Europe and North America. Visit <http://www.insignia.vc> for more information.



Neo Weisheng
Manager



Qualgro is a venture capital firm investing in Series A & B, in B2B businesses in Data & SaaS, across Southeast Asia and Australia/NZ. Our multi-cultural team has diverse business, investment and consulting experience.



Frank T. Troise
Managing Partner and CEO



SoHo Advisors Pte Ltd has merchant banking roots and is now the leading FinTech investment bank in Asia. The company seeks value opportunities where its capital, flexibility, management support, and strategic hand can build value.



Thng Tien Tat
Executive Director



UOB Venture Management Pte Ltd (UOBVM) is a wholly owned subsidiary of UOB and is an active direct asset owner across ASEAN and China. Current assets under management are in excess of S\$1.7 billion.



Piyachart Ratanaprasartporn
CEO



Founded in 2003, **2C2P** offers omni-channel payment solutions, allowing merchants to accept local and international payments through credit and debit cards, bank channels and cash acceptance via payment counters.



Georg Ludviksson
CEO and Co-founder



Meniga provides white-label digital banking solutions. Its award-winning products enable banks to improve their online and mobile digital environment, enriching the customer experience of over 90 million digital banking users across 30 countries.



Yaron Klein
APAC Delivery Manager



Personetics provides proactive, data-driven personalisation and customer engagement solutions for the financial services industry, serving over 65 million mass-market, mass-affluent, and small business customers worldwide.



Wilson Beh
Co-founder



PolicyStreet makes insurance protection simple, easy and affordable for individuals and businesses. It is among the Top 10 InsurTech companies in Asia by Insurance Business Magazine.



Greg Krasnov
Co-founder and CEO



Tonik is the Philippines' first fully digital neobank with its own bank licence. The bank will launch operationally in 2021 with a full range of services including deposits, loans, payments and cards.



Vikas Nahata
Co-founder and Executive Director



An award-winning FinTech, **Validus** (Singapore, Indonesia, Vietnam, Thailand) is one of the region's largest SME financing platforms. It leverages technology, AI and industry-leading partnerships to drive growth financing for SMEs.



Chanda Pen
Chairman



CAFT is the collective voice for Cambodia's FinTech community. It seeks to cultivate interest, increase innovation, and build relationships to further promote the industry.

Appendix

Foreword

¹ Based on data from Tracxn, US\$1.36 billion was invested in ASEAN-6's (Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam) FinTech firms in 2019. Our tabulations do not include investments into Grab and Gojek, as their core business is categorised as transportation and delivery.

Chapter 1: Get up

² 'Unbanked' is defined here as someone with no access to basic financial services (a bank account), while 'Underbanked' includes those who are not well-served in financial services, have unmet needs, have no access to credit cards, are underinsured, or have no long-term savings products. Data covers population of individuals above age 18. Source: Google, Temasek and Bain & Company, *'Fulfilling Its Promise: The future of Southeast Asia's digital financial services'* report (2019).

³ According to the *e-Economy SEA 2020 Report* by Google, Temasek and Bain & Company, 400 million of the 580 million population living in Southeast Asia's six largest economies are online (70 per cent of the region). 40 million people of that number came online in 2020.

⁴ For funding deals/numbers cited throughout the report, year 2020 or YTD 2020 covers the period up to 30 September 2020.

⁵ In 2020 YTD, Myanmar recorded two deals, Cambodia one deal, while Brunei and Laos did not record any deals. Investments received in Myanmar and Cambodia totalled US\$14.5 million in 2019 and US\$76.2 million in 2020 (Myanmar's Wavemoney received US\$73.5 million in June 2020). Collectively, there are 77 active FinTech firms based in Brunei, Cambodia, Laos, and Myanmar to-date, up from 76 firms last year. Cambodia has 47 active FinTech firms, followed by Myanmar with 31.

⁶ The term 'funding' in this chapter includes all disclosed funding rounds categorised as 'pre-series', 'early stage rounds', 'late stage rounds', 'private equity' (only two deals were reflected in the period between 1 January 2016 to 30 September 2020) and 'venture debt' provided on data platform Tracxn under its FinTech practice area. It does not include companies solely funded by grants, conventional debt, mergers and acquisitions, initial coin offerings (ICOs) and post-initial public offerings (IPOs).

⁷ Quarter 2 year-on-year real GDP performance of the ASEAN-6: Indonesia (-5.3 per cent), Malaysia (-17.1 per cent), Philippines (-16.9 per cent), Singapore (-13.3 per cent), Thailand (-12.2 per cent), Vietnam (0.4 per cent). Source: UOB Global Economics and Markets Research.

⁸ Singapore ranked sixth globally in the *Global Financial Centres Index 28* (published in September 2020), and third in the specific area of financial sector development. The country ranked fourth in Findexable's *Global FinTech Index 2020*, which evaluated 230+ cities and 65 countries.

⁹ From *'Fulfilling Its Promise: The future of Southeast Asia's digital financial services'* report (2019) by Google, Temasek and Bain & Company.

¹⁰ Our taxonomy for "Payments" includes Remittance, Forex Tech, Payments and Mobile Payments.

¹¹ Alternative lending refers to online lending platforms, including P2P lenders, and crowdfunding. Alternative lending platforms make use of other sources of data to determine how much one can borrow, especially if a person does not have a credit history, and allows investors with funds to lend money at an appropriate loan pricing.

¹² It is estimated that digital payments will exceed US\$1 trillion in gross transaction value by 2025. Source: Google, Temasek and Bain & Company, *'Fulfilling Its Promise: The future of Southeast Asia's digital financial services'* report (2019).

¹³ Vietnam's four early stage deals are undisclosed but represent Alternative Lending, Banking Tech, Finance & Accounting Tech and Investment Tech. No further analysis was done on the breakdown per category.

Chapter 2: Reset

¹⁴ Due to the non-representative sample of VCs surveyed, these were excluded from the quantitative survey results.

Chapter 3: Go!

¹⁵ According to several reports published in September 2020, Alibaba was in talks to invest US\$3 billion in Southeast Asia's biggest ride-hailing firm, Grab.

¹⁶ In September 2020, Tencent announced it would develop a regional hub for its expansion plans in Southeast Asia in Singapore. It holds a stake in Sea, which has been awarded a digital full bank licence by the Monetary Authority of Singapore. Tencent's investments in ASEAN's FinTech-related firms include Philippines' Voyager Innovations (2018) and Indonesia's Gojek (the latest investment into the ride-hailing company being a Series F round in 2019).

¹⁷ Beijing-based ByteDance, which owns short-video platform TikTok, is reportedly planning to invest "billions of dollars" and recruit hundreds of employees in Singapore over the next three years. Earlier this year, it submitted its application for Singapore's wholesale digital banking licence and was shortlisted, but did not eventually get the licence.

¹⁸ According to “Rise of the ASEAN Super App” by Mark Goodridge of Morgan Stanley, a key difference between the ASEAN super app ecosystem and China’s is the lack of social or messaging. While the super app contenders (e.g. Grab, Gojek) have widened their ecosystem of services provided over the years, a clear winner in the super app category – especially one that is as profitable as it is popular – is still in the works.

¹⁹ Grab, Gojek close in on terms for merger, *Bloomberg* article, 2 December 2020.

²⁰ New \$12m programme to strengthen Singapore’s blockchain ecosystem, *The Straits Times* article, 7 Dec 2020.

²¹ More on Project Ubin can be found here: <https://www.mas.gov.sg/schemes-and-initiatives/project-ubin>

²² Defined as account ownership at a financial institution or mobile money service provider in Singapore. Source: World Bank data 2017, <https://data.worldbank.org/indicator/FX.OWN.TOTL.ZS>

²³ Razer to push Youth Bank, undeterred by failure of Singapore bid, *Washington Post* article, 5 December 2020.

²⁴ CIMB banks on all-digital strategy in the Philippines, *The Edge* article, 19 February 2019.

Indonesia

²⁵ How Indonesian FinTech companies are boosting financial inclusion, *Oxford Business Group* article, November 2020.

²⁶ Indonesia Payment Systems Blueprint 2025, Bank Indonesia website.

²⁷ Debt restructuring requests riddle Indonesia’s P2P FinTech platforms, *KR Asia* article, 13 April 2020.

²⁸ Quick facts for all countries: Population size and median age – CIA World Factbook (2020); Internet penetration rate – Statista; Smartphone penetration rate – Newzoo’s 2018 *Global Mobile Market Report* (except for Singapore, which came from *Singapore Business Review* of 2018).

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²⁹ The new guidelines on digital assets (Guidelines) issued by Securities Commission Malaysia (SC), *PwC* article, February 2020.

³⁰ Malaysian Securities Commission issues revised digital asset guidelines, *CoinTelegraph* article, 28 October 2020.

³¹ Digital Banking holds promising future in Malaysia: MoF, *The Edge Markets* article, 6 November 2020.

³² BNM to publish next blueprint for financial sector in 2021, *The Edge Markets* article, 3 April 2020.

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³³ Philippine c.bank approves digital banking framework, *Reuters* article, 26 November 2020.

³⁴ Philippines now has 16 cryptocurrency exchanges approved by Central Bank, *Bitcoin.com* article, 23 July 2020.

³⁵ 48 crypto exchanges approved in the Philippines, *Bitcoin.com* article, 24 June 2019.

³⁶ BSP calls for quicker QR Code adoption, *Manila Bulletin*, 27 May 2020.

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³⁷ MAS announces successful applicants of licences to operate new digital banks in Singapore, MAS media release, 4 December 2020.

³⁸ MAS launches S\$125 million package for financial institutions and FinTech firms to strengthen long-term capabilities, MAS media release, 8 April 2020.

³⁹ MAS launches \$1.75m FinTech innovation challenge, *The Straits Times* article, 9 June 2020.

⁴⁰ Payment Services Act comes into force, MAS media release, 28 January 2020.

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⁴² New \$12m programme to strengthen Singapore’s blockchain ecosystem, *The Straits Times* article, 7 Dec 2020.

Thailand

⁴³ Bank of Thailand considers issuing digital banking licenses, *Tech Wire Asia* article, 30 January 2020.

⁴⁴ The launch of interoperable QR payment linkage between Cambodia and Thailand, Bank of Thailand press release, 18 February 2020.

⁴⁵ Thailand’s Central Bank announces digital currency prototype, *FinTech News* article, 19 June 2020.

Vietnam

⁴⁶ Central bank plans to pilot FinTech regulatory sandbox, *Viet Nam News*, June 2020.

Taxonomy

Categories	Tracxn classification	Focus
Alternative Lending	Alternative Lending	Online lending platforms (including balance sheet lenders, marketplaces, P2P lenders as well as lead generators) and companies that enable online lending.
	Crowdfunding	Online platforms where people, organisations raise money from the masses, for various projects and causes.
Banking Tech	Banking Tech	Companies which provide technology solutions primarily for banking industry including software, innovative hardware, and tech-enabled services.
Blockchain Tech Related	Blockchain	Companies developing blockchain technologies such as blockchain network, smart contracts, etc to cater to enterprise and consumer markets.
Cryptocurrencies	Cryptocurrencies	All companies that provide bitcoin and other digital currency products and services.
Finance and Accounting Tech	Finance and Accounting Tech	Companies that provide tools or software solutions for automating the functions of finance and accounting department of an organisation.
InsurTech	Insurance IT	Companies which provide software products and data solutions primarily for the insurance industry.
	Internet First Insurance Platforms	Companies which provide tech platforms to consumers for purchasing and managing their insurance.
	Employer Insurance	Companies which provide employers with solutions for managing employee insurance benefits.

Categories	Tracxn classification	Focus
Investment Tech	Investment Tech	Companies offering platforms for retail and institutional investors to research and invest in multiple financial assets. Also includes companies offering solutions to financial institutions providing investment-related services.
	RoboAdvisors	Companies that provide automated, low-cost investment services to retail investors. Also includes companies that provide technological solutions for automated investments to financial advisors.
Payments	Remittance	Companies providing cross-border money transfer solutions and services to consumers and enterprises.
	Forex Tech	Companies providing software for forex market which includes currency exchange and currency investments.
	Payments	Companies which participate in traditional web-based and offline payment cycles. Also includes companies which provide alternative mode of payment, companies which support the payment companies in terms of security, analytics, platform etc.
	Mobile Payments	Companies offering solutions to make and (or) accept payment via mobile.
Personal Finance	Consumer Finance	Companies which offer tech-enabled assistance to consumers to manage their personal expenses, debt and savings, track investment portfolios, plan finances, and compare third-party financial products.
RegTech	RegTech	Companies providing solutions to address multiple functions across.

FinTech solutions are grouped by categories based on Tracxn's taxonomy for the FinTech practice area.

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About



United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. UOB is rated among the world's top banks: Aa1 by Moody's Investors Service and AA- by both S&P Global Ratings and Fitch Ratings. In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, as well as branches and representative offices across the region.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and to grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

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The SFA is a cross-industry and non-profit organisation. Its purpose is to support the development of the FinTech industry in Singapore, and to facilitate collaboration among the participants and stakeholders of the FinTech ecosystem in Singapore. The SFA is a member-based organisation with over 850+ members. It represents the full range of stakeholders in the FinTech industry, from early-stage innovative companies to large financial players and service providers.

To further its purpose, the SFA also partners with institutions and associations from Singapore and globally to cooperate on initiatives relating to the FinTech industry. The SFA has signed over 60 international Memorandum of Understanding (MoU) in 40 countries and is the first U Associate organisation to be affiliated with National Trades Union Congress (NTUC). Through its FinTech Talent (FT) Programme, launched in 2017, over 300 professionals have been trained in FinTech, including blockchain, cryptocurrency, cybersecurity and regulation.

For more information visit <https://singaporefintech.org>.

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