

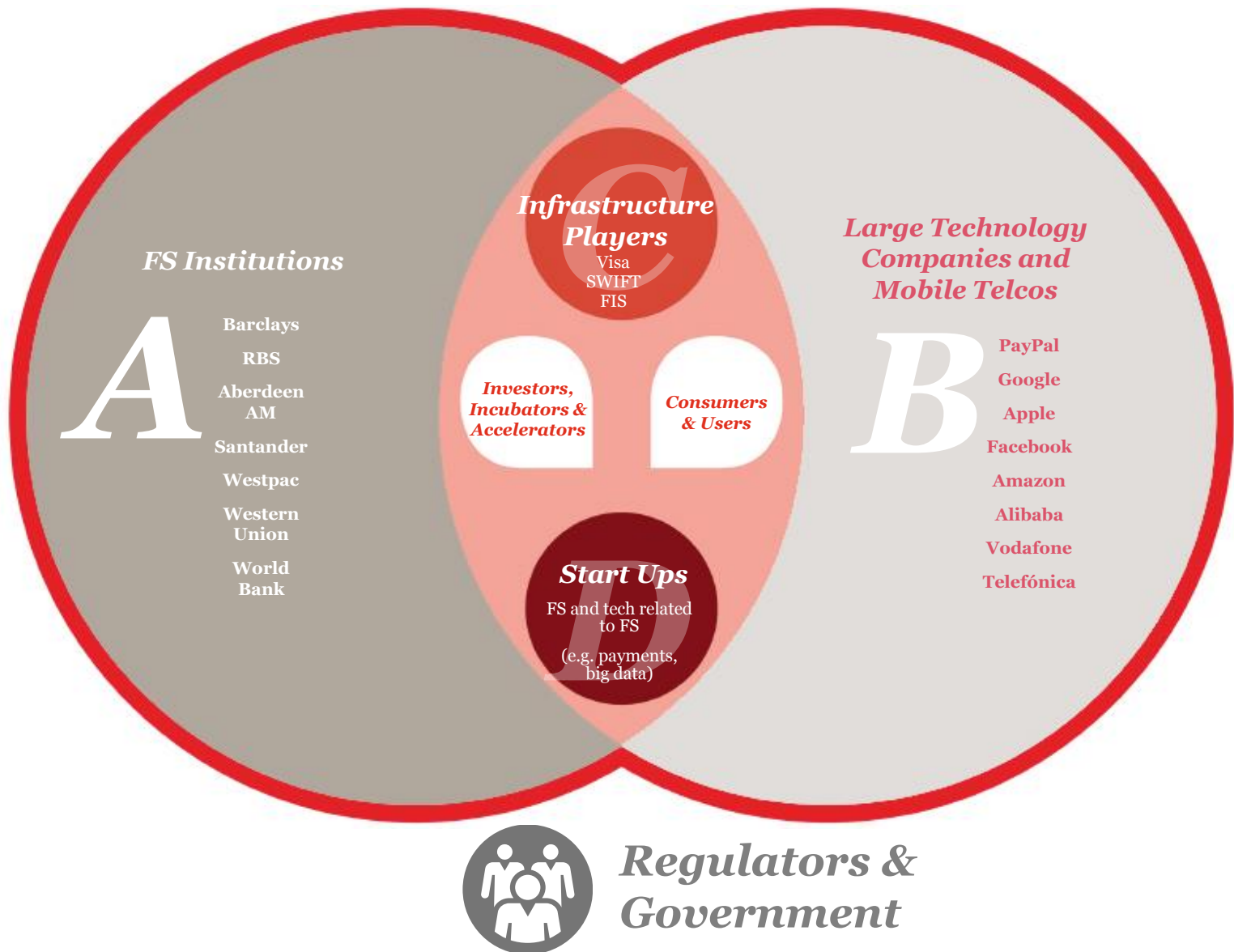
www.pwc.com

FinTech Landscape - APEC Presentation

February 24, 2016

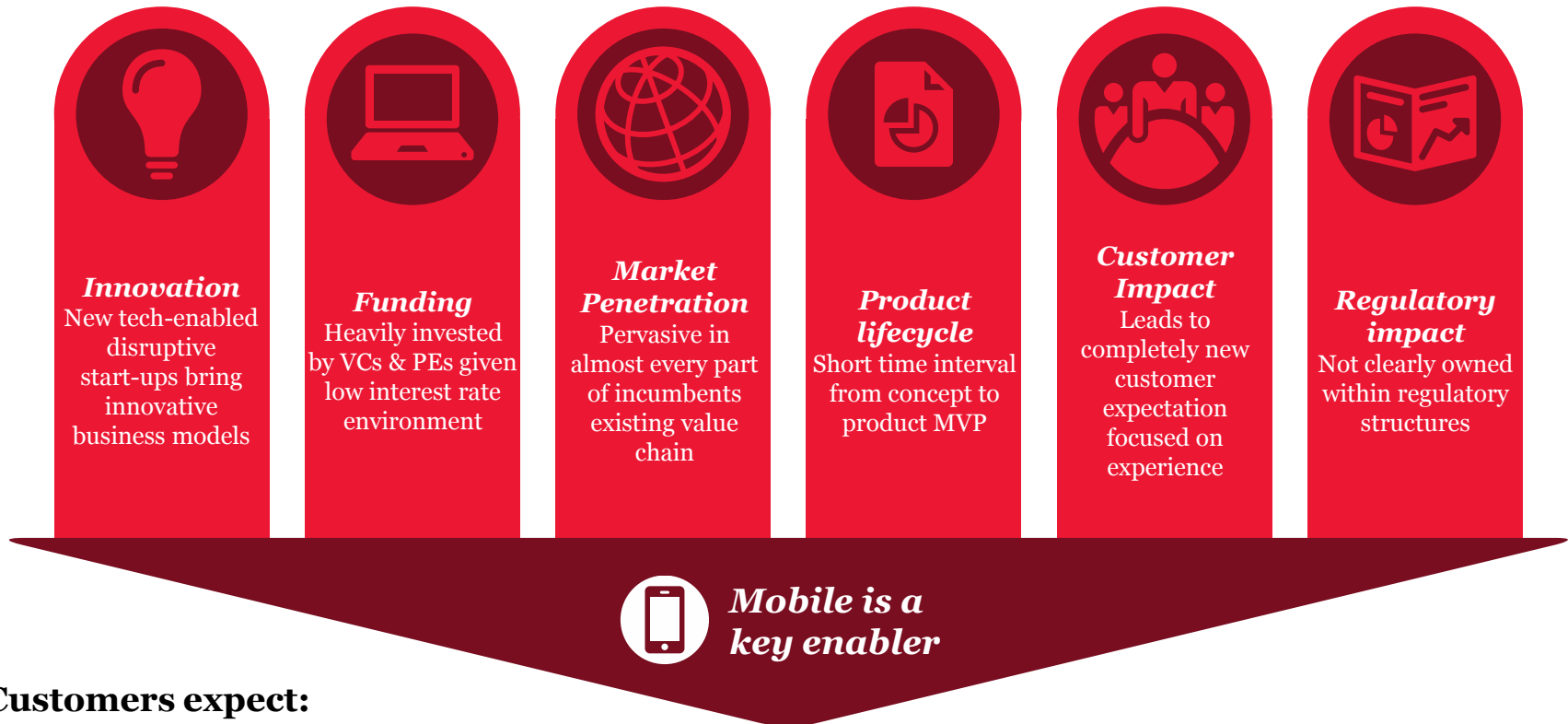
Overview of Fintech

What is FinTech?



What are the forces driving FinTech?

FinTech start-up activity is unprecedented, well-funded, pervasive, and solution oriented. **The result is a new competitive landscape and playing field.**



Customers expect:

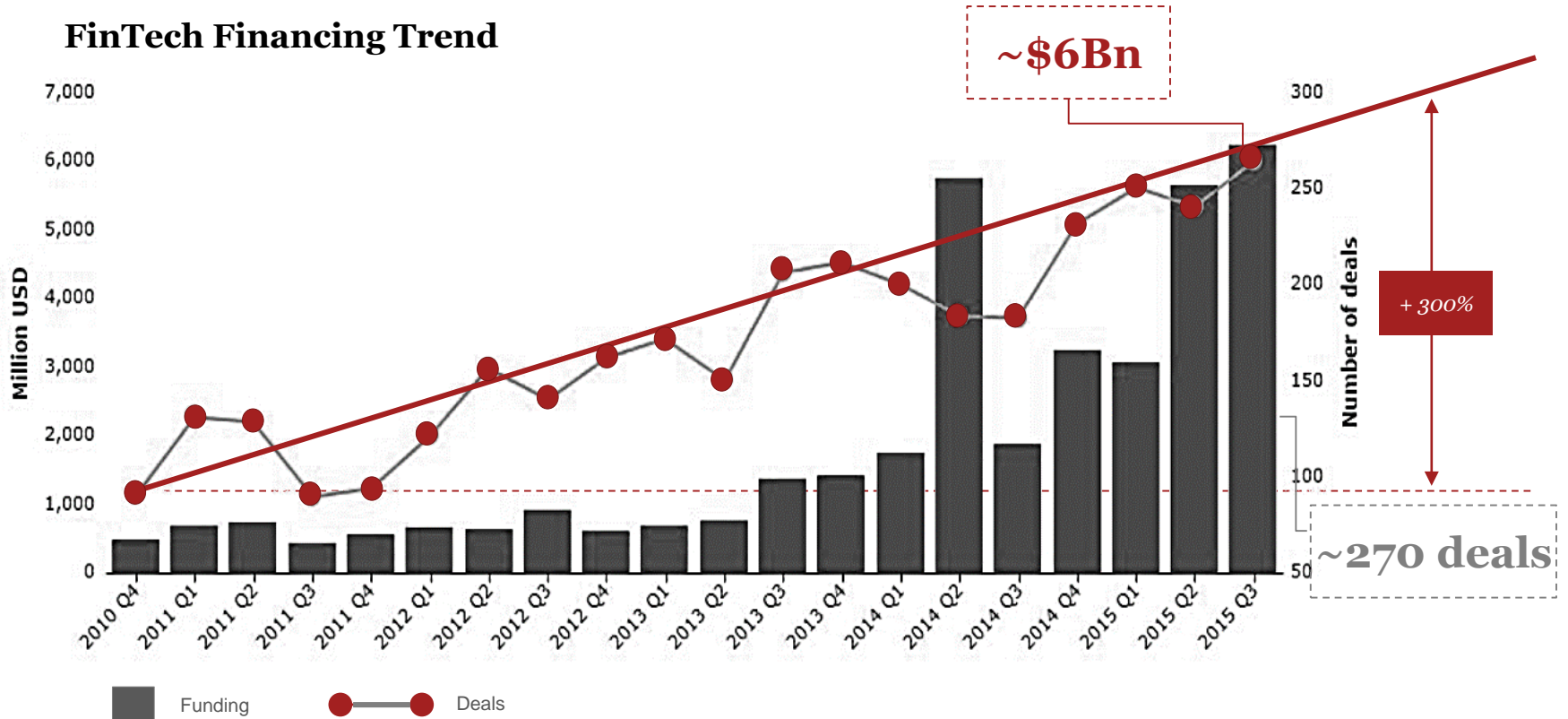
- *Individual Accessibility (Anywhere, Anytime, Right Now)*
- *Customised On-Demand Products/Services*
- *Customer Experience and Loyalty-Based Relationship*

Omni-channel strategies that revolve around mobile

Personalised experience based on data

Refinement of the frontlines

The funding of FinTech startups is booming, representing over 12x increase in less than 5 years



This disruption is expected to be felt most by banking and payments incumbents

Will financial institutions be disrupted?

Yes
83%

of survey participants believe that part of their business is at risk of being lost to stand-alone FinTech companies

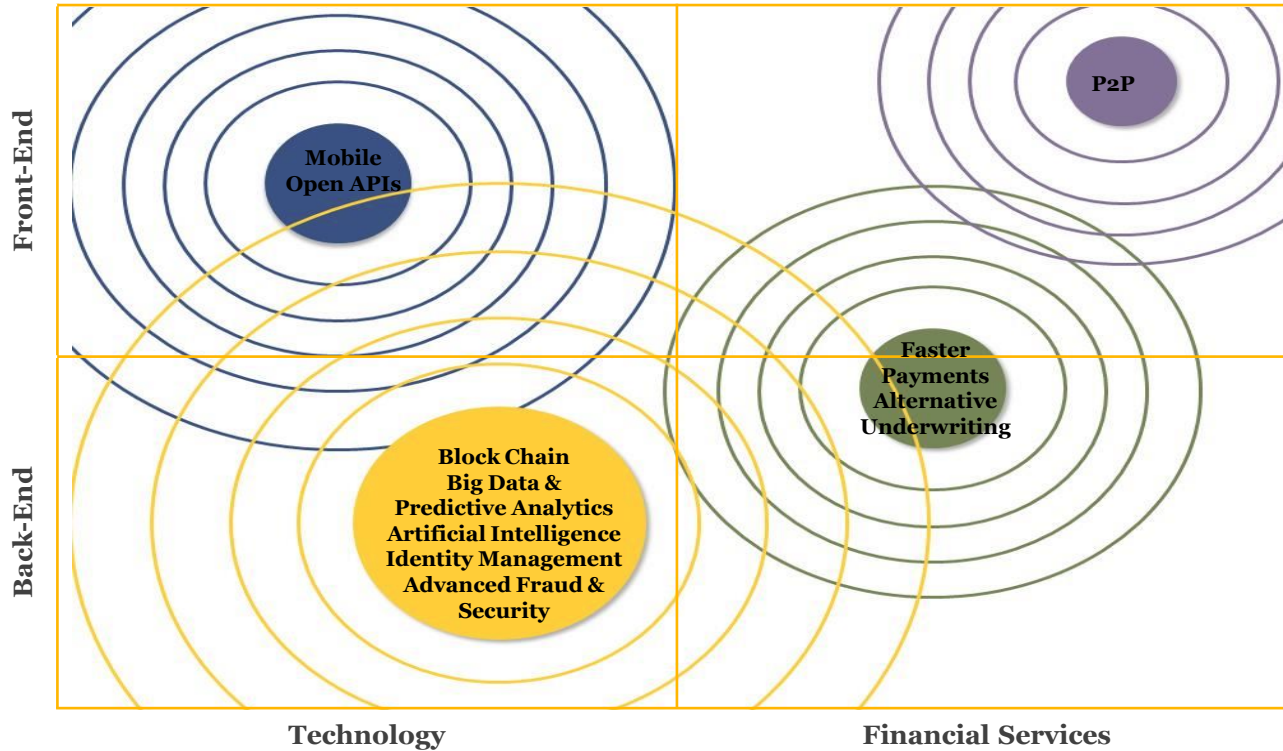
Source: PwC Global FinTech Survey 2016



Most disrupted sectors

- *Consumer banking (73%)*
- *Fund transfer and payment (55%)*
- *A majority of AM firms and insurance undertakings also see their respective sectors as the most disrupted ones*

Innovation is being enabled by technologies on the front- and back-end of the FinTech innovation stacks



Within FinTech, each FS sector is generating its own trends around disruption

1. Banks

2. Fund Transfer & Payments

3. Asset & Wealth Management

4. Insurance

5. Cross-FS



APAC countries are specifically impacted by certain trends in the financial services industry

1. Banks

- Emergence of alternative credit
- Rise of marketplace lending
- Enhanced credit underwriting and decisioning
- Integrated platforms for consumer financial empowerment

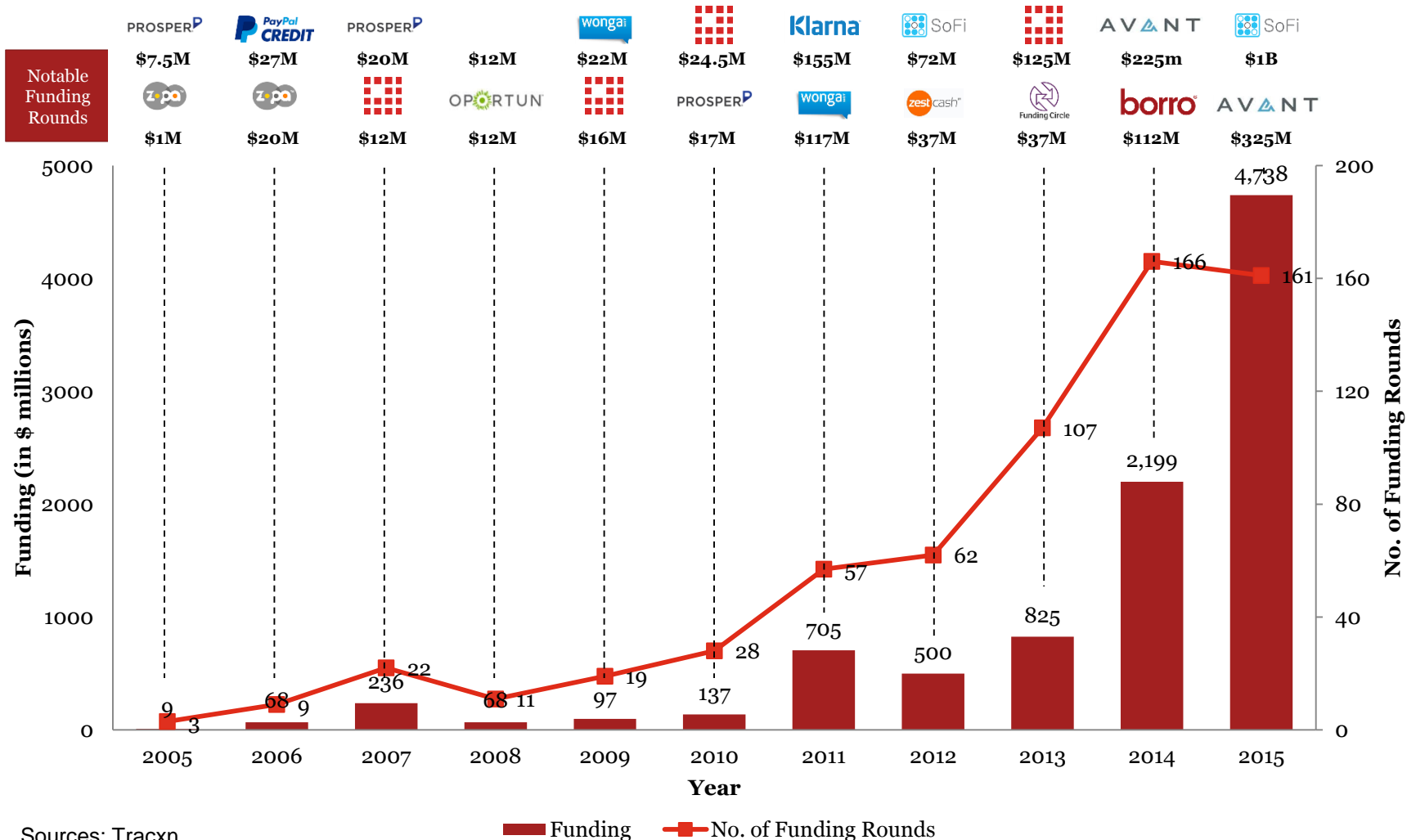
2. Fund Transfers & Payments

- Rise of mobile payments for the unbanked
- Faster payments initiatives
- Rise of virtual commerce globally
- Advanced fraud & security methods
- Rise of blockchain
- Rise of P2P and cross-border transfer platforms

4. Insurance

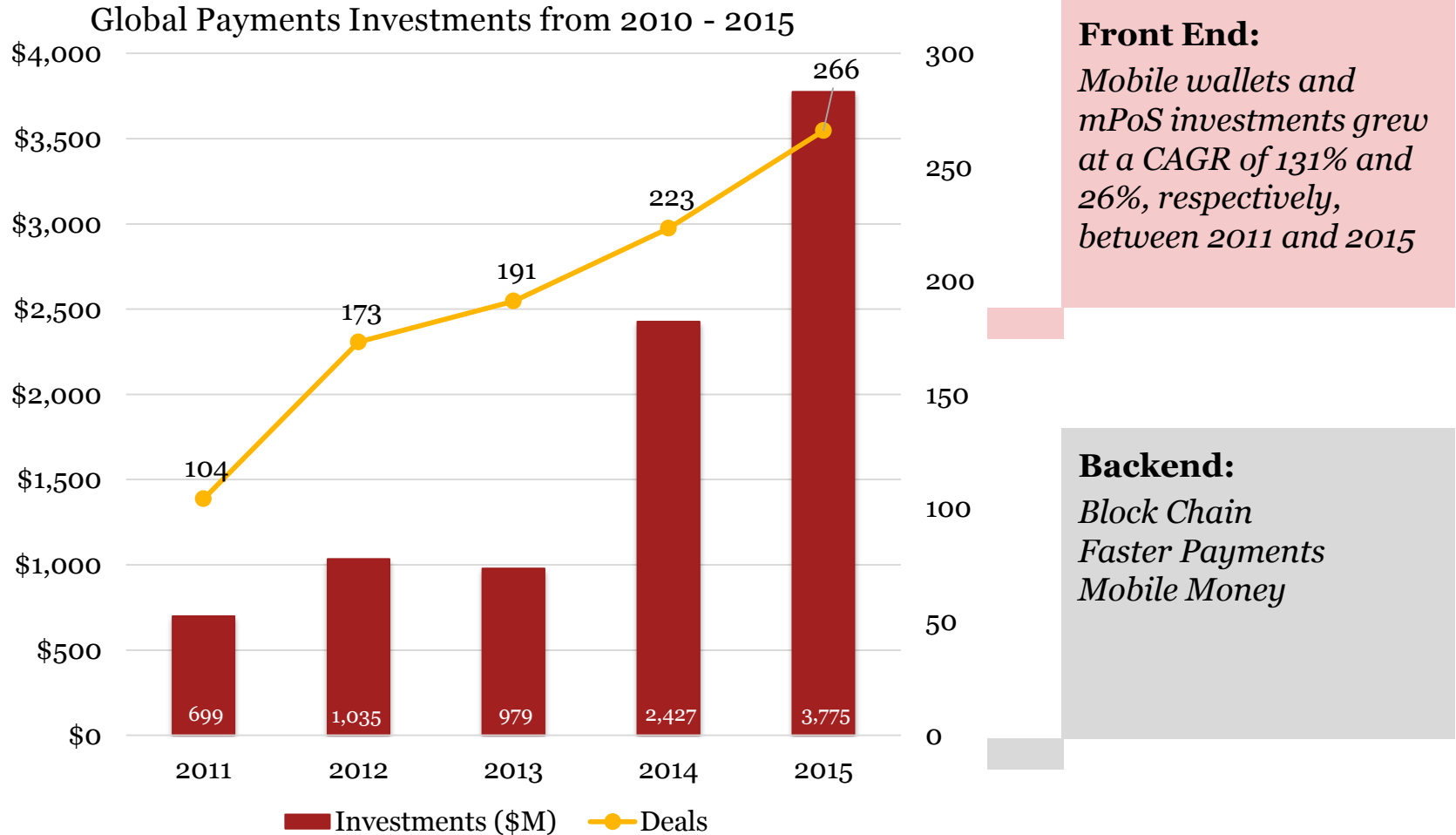
- Rise of insurance for unbanked through mobile access
- Use of new technologies to drive down operational costs
- Ecosystem partnerships and new business models
- Enhanced analytics for better risk decisioning

Alternative Credit: New entrants have gained funding and captured a portion of the lending market



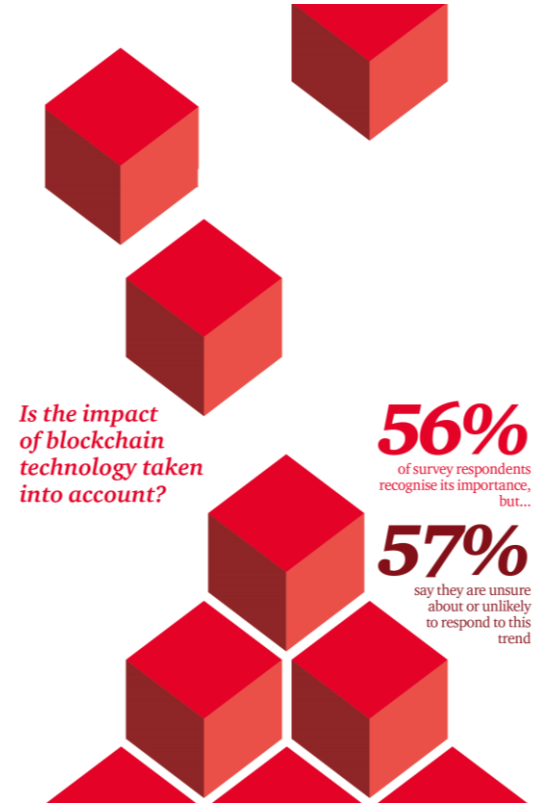
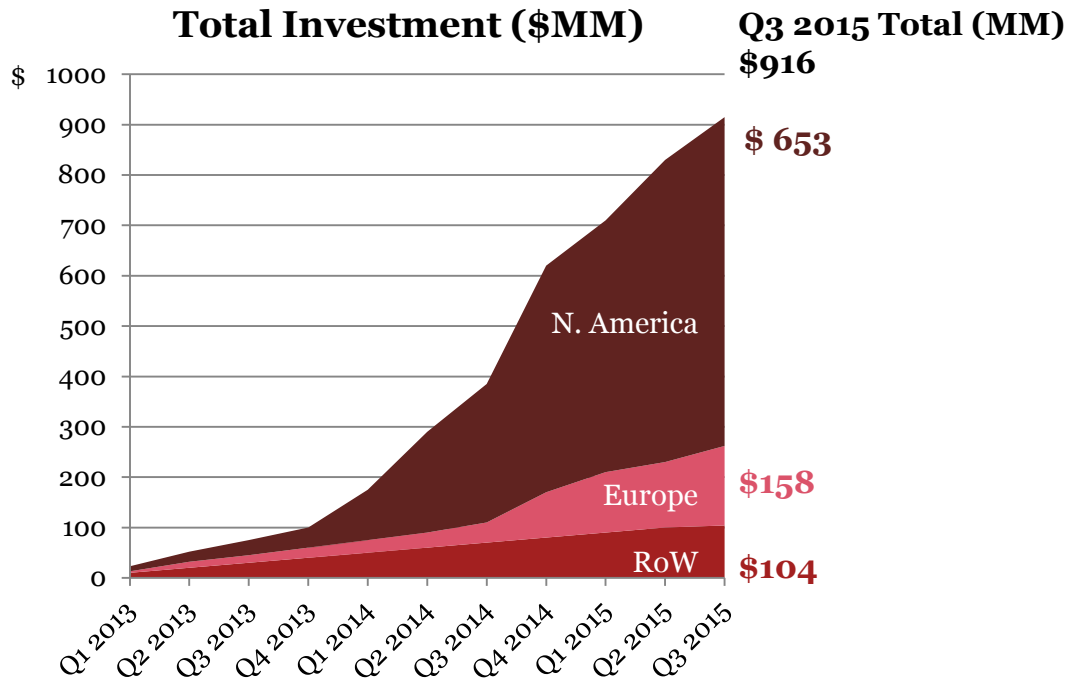
Sources: Tracxn
PwC

Payments investments have increased over 500% in 4 years with innovation occurring on the front- and back-end of the payments stack



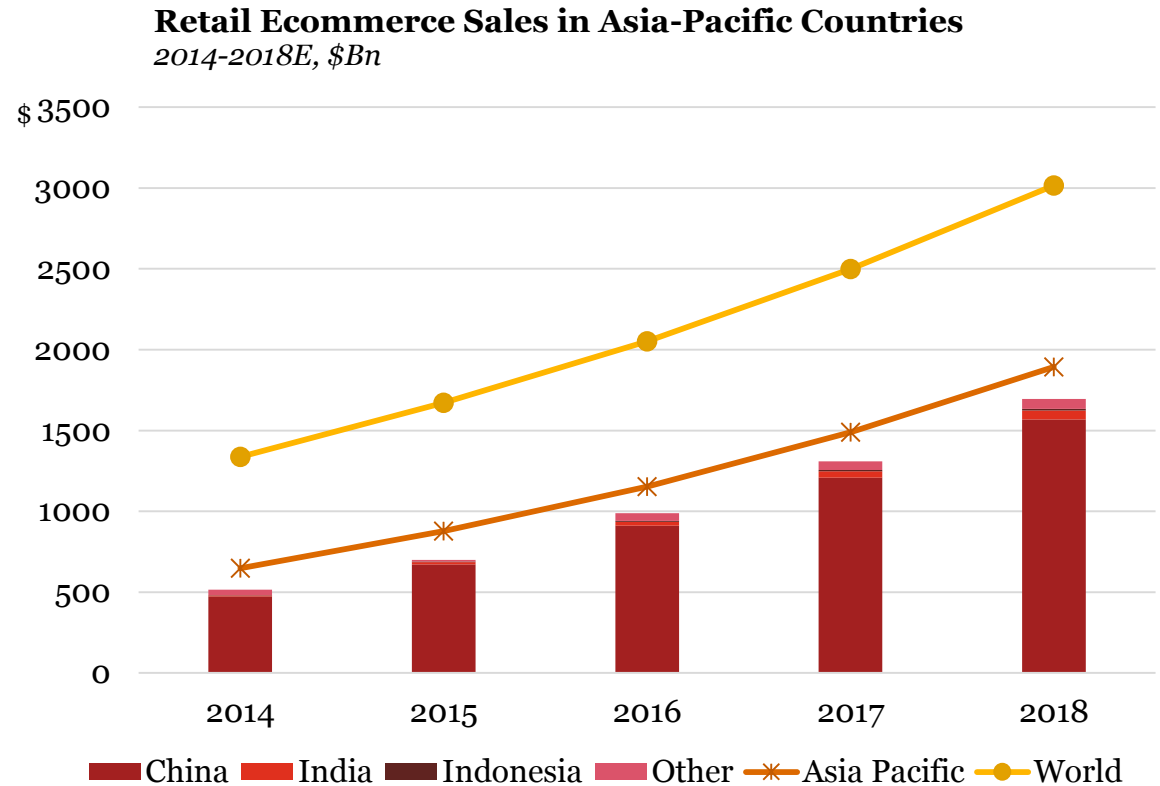
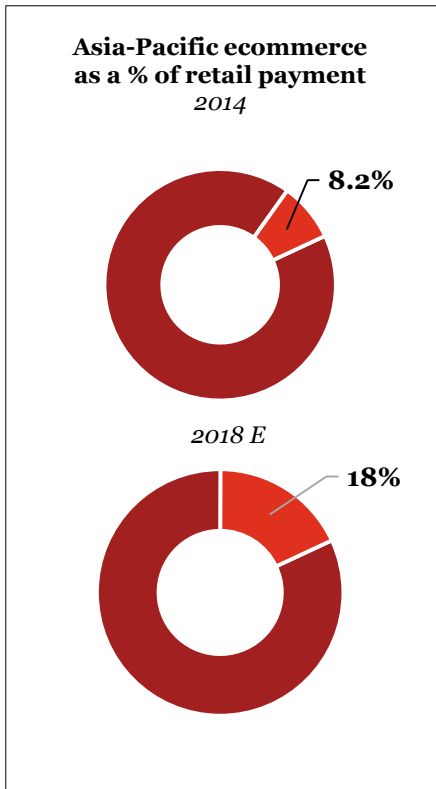
Source: PwC Analysis based on Finnovate, PwC DeNovo, and Tracxn
 PwC

Blockchain investments have risen to nearly \$1 Bn in 3 years, and 57% of surveyed executives are unsure what to do about it



83% are not very familiar with the blockchain technology

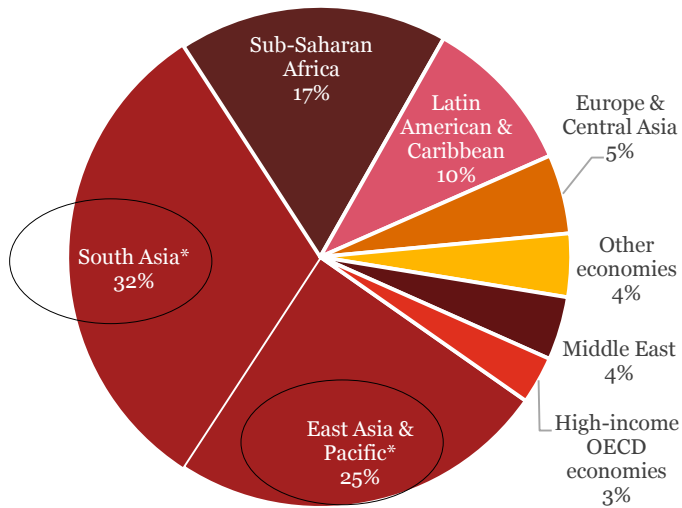
Virtual commerce, driven by large tech titans in APAC, is expected to drive global sales and foreign cross-border payments by over 200% in four years



Financial Inclusion

APAC countries comprise a significant portion of the world's unbanked population

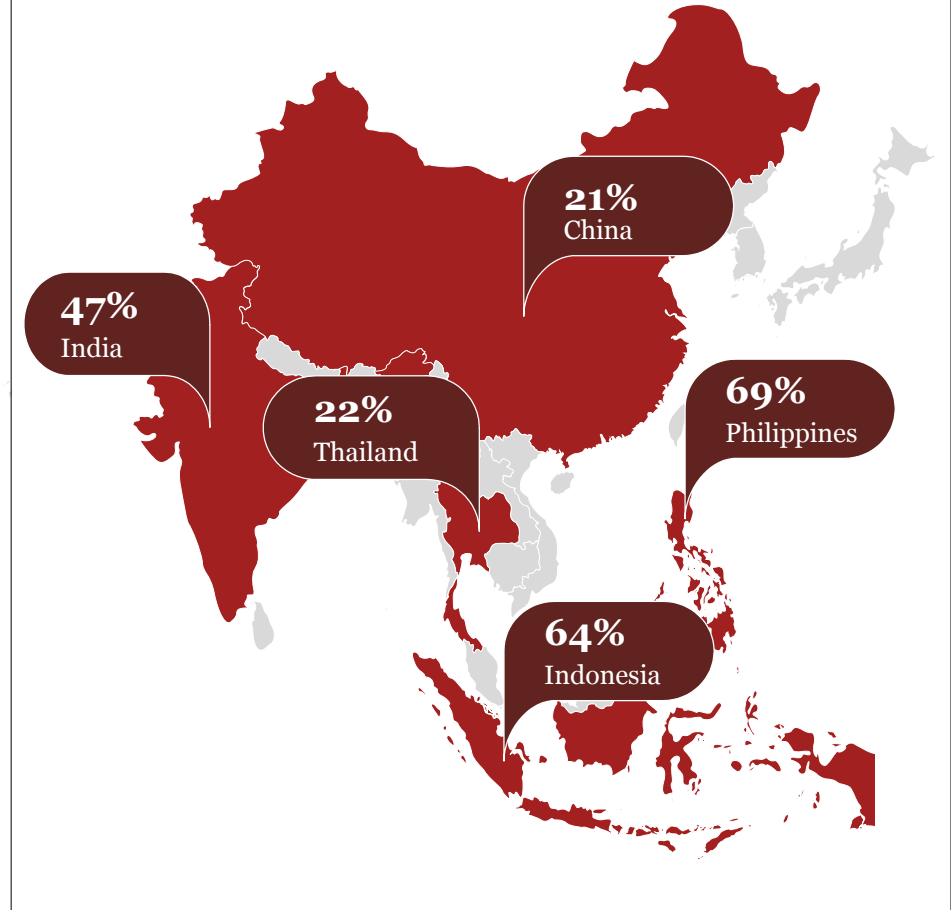
The world's unbanked by region
Adults (15+) without an account (%), 2014



55%
of the world's unbanked population resides in APAC countries

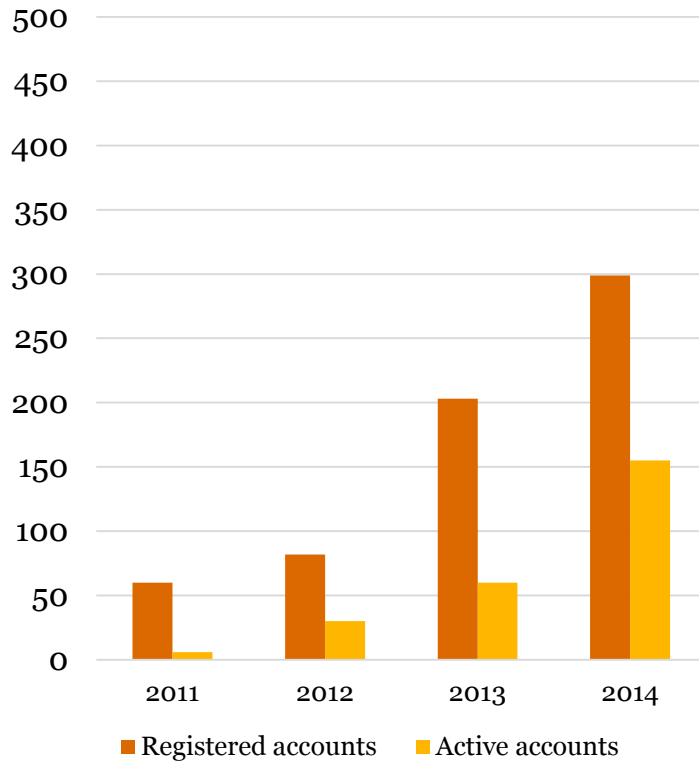
*APAC is comprised of countries from both East Asia & Pacific and South Asia regions

APAC's unbanked by key country
Adults (15+) without an account (%), 2014

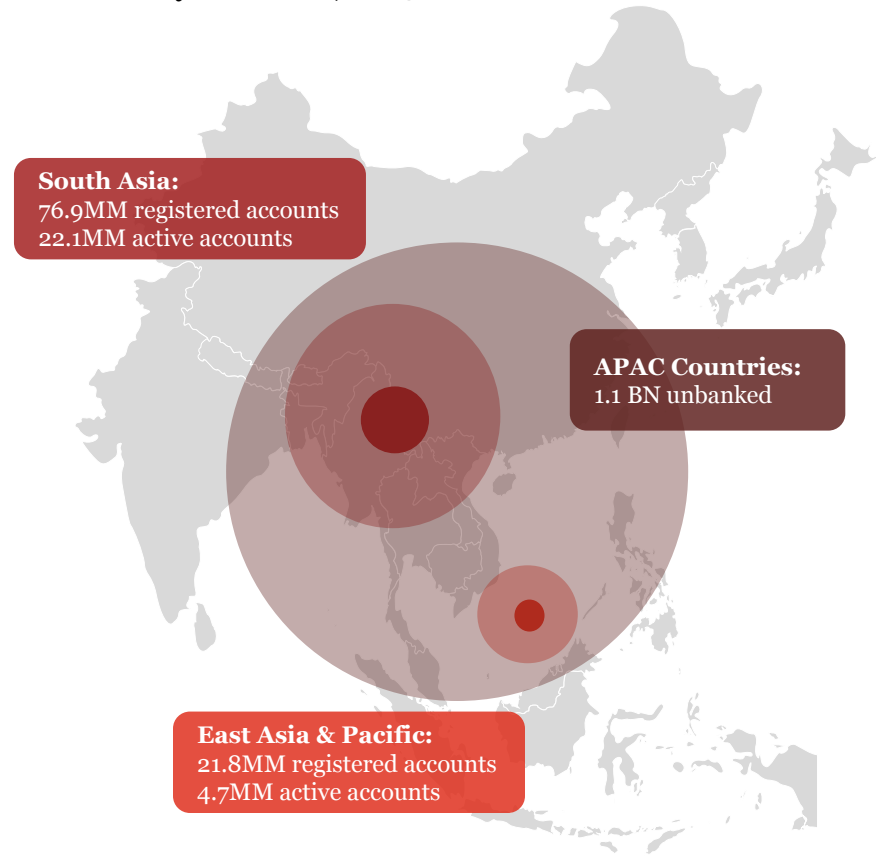


Mobile Money and inclusive banking policies have increased financial services access for the poor, but the opportunity is still enormous

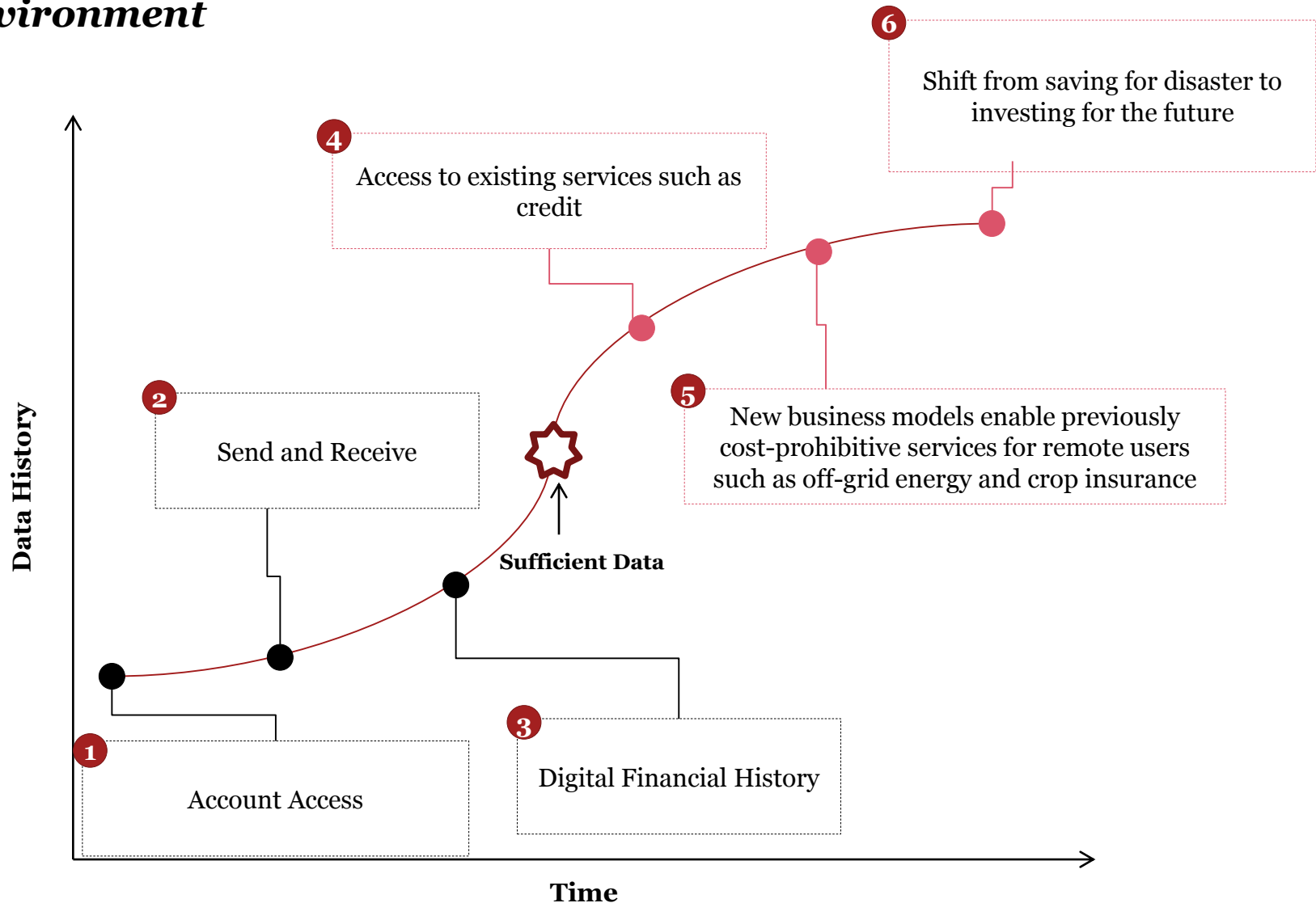
Number of global registered and active mobile accounts (MM)



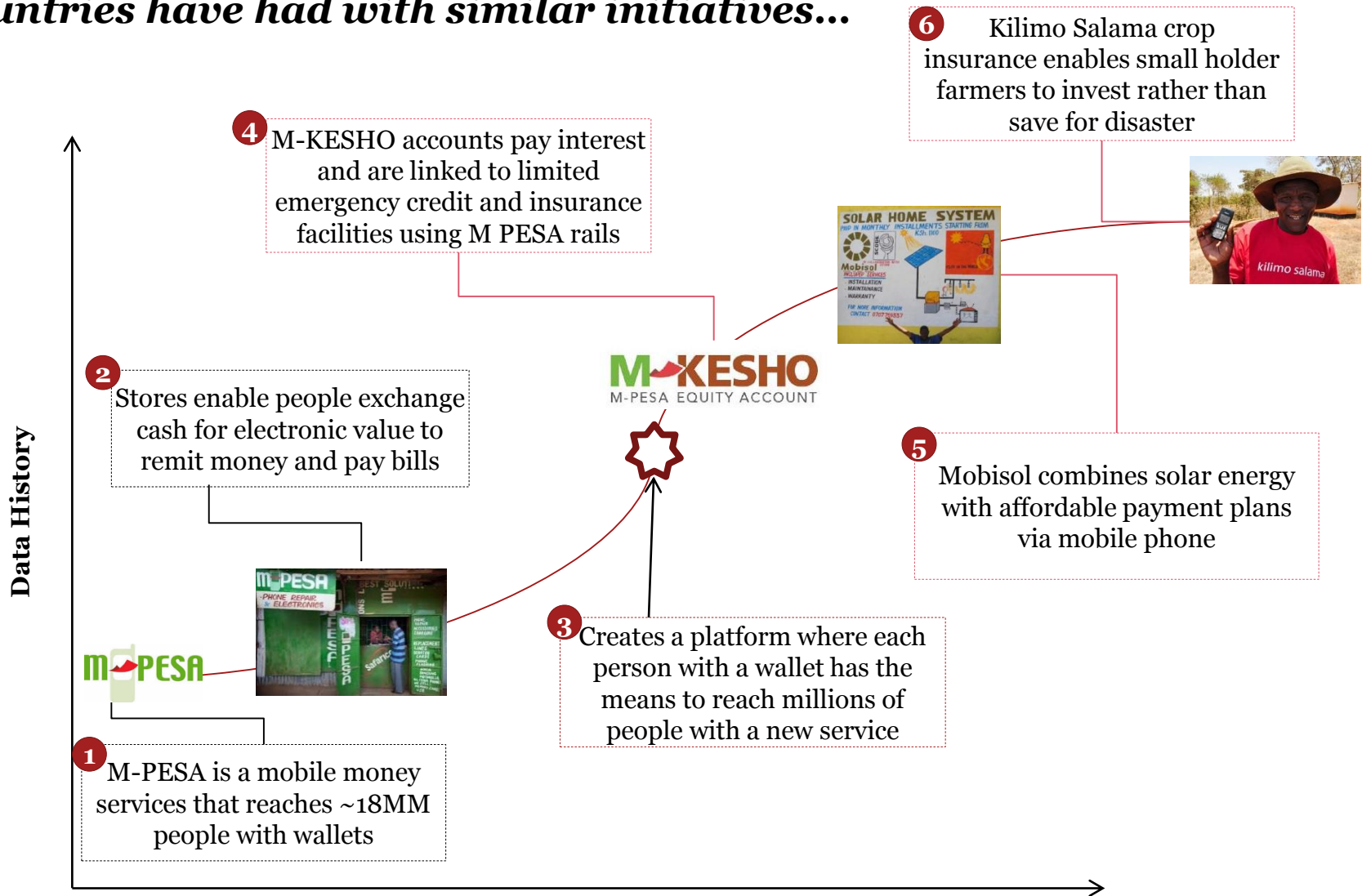
Number of APAC registered and active mobile money accounts, 2014



Payments are the foundation toward a more inclusive financial environment

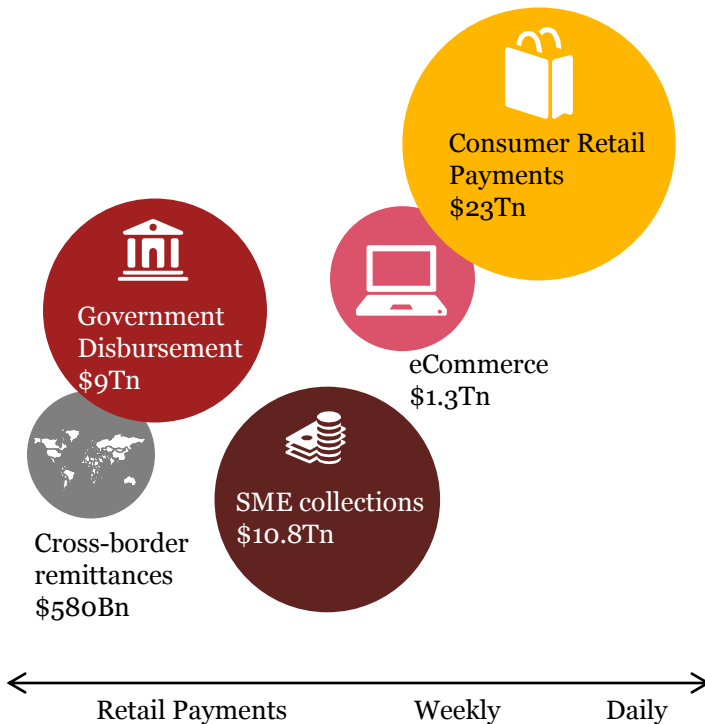


Creating this entry point is important, given the success that other countries have had with similar initiatives...



Opportunity: By moving 25% of paper-based transactions for five use cases to digital payment, 350-\$400Bn in annual benefits could be realized

Size of Markets



Savings

Retail Payments
\$150Bn

In benefits that merchants stand to realize by adopting digital payments

eCommerce

20% more

Profit per order that eTailers stand to gain by moving to digital payments in emerging markets relying on cash on delivery

SME Collections
\$80Bn

In savings accruals to target business that digitize SME collections

G2P Payments
\$150Bn

In savings for governments that move to a digital form of disbursement






Cross Border Remittances

50% less

The potential reduction in cost for sending cross border remittances

Regulatory Perspective

Policy makers in APEC countries are taking different approaches to encourage financial inclusion

Theme	Defining e-Money and Virtual Currency	Access	Adoption and Usage	Data Privacy and Consumer Protection	Fraud Security and Cyber-Crime
Country					
Action	<p>The central bank hopes to launch its own virtual currency</p>	<p>Indonesia's three leading mobile operators agreed to allow interoperability between their mobile wallets</p> <p>India: Payment bank licenses granted</p> <p>China: An agency banking model provides access to services to the unbanked in rural areas</p>	<p>An India-US partnership is focused on helping over 10 million merchants accept electronic payments</p>	<p>The Philippines enacted The Data Privacy Act, which limits access to customer data, and imposes penalties for unlawful use or disclosure of information</p>	<p>South Korea: The National Anti-Cyberterrorism Act proposed the establishment of a comprehensive pre-emptive line of defense to detect attacks in advance and address the threats early</p>

Ultimately, there are a number of future considerations as we move forward in the digital world

Future Developments

Banking

- Emergence of alternative credit
- Rise of marketplace lending
- Enhanced credit underwriting
- Integrated platforms for consumer financial empowerment

Payments

- Cash to Electronic for unbanked
- Faster Payments
- Mobile First
- Rise of Virtual Commerce
- Advanced Fraud & Security
- Rise of blockchain
- Rise of P2P and cross-border transfer platforms

Insurance

- Rise of insurance for unbanked
- Automated claims adjudication and payout through use of new technologies
- Ecosystem partnerships and new business models
- Mobile access
- Enhanced analytics

Implications to Key Players

Government

- Technology, such as blockchain, lacks global regulatory body
- Rise of pace and complexity associated with innovation
- Consumer privacy, data, and fraud protection needed
- Regulatory agencies' jurisdictions often does not support convergence

FS Incumbents

- New entrants challenging existing services and models
- Cross-border virtual commerce challenging existing fraud and security payment and credit systems

Consumers

- Mobile-first access to anyone, anywhere, at any time
- Changing expectations driven by non-Financial Services apps
- Adoption of smart phones globally driving access to new FinTech apps

Contact Information

Menekse Gencer

Director, Payments Leader FinTech
Practice

PwC

Mob: +1 415-565-1796

Email: Menekse.Gencer@PwC.com

