How FinTechs can build and redefine business models that are more resilient to volatile market conditions

Insights from Singapore FinTech Festival 2022

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Contents

Foreword

Even before the pandemic, businesses in Southeast Asia faced an onslaught of external risks and challenges, ranging from cybersecurity and data privacy threats, to environmental and regulatory shifts, changes in consumer behavior and a greater reliance on increasingly complex ecosystems.

Today, with the economic drag caused by parts of China still being in lockdown, the escalating climate catastrophe, the destabilizing war in Ukraine and out-of-control inflation creating the risk of a global recession, we have entered an era of "crisis as usual". Amid this disruption, organizations are prioritizing building resilience to better prepare for change. The increasingly complicated and volatile markets have made it imperative for businesses to become part of agile and collaborative digital ecosystems. These ecosystems, enabled by digital platforms, bring different parties across industries together to seamlessly collaborate and create new value-added products and services.

In this context, the role of FinTechs has never been so important to our region's economies. As enterprises seek to accelerate their digital transformation journey, future-proof their business models and add new revenue streams, they are increasingly either exploring collaborations with FinTechs – or tapping into their services.

This is why, as digitalization gathered pace during the pandemic, FinTech innovation continued to thrive in Southeast Asia. The last few years have seen a surge in collaborations across businesses, financial institutions, FinTech startups and even central banks. As an indicator, FinTech investments in Singapore hit a high of US$3.9 billion in 2021, compared with US$0.9 billion in 2019.

This year, although the days of cheap and plentiful capital are receding, FinTechs that will prioritize resilience have excellent opportunities to continue to build outstanding businesses that deliver sustainable growth. In a region where six in 10 people remain unbanked, the potential for financial innovation in Southeast Asia is almost limitless.

We hope the advice in this report supports FinTech leaders to go back to first principles so they can grow and scale sustainably, leading our region into a new era of prosperity.

Sopnendu Mohanty
Chief FinTech Office,
Monetary Authority of Singapore and
Chairman of the Board, Elevandi

Brian Thung
Managing Partner, EY Asean
Financial Services Leader,
Ernst & Young LLP

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We need to constantly engage people, to listen to their views, understand them and discuss how we can tackle these concerns. The FinTech community is no stranger to engagement and empathy. Because, identifying pain points and business opportunities come from a better understanding of customers’ needs and desires.

Mr. Lawrence Wong
Deputy Prime Minister and Minister for Finance, and Deputy Chairman of the Monetary Authority of Singapore

Recurring disruption requires increased resiliency

Every year, the Singapore FinTech Festival (SFF) brings together thousands of people from across the world, including government leaders, regulators, financial services leaders, entrepreneurs, investors and technology leaders. The event is packed with curated, interactive sessions, bringing forward ideas that shape the FinTech sector.

The festival recognized that FinTech leaders are now operating in a persistently complex business environment – and recurring disruption requires increased resiliency. Achieving "Resilience," one of the festival's three focus themes (alongside "Inclusive" and "Responsible"), as an outcome has also been elevated to the top of regulatory priorities internationally, as interconnectivities and dependencies are exposed in turbulent times, and international supply chains and data sharing are disrupted.

There's no doubt that FinTech leaders, like so many others, are navigating through a turbulent economic and political landscape. The EY CEO Outlook Pulse October 2022 survey reported that the vast majority of Asia-Pacific CEOs have adapted their strategic investment plans because of geopolitical challenges. Many multinational companies are reconsidering their global operations and footprint, with almost half reconfiguring supply chains and two in five relocating operational assets.

Nearly half of the region's CEOs surveyed identified a continuation or return of COVID-19-related disruption – including new lockdowns and supply chain pressures – as the greatest risk to their business. More than one-third of Asia-Pacific CEOs cited ongoing pandemic-related issues as the main driver in the changes they're making to their strategic investments.

Higher input prices and inflation also have regional CEOs concerned. More than two-thirds agreed that inflation will negatively impact their companies' financial performance and growth. In fact, one-fifth of CEOs considered inflation

From management to leadership

In times of disruption, management alone will not suffice: executives need to provide leadership.

as the single biggest threat to their companies' revenue and margins. Geopolitical tensions and climate change also featured prominently as critical risks to business growth.

According to EY CEO Imperative Series, the most successful FinTechs to navigate these risks will be those with leaders who are able to pivot from management to true leadership. Faced with the challenges of navigating in the dark, accelerating their transformation plans and building resilience for impacts that may yet strike, the pressure on leaders to make wide-ranging decisions across new frontiers has never been so great or urgent.

Now is a critical time for FinTech leaders to re-examine their strategies, and focus on boosting optionality, agility and sustainability. Despite the geopolitical and economic headwinds, research shows the region's CEOs are not holding back on their investment plans.

Asia-Pacific is the fastest growing region in the world, and CEOs recognize they need to strengthen their investments in areas to increase resiliency if they are to remain competitive in the face of rapidly changing market dynamics. The EY October 2022 Pulse survey found that two-thirds of regional CEOs intend to increase capital investment over the next six months.

To remain resilient, FinTechs will need flexible business models that can help solve societal challenges while weathering economic shocks. The business decisions will be based on, not just commercial and financial criteria, but also environmental values and the supply chain and cybersecurity risks being created by geopolitical uncertainty.

FinTechs are used to being the agents of transformation for financial services incumbents. But, as FinTechs grow and adapt to disruptive conditions, they will find organizational transformation on their agenda too.

New research by the EY organization and the University of Oxford's Saïd Business School indicates that giving specific focus to a series of complex human factors can dramatically increase the probability of success. Specifically, the research found that instilling leading practices around five key drivers (lead, inspire, care, empower and collaborate) can give FinTechs the best chance of transformation success.

As FinTech leaders contemplate implementing transformative technologies and evolving their business models, they should bear in mind that, even though they are digital natives, success is far from guaranteed.

Focus on the resilience stream in SFF

With the global economy experiencing a surge in inflation and facing risks of a significant slowdown in growth, many FinTech firms are striving to stay resilient and viable. Seven of SFF's global plenary sessions addressed this theme:

1. **Eight global economy insights from leading economists**
   A snapshot of what the top thinkers in economics and finance are saying about the pandemic, global macro trends, climate change, and the way forward

2. **Singapore's FinTech journey**
   Lawrence Wong, Deputy Prime Minister and Minister for Finance, Republic of Singapore, sharing how to harness the full potential of FinTech

3. **The undiscussable: Why is technology cost rising?**
   A discussion with senior executives from Credit Suisse and JPMorgan Chase about the optimal path to transformation

4. **Stick, twist or fold**
   Insights from the CEOs of Wise and wefox on what constitutes a resilient business model in today's market

5. **Navigating the winds of change in digital finance**
   A panel, including leaders from Mastercard, Tencent, bKash and GCash, discussing how to guide the financial system through to fulfil its potential of becoming more efficient, more open, more accessible and cheaper

6. **Deconstructing the essence of a resilient business model: the investor perspective**
   A deep dive into what smart investors are looking for in FinTechs this year, from Shailendra Singh, Managing Director, Sequoia Capital India and Southeast Asia

7. **SFF dialogue with Nobel Peace laureate**
   Mr. Kailash Satyarthi sharing his story, insights and hopes for the FinTech industry to support a resilient future for all

This insights report summarizes the intersecting themes and learnings arising from these sessions. We hope it inspires the current and future FinTech founders to build more resilient businesses.


SINGAPORE
FINTECH
FESTIVAL

FinTechs must adapt to a new reality of “perma-shock”

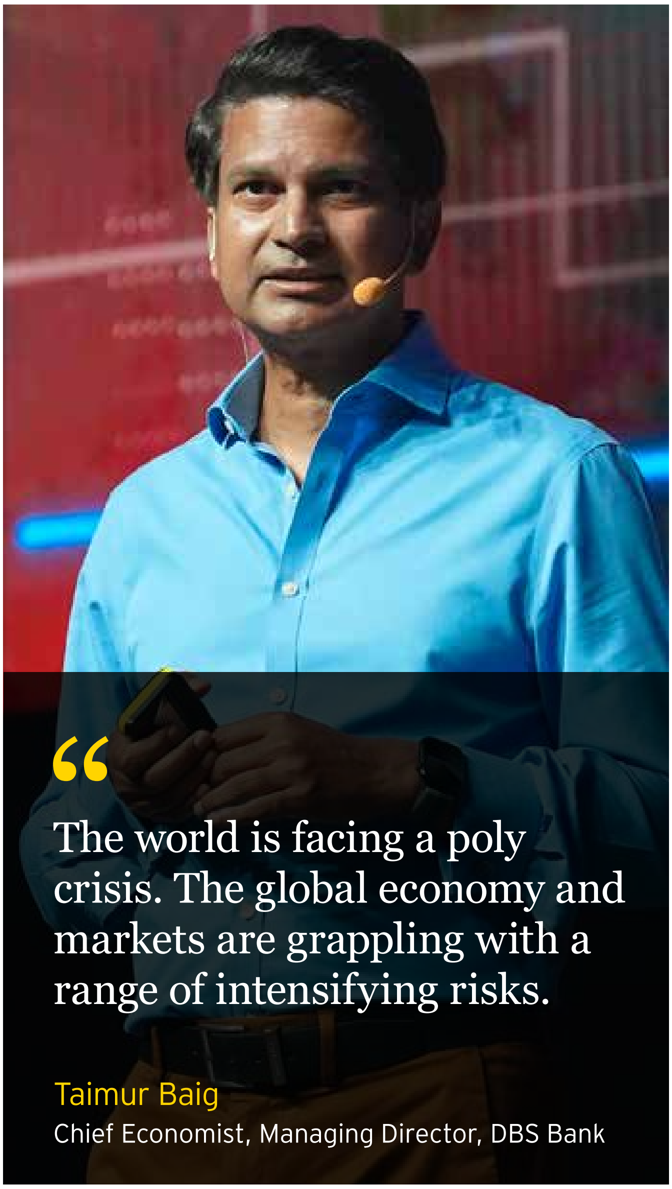
The economic landscape remains in a state of instability – and the shocks just keep on coming. The world is still not out of its once-in-a-century pandemic. Although most Asia-Pacific economies have reopened, the big exception is China – with a fifth of humanity remaining under economic lockdown. As the former governor of the Reserve Bank of India, Raghuram Rajan, puts it, “Until you have defeated the virus everywhere, you haven't really defeated it anywhere.”

The scene is set for a turbulent ride in the next 12 months as FinTechs adjust to a less forgiving market. To quote Taimur Baig, Chief Economist, Managing Director, DBS Bank, “We need to give up on the need for a steady state and adjust to a new reality of ‘perma-shock’.”

In response to persistently high inflation, central banks are raising interest rates. But economists cannot agree that this is the right approach. Former United States Secretary of the Treasure, Larry Summers, says that to beat inflation, the US must have a recession that takes unemployment to 6%. But Nobel Prize winning economist, Joseph Stiglitz, believes rate hikes might make inflation worse by stoking inflation on the supply side in goods and housing.

With higher indebted levels increasing sensitivity to interest rate movements, and geopolitical tensions driving up energy prices, this interest rate cycle could be very dangerous. Former World Bank Chief Economist, Carmen Reinhart, fears that high levels of debt might cause policy errors. She says, “We live in a world with a very high level of indebtedness, both at the private and public level, which has made central banks timid about raising interest rates.” Other western government policies may also backfire. The trend to subsidize onshore manufacturing seems likely to extend for the rest of the decade. But former World Bank Chief Economist, Anne O. Krueger, thinks that creating protectionist walls and stifling openness will not deliver a good return on investment, wasting taxpayer resources.

Nations cannot afford to waste resources at a time when one sector needs more investment than any other: the green transition. Arvind Subramanian, former Chief Economic Advisor to the government of India, believes that balancing the need to move toward nonfossil fuel-based energy while



> “The world is facing a poly crisis. The global economy and markets are grappling with a range of intensifying risks.
>
> Taimur Baig
> Chief Economist, Managing Director, DBS Bank

Eight global economy insights from leading economists

The top thinkers in economics and finance, presented by Taimur Baig, Chief Economist, DBS Bank:

Raghuram Rajan

Professor, University of Chicago,
Former Governor, Reserve Bank of India

Lawrence Summers

Professor, Harvard University,
Former US Treasury Secretary

Joseph Stiglitz

Professor, Columbia University,
Recipient of the 2001 Nobel Prize in Economics

Carmen Reinhart

Professor, Harvard Kennedy School,
Former Chief Economist, World Bank

Anne Krueger

Senior Fellow, School of Advanced International Studies, John Hopkins University

Arvind Subramanian

Senior Fellow, Peterson Institute for International Economics, Former Chief Economic Advisor, Government of India

Ma Jun

Chairman of China Green Finance Committee,
Former Chief Economist, PBOC

Danny Quah

Lee Kuan Yew School of Public Policy,
National University of Singapore

managing the livelihood of many that rely on fossil fuels will be a big challenge. Ma Jun, former Chief Economist of the PBOC, is optimistic that large countries will make the right choice, "A lot of large economies are committing to carbon neutrality and I'm sure many others will follow, partly because of peer pressure."

Ultimately, Taimur Baig is also optimistic about humanity's ability to adapt to perma-shock. He notes that, no matter how big the shock, economies bounce back. This metaphor is also used by Danny Quah, Dean of Singapore's Lean Kuan Yew School of Public Policy, who says, "The more the systems we can build that are like trampolines, the more resilient our societies will be."

It's an excellent metaphor for FinTech leaders to take on board. Because, beyond economic and environmental shocks, FinTechs must also contend with the fact that the technology landscape is accelerating at an ever-increasing pace. The following sections examine how FinTechs can remain resilient and bounce back while navigating these choppy waters.

Scan the QR code to watch the video presentation by Taimur Baig, Chief Economist, DBS Bank

Go back to first principles thinking

The previous decade of record liquidity, cheap capital and rock-bottom interest rates unhinged the market from reality, precipitating extraordinarily large investments in FinTechs. Some of our presenters believe this has encouraged founders to leave behind the first principles of good business.

Shailendra Singh, Managing Director Sequoia Capital India and Southeast Asia, says that many of FinTechs' biggest mistakes are self-inflicted because founders live in a bubble of optimism and belief, which is how they propel themselves forward. "It's a blessing but it's also a curse, because inside the bubble you can lose sight of reality and objectivity. Most stumbles are self-inflicted because founders become overconfident and get distracted by what the market is telling them. That's very reality-distorting." Ari Sarker, President, Asia Pacific, Mastercard, argues that the situation "is never as good as the euphoria and never as bad as the 'doom and gloom' is painted." He says that succeeding in the current environment comes back to solving real challenges at the right price points – the core principles of doing business.

Forest Lin, Head of Tencent Financial Technology at Tencent, agrees, "At the end of the day, it's about real economic activity. People have this misconception that the internet is to do with the virtual world. In reality, it's more closely related to real transactions. Our business benefits when the economy picks up. When it slows down, we get hurt too. As long as we solve the real problems for users, when the economy comes back, business will always come back too."

According to the latest EY Future Consumer Index Survey, today's growth-at-all-costs model is broken. The new definition of growth needs to be grounded in authenticity of purpose and long-term value because customers are demanding more and better from the companies they do business with. In the survey, more than two-thirds of consumers think the company's behavior is as important as what it sells, while approximately the same proportion says brands must behave ethically and be in line with community expectations. Yet, less than two in five think the positive actions brands are taking are good enough.

As customers increasingly look for better experiences and choose brands that align with their values, a growth-at-all-costs mindset becomes unsustainable. Sustainable product and service innovation, human-centric experiences, and a reimagined operating model can help transform business for growth where everyone wins. This is especially true for FinTechs.

It's time for the sector to redefine growth that delivers value for everyone.

"Have a solid team, operate a textbook company and focus on what customers need.

Kamal Quadir
Founder and CEO, bKash

This section covers some of the first principles highlighted by our speakers during their discussions in the SFF event.

Focus on financial discipline

FinTechs need to improve performance by streamlining costs, rethinking their capital allocation strategies and adopting more rigorous financial discipline.

Singh challenges the idea that companies should be built with a lot of capital. "I always ask founders: Why do you need so much capital? You could build a company with a lot less capital if you build it frugally. If you truly had an owner's mindset and you had an attractive economy model, you would not want to dilute it so much – to constantly keep raising money."

He points out that large valuations are proxies for progress. "Founders feel good about a high valuation – it's a dopamine hit! But it's not a real first-principle metric of progress. This year, investors want to know: How good is the revenue growth? Do you have a good economic model? Are you profitable? I think this year a lot of founders are saying, 'I don't need to raise so much money'."

One of them is Kristo Käärmann, Co-founder and CEO at Wise. "For a long time, we've run as a sustainable business and haven't had to raise money, which used to be a terrible distraction." He practices strong financial discipline, not spending money excessively in good times so Wise has capital to get through the tough times.

Singh sees the current environment as a great opportunity. "Nothing can be better in the current environment than for founders to embrace first principles thinking. Founders should push themselves to be best in class and build a truly great economic model." He notes that companies running with 400 people last year are now producing the same performance with 150 people.

Julian Teicke, Founder and CEO at wefox, is focusing on getting his team to do just that. "The only thing we can do is focus on what we can control: our financial performance. Last year, the name of the game was growth at all costs. Now it's much more about profitable growth, so we are focusing on financial discipline. We're challenging people to deliver growth with the same resources. I'm no longer accepting the answer: 'I need to hire someone to get it done'."

Kristo Käärmann, Co-founder and CEO, Wise

The 2021 EY Global Corporate Reporting Survey found that the pace of change in corporate reporting is accelerating fast, putting significant pressure on the finance leaders responsible for its preparation. Today, as the world confronts major societal challenges, such as climate change, it is important that the approach to communicating corporate environmental, social and governance (ESG) performance should evolve faster and earn the trust of stakeholders. Alongside the traditional financial reporting CFOs and financial controllers oversee, investors and other stakeholders are looking for consistent and credible ESG disclosures on material issues that can help them understand how a FinTech creates long-term value and sustainable growth.

The 2022 EY Global Corporate Reporting and Institutional Investor Survey found that almost all investors use companies' ESG disclosures as part of their decision-making, with three-quarters of respondents taking a rigorous and structured approach to assessing ESG information. However, as scrutiny of ESG performance has accelerated, a gap has appeared between investors and companies on how useful and material current ESG reporting is. As a result, FinTechs may be in danger of underestimating investor desire for comparability from consistent standards. The survey found that four in five investors say that too many companies fail to properly articulate the rationale for long-term investments in sustainability.

CASE STUDY

wefox

"My father told me: 'Son, nine out of 10 insurance policies are sold via human agents. Only one in 10 is sold direct. While all the cool kids are eliminating the human agent, why don't you focus on technology to make advisors' and customers' lives easier?' That's exactly what we've done. The result is we've bypassed all the direct InsurTechs. We have much lower customer acquisition costs because the broker takes care of the acquisition – and we have higher profitability because there is no negative selection. Also, people who go direct are more likely to make claims and make fraudulent claims, whereas our customers are more loyal. So, we have a more resilient business model."

Julian Teicke, Founder and CEO, wefox

Optimize technology investments

Technology budgets are rising as cloud services become more expensive, and IT environments need to be made more secure and modern to integrate with the ecosystem platforms. FinTechs also need to ensure this increased technology spend is put to the best use.

Technology is supposed to create more efficient operating models, but if not managed well, the overall technology cost keeps going up for firms. Joanne Hannaford, Chief Technology and Operations Officer at Credit Suisse Group AG, believes spiraling costs are due to companies failing to give their developers the tools they need to be productive. She blames this partly on cloud strategies: "Many early cloud adopters become dependent on a single cloud provider, trapping them in an expensive cost model without providing access to all the cloud tools they need."

This is why JPMorgan Chase takes a multi-cloud approach that enables developers to leverage all the public cloud providers for its solutioning. Andrew Lang, Chief Technology Officer, JPMorgan Chase, explains, "We try to leverage platforms to abstract away some of the underpinnings that

David Brear, Co-founder and CEO, 11:FS

> “When firms adopt technology like the cloud, the engineers are driving the conversation. Companies need to listen to their voices. With innovation, everyone’s voice is worth hearing. Technology organizations can teach the business how to do that culturally.
>
> **Joanne Hannaford**
> Chief Technology and Operations Officer, Credit Suisse Group AG

people don’t really need to understand and the elements that would tie them into a particular cloud provider.” He says that, to drive productivity in the cloud, JPMorgan has established data platforms for three personas: software engineer, data scientist and data analyst. “For example, the platform for the data science persona is an omni-artificial intelligence (AI) platform that allows data scientists to find the data they need, get information about that data and leverage it to create models.”

David Brear, Co-founder and CEO at 11:FS, points out that this approach isn’t just about cost reduction – but about speed: “You can do it 10 times better and 10 times cheaper at the same time.”

Lang agrees. “In our macro metrics, speed is a top priority. Everything we do is to remove friction to help our engineers work faster.” For example, JPMorgan invests in keeping engineering teams up to speed with emerging technologies. “We have learning sprints built in so our teams can upskill, deep skill and new skill throughout the year. This creates an environment where engineers can adapt faster to the changes that are happening.”

At Credit Suisse, Hannaford uses platforms to support speed and agility. “These are best-in-class, single horizontals that provide scalable platforms regardless of where they run,” she explains. For example, Credit Suisse uses a multi-cross-asset execution platform that connects to 340 exchanges. “It’s one of our most popular client features to have that much access to exchanges and we use it for our markets and wealth management business,” says Hannaford.

She says that firms still stuck in quarterly release cycles cannot be competitive. “Our platform needs to change all the time because markets are volatile, and our clients want changes all the time. It’s impossible to be on a quarterly release cycle. That process of project managers, tests and UAT environments is actually a blocker – not an enabler. What you don’t see enough in financial services is that desire to have the speed and agility you need to create change.”

Data and analytics is the second-highest area of technology investment within the Asia-Pacific financial services sector – and investment has been growing since 2020. This shift to data centricity is aimed at addressing data gaps, which is the number one challenge to meeting financial sector customers’ needs. EY Tech Horizon analysis found that fewer than one in 10 financial institutions in the region describe themselves as data-centric today, despite the clear advantages of a data-first approach. That said, institutions are recognizing this issue.

The ascendency of data and analytics is also not surprising considering its critical role in digital transformation. Data is critical whether an institution is attempting systems migration, core systems replacement, operational efficiency, mergers and acquisitions, or is looking at efficiency improvement through analytics and predictive capabilities. Until institutions are managing data from end to end, they will find it incredibly difficult to achieve their transformation goals.

Keep listening to the customer

FinTechs are renowned for disrupting traditional financial services by empowering consumers and dramatically improving the customer experience. But the key is to keep on listening long after customer acquisition and focus on building trust throughout the customer lifecycle. GCash is a profitable business offering mobile wallet, mobile payments and branchless banking services to 69 million customers in the Philippines.

President and CEO, Martha Sazon, attributes the company's success to knowing and serving the needs of their customers. "During the pandemic, we distributed financial aid. We were one of the few things that worked, so in the process, we built trust. We always followed the use cases and followed the customers. We understood their evolving needs and we innovated from there. We've always tried to change the game by talking people's language to demystify financial services."

For Kamal Quadir, Founder and CEO, bKash, "The most critical thing is to remain customer-centric to understand what customers are looking for." He notes the importance of working at the grassroots level and having a "worm's-eye view". "No matter how much effort we make, we cannot solve the problem without listening to the customer." He recalls talking to a customer who didn't like bKash because her son used to visit her to hand over cash. Now he sends through bKash and she hardly sees him. "Unless we stay close to our customers, we may unwittingly create new problems when we solve previous ones."

It's clear that FinTechs must get the "brilliant basics" right, including fast and smooth client onboarding (whether online or offline), quick and transparent credit decision-making, and low-cost transactions that are as close to real time as possible. Brilliant basics also include trust. The EY NextWave Global Consumer Banking Survey showed that strong privacy policies and features, such as identity theft protection and control of data usage, are important to consumers in Southeast Asia, with more than two-third of respondents saying these elements are top priorities.

These are simply non-negotiable elements that customers expect their financial services providers to deliver well. The brilliant basics will continue to play a fundamental role in retaining customers in an increasingly competitive financial world.

"Let the customer be your north star. When you add value to them, they create opportunities for you.

Martha Sazon
President and CEO, GCash

Leverage the ecosystem

Companies from a wide variety of sectors want to use financial products and services to provide a more seamless experience to their customers. For example, an e-commerce giant has opened physical grocery stores where customers who are signed into their app can pick up what they want to buy and exit without having to visit a checkout. By making the overall experience simpler, quicker and easier for customers, the retailer can differentiate itself and create more value.

The EY NextWave Global Consumer Banking Survey found that two-thirds of respondents in Southeast Asia are very or extremely interested in super apps and seven in 10 rank seamless integration as very or extremely important. They are also eager for more advanced digital financial services, with four out of five saying they would value their main financial provider partnering with other financial services or high technology firms to expand their offerings.

FinTechs can help nonfinancial companies improve their customers' experience by making finance more effortless. The integration of financial services into nonfinancial value chains — embedded finance — via ecosystems makes this possible. It is already helping car manufacturers to offer subscription services, and enabling telecoms companies' customers to charge the cost of movie rentals and other content to their phone bills.

Resilient FinTechs understand their role in the ecosystem and constantly look for new opportunities to leverage it further. For example, Tencent's ecosystem strategy is central to its success and at the heart of its growth plans. The platform company focuses on how it can link its capability with partners' capabilities and innovate together.

Forest Lin, Head of Tencent Financial Technology, explains: "We ask how we can use our capability to enable the ecosystem to be more proliferating. For example, we are trying to deepen our relationship with banks. Previously it was just money inflow and outflow. Now we're working with them to innovate more products that our users can benefit from. We work on the back end to ensure safety and speed, and on the front end to make it easy for customers."


Forest Lin, Head of Tencent Financial Technology

An ecosystem approach is essential to deliver inclusive growth. Mastercard is working with partners to deliver its Farm Pass platform, which is closing the digital financial services gap for farmers. Sarker explains: "Right now, produce is sold through a long chain of middlemen, so the farmer only realizes a very small fraction of pricing." Farm Pass, which aims to onboard 30 million farmers, allows them to reach buyers independent of the middlemen layer. Sarker says this is just the first leg: "The data that is being collected will lead to better financial services products: micro insurance, crop insurance, loans, working capital.

Singapore's government is taking a similar approach. Deputy Prime Minister and Minister for Finance, Lawrence Wong says, "Micro, small, medium enterprises are the backbone of societies worldwide. Helping them achieve their potential will have a significant impact on economic and social development. MAS will be working with our partners to develop integrated trade and finance ecosystems, to support financial empowerment to such enterprises."

CASE STUDY

GCash

"We're known as a super-app – customers can access financial services, lifestyle services or e-commerce. But what people don't see is that, in the background, we also enable business-to-business (B2B), helping to future proof or digitalize their operations. We offer storefront, payments and commercial lending. We choose to collaborate, rather than compete. So, we partner with neo-banks, digital banks, traditional banks. We also do cross-border payments. We have a platform as a strategy, and we have an open-door policy for partnering with different stakeholders."

Martha Sazon, President and CEO, GCash

Prioritize governance and compliance

Like all financial services organizations, FinTechs are obliged to adhere to strict regulatory laws regarding data privacy, consumer security and market integrity. As digital financial services expand, regulators are constantly legislating to keep rules current, imposing a considerable compliance burden on many FinTechs. Regulators are taking a common stance that resilience should be protected at critical business service level, rather than focusing on individual processes and systems. However, many FinTechs are still finding it challenging to identify nuances, synergies and bespoke controls needed to satisfy local regulatory expectations.

FinTechs that invest early in governance, benefit disproportionately because regulators and investors view them favorably. Sequoia's Shailendra Singh says there's a natural tension between "technology" and "fin". "Technology companies are built to scale very quickly, with low regard for regulation. Whereas fin companies are built with more economic prudence and frugality because they are based on the idea of disciplined compounding and high-quality governance."

Shailendra Singh, Managing Director Sequoia Capital India and Southeast Asia

Spotlight

Words of wisdom from Nobel Peace laureate, **Mr. Kailash Satyarthi**

We must use our consciousness for the right purpose. When we talk about profit, it is based on four pillars: people, planet, profit and peace. These things are interwoven.

There are three principles for keeping compassion alive.

1. Let us learn to create a supply chain of gratitude: You are sitting in the boardroom because of the work of a long list of people. Let us be grateful to all of them. Keep in mind that your achievements are not because of you alone. Inclusion comes when you start thinking of others with gratitude.
2. Let us create an internet of responsibilities: The pandemic taught us this world is interconnected and interdependent. No problem can be solved in isolation.
3. Let us create an algorithm of diversities: In a world getting more impatient and intolerant, we need to learn to see the beauty of diversity. Diverse data can convert solutions to complex problems.

The history of goodness is not created by those who stand on the fence. History is always created by those with the courage to jump in the right. Take the risk. Have courage. Have big dreams for the betterment of humanity and our planet.

He notes that this is less of an issue for FinTechs that are closer to technology companies, like payments businesses. But, for those offering lending or insurance, the laws of financial services apply. "Technology companies may try to ignore that, go for very high growth and run into trouble," he cautions.

In general, he believes that technology founders don't always build governance muscles early enough. "As investors, we want to see independent board members, ex-regulators on your board, a very strong CFO and highly automated compliance processes."

It's not just regulatory compliance that FinTechs should be focusing on. The EY Global Integrity Report 2022 reveals that senior management is often overconfident in the effectiveness of its corporate integrity programs. The report exposes a disconnect between what respondents say they consider important and the types of fraudulent conduct they would be willing to overlook or engage in for personal gain. The survey also shows that the pandemic has created additional challenges, with more than half of respondents saying that standards of integrity have stayed the same or worsened during the past 18 months.

The 2022 report shows only a third of respondents say behaving with ethical standards is an important characteristic of integrity, while half cite compliance with laws, regulations and codes of conduct. Even when it comes to compliance, the report's findings show more willingness among the most senior company ranks to act outside the rules.

FinTech leaders need to define and instill integrity into their culture, create the optimal environment for integrity to thrive, and innovate and transform the integrity agenda to minimize external threats and protect long-term value.

Understand the opportunities ahead

The region's FinTech sector has continued to see impressive growth and increasing maturity over the last 12 months, despite growing economic uncertainty. Further digitization and emerging threats to the sector will only elevate the need for agility to respond to market changes and new opportunities to remain competitive.

As Lang puts it, "The technology waves crashing into shore are not only happening more rapidly but also hitting more disruptively. You have to put yourself in a position where that is your mindset: this change and transformation is an ongoing model."

The stage is set for greater opportunities for innovation in alternative funding and incentives beyond venture capital or traditional forms of finance. There is still capital for investment, but it is being deployed differently.

Southeast Asian FinTechs have a strong growth potential and our presenters have a lot of optimism for the decade ahead. They see new opportunities in:

Banking convergence: Käärmann is excited to see what happens when banking starts to converge. "Banking is the world's most fragmented industry. Every country has their own banking sector. However, technology is very global. When banking and technology meet, that's a very interesting moment. At some point, it has to converge so banking is the same wherever you go."

Proactive insurance: Teicke believes data will lead to a paradigm shift in insurance. "Insurance is protection from uncertain events based on static data. Data can change this by turning it into proactive protection. It will be great for insurance companies and amazing for consumers."

Digitized credentials: Sarker is keen to see the digitization of credentials leading to a more secure environment. "The compromise of payment credentials by fraud has significantly increased. In future, there will only be an authenticated token and the real credentials will never be exposed. This will bring about a much higher order of safety and security."

The gig economy: Sarker also believes that yesterday's payments technology won't work for small-ticket payments in the gig economy. "We're going to see high-frequency small payments using digital platforms in the coming years at a fraction of the current cost to move a few dollars. I think we're at the starting cusp of trillions of flows in the gig-based digital economy, including non-fungible tokens (NFT) being used as payment for services."

"We believe FinTechs have the potential to become the most valuable companies in this region.

Shailendra Singh
Managing Director Sequoia Capital India and Southeast Asia

Conclusion

The Resilience stream in the SFF concluded that FinTech founders need to go back to first principles and stop being distracted by proxy measures of success like fund raising or valuations. Although the spotlight typically moves to resilience during a downturn, our presenters agreed that companies need to focus on resilience all the time.

This means prioritizing financial discipline and governance, boosting technology productivity, finding growth opportunities in the ecosystem – and paying even greater attention to customers' evolving needs. It's time to be realistic about valuations and reassess business strategies, to drive improved performance and accelerate toward profitability.

A well-functioning FinTech ecosystem is built on four core ecosystem attributes:

1. **Talent** – the availability of technical, financial services and entrepreneurial talent
2. **Capital** – the availability of financial resources for startups and scale-ups
3. **Policy –** government policy across regulation, tax and sector growth initiatives, including the presence of digital public infrastructure to facilitate financial services innovation
4. **Demand –** end-client demand across consumers, financial institutions and government

The first two attributes are already working well across the region, with Southeast Asia's governments working hard to support the sector and plenty of consumer demand for digital financial services. It's up to FinTechs to work in the areas they can control, attracting, motivating and retaining talent with strong employee value propositions, and better managing costs and working capital to do more with less. By focusing on the key attributes and going back to first principles, we believe FinTechs can navigate the current perma-shock conditions and build large, successful, resilient businesses.

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> Let us work together to harness the power of finance and technology as a force for good and become better and stronger together.
>
> Mr. Lawrence Wong
>
> Deputy Prime Minister and Minister for Finance, and Deputy Chairman of the Monetary Authority of Singapore

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