



Fintech in SEA:

# Unlocking Opportunities in Southeast Asia's Financial Landscape

**FEBRUARY 2024**

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# Executive Summary

*In this report, we review FinTech investments into six of the biggest ASEAN economies: Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam - also referred to as 'ASEAN-6.' The four other ASEAN nations - Brunei Darussalam, Cambodia, Laos and Myanmar - have not been included in this report.*

# Executive Summary

## Southeast Asia's Fintech Landscape:

### Navigating the Digital Transformation

The fintech industry in Southeast Asia is flourishing, driven by a rapidly growing digital economy and a tech-savvy population. This report provides an overview of the current fintech landscape in the region and explores the future outlook for five key segments: digital payments, digital lending, InsurTech, WealthTech, and cryptocurrency.



**Embracing cashless transactions through digital payments:** Digital payments are at the forefront of fintech innovation in Southeast Asia, with mobile wallets and QR codes becoming increasingly popular payment methods. This trend is expected to accelerate, fueled by the growth of e-commerce and the increasing preference for cashless transactions. Cross-border payments are also expected to become more seamless and efficient, facilitating trade and remittances across the region.



**Digital lending and expanding financial inclusion:** Digital lending is poised to become the primary revenue driver for digital financial services in Southeast Asia. Automated loan origination procedures will make loan applications and approvals faster and more efficient, expanding access to financial services for underserved communities. Financial services will be seamlessly integrated into customers' digital journeys, providing convenient financing options for online shopping, travel bookings, and other activities.



**Disrupting the insurance industry through InsurTech:** Insurtech is transforming the traditional insurance industry by offering personalized, on-demand, and data-driven insurance products. Microinsurance and parametric insurance are providing affordable and accessible insurance solutions to underserved populations. Partnerships between InsurTech companies and traditional insurance providers are accelerating innovation and market reach.



**Democratizing investment opportunities through WealthTech opportunities:** WealthTech is democratizing access to financial advisory services and investment opportunities for individuals of all income levels. Robo-advisors are providing automated investment management based on individual risk profiles and financial goals. Digital platforms are making it easier for investors to access and manage their wealth portfolios.

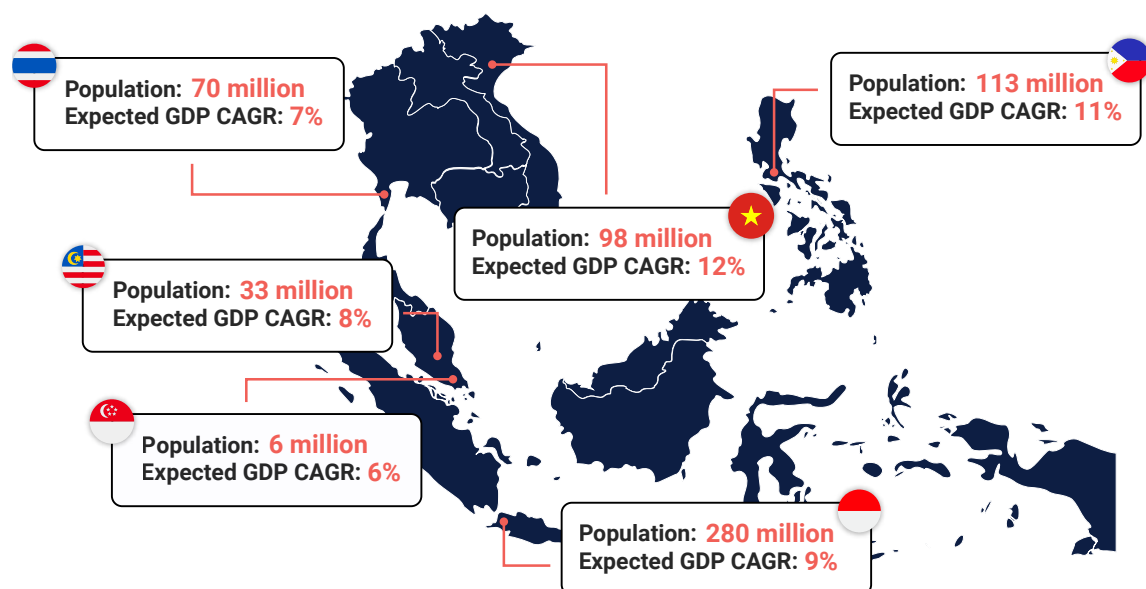


**Navigating regulatory frameworks and expanding use cases for cryptocurrency:** Cryptocurrency adoption is expected to continue to grow in Southeast Asia, driven by the increasing awareness of its potential benefits. Regulatory frameworks will evolve to provide clarity and address concerns surrounding cryptocurrencies. Cryptocurrencies will be explored for new use cases, such as cross-border payments and remittances.

## Chapter 1

# Introduction to Southeast Asia

## Rising young and underbanked or unbanked population in Southeast Asia with a need for financial services will drive fintech adoption throughout the region



\* Population for each country as of 2022.

\* Expected GDP CAGR for the period 2022 to 2025.

Source: World Bank, Euromonitor, Asian Development Bank, Google, Temasek, OECD

Country	Middle-class <sup>1</sup> population growth (2016-2020)	% of population aged 15-35 years old <sup>2</sup>	% of population underbanked or unbanked <sup>3</sup>
Indonesia	31%	31%	81%
Malaysia	25%	34%	28%
Philippines	50%	34%	75%
Singapore	-	24%	12%
Thailand	50%	26%	46%
Vietnam	50%	30%	54%

<sup>1</sup> Middle class is defined as people living in households earning or spending between 10-100 US dollars per person per day. The 2005 PPP standard is used as a basis to calculate the 2016-2020 middle-class size.

<sup>2</sup> % of population aged 15-25 years old figures as of 2022.

<sup>3</sup> % of population underbanked or unbanked as of 2022.

### Southeast Asia presents untapped market

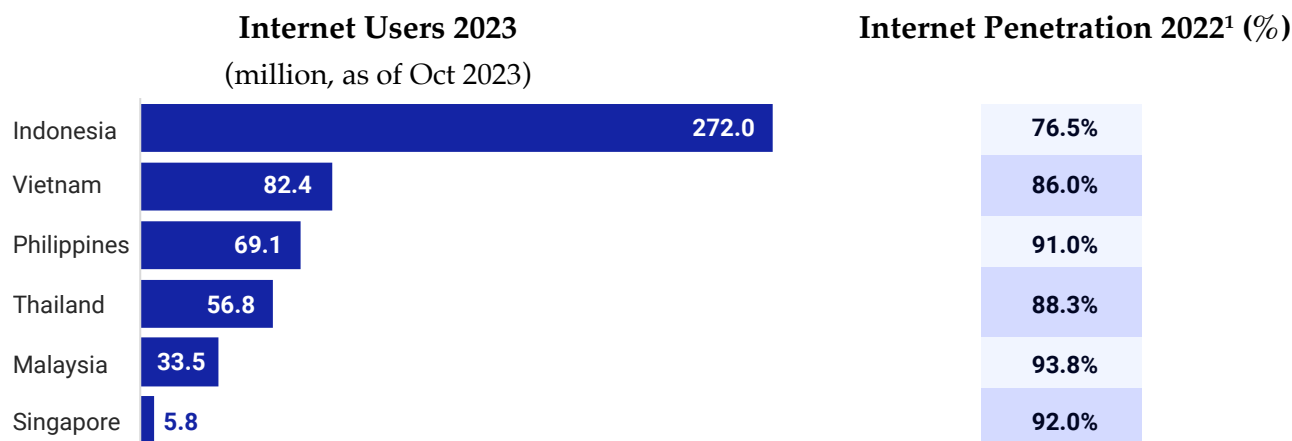
**potential:** The growing population and increasing GDP in Southeast Asia presents a vast market opportunity for fintech companies. Vietnam and the Philippines will witness the highest GDP growth at 12% and 11% respectively, while the expanding middle class in most Southeast Asian countries create a favorable environment for innovative financial solutions.

### Large unbanked or underbanked populations:

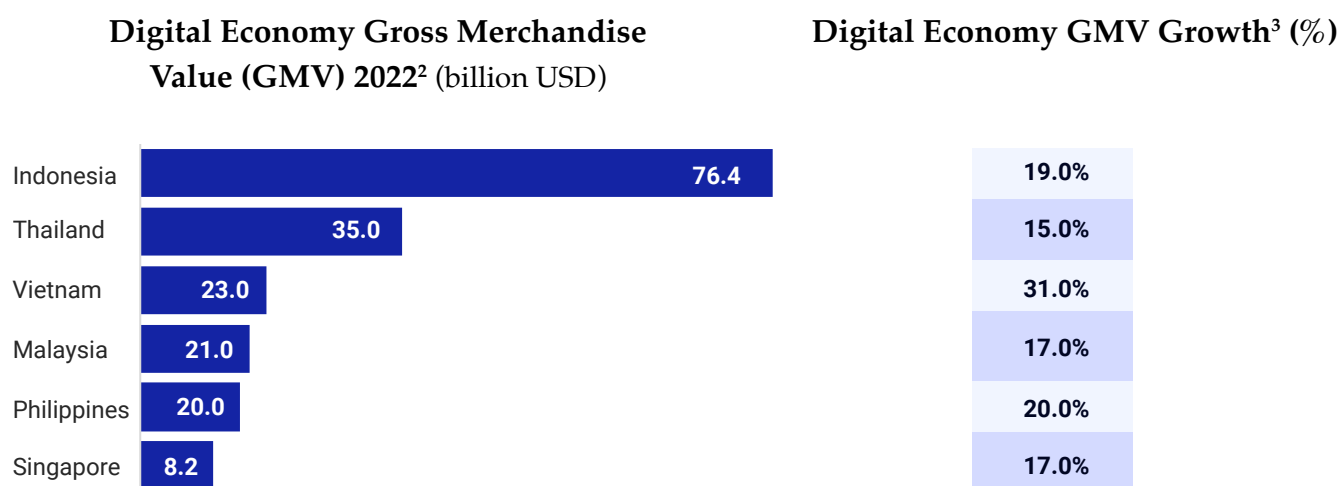
While there is a general population boom in Southeast Asia, Indonesia, the Philippines, and Vietnam have the largest underbanked or unbanked populations, highlighting the need for improved financial inclusion and the creation of new markets and customer segments.

Source: World Bank, Euromonitor, Asian Development Bank, Google, Temasek, OECD

## Despite macroeconomic headwinds, Southeast Asia's digital economy is on track to grow to more than 300 billion US dollars in gross merchandise value (GMV) by 2025



**Digital adoption is set to mature in the Southeast Asia region:** All Southeast Asian countries experienced strong growth in internet users year-on-year from 2021 to 2022, driven by a fast growing, engaged, young and internet-first audience. Malaysia, Singapore, and Thailand have the highest internet penetration rates, while Indonesia has room for greater digital adoption in the coming years.



<sup>1</sup> As of July 2022

<sup>2</sup> GMV includes DFS (digital financial services), e-commerce, travel, food, transport and online media categories.

<sup>3</sup> Digital economy GMV growth (%) is the CAGR from 2022 to 2025.

**Digital economy GMV saw robust growth in 2022:** Indonesia's internet economy is the largest in 2022, followed by Thailand and Vietnam. The Philippines and Singapore witnessed the highest internet GMV growth at 25% and 20% respectively from 2021. The biggest contributors to internet GMV were the e-commerce sector and online media sectors. SEA's digital economy was valued at 184 billion USD in 2022 and is expected to exceed 300 billion USD by 2025, depending on the outlook of recovery amid economic headwinds.

## Overall funding<sup>1</sup> in startups raised across SEA plunged by more than 50% in 2023, but Singapore outperformed major markets in SEA with over 60% of total funding share

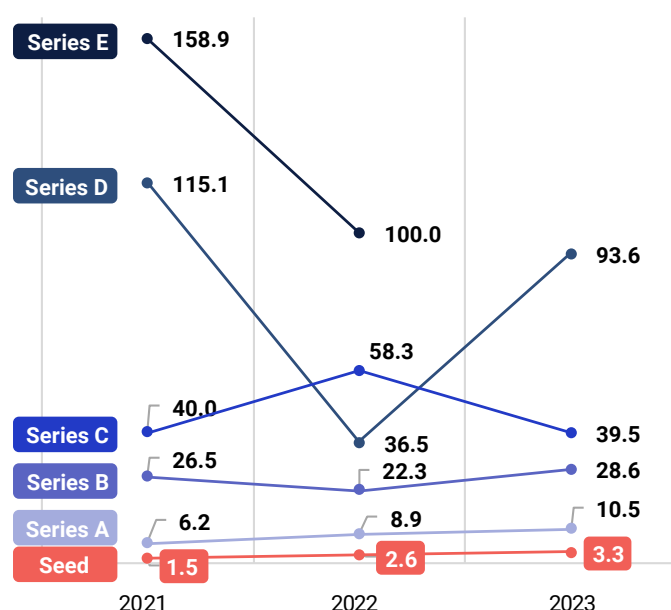
	Deal value <sup>2</sup> (billion USD)		Deal volume (number of deals)	
	2022	2023 (Jan – Sep)	2022	2023 (Jan – Sep)
Singapore	11.0	4.3	651	410
Indonesia	3.8	1.2	259	101
Vietnam	0.7	0.6	81	41
Malaysia	0.6	0.1	68	25
Philippines	0.6	0.1	59	25
Thailand	0.5	0.6	38	41
<b>Total</b>	<b>17.2</b>	<b>6.8</b>	<b>1,156</b>	<b>643</b>

<sup>1</sup> Overall funding themes include, but not limited to, e-commerce, fintech, software/IT, healthtech, deeptech, Greentech, architecture and design, gaming.

<sup>2</sup> Deal value refers primarily to equity funding rounds and transactions such as M&As, secondary trading, debt financing, bridge loans and ICOs are excluded.

**Overall funding and deal volume dropped considerably in 2023 (January to September), and 2024 is poised to remain a year of frigid and cautious fundraising:** Deal value and volume dropped amidst the uncertain global macroeconomic backdrop, driven by factors such as the war in Ukraine, supply chain disruptions, and rising geopolitical tensions. Rising interest rates and tightening liquidity increased the cost to raise capital through VC funding (venture capital funding), and this prompted investors to be more cautious about their investments, leading to more difficulties for startups to secure funding.

### Average Deal Value per Investment Stage in SEA (million USD)



**Average deal value for Series C and E dropped as investors were presented with even more limited exit options:** The IPO market in SEA experienced a significant slowdown in 2023, making it more difficult for startups to exit through an IPO. This reduced the potential returns for investors in late-stage companies, leading to a decline in average deal values for late-stage funding rounds. Investors have also become more cautious about valuations considering the recent market downturn, and are demanding more rigorous financial projections and a clearer path to profitability before investing in late-stage startups. This has led to a decrease in average deal values as investors adjust their valuations to reflect the increased risk.

Source: Enterprise Singapore, Dealstreet Asia



## Fintech deal activity in 2022 to H1 2023 in the SEA region was led by funding rounds coming from Singapore and Indonesia

	Payments	Lending	InsurTech	WealthTech	Crypto
Indonesia	915	480	85	247	189
Malaysia	208	-	15	-	13
Philippines	62	36	-	388	50
Singapore	1,130	733	242	463	1,138
Thailand	-	20	42	6	80
Vietnam	8	-	-	34	3

All numbers in million USD

### Fintech funding activity in the region was dominated by

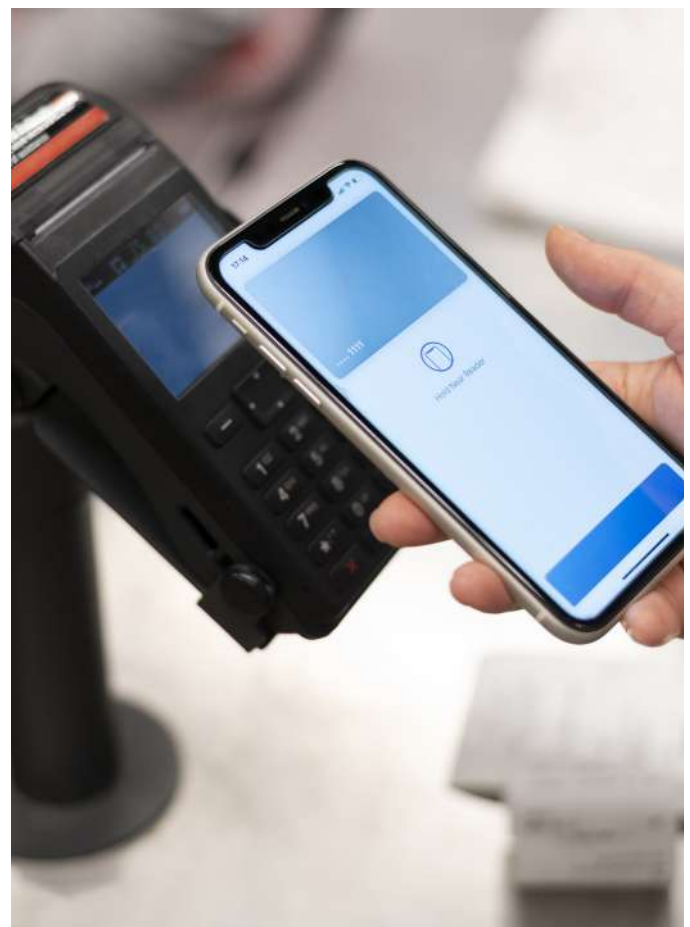
**Singapore and Indonesia:** Funding into fintech startups was largely driven by Singapore and Indonesia, both of which made up 86% of total funding in SEA. This strong fundraising cadence is driven by late-stage rounds such as Akulaku's 200 million USD round from Mitsubishi UFJ Financial Group (MUFG), and Coda Payment's Series C round worth 690 million USD.

### The payments vertical received the largest investment:

Payments received 36.1% of total funding in the SEA region, followed by cryptocurrency and WealthTech at 20.5% and 18.4% respectively. As payments is the core foundation of any financial system in the world, it is evident that this vertical would be able to top the charts, with a dominant lead over the other relatively nascent verticals.

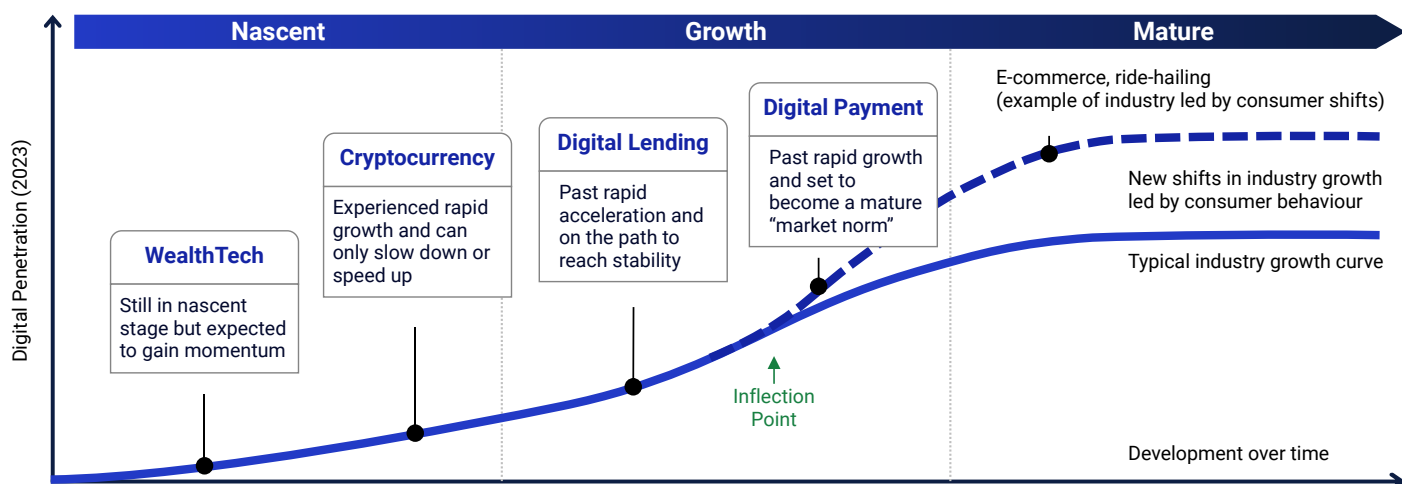
### Malaysia, Thailand, and Vietnam are countries that remain ripe

**for innovation:** This is particularly driven by the rising middle class and greater internet penetration to onboard the next generation of SEA individuals to financial services. However, Singapore and Indonesia appear to be more mature investment markets with a robust pipeline of fintech startups.



Source: Crunchbase, YCP Analysis

## Growth trajectory of 5 main fintech service verticals in 2023 set to gain momentum, characterized by rapid growth and digital innovation in the region



	Payments	Lending	InsurTech	WealthTech	Crypto
Indonesia	Growth	Growth	Nascent	Nascent	Nascent
Malaysia	Growth	Growth	Nascent	Nascent	Nascent
Philippines	Nascent	Nascent	Nascent	Nascent	Nascent
Singapore	Mature	Mature	Growth	Growth	Growth
Thailand	Growth	Growth	Nascent	Nascent	Nascent
Vietnam	Nascent	Nascent	Nascent	Nascent	Nascent

### Digital payments is the most advanced fintech services verticals:

Digital payments have emerged as the most advanced fintech vertical, with high digital penetration rates and similar growth patterns to industries like e-commerce and ride-hailing. It has become mainstream with widespread acceptance and a large user base.

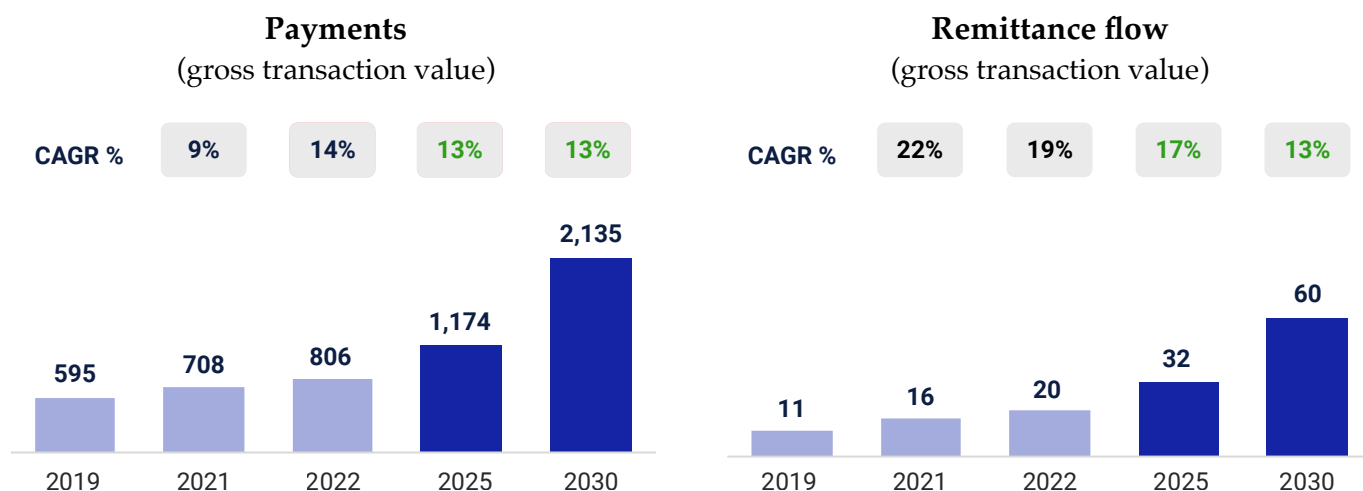
### Digital lending platforms have disrupted the traditional lending landscape:

By leveraging technology to streamline loan origination, underwriting, and distribution processes, these platforms have demonstrated their ability to offer convenience and competitive terms, and adoption began to accelerate.

### Cryptocurrency has experienced a unique growth trajectory in the recent years:

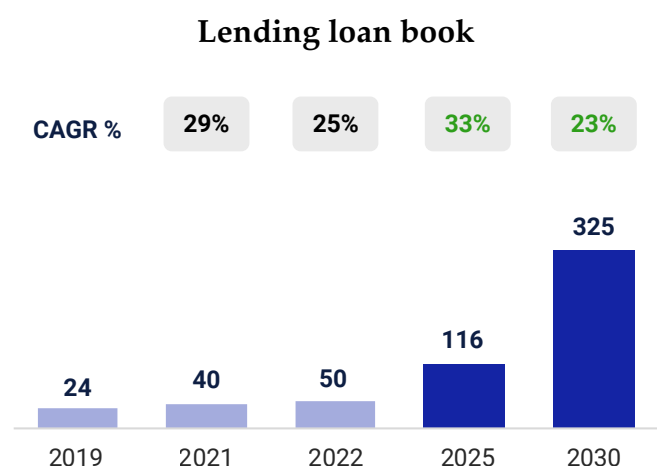
Cryptocurrency started with limited adoption among tech enthusiasts, but as Bitcoin and other cryptocurrencies demonstrated their potential, it quickly gained broader interest. Valuations surged and blockchain projects emerged, but they faced challenges in regulation and scalability.

**Fintech services are also poised to grow due to offline to online consumer behavior post-pandemic, with strong performance in each sub-vertical**



All units in billion USD

**Payments and remittance:** Driven by increasing digital penetration and smartphone adoption in the region, e-wallets have become the preferred method for digital payments, while cross-border remittances are more accessible, affordable, and efficient, benefiting millions of migrant workers in the region. Both verticals are expected to grow with a 13% CAGR from 2025 to 2030.

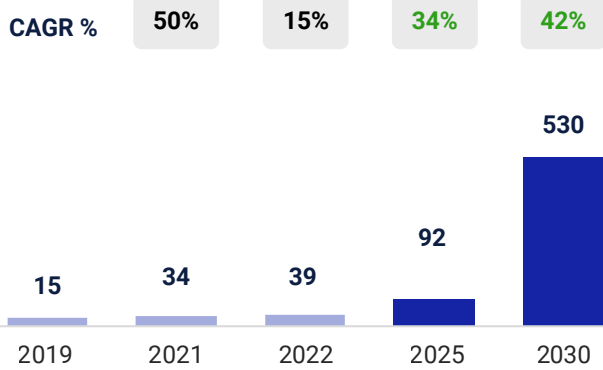


**Lending loan book strengthening:** With the rise of alternative lending platforms, peer-to-peer lending and microfinancing solutions, fintech players are leveraging these white spaces to cater to unbanked and underbanked individuals and businesses. This vertical will experience one of the most significant growth, driven by positive demographic shifts in emerging SEA countries.

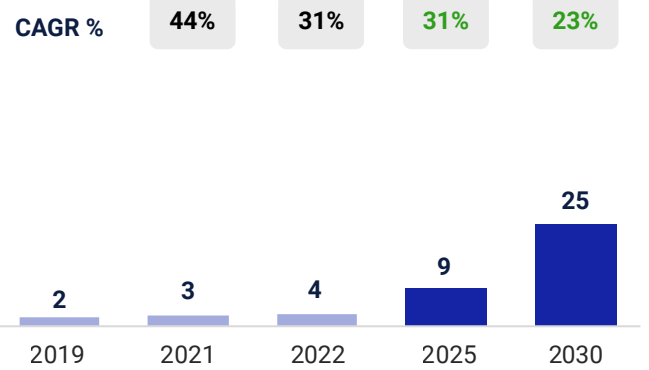
All units in billion USD

Source: Google, Temasek, Dealroom.co, YCP Analysis

### Investment (AUM)



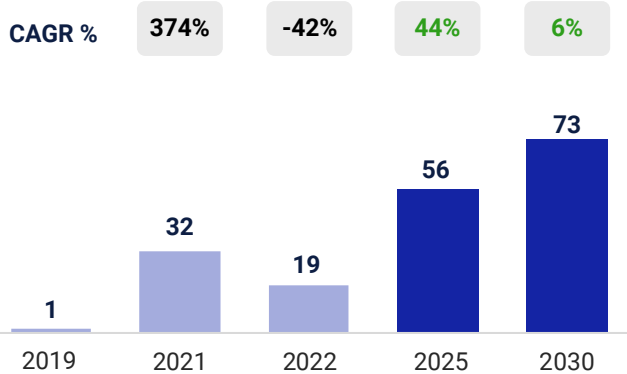
### Insurance (annual premium equivalent/ gross written premium)



All units in billion USD

**Robust growth in WealthTech and InsureTech despite still being nascent verticals:** Fintech has democratized investment opportunities across SEA and facilitated the growth of digital insurance and WealthTech solutions, making them more accessible and customizable for consumers.

### Cryptocurrency market size (exchanges, trading platforms, and neobanks)



All units in billion USD


**Recovery of cryptocurrencies:** While the market faced a winter in 2022 following numerous crypto platforms such as FTX, BlockFi, and Celsius Network going bankrupt, the market continues to be resilient and is expected to further democratize financial services, reduce the cost, and increase the speed as well as security of financial transactions.

## There will be several factors that will limit the growth of digital financial services in the region

A background image showing a financial chart with a red line graph and various time period filters (1D, 1S, 1M, 3M, 6M, 1A, 2A, 5A) at the top. The chart shows a fluctuating line with a peak and a subsequent decline.

### Impact of Global Macro Trends

- Increasing freight, fuel, and food prices may ultimately weaken consumers' purchasing power due to factors such as unemployment, salary cuts, or reduced business activities.
- **Implications:** This can lead to a decline in demand for financial services, including digital payments, lending, and investment platforms. This can also directly impact fintech companies that rely on partnerships with businesses or seek investment for their growth.

A background image featuring a network of blue lines and nodes, overlaid with a candlestick chart. Text labels like 'COMMERCIAL ENABLEMENT', 'COMMERCIAL OPERATIONS', and 'ASSET MANAGEMENT' are visible in the upper left.

### Limited Digital Infrastructure

- Less developed countries outside of Singapore have less developed supporting infrastructure for financial markets, leading to the absence of effective credit bureaus and limited interoperability in payment systems.
- **Implications:** This will lead to lower adoption rates and reduced efficiency propelling individuals and businesses to rely on traditional brick-and-mortar banking services, cash transactions, and other offline financial management methods.

A background image showing a close-up of a hand using a metal stamp to create a red ink seal on a document.

### Regulatory Restrictions

- Regulatory authorities might require extensive licensing and KYC processes. They might also have capital adequacy and minimum requirements.
- **Implications:** Stringent and lengthy regulations increase operational costs and pose challenges for startups and smaller players, limiting their ability to compete effectively. This might be a barrier for new incumbents with limited resources as they need to navigate complex application processes and meet specific criteria set by authorities.

A background image showing a hand holding a black digital wallet device, which is being used to make a payment by tapping it on a smartphone held by another hand.

### Speed of Consumer and Merchant Adoption

- For many transactions, like small-ticket ones, it is still difficult for consumers to adopt cashless payments. It is still prevalent in many Southeast Asia countries, unless governments implement policies aimed to reduce use of cash.
- **Implications:** Most merchants lack the necessary capabilities and workflows to digitalize, and as a result, both merchants and consumers recognize little benefits and are not incentivized to adopt digital payments.

## Chapter 2

# Digital Payments

## Significant and rapid shifts are observed in SEA consumers and businesses toward convenient and secure methods of making and receiving payments

### Key Payment Methods Offered by Companies or Organizations in SEA

	Description	Impact in SEA
<b>Cash</b>	Maintains a critical role as a form of legal tender around the world throughout history	<ul style="list-style-type: none"> <li>Counting and handling cash can make transactions slower and inefficient</li> <li>Limited security with a risk of theft or damage, and low traceability</li> <li>Not suitable for online transactions, in view of the growing digital economy</li> </ul>
<b>Credit Cards</b>	Portable and secure payment instruments, offering convenience, security and flexibility	<ul style="list-style-type: none"> <li>Ubiquitous payment method that provides convenience, security and flexibility to both consumers and businesses</li> <li>Transactions provide a digital trail to minimize the risk of financial crime</li> <li>Greater acceptance from merchants throughout the region</li> </ul>
<b>Mobile Wallets</b>	Popular and versatile payment method, empowering users to make effortless payments with their mobile devices	<ul style="list-style-type: none"> <li>Often associated with embedded finance for intra-country coverage, there are significant efforts towards the development of foreign exchange wallets such as YouTrip and Revolut that can be used internationally</li> <li>227 million new mobile wallet users are expected to be added from 2021 to 2026</li> </ul>
<b>Domestic Payments</b>	Preferred for their familiarity and seamless integration with local financial systems; secure and efficient payment solutions	<ul style="list-style-type: none"> <li>Localized digital payment solutions driven by the government to enable online and offline real-time payments (RTPs), often found with mobile banking apps</li> <li>From 2021 to 2026, the transaction value of RTPs in SEA is expected to grow at a 55.5% annual CAGR to 13 trillion USD</li> </ul>
<b>BNPL (Buy Now Pay Later)</b>	Allows consumers to make purchases upfront and spread the cost over time; substitute to credit cards or loans	<ul style="list-style-type: none"> <li>BNPL payment options provide convenience and flexibility to consumers, making larger purchases more manageable</li> <li>BNPL spend is expected to increase by 9.8 billion USD (3.5x increase) from 2021 to 2026</li> <li>Industry in SEA is expected to face tighter regulations due to debt risks</li> </ul>

Source: IDC

# Major Players in Digital Payments in SEA

## Traditional Banks



## Traditional Digital Payments



PAYNOW



## BNPL



## Digital Payments and Banks

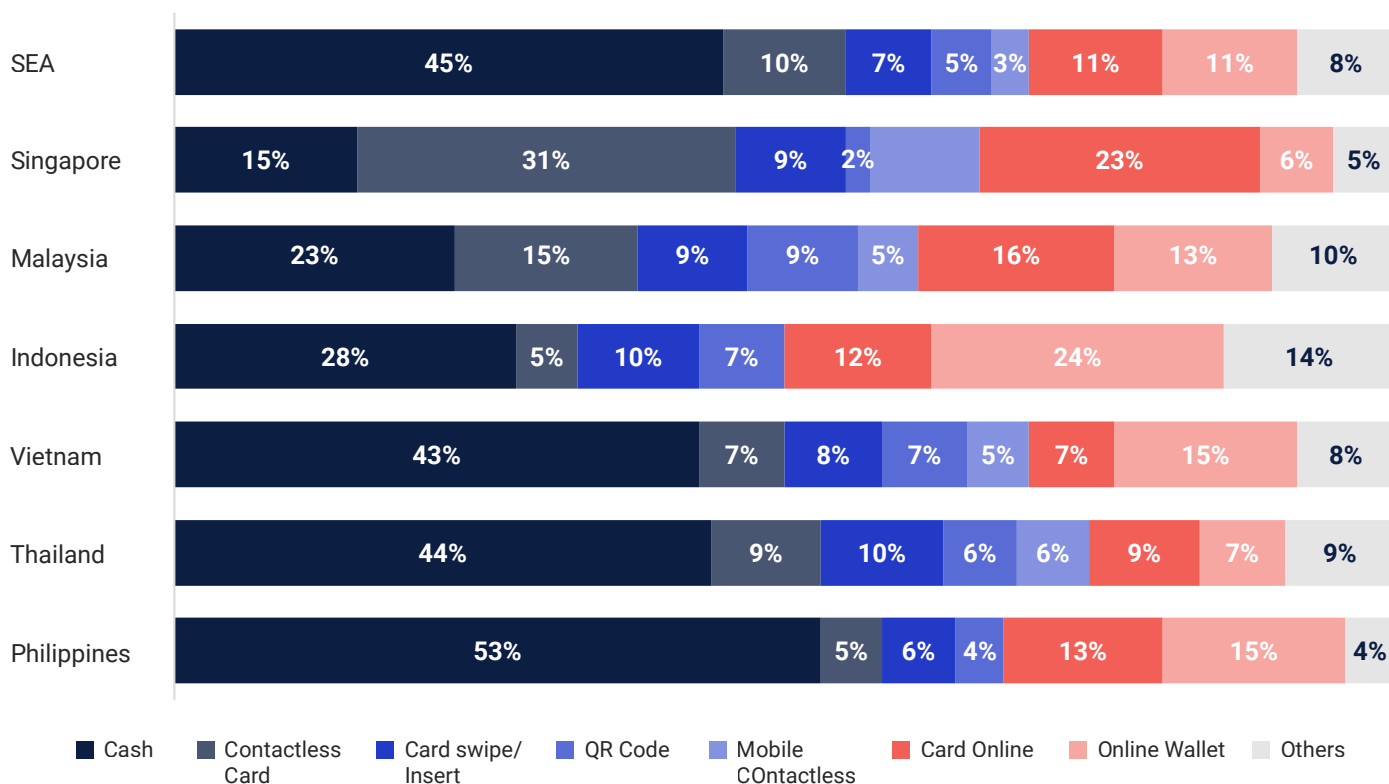


\* Note: List of companies here is not exhaustive



Cash is no longer the predominant means of payment in the region, but there remains a sizeable untapped minority for fintech players to acquire

Preferred Payment Methods Adopted by Consumers in SEA in 2022 (%)



**Southeast Asia's digital payments market will play a critical role in revolutionizing payments in the region and enabling more individuals to participate in the SEA economy:** The SEA gross transaction value of digital payments in 2025 is expected to reach 1,174 billion USD, with a CAGR of 13%. Indonesia comprises of over 35% of the market, while boasting the second highest CAGR behind the Philippines, both at 17% and 18% respectively. This strong growth is attributed to the prior low adoption rate of financial services, such as access to a bank account or credit in both countries, where fintech has been vastly beneficial to democratize access to financial services.

**Greater adoption of cashless payment methods by merchants has facilitated the growth of the SEA digital economy:** The ASEAN % of digital economy GMV relying on cashless payment methods is at 80%, with Singapore taking the lead, and Malaysia as well as Indonesia following closely behind. However, for countries such as the Philippines that have not fully realized the potential of digital payments due to low financial literacy as well as limited financial infrastructure, there is still room for more fintech disruption and innovation in their markets to bring financial services to more people in SEA

## Regulatory support for payments across all SEA countries coupled with the goal to develop a robust and interconnected financial system is noted throughout the region

### Notable Trends and Developments

### Key Implications



- Indonesia experienced one of the highest levels of mobile wallet adoption, with 74% of the population using apps such as ShopeePay and 42% of the population utilizing BNPL.
- Indonesian payments startups such as Xendit and DANA have managed to raise over 800 million USD (annualized) in 2022.

- Favorable macro trends such as greater participation in the Indonesian digital economy and fundraising cadence from top Indonesian payments startups has enabled the growth of its payments vertical.



- Digital payments startups comprised of over 75% of Malaysia's fundraising received in 2022.
- Cross-border payments system set up with Singapore and Indonesia in 2023. Malaysians in Indonesia can pay using QR codes from their mobile phones, and in Singapore, Malaysians can scan Nets or DuitNow QR codes to make real-time financial transactions.

- Strong emphasis on digital payments to facilitate the digital transformation of Malaysia's financial infrastructure, while connecting its financial architecture to that of neighbouring Singapore and Indonesia, promoting inclusive growth throughout the region.



- PESOnet and InstaPay were government initiatives led by the Central Bank of the Philippines to enable e-funds transfers in real-time to promote inclusive economic growth.
- In February 2023, a House of Representatives panel approved bills that advocate for the greater use of safe and efficient digital payments platforms in the country.

- Strong government initiatives towards promoting a financial environment that is safe from crime, while ensuring that the country can foster inclusive growth that helps more Filipinos to be connected to the local financial system.

Sources: Tracxn, Crunchbase, Government websites, Tookitaki

## Regulatory support for payments across all SEA countries coupled with the goal to develop a robust and interconnected financial system is noted throughout the region

### Notable Trends and Developments

### Key Implications



- Singapore payments startups such as Coda Payments have managed to raise over 980 million USD (annualized) in 2022, leading the region in the absolute amount that was fundraised for each country.
- Singapore aims to link its payment system PayNow with other countries' core payments platforms to facilitate greater cross-border transactions. PayNow had successfully linked with Thailand's PromptPay in 2021 and India's UPI, as well as Malaysia's DuitNow in H1 2023.

- Strongest fundraising cadence in the region while having a highly advanced cross-border payment network to facilitate greater trade between different nations in Asia, and subsequently greater economic prosperity.



- As part of the push towards the success of the Thailand 4.0 economic scheme, the government has been looking to find ways to further digitize the country.
- Increase in domestic payments attributed to government initiatives such as Bangkok Bank's PromptPay.
- New AML regulations were introduced for e-wallet providers to comply with, to manage the risks associated from new payment methods such as money laundering and terrorism financing.

- Strong government initiatives towards digitizing the nation as part of an Industry 4.0 framework. However, this growth must be managed to prevent criminals from abusing these new payments systems, to promote a healthy and safe environment for financial transactions to take place.















- Greater adoption of National Payment Corporation of Vietnam (NAPAS) in 2022 where the total value of NAPAS transactions almost doubled from 2021.
- Digital payments regulations in Vietnam targets e-wallet providers, where the Vietnamese government has added in regulations to the limit insolvency risk and financial crime risk from e-wallet apps.

- Greater use of digital payments led by the government, with regulations to protect users from payments solution providers that do not have proper risk management and anti-money laundering (AML) strategies to limit the risk of financial crimes, creating a healthier financial system in Vietnam.

Sources: Tracxn, Crunchbase, Government websites, Tookitaki

## Strong top-down support from SEA governments in regulations and driving regional interconnectivity are needed to capitalize on favourable demographics that drive the SEA digital economy

















### Key Drivers & Barriers

		
<b>Level of Digital Adoption</b>	 <ul style="list-style-type: none"> <li>High internet and mobile penetration</li> </ul>	 <ul style="list-style-type: none"> <li>Moderate internet and mobile penetration</li> </ul>
<b>Digital Payments Penetration and Coverage</b>	 <ul style="list-style-type: none"> <li>Strong existing financial infrastructure driving the country-wide adoption of digital payments</li> </ul>	 <ul style="list-style-type: none"> <li>Greater bottom-up fintech initiatives to facilitate the greater use of digital payments</li> </ul>
<b>Regulatory Support and Collaboration</b>	 <ul style="list-style-type: none"> <li>Strong government support and well-established regulatory frameworks</li> </ul>	 <ul style="list-style-type: none"> <li>Evolving rapidly with regulations that foster innovation and enable financial inclusion</li> </ul>
<b>Market Growth and Investment</b>	 <ul style="list-style-type: none"> <li>Strong investor network of VC firms, angel and corporate investors who bring expertise, funding</li> </ul>	 <ul style="list-style-type: none"> <li>Presence of strong market leaders driving greater digital payments use throughout ID</li> </ul>
<b>Technological Advancements</b>	 <ul style="list-style-type: none"> <li>Innovation-driven ecosystem with high technological expertise and infrastructure</li> </ul>	 <ul style="list-style-type: none"> <li>Infrastructure and connectivity limitations in certain regions</li> </ul>
<b>Partnerships and Collaborations</b>	 <ul style="list-style-type: none"> <li>Deep collaborations between fintechs, banks, and overseas banks for cross-border payments</li> </ul>	 <ul style="list-style-type: none"> <li>Numerous partnerships between fintechs, banks, and merchant groups</li> </ul>
<b>Emphasis on Connectivity</b>	 <ul style="list-style-type: none"> <li>High level of connectivity between players</li> </ul>	 <ul style="list-style-type: none"> <li>Cross-country connection of Indonesia's QRIS with Malaysia's DuitNow and Singapore's NETS.</li> </ul>

Sources: Temasek, IDC, Visa, YCP Analysis



## Key Drivers & Barriers

		
<b>Level of Digital Adoption</b>	 <ul style="list-style-type: none"> <li>High internet and mobile penetration</li> </ul>	 <ul style="list-style-type: none"> <li>Moderate internet and mobile penetration</li> </ul>
<b>Digital Payments Penetration and Coverage</b>	 <ul style="list-style-type: none"> <li>Rising demand due to support from the government, financial institutions, and fintech startups</li> </ul>	 <ul style="list-style-type: none"> <li>Limited adoption due to the relatively lower banking penetration throughout the Philippines</li> </ul>
<b>Regulatory Support and Collaboration</b>	 <ul style="list-style-type: none"> <li>Sound regulatory infrastructure for digital banking and payment processing services</li> </ul>	 <ul style="list-style-type: none"> <li>Numerous banking and digital payment regulations have been set in place to protect consumer interests</li> </ul>
<b>Market Growth and Investment</b>	 <ul style="list-style-type: none"> <li>Rising fintech startups that drive payments adoption for Malaysian consumers/merchants</li> </ul>	 <ul style="list-style-type: none"> <li>Rising fintech startups that drive payments adoption for Philippines consumers/merchants</li> </ul>
<b>Technological Advancements</b>	 <ul style="list-style-type: none"> <li>Limited availability of skilled talent</li> <li>Legacy systems and integration challenges</li> </ul>	 <ul style="list-style-type: none"> <li>Challenges in talent acquisition, retention</li> <li>Infrastructure limitations</li> </ul>
<b>Partnerships and Collaborations</b>	 <ul style="list-style-type: none"> <li>Greater collaborations between fintech players, banks and overseas banks for cross-border payments</li> </ul>	 <ul style="list-style-type: none"> <li>Several partnerships between local and overseas fintech players, as well as banks and merchant groups</li> </ul>
<b>Emphasis on Connectivity</b>	 <ul style="list-style-type: none"> <li>Malaysia's DuitNow is connected to Indonesia's QRIS, Singapore's NETS and Thailand's PromptPay for QR Payments</li> </ul>	 <ul style="list-style-type: none"> <li>Plans to implement cross-border payments in 2025-2026</li> </ul>

 High
  Moderate
  Limited
  Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.

## Key Drivers & Barriers



<b>Level of Digital adoption</b>	 <ul style="list-style-type: none"> <li>Moderate internet and mobile penetration</li> </ul>	 <ul style="list-style-type: none"> <li>Moderate internet and mobile penetration</li> </ul>
<b>Digital Payments Penetration and Coverage</b>	 <ul style="list-style-type: none"> <li>Rising demand due to government initiatives and a tech-savvy population</li> </ul>	 <ul style="list-style-type: none"> <li>Growing adoption due to a young and tech-savvy population coupled with fintech initiatives</li> </ul>
<b>Regulatory Support and Collaboration</b>	 <ul style="list-style-type: none"> <li>Currently in the process of finalizing its regulations on digital payment platforms</li> </ul>	 <ul style="list-style-type: none"> <li>Efforts to develop regulatory sandboxes but there is a lack of regulatory clarity</li> </ul>
<b>Market Growth and Investment</b>	 <ul style="list-style-type: none"> <li>Limited access to funding and investment</li> </ul>	 <ul style="list-style-type: none"> <li>Funding constraints as the payments landscape is still at a nascent stage</li> </ul>
<b>Technological Advancements</b>	 <ul style="list-style-type: none"> <li>AI and blockchain adoption, however, concerns over data privacy and security</li> </ul>	 <ul style="list-style-type: none"> <li>Early-stage technological infrastructure and innovation</li> </ul>
<b>Partnerships and Collaborations</b>	 <ul style="list-style-type: none"> <li>Greater collaborations between local banks and overseas banks for cross-border payments</li> </ul>	 <ul style="list-style-type: none"> <li>Limited partnerships with governments or overseas fintechs; still in the process of building partnerships</li> </ul>
<b>Emphasis on Connectivity</b>	 <ul style="list-style-type: none"> <li>PromptPay is connected to SG's PayNow, and QR payments are enabled most within SEA countries</li> </ul>	 <ul style="list-style-type: none"> <li>Enabled QR-based payments between Vietnam and Thailand</li> </ul>



High



Moderate



Limited



Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.

# What's next for Digital Payments in SEA

As governments and fintech players spearhead the push towards an inclusive digital economy in SEA with QR code payments, cross-border payment infrastructure, and embedded finance offerings, governments and fintech companies must be cognizant of the risks of digital payments and manage these risks accordingly.



## **Prevalence of QR code payments**

The central banks of various SEA countries have been developing their own cross-border payment networks, where locals can transfer money in a foreign jurisdiction within SEA using QR codes without service fees and better exchange rates than what traditional payment platforms like Visa and Mastercard would offer. This provides a highly efficient method of payment that anyone with a smartphone can utilize.

## **Greater digital payments interconnectivity between SEA countries**

Domestic payment methods such as Singapore's PayNow and Thailand's PromptPay have been at the focal point of cross-border payment linkages, where both countries have connected their payment infrastructure to that of other countries. This enhances the interoperability between SEA nations and promotes inclusive growth in the region. In the future, the SEA region's financial infrastructure will all be interconnected.

## **Rise of embedded finance platforms in digital payments**

E-commerce platforms (e.g., Lazada and Shopee) and super-apps (e.g., Grab and Gojek) have leveraged their current user base to expand into financial services with their own payment service (i.e., ShopeePay, GrabPay), in which users receive benefits from using the platform's payment service for purchases. This strategy will be adopted by more companies to provide a greater user experience for their customers.

## **Push for enhanced regulatory support**

Governments and regulatory authorities will continue to further develop rules and guidelines for payments processing platforms to operate in order to protect consumer interests, such as licensing requirements or anti-money laundering (AML) provisions. As the market matures, regulations will be standardized across the ASEAN region to reduce fragmentation and enable seamless transactions throughout the region.

## **Emphasis on security and fraud prevention**

The growth of digital payment platforms has given rise to fraudulent activities such as card testing, identity theft, phishing, and pharming attacks. To ensure a functional digital payment ecosystem that is safe and efficient, governments must take notice of these malicious activities and devise strategies as well as initiatives to combat them.

*Sources: IDC*

## Chapter 3

# Digital Lending



# SEA governments and financial institutions actively promote financial inclusion through digital lending for underserved populations and SMEs

## Key Services Offered by Digital Lending Companies in SEA

Business Loans	<b>Standard</b>	<ul style="list-style-type: none"> <li>The growth of digital payment platforms has given rise to fraudulent activities such as card testing, identity theft, phishing, and pharming attacks</li> <li>To ensure a functional digital payment ecosystem that is safe and efficient, governments must take notice of these malicious activities and devise strategies as well as initiatives to combat them</li> </ul>
	<b>Equity Crowdfunding</b>	<ul style="list-style-type: none"> <li>Allows businesses to raise funds by selling shares or equity to a crowd of investors</li> <li>A common way for start-ups and early-stage companies to secure funds</li> </ul>
	<b>P2P Business Loans</b>	<ul style="list-style-type: none"> <li>Connects businesses seeking loans with individual or institutional investors who are willing to lend money</li> </ul>
	<b>Invoice Financing</b>	<ul style="list-style-type: none"> <li>Allows businesses to receive immediate payment for outstanding invoices by selling them to a lender at a discount</li> </ul>
	<b>Working Capital Loans</b>	<ul style="list-style-type: none"> <li>Loans that assist businesses to cover day-to-day operational expenses, purchase inventory, or manage cash flow</li> </ul>
Consumer Loans	<b>Standard</b>	<ul style="list-style-type: none"> <li>Loans that are offered to individual consumers for multiple purposes</li> <li>Usually unsecured where borrowers do not need to provide collateral</li> </ul>
	<b>Education</b>	<ul style="list-style-type: none"> <li>Loans that are offered to consumers for the purpose of financing education expenses such as tuition fees and study abroad programs</li> </ul>
	<b>Real Estate</b>	<ul style="list-style-type: none"> <li>Loans that are offered to consumers for the purpose of financing real estate expenses such as mortgages and home improvement loans</li> </ul>
	<b>EWA</b>	<ul style="list-style-type: none"> <li>Allow employees to access a portion of their earned but unpaid wages prior to their payday, helping consumers with their short-term financial needs</li> </ul>
	<b>P2P Consumer Loans</b>	<ul style="list-style-type: none"> <li>Connects individuals seeking loans with individual investors who are willing to lend money</li> </ul>

# Major Players in Digital Lending in SEA



## Business Loans



## Equity Crowdfunding



## P2P Lending



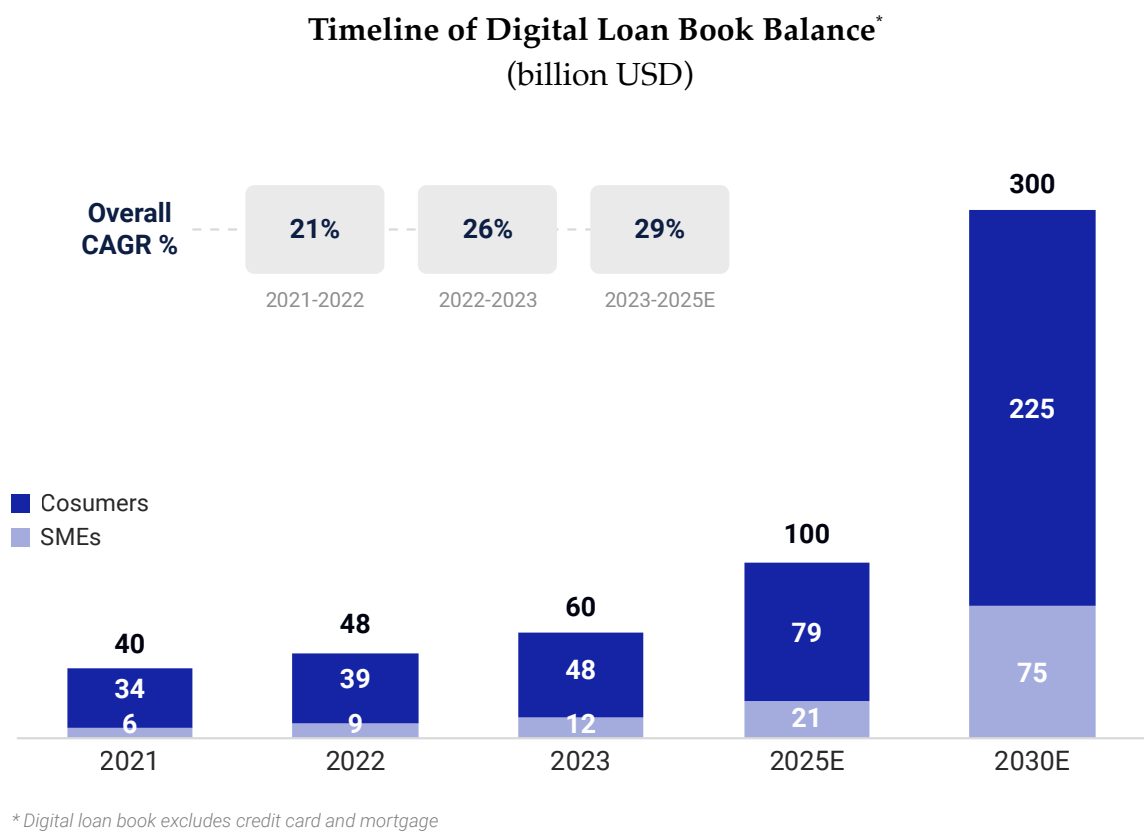
## Consumer Loans



\* Note: List of companies here is not exhaustive

Source: Fintechnews.sg, Tech In Asia, company websites

SEA governments and financial institutions actively promote financial inclusion through digital lending for underserved populations and SMEs



**Digital lending to surpass digital payments as SEA’s revenue engine by 2025:** Digital lending is poised to eclipse digital payments as the primary revenue driver for Southeast Asia’s digital financial services sector by 2025, fuelled by a staggering 33% annual growth rate. This surge is propelled by technological advancements, particularly the widespread adoption of automated loan origination processes. Financial services are now seamlessly integrated into customers’ digital experiences, offering convenient financing options for online shopping, travel bookings, and ride-hailing services.

**SEA’s underdeveloped financial infrastructure might prove a barrier to digital lending growth:** Digital lending growth in Southeast Asia is hindered by a large unbanked population and a deep-rooted reliance on cash transactions. Despite the region’s rapid internet adoption, around 70% of adults in SEA still lack access to formal financial services, hindering their access to digital lending opportunities. The prevalence of cash as the primary mode of economic exchange in SEA also poses challenges for digital lending platforms.

Source: ADB, Temasek,



# Government support in SEA is driving the growth of the digital lending sector, promising enhanced financial accessibility and convenience for individuals and businesses

Notable Trends and Developments		Key Implications	
	<ul style="list-style-type: none"><li>• In Indonesia, alternative payment schemes such as sharia-based loans are gaining prominence among the Muslim population adhering to Islamic law. Sharia-based lending adheres to the principle of profit and loss sharing, fostering a cooperative risk-reward dynamic between lenders and borrowers. This lending approach is experiencing a surge in popularity in Indonesia, giving rise to dedicated sharia-based fintech lending platforms designed to cater specifically to this discerning segment of the population.</li></ul>		<ul style="list-style-type: none"><li>• To seize this opportunity, digital lenders in Indonesia can create tailored sharia-compliant lending products in adherence to Islamic principles. These offerings will cater specifically to borrowers who prioritize ethical financial solutions.</li></ul>
	<ul style="list-style-type: none"><li>• Digital loans are gaining traction in Malaysia, especially among the tech-savvy youth. This trend reflects a growing demand for funding diverse needs, from business ventures to medical expenses and investments. Moreover, the growing appetite for start-up funding and challenges faced by both the local economy has propelled more individuals to seek digital loans as a means to complement their financial requirements.</li></ul>		<ul style="list-style-type: none"><li>• Amidst the surging trend of loan acquisition, digital lenders stand to capitalize on this opportunity while concurrently prioritizing the security of online borrowing for consumers, especially considering that cybersecurity risks are one of the primary concerns for Malaysians seeking digital loans.</li></ul>
	<ul style="list-style-type: none"><li>• The Philippines is witnessing a surge in online shopping and e-commerce, driven by increased internet accessibility and improved infrastructure. The gross merchandise value (GMV) of the internet economy is expected to surge from \$20 billion in 2022 to \$100 billion by 2030. This growth is fueling the demand for digital loans as more individuals and businesses seek financial support for their e-commerce activities.</li></ul>		<ul style="list-style-type: none"><li>• To capitalize on this opportunity, digital lending companies in the Philippines can forge strategic alliances with e-commerce platforms. This enables them to seamlessly integrate financing options directly into the online shopping experience, catering to both sellers and buyers.</li></ul>





## Government support in SEA is driving the growth of the digital lending sector, promising enhanced financial accessibility and convenience for individuals and businesses

### Notable Trends and Developments

### Key Implications



- Singapore's micro, small, and medium enterprises (MSMEs) are increasingly inclined towards digitization in lending. A study reveals that 67% of Singaporean SMEs consider digital banking crucial for their operations, and 60% are open to switching to digital banks for improved services.
- These businesses, vital to Singapore's economy, are actively pursuing advanced lending services to bolster their growth and recovery, particularly in the post-pandemic landscape.

- Digital lenders that can offer seamless integration of digital payment and lending services stand to gain a competitive edge. Meeting both these demands effectively can attract a larger pool of MSME clients.



- In 2021, the Bank of Thailand granted approval to a licensed personal loan provider to offer digital personal loan services within the country. Under this regulatory framework, lenders are authorized to offer digital personal loans with a maximum credit limit of THB 20,000, subject to an annual interest rate cap of 25%, inclusive of fees. This regulatory move has played a pivotal role in fostering the expansion of digital personal loan services in Thailand.

- Digital loan lenders can establish trust with borrowers and adhere to the 25% annual interest rate cap by implementing transparent and equitable pricing structures, encompassing interest rates and fees.



- Vietnam witnessed the advent of digital banking with the inception of Timo, the nation's inaugural digital bank, in 2018. The proliferation of digital banks is anticipated to be a driving force behind the expansion of digital lending in Vietnam, ushering in more accessible and convenient financial services for both individuals and businesses.

- Vietnamese digital lending firms can harness this trend by forging strategic alliances with digital banks, providing customers with seamless lending solutions. Leveraging the customer base and digital infrastructure of these banks enhances the accessibility and convenience of their lending services.

# Digital lending in SEA is flourishing due to strong government support and dynamic fintech partnerships

Key Drivers & Barriers				
				
Level of Digital Adoption		<ul style="list-style-type: none"><li>High internet and mobile penetration</li></ul>		<ul style="list-style-type: none"><li>Moderate internet and mobile penetration</li></ul>
Digital Loans Penetration Coverage		<ul style="list-style-type: none"><li>Advanced fintech ecosystem and robust digital lending market</li></ul>		<ul style="list-style-type: none"><li>Slow but rising demand for digital lending solutions</li></ul>
Regulatory Support and Collaboration		<ul style="list-style-type: none"><li>MAS introduced a regulatory framework for digital lenders to ensure responsible lending practices</li></ul>		<ul style="list-style-type: none"><li>The Otoritas Jasa Keuangan Introduced regulations to govern digital lending. but the sector remain diverse</li></ul>
Market Growth and Investment		<ul style="list-style-type: none"><li>High access to funding sources, including venture capital and government grants</li></ul>		<ul style="list-style-type: none"><li>Growing access to funding and investment</li></ul>
Technological Advancements		<ul style="list-style-type: none"><li>Innovation-driven ecosystem with high technological expertise and infrastructure</li></ul>		<ul style="list-style-type: none"><li>Infrastructure and connectivity limitations in certain regions</li></ul>
Partnerships and Collaborations		<ul style="list-style-type: none"><li>Highly collaborative ecosystem, with digital lender Funding Societies collaborating with DBS</li></ul>		<ul style="list-style-type: none"><li>Growing partnerships between digital lenders and traditional banks</li></ul>

 High

 Moderate

 Limited








 Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.

Sources: Temasek, IDC, Visa, YCP Analysis

## Key Drivers & Barriers



<b>Level of Digital Adoption</b>	 <ul style="list-style-type: none"> <li>High internet and mobile penetration</li> </ul>	 <ul style="list-style-type: none"> <li>Moderate internet and mobile penetration</li> </ul>
<b>Digital Loans Penetration Coverage</b>	 <ul style="list-style-type: none"> <li>Rising demand for digital lending solutions</li> </ul>	 <ul style="list-style-type: none"> <li>Slow but rising demand for digital lending solutions</li> </ul>
<b>Regulatory Support and Collaboration</b>	 <ul style="list-style-type: none"> <li>Bank Negara Malaysia, the central bank, has introduced guidelines to regulate digital lenders</li> </ul>	 <ul style="list-style-type: none"> <li>The sector is in the early stages of development, and regulatory frameworks are evolving</li> </ul>
<b>Market Growth and Investment</b>	 <ul style="list-style-type: none"> <li>Substantial growth in investment and funding</li> </ul>	 <ul style="list-style-type: none"> <li>Limited access to funding and investment</li> </ul>
<b>Technological Advancements</b>	 <ul style="list-style-type: none"> <li>Limited availability of skilled talent</li> <li>Legacy systems and integration challenges</li> </ul>	 <ul style="list-style-type: none"> <li>Challenges in talent acquisition, retention</li> <li>Infrastructure limitations</li> </ul>
<b>Partnerships and Collaborations</b>	 <ul style="list-style-type: none"> <li>Digital lender CapBay collaborated with Kenanga Investment Bank</li> </ul>	 <ul style="list-style-type: none"> <li>Partnerships with traditional banks and fintech players are still in the early stages</li> </ul>



High



Moderate



Limited





Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.

## Key Drivers & Barriers



Level of Digital Adoption	 <ul style="list-style-type: none"> <li>High internet and mobile penetration</li> </ul>	 <ul style="list-style-type: none"> <li>Moderate internet and mobile penetration</li> </ul>
Digital Loans Penetration Coverage	 <ul style="list-style-type: none"> <li>Rising demand for digital lending solutions</li> </ul>	 <ul style="list-style-type: none"> <li>Early stages of developing its digital lending ecosystem</li> </ul>
Regulatory Support and Collaboration	 <ul style="list-style-type: none"> <li>The Bank of Thailand has been exploring regulatory frameworks for digital lenders, and the sector is evolving</li> </ul>	 <ul style="list-style-type: none"> <li>The sector is in the early stages of development, and regulatory frameworks are evolving</li> </ul>
Market Growth and Investment	 <ul style="list-style-type: none"> <li>Growing access to funding and investment</li> </ul>	 <ul style="list-style-type: none"> <li>Limited access to funding and investment</li> </ul>
Technological Advancements	 <ul style="list-style-type: none"> <li>AI and blockchain adoption, however, concerns over data privacy and security</li> </ul>	 <ul style="list-style-type: none"> <li>Early-stage technological infrastructure and innovation</li> </ul>
Partnerships and Collaborations	 <ul style="list-style-type: none"> <li>Growing partnerships between digital lenders and traditional banks</li> </ul>	 <ul style="list-style-type: none"> <li>Partnerships with traditional banks and fintech players are still in the early stages</li> </ul>



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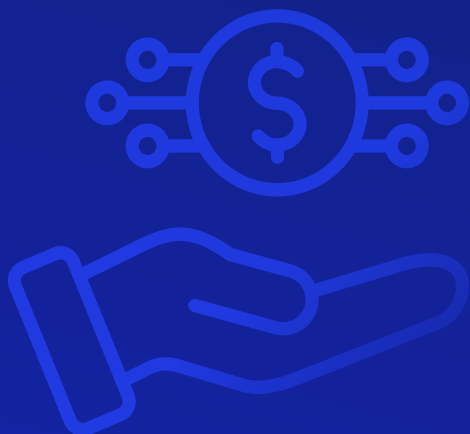


# What's next for Digital Lending in SEA

The future of digital loans in Southeast Asia looks promising with online shopping growth and hybrid lending models. Still, challenges like credit scoring innovation, data security, and regulatory navigation are present, which are hurdles to unlocking digital lending's potential and promoting financial inclusion and economic growth.

## Rise of hybrid lending models

Hybrid lending models, which involve collaborations between traditional banks and fintech companies, are on the rise in SEA. These partnerships leverage the strengths of both entities to offer accessible and convenient financial services. For instance, Timo, Vietnam's first digital bank, has teamed up with traditional bank VPBank to provide digital lending services. This partnership blends Timo's digital capabilities with VPBank's infrastructure to offer innovative digital lending solutions in Vietnam.



## Growing online shopping surge

Growing credit demand is anticipated due to the surge in online shopping, primarily among Gen Z and millennials in SEA. As highlighted in industry reports, the region's internet economy is set to hit 300 billion USD by 2025, with e-commerce playing a pivotal role. This expanding online commerce landscape is poised to fuel the demand for credit, propelling the growth of digital lending across SEA.

## Development of advanced credit scoring model

Amid the growth of the digital lending sector, it is imperative to create advanced credit scoring models that analyze borrowers' digital activities for precise credit assessment. One innovative approach involves leveraging alternative data sources, like social media engagement and utility bill payments. While SEA is in the early stages of adopting alternative data in credit scoring, the region shows promise for future growth.

## Emphasis on data privacy and security

Ensuring data privacy and security is paramount in the digital lending sector, where personal and financial information is collected and processed. Utilizing blockchain technology is a notable solution to address these concerns. Blockchain offers decentralized, secure data storage and sharing, reducing the risk of data breaches and ensuring transparent lending processes. For instance, LenddoEFL partnered with Bloom to create a decentralized credit scoring system, safeguarding borrower data while assessing creditworthiness.

## Navigating regulatory challenges

Navigating SEA's regulatory landscape can be daunting for digital lending platforms, despite government support. To address these challenges, collaboration between fintech firms, traditional banks, and regulators is vital in crafting fair and transparent regulatory frameworks. Initiatives like the Monetary Authority of Singapore's regulatory sandboxes provide a controlled environment for fintech companies to test their offerings, facilitating compliance and innovation in the sector.

*Source: Google, Temasek & Bain, Deloitte*

## Chapter 4

# WealthTech

# WealthTech companies leverage digital platforms to transform investment and wealth management for better accessibility

## Key Services Offered by WealthTech Companies in SEA

### Crypto Asset / Alternative Investments

- Crypto asset management services in WealthTech enables individuals to invest, trade, and manage cryptocurrencies. They offer platforms for buying, selling, and tracking crypto assets, providing opportunities for diversification and potential returns on investment.

### Digital Brokerage

- Digital brokerage services in WealthTech enable individuals to invest and manage their wealth online. They provide access to investment products, real-time market information, and user-friendly interfaces for convenient and informed investing.

### Digital Advisory

- Digital advisory services in WealthTech provide personalized investment advice based on user data and algorithms. They aim to democratize financial advice and empower individuals to make informed investment decisions.

### Personal Financial Management

- Personal financial management in WealthTech offers digital tools for effective financial management. It includes expense tracking, budgeting, goal setting, and financial analysis to promote financial well-being and empower individuals.

Source: Fintechnews.sg, Tech In Asia, YCP Analysis



# Major Players in WealthTech in SEA

## Crypto Assets / Alternative Investments



## Personal Financial Management



## Digital Brokerage



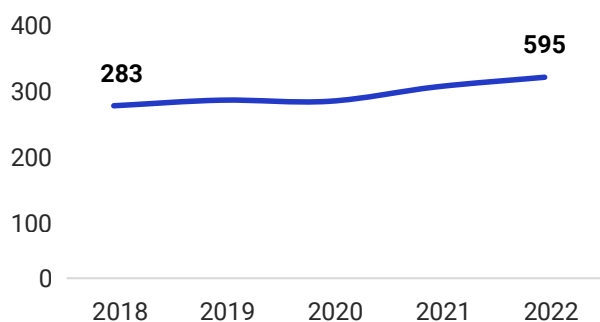
## Digital Advisory

\* Note: List of companies here is not exhaustive

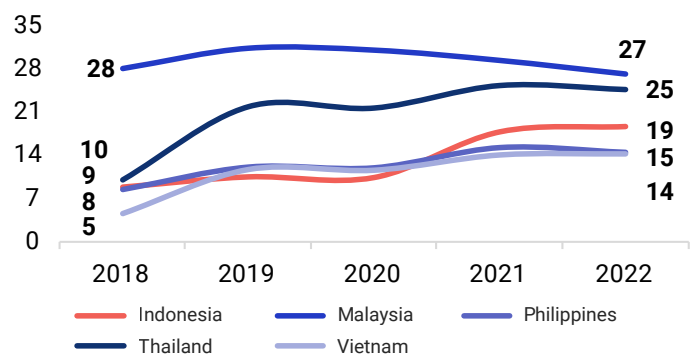


## The WealthTech landscape in SEA will see continued growth, driven by the rise of wealthy millennials in SEA and the push for more investment solutions for the masses

**Singapore, Mean Wealth Per Adult**  
(USD, thousands)



**Rest of SEA, Mean Wealth Per Adult**  
(USD, thousands)



**Increase in personal investments during pandemic expected to continue:** Amid the pandemic, a surge in investments was observed, leading to increased activity on digital brokerage and investment platforms, where these platforms experienced growth in trades, user numbers, and managed assets. Additionally, there was a rise in wealth management services catering to lower wealth segments.

**Rise of new generation of wealthy millennials in SEA, especially in Singapore:** Singapore's mean wealth per adult has increased for the past five years and rose 7.0% from 2021 to 2022. The emergence of a new generation of affluent millennials fuels this growth. WealthTech companies strive to offer various solutions and platforms ranging from full-service brokerage alternatives with asset class-specific marketplaces, automated or semi-automated robo-advisors, and self-service investment platforms equipped with investment tools for individual investors and advisors.

**Push for more innovation in traditional wealth management and digitization for vast amounts of data:** SEA is home to diverse markets and economies, ranging from emerging economies to more developed ones like Singapore. Each market presents unique challenges and opportunities for wealth management. This has prompted the disruption of traditional wealth management practices by leveraging technology to offer accessible, affordable, and secure investment solutions. Digitizing data has enabled a more efficient analysis of market trends, customer preferences, and investment opportunities across these diverse landscapes.

### **Democratization of investment opportunities for the masses, facilitated by the rise of robo-advisors:**

Robo-advisors meet new demands in wealth management, providing automated investment advice, portfolio management, low fees, and convenience. They empower individuals to take control of their wealth management journey by offering accessible financial services and personalized investment strategies based on user preferences, risk tolerance, and goals.





## Most SEA countries are converging towards fostering a more financially inclusive and digitally-enabled wealth management landscape

### Notable Trends and Developments

### Key Implications



- WealthTech presents an emerging driving force, previously dominated by digital payments, and signals that Indonesia's fintech ecosystem is progressing beyond payments to include more sophisticated products and services, such as growth in online brokerage firms and broadened offerings, from micro-investments in gold and mutual funds, global stock indices and cryptocurrencies.

- The expansion beyond digital payments will diversify investment options and make wealth management more accessible for individual investors. Through the growth of online brokerage firms such as Ajaib, Bibit, and Pluang, this signals investor confidence in the potential of this market.



- There has been a notable increase in fintech ecosystem partnerships. Touch 'n Go launched unit trust funds with Principal Malaysia, while traditional banks have established new WealthTech service offerings (Maybank's partnership with Visa to link bank cards to micro-investment app).
- Property website EdgeProp partnered with Singapore's StashAway to encourage Malaysians to manage their wealth and save for future homes.

- Enhanced accessibility and convenience by integrating financial services with widely used platforms like smart card systems, bank cards, and property websites will thereby promote more financial inclusion and create a sense of security through familiar channels for citizens and their wealth management.



- Online investment platforms have gained traction, allowing individuals to invest in various financial instruments such as stocks, mutual funds, and government bonds. Platforms like COL Financial, First Metro Securities, and ATRAM Trust offer investment services to retail investors, promoting financial inclusion and expanding access to investment opportunities. The BSP has issued regulations and guidelines to promote financial innovation, including a framework for digital banks and a regulatory sandbox.

- With the increased participation of retail investors in the financial markets, this has broadened the investor base and increased market liquidity, as well as the potential for wealth creation, by enabling individuals to invest their savings in a diverse range of financial instruments.

## Most SEA countries are converging towards fostering a more financially inclusive and digitally-enabled wealth management landscape

### Notable Trends and Developments

### Key Implications



- MAS (Monetary Authority of Singapore) issued digital advisory service guidelines and launched SGFinDex, enabling users to consolidate financial data from multiple sources on one platform. Digital advisory platforms now allow Singaporeans to invest their funds securely instead of through the typical cash option for investors.
- SG is a more mature market for robo-advisory and digital brokerage services and is popular with younger individual investors, with its low fees playing a strategic part in their wealth management.

- A regulated, reliable, and secure infrastructure has been a significant value proposition for Singapore to establish itself as the financial hub in the region. WealthTech companies now integrate wealth management into investors' lifestyles, reinventing traditional assets to adopt digital identities.



- Thai banks moving towards the integration of wealth management features into their mobile banking apps has enabled customers to access investment options, track portfolios, and receive personalized financial advice through digital platforms.
- Online trading platforms such as SBITO by Siam Commercial Bank and KT ZMICO Securities, and robo-advisory platforms by SCB Asset Management, are becoming increasingly prevalent in retail investing.

- Integration of wealth features in mobile banking, online trading, and robo-advisory platforms enhance financial inclusion in Thailand, offering a broader retail investor pool with access to investments, personalized advice, and portfolio tracking for broader participation in wealth management.














- Online investment platforms are seeking to personalize services for retail investors, offering greater diversification through a wide range of investment options.
- Vietnam has also started to adopt robo-advisory services in line with the growing demand for convenient and accessible wealth management solutions, supported by government initiatives on fintech and digital transformation.

- Enhanced access to investment opportunities, personalized services for retail investors, and convenient and accessible wealth management solutions, have made Vietnam more attractive to investors looking beyond traditional service offerings.

## Strong top-down support from SEA governments in regulations and driving regional interconnectivity are needed to capitalize on favourable demographics that drive the SEA digital economy

### Key Drivers & Barriers

		
<b>Level of Digital Adoption</b>	 <ul style="list-style-type: none"> <li>Global financial hub with high smartphone penetration and robust digital infrastructure</li> </ul>	 <ul style="list-style-type: none"> <li>Digital adoption continues to grow, but some regions may still have limited access to smartphones</li> </ul>
<b>Digital Payments Penetration and Coverage</b>	 <ul style="list-style-type: none"> <li>Increasing affluent population drives demand for personalized Wealth Tech solutions</li> </ul>	 <ul style="list-style-type: none"> <li>Rising middle class presents opportunities, but income disparities can affect adoption</li> </ul>
<b>Regulatory Support and Collaboration</b>	 <ul style="list-style-type: none"> <li>Proactive government in fostering innovation for WealthTech companies</li> </ul>	 <ul style="list-style-type: none"> <li>Developing its regulatory framework for fintech, including WealthTech, but it may still be evolving</li> </ul>
<b>Market Growth and Investment</b>	 <ul style="list-style-type: none"> <li>Highest investment amount in the region, due to being recognised as a fintech hub</li> </ul>	 <ul style="list-style-type: none"> <li>Large population and increasing digital adoption have attracted investments in fintech, including WealthTech</li> </ul>
<b>Technological Advancements</b>	 <ul style="list-style-type: none"> <li>Conservative investors may impede adoption of digital WealthTech solutions over traditional financial institutions</li> </ul>	 <ul style="list-style-type: none"> <li>Sizable B2C market but investor conservatism can impact adoption</li> </ul>
<b>Partnerships and Collaborations</b>	 <ul style="list-style-type: none"> <li>Legacy systems pose challenges to data integration and compatibility, hindering adoption and scalability</li> </ul>	 <ul style="list-style-type: none"> <li>Its large market size and digital adoption are driving improvements, although legacy systems can be a hurdle</li> </ul>
<b>Emphasis on Connectivity</b>	 <ul style="list-style-type: none"> <li>Vibrant partnerships seen across investors, incubators, startups, and industry players</li> </ul>	 <ul style="list-style-type: none"> <li>Partnerships where Gojek and Tokopedia merged to form GoTo Group to create a digital ecosystem</li> </ul>



## Key Drivers & Barriers



<b>Level of Digital Adoption</b>	 <ul style="list-style-type: none"> <li>Well-developed digital ecosystem and a high level of smartphone penetration</li> </ul>	 <ul style="list-style-type: none"> <li>Lags in terms of smartphone penetration and digital infrastructure</li> </ul>
<b>Digital Payments Penetration and Coverage</b>	 <ul style="list-style-type: none"> <li>Expanding middle class to cater to rising demand for investment and wealth management services</li> </ul>	 <ul style="list-style-type: none"> <li>Income inequality poses challenges and adoption may vary across income groups</li> </ul>
<b>Regulatory Support and Collaboration</b>	 <ul style="list-style-type: none"> <li>Strong regulatory framework is generally favorable for WealthTech platforms</li> </ul>	 <ul style="list-style-type: none"> <li>Regulatory frameworks may still be in the early stages of development</li> </ul>
<b>Market Growth and Investment</b>	 <ul style="list-style-type: none"> <li>Experiencing notable growth in its fintech sector, with increasing investments and market expansion</li> </ul>	 <ul style="list-style-type: none"> <li>WealthTech sector has been developing, but at a slower rate</li> </ul>
<b>Technological Advancements</b>	 <ul style="list-style-type: none"> <li>Growing investment market, however traditional financial institutions still play a significant role</li> </ul>	 <ul style="list-style-type: none"> <li>While investments are on the rise, its market may not be as advanced as other regional players</li> </ul>
<b>Partnerships and Collaborations</b>	 <ul style="list-style-type: none"> <li>Initiatives like regulatory sandboxes improved infrastructure, although legacy systems can still pose challenges</li> </ul>	 <ul style="list-style-type: none"> <li>B2B landscape is in the early stages of development</li> </ul>
<b>Emphasis on Connectivity</b>	 <ul style="list-style-type: none"> <li>Notable collaborations where the Malaysia Digital Economy Corporation (MDEC) collaborates with fintech start ups</li> </ul>	 <ul style="list-style-type: none"> <li>Partnerships and collaborations in fintech and WealthTech are in the early stages</li> </ul>



High



Moderate



Limited



Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.

## Key Drivers & Barriers



<b>Level of Digital Adoption</b>	<ul style="list-style-type: none"> <li>Has a strong digital presence, and smartphone adoption is high</li> </ul>	<ul style="list-style-type: none"> <li>Shown impressive growth in digital adoption, but may not be as advanced as others</li> </ul>
<b>Digital Payments Penetration and Coverage</b>	<ul style="list-style-type: none"> <li>Expanding affluent population makes it an attractive market</li> </ul>	<ul style="list-style-type: none"> <li>Emerging middle class and increasing wealth levels are making it more relevant for WealthTech platforms</li> </ul>
<b>Regulatory Support and Collaboration</b>	<ul style="list-style-type: none"> <li>Developing its regulatory framework for fintech and WealthTech, but may not be as advanced</li> </ul>	<ul style="list-style-type: none"> <li>May have more regulatory challenges as regulatory framework is still developing</li> </ul>
<b>Market Growth and Investment</b>	<ul style="list-style-type: none"> <li>Fintech ecosystem has been attracting investments from both domestic and international sources</li> </ul>	<ul style="list-style-type: none"> <li>WealthTech sector has been developing, but at a slower rate</li> </ul>
<b>Technological Advancements</b>	<ul style="list-style-type: none"> <li>The adoption of digital WealthTech solutions is on the rise, but could face some investor conservatism</li> </ul>	<ul style="list-style-type: none"> <li>While investments are on the rise, its market may not be as advanced as other regional players</li> </ul>
<b>Partnerships and Collaborations</b>	<ul style="list-style-type: none"> <li>While there is progress, legacy systems and data integration challenges may hinder scalability</li> </ul>	<ul style="list-style-type: none"> <li>B2B landscape is in the early stages of development</li> </ul>
<b>Emphasis on Connectivity</b>	<ul style="list-style-type: none"> <li>Collabs are evolving, where the Bank of Thailand has facilitated partnerships between banks and fintech firms</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships and collaborations in fintech and WealthTech are in the early stages</li> </ul>



High



Moderate



Limited



Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.

# What's next for WealthTech in SEA

The WealthTech sector in SEA holds significant promise, with projections indicating a market size of approximately \$2.2 trillion in assets under management by 2025. Regulatory advancements and the rise of tech-savvy digital natives are shaping the landscape. Challenges around data privacy and resistance to change need to be addressed to unlock the full growth potential of the industry in the region.

## Rise of digital natives

The wealth transfer between generations is fuelling the growth of assets managed by digital natives, presenting a significant opportunity for WealthTech firms. These tech-savvy individuals are actively seeking digital wealth management solutions that align with their preferences. The rise of digital natives in Southeast Asia underscores the potential for WealthTech firms to cater to the unique needs and preferences of this tech-savvy demographic.



## Rapid regulatory development

As regulations evolve in the realm of digital assets and fintech, the WealthTech market is shifting its focus towards regulatory compliance. Clear regulatory frameworks are seen as pivotal in nurturing WealthTech growth, especially in the cryptocurrency sector. Southeast Asian regulatory developments, exemplified by Singapore's Personal Data Protection Act, aim to ensure responsible handling and protection of personal information within the WealthTech industry.

## Growing innovations driven by technological advancement

Rapid technological advancements, such as data analytics, drive innovation in WealthTech. These technologies offer personalized financial advice, automated investment strategies, and enhanced user experiences, attracting a growing user base. Reports predict a surge in alternative asset popularity among Asian investors, driven by technology's role in simplifying access to these opportunities through WealthTech platforms.

## Data privacy and security concerns

WealthTech platforms in SEA grapple with safeguarding sensitive financial and personal data, heightening concerns about data privacy and security. To gain users' trust and facilitate widespread adoption, addressing these apprehensions through robust data protection measures is imperative. Notably, industry leaders like Grab Financial in Southeast Asia have actively worked to enhance data privacy and security, setting an example for others in the region.

## Resistance to change

In SEA, there exists a segment of individuals and traditional wealth management firms that exhibit a degree of resistance towards embracing digital solutions, often favoring conventional offline wealth management practices. The task of overcoming this resistance and effectively imparting knowledge regarding the advantages and value proposition of WealthTech represents a notable challenge within the industry.

Sources: YCP Analysis

## Chapter 5

# InsurTech

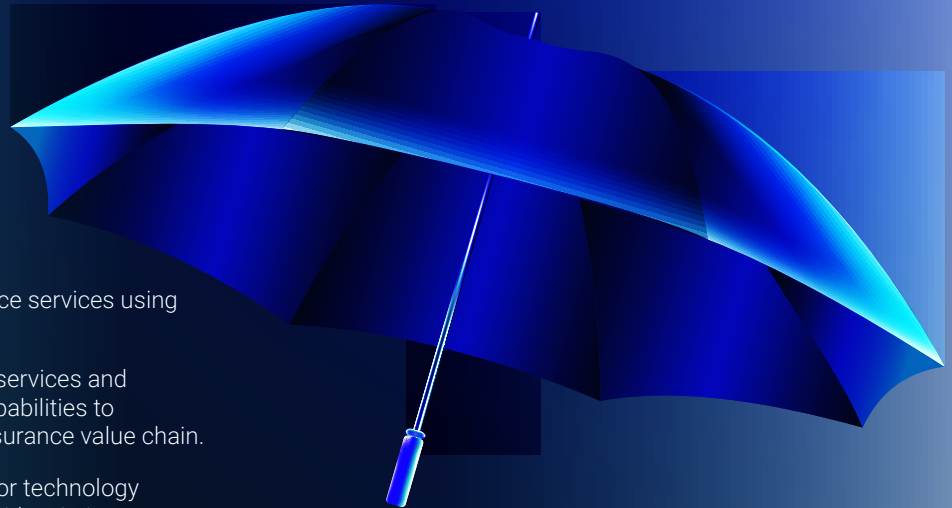
Insurance Tech (InsurTech) companies provide full-stack end-to-end solutions to a digitally savvy customer demographic or focus on one or several stages in the insurance value chain

### Key Services Offered by InsurTech Companies in SEA

		Category Coverage Across 3 Major Player Types		
		Full Carriers	Enablers	Distributors
<b>Analytics</b>	Data-driven insights to enhance risk assessment and improve insurance operations			
<b>Administrative Systems</b>	Digital platforms managing policy administration and operational processes			
<b>Risk Assessment</b>	Data-driven approach to risk management and underwriting			
<b>Health &amp; Wellness</b>	Digital solutions promoting well-being and preventive healthcare			
<b>P2P &amp; Community</b>	Shared risk and coverage among individuals in InsurTech community platforms			
<b>Comparison Sites</b>	Platforms for comparing insurance policies and providers			
<b>Ecosystems</b>	Interconnected services and solutions in the InsurTech industry ecosystem			
<b>Direct &amp; On-Demand</b>	Access to insurance coverage and services on a per-need basis			
<b>Sales</b>	Digital tools and platforms to facilitate insurance product sales			
<b>Commercial Platforms</b>	Digital platforms catering to the commercial insurance sector			

Source: Fintechnews.sg, Tech In Asia, company websites

# Major Players in InsurTech in SEA



**Full carriers** provide direct insurance services using digital tools.

**Enablers** provide direct insurance services and leverage technology and digital capabilities to enhance various aspects of the insurance value chain.

**Distributors** act as intermediaries or technology platforms connecting customers with existing insurance carriers.

## Digital Advisory



## Tech & Infra



## Enablers

### Distributors

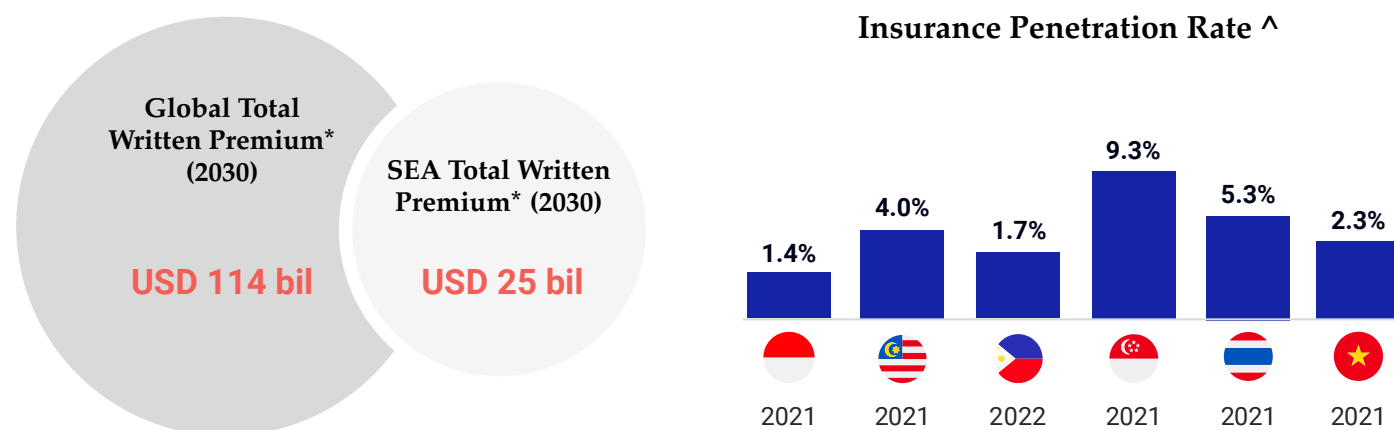


\* Note: List of companies here is not exhaustive

Source: Fintechnews.sg, Tech In Asia, company websites



## The InsurTech landscape in SEA is poised to grow with an emphasis on building a stable InsurTech infrastructure and ecosystem partnerships



\* Total premiums written is a metric measuring insurance company size and market share. It represents the total amount collected from policyholders and helps assess market presence and competitiveness.

^ Insurance Penetration Rate refers to the total gross written premiums of life and non-life insurance over the gross domestic product of a country.

**Southeast Asia's (SEA) InsurTech market will play a crucial role in the overall global growth of the market:** The global gross written premium is projected to reach USD 114 bil by 2030, strengthened by a 46.1% CAGR growth rate. SEA, on the other hand, represents only 22% of the market, and is estimated to triple by 2029, potentially capturing more market share. This growth is driven by the accelerating digital adoption by countries and the evolution of the conventional insurance distribution model. In SEA, insurers have traditionally depended on agents, brokers, and bancassurance for policy sales. However, there is a growing trend of direct-to-consumer models in the industry. However, there was a significant increase in online policy issuance, with more consumers purchasing health and life insurance policies online.

**Low insurance penetration and investor positivity will continue to fuel InsurTech advancements:** Southeast Asia is a fertile ground for InsurTech companies to drive advancements and reshape the delivery of insurance solutions. The low insurance penetration rate is driven by low financial literacy, lack of access to financial services, and complex insurance packages offered by traditional insurers.

**Other emerging SEA countries still lag in terms of a stable InsurTech infrastructure:** Regions like Philippines and Vietnam are still nascent and in need of an InsurTech revolution, despite low insured populations. The Philippines is beginning to witness the early signs of an InsurTech ecosystem, and it remains intriguing to see whether the InsurTech presence will develop internally or through new market entrants.

**Emphasis on partnerships, mobile solutions, and big data utilization:** Digital InsurTech players are partnering with insurers, coexisting with traditional models. This collaboration has brought personalized offerings, expanded distribution, and access to consumer data. InsurTech's mobile solutions and big data utilization are expected to transform the industry, providing informative platforms and tailored risk assessments for customers in the long term.

Source: World Bank, Statista, YCP Analysis, Fintechnews.sg

## Regulatory support across all SEA countries, coupled with developing a robust digital InsurTech infrastructure, has been one of the key themes in SEA

### Notable Trends and Developments

### Key Implications



- Indonesia's InsurTech market is rapidly evolving, and major players have been adept in addressing the challenges of insurance accessibility and affordability. Startups like PasarPolis and Qoala have gained popularity by offering innovative offering innovative insurance solutions. The country's large population and increasing internet penetration provide significant opportunities for InsurTech growth.

- With the rising consumer adoption, particularly among the younger population, and a vibrant venture capital (VC) landscape, InsurTech startups can leverage digital platforms to offer affordable and accessible insurance products tailored to the needs of Indonesian consumers.



- Malaysia's InsurTech scene is witnessing growth with startups like PolicyStreet and GoBear gaining traction and market share. The Malaysian government has introduced initiatives such as the Financial Technology Regulatory Sandbox to promote digital transformation in the insurance sector, including the introduction of virtual insurance brokers selling insurance on e-commerce sites and digital Takaful insurance products.

- The initiatives taken by the Malaysian government to promote digital transformation in the insurance sector will increase insurance penetration and accessibility. InsurTech startups can contribute to expanding insurance coverage and providing more tailored solutions to consumers.



- The Philippines is still in the early stages of an InsurTech ecosystem, where there are limited purchasing channels, but it is set to change as the population becomes more willing to adopt new digital solutions and business models introduced by InsurTech. Another area for InsurTech to see growth is in agricultural crop insurance, where emerging players provide blockchain-based insurance to farmers.

- The emergence of an InsurTech ecosystem in the Philippines unlocks more white spaces for InsurTech startups, and they can drive product innovation by offering more convenient and user-friendly insurance solutions, potentially improving insurance awareness and adoption in the country.



## Regulatory support across all SEA countries, coupled with developing a robust digital InsurTech infrastructure, has been one of the key themes in SEA

### Notable Trends and Developments

### Key Implications



- The growth of the InsurTech ecosystem in Singapore positions the country as a hub for innovation in the insurance industry. Singapore is considered the frontrunner in SEA. The Singapore government (MAS) has been forward-looking in this aspect, having regulatory sandboxes in place, and working closely with industry representatives like Aviva, AXA, and Allianz, and actively promoting digital innovation in the insurance sector through initiatives like the ASEAN InsurTech LaunchPad.

- The vibrant and supportive InsurTech ecosystem promotes competition and encourages traditional insurers to adopt digital solutions to remain relevant in the market. It has enabled players to be innovative, focusing on tech and infrastructure development and complementary services such as cyber-fraud coverage incorporated into home insurance packages.



- Thailand has made progress in its InsurTech market, with its large life insurance sector and growing auto-insurance sector. The country has seen increased investment in insurance technology and a rise in partnerships between traditional insurers and InsurTech startups. Through its fourth Insurance Development Plan (IDP 4), the goal is to support InsurTech and make more funding sources accessible and enabling startups to enter the insurance market more quickly.

- The partnerships between traditional insurers and InsurTech startups in Thailand can allow traditional insurers to leverage technology and reach a broader customer base to make solutions more inclusive, while startups gain access to established distribution networks and resources.









- In Vietnam, InsurTech companies prioritize microinsurance solutions to offer affordable coverage to unbanked and unbanked populations. They leverage mobile technology for wider access. The Vietnamese government supports the InsurTech industry through favorable regulations, encouraging innovation and facilitating the growth of startups in a digital-friendly environment.

- With the efforts from both startups and the government, insurance accessibility is enhanced and the coverage gap for underserved segments is slowly bridged with customised solutions. These services have the potential to increase insurance penetration and promote financial inclusion.

Source: BOI (Board of Investment) Thailand, Fintechnews.sg, YCP Analysis

## Stakeholders need to leverage on the strong digital adoption and market potential of emerging economies in SEA to overcome major challenges

### Key Drivers & Barriers

		
<b>Level of Digital Adoption</b>	 <ul style="list-style-type: none"> <li>High internet and mobile penetration</li> </ul>	 <ul style="list-style-type: none"> <li>Moderate internet and mobile penetration</li> </ul>
<b>Insurance Penetration and Coverage</b>	 <ul style="list-style-type: none"> <li>Consumers search for better value solutions in the long-term for their paid premiums</li> </ul>	 <ul style="list-style-type: none"> <li>Low insurance awareness and the lack of requiring insurance coverage</li> </ul>
<b>Regulatory Support and Collaboration</b>	 <ul style="list-style-type: none"> <li>Strong government support and regulatory initiatives</li> </ul>	 <ul style="list-style-type: none"> <li>Efforts to develop regulatory sandboxes but complexities in compliance remain</li> </ul>
<b>Market Growth and Investment</b>	 <ul style="list-style-type: none"> <li>Strong investor network of VC firms, angel and corporate investors who bring expertise, funding</li> </ul>	 <ul style="list-style-type: none"> <li>Limited access to funding and investment</li> </ul>
<b>Technological Advancements</b>	 <ul style="list-style-type: none"> <li>Innovation-driven ecosystem with high technological expertise and infrastructure</li> </ul>	 <ul style="list-style-type: none"> <li>Infrastructure and connectivity limitations in certain regions</li> </ul>
<b>Partnerships and Collaborations</b>	 <ul style="list-style-type: none"> <li>Deep collaborations between traditional insurers and startups</li> </ul>	 <ul style="list-style-type: none"> <li>Growing partnerships between insurers and startups are driving innovation</li> </ul>
<b>Emphasis on Connectivity</b>	 <ul style="list-style-type: none"> <li>Emphasis on data analytics and personalized offerings</li> </ul>	 <ul style="list-style-type: none"> <li>Need to focus on microinsurance and tailored solutions</li> <li>Need for consumer education</li> </ul>

## Key Drivers & Barriers



<b>Level of Digital Adoption</b>	 <ul style="list-style-type: none"> <li>High internet and mobile penetration</li> </ul>	 <ul style="list-style-type: none"> <li>High internet and mobile penetration</li> </ul>
<b>Insurance Penetration and Coverage</b>	 <ul style="list-style-type: none"> <li>Rising demand for digital insurance solutions</li> </ul>	 <ul style="list-style-type: none"> <li>Limited insurance awareness and understanding</li> </ul>
<b>Regulatory Support and Collaboration</b>	 <ul style="list-style-type: none"> <li>Digital transformation initiatives, but licensing challenges remain</li> </ul>	 <ul style="list-style-type: none"> <li>Efforts to develop regulatory sandboxes, but complexities in compliance remain</li> </ul>
<b>Market Growth and Investment</b>	 <ul style="list-style-type: none"> <li>Growing InsurTech investment and funding</li> </ul>	 <ul style="list-style-type: none"> <li>Limited access to funding and investment</li> </ul>
<b>Technological Advancements</b>	 <ul style="list-style-type: none"> <li>Limited availability of skilled talent</li> <li>Legacy systems and integration challenges</li> </ul>	 <ul style="list-style-type: none"> <li>Challenges in talent acquisition, retention</li> <li>Infrastructure limitations</li> </ul>
<b>Partnerships and Collaborations</b>	 <ul style="list-style-type: none"> <li>Growing partnerships between insurers and InsurTech startups and PPPs*</li> </ul>	 <ul style="list-style-type: none"> <li>Growing partnerships between insurers and startups to reduce the inclusivity gap</li> </ul>
<b>Emphasis on Connectivity</b>	 <ul style="list-style-type: none"> <li>Increasing focus overall customer experience and improving trust and satisfaction</li> </ul>	 <ul style="list-style-type: none"> <li>Increasing focus on enhancing customer experience and engagement</li> </ul>



High



Moderate



















Limited



Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.

## Key Drivers & Barriers

		
<b>Level of Digital Adoption</b>	 <ul style="list-style-type: none"> <li>Moderate internet and mobile penetration</li> </ul>	 <ul style="list-style-type: none"> <li>Moderate internet and mobile penetration</li> </ul>
<b>Insurance Penetration and Coverage</b>	 <ul style="list-style-type: none"> <li>Rising demand for personalized insurance products</li> </ul>	 <ul style="list-style-type: none"> <li>Insurance protection gap is still large and unaddressed</li> </ul>
<b>Regulatory Support and Collaboration</b>	 <ul style="list-style-type: none"> <li>Supportive regulatory framework and government initiatives</li> </ul>	 <ul style="list-style-type: none"> <li>Efforts to develop regulatory sandboxes but complexities in compliance remain</li> </ul>
<b>Market Growth and Investment</b>	 <ul style="list-style-type: none"> <li>Rise of digital platforms and growing investment interest</li> </ul>	 <ul style="list-style-type: none"> <li>Funding constraints as InsurTech landscape is still at a nascent stage</li> </ul>
<b>Technological Advancements</b>	 <ul style="list-style-type: none"> <li>AI and blockchain adoption, however, concerns over data privacy and security</li> </ul>	 <ul style="list-style-type: none"> <li>Early-stage technological infrastructure and innovation</li> </ul>
<b>Partnerships and Collaborations</b>	 <ul style="list-style-type: none"> <li>Strong partnerships in aspects such as incubation programs, data sharing, digital distribution platforms</li> </ul>	 <ul style="list-style-type: none"> <li>Limited availability of Insurtech and limited awareness of the Insurtech concept</li> </ul>
<b>Emphasis on Connectivity</b>	 <ul style="list-style-type: none"> <li>Still a lack of consumer awareness and need to build trust in digital solutions</li> </ul>	 <ul style="list-style-type: none"> <li>Need to focus on microinsurance and tailored solutions</li> <li>Need for consumer education</li> </ul>

 High
  Moderate
  Limited
  Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.



# What's next for InsurTech in SEA

There will be a shift of the market to focus on the uninsured and underinsured communities and smaller businesses, where the market is vast and remains largely untapped, with most unable to access or afford formal insurance coverage or financial protection adequately.



## **Growth of digital distribution channels**

Local startups will need to tackle various areas including distribution, insurance management, and human resources administration, aggregators and comparison platforms, insurance-related services, and underwriting and propositions by leveraging digital platforms, mobile apps, and online channels to offer insurance products directly to customers.

## **Focus on customer-centric solutions and insurtech use cases**

There will be an increasing need to prioritize personalized experiences, improve customer engagement and transparency, and enhance claims processes. InsurTech solutions will expand beyond traditional insurance lines, such as life and health insurance, to include new areas like microinsurance, parametric insurance, and peer-to-peer insurance. Using emerging technologies like blockchain, IoT, and AI.

## **Expansion of insurtech ecosystems**

SEA will see the growth of their InsurTech ecosystems with the emergence of more startups, incubators, and accelerators. This will foster innovation, attract investment, and create a supportive environment for InsurTech development.

## **Push for enhanced regulatory support and multi-stakeholder collaboration**

Governments and regulatory authorities, especially in Indonesia, the Philippines and Vietnam, will continue to promote InsurTech innovation by implementing supportive regulations and frameworks. Partnerships, joint ventures, and acquisitions among regulatory bodies, traditional insurers, and InsurTech startups will be encouraged, allowing more access to innovative technologies and the expertise and distribution networks of traditional insurers.

## **Increased focus on cybersecurity**

As the reliance on digital platforms grows, there will be an increased emphasis on cybersecurity and data protection. InsurTech companies will invest in robust cybersecurity measures to safeguard customer information and protect against cyber threats.

## Chapter 6

# Cryptocurrency



Cryptocurrency exchanges dominate, and there is growing demand for integrated solutions that allow users to access a wide range of services from a single platform

## Key Services Offered by Cryptocurrency Companies in SEA

### Cryptocurrency exchanges

Platforms that allow users to buy, sell, and trade cryptocurrencies, such as Bitcoin, Ethereum, and Tether.

### Cryptocurrency wallets

Software programs or hardware devices that store cryptocurrency safely and securely.

### Payment processors

Companies that enable businesses to accept cryptocurrency payments.

### Lending & borrowing

Platforms that allow users to borrow or lend cryptocurrency.

### Investment services

Companies that offer investment products, such as cryptocurrency funds and indexes.

### Custody services

Companies that provide secure storage and management of cryptocurrency assets.

### Data and analytics

Companies that provide data and analytics tools for cryptocurrency traders and investors.

### Blockchain development

Companies that help businesses develop and deploy blockchain-based applications.

### NFT marketplaces

Platforms that allow users to buy, sell, and trade non-fungible tokens (NFTs).

### Crypto staking and mining

Companies that offer services that allow users to earn cryptocurrency rewards by staking or mining cryptocurrency.

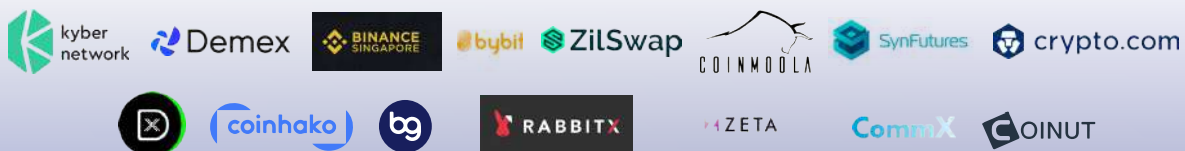
### Education and training

Companies that provide educational resources and training programs to help people learn about cryptocurrency.

Source: Fintechnews.sg, Tech In Asia, company websites

# Major Players in Cryptocurrency in SEA

## Exchanges / Lending & Borrowing



### Infrastructure



### Wallets



### Staking/Mining



### Custody services



### Education & training



### NFT Marketplaces



### Integrated Services

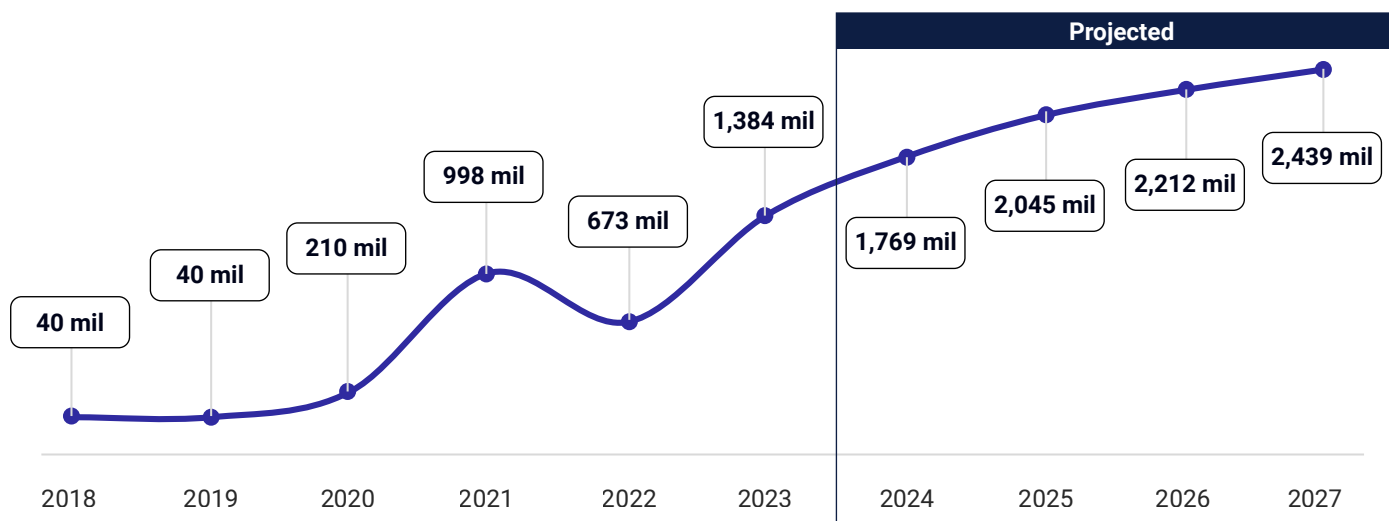


\* Note: List of companies here is not exhaustive

Source: Fintechnews.sg, Tech In Asia, company websites

The industry is still in nascent stages and has the potential to revolutionize the way people transact; by addressing barriers to adoption, the industry can grow further

Revenue of Cryptocurrency Industry in SEA  
from 2018 to 2027



**Increased adoption of cryptocurrency by businesses and consumers:** Businesses in SEA are accepting cryptocurrency payments, and consumers are increasingly using cryptocurrency for online and offline transactions. Within Southeast Asia, hubs for blockchain technologies including cryptocurrencies have sprouted in Singapore, Vietnam, and Thailand with other countries such as Indonesia and Philippines slowly developing their own blockchain ecosystems.

**Growing popularity of DeFi and NFTs:** Decentralized finance (DeFi) and non-fungible tokens (NFTs) are opening up new opportunities for cryptocurrency use in SEA. DeFi is providing access to financial services to the unbanked and underbanked, while NFTs are being used for a variety of applications, including gaming, art, and collectibles.

**Supportive government policies:** Governments in SEA are taking a more supportive stance on cryptocurrency, with some countries developing regulatory frameworks to encourage responsible industry growth.

**Current uncertainty due to lack of regulatory frameworks:** While the cryptocurrency industry in SEA is experiencing rapid growth, there is also a degree of uncertainty due to the lack of comprehensive regulatory frameworks. This uncertainty is causing some businesses and investors to hesitate from fully embracing cryptocurrency. However, governments in SEA are working on developing regulatory frameworks that will provide clarity and stability for the industry. These frameworks are expected to be implemented in the coming years, which should help to reduce uncertainty and encourage further growth.



Countries in the SEA region have been looking into more extensive adoption of blockchain community with increased investment and support by the government and corporations

Notable Trends and Developments		Key Implications	
	<ul style="list-style-type: none"><li>• In July 2023, the Indonesian government launched the world's first state-backed cryptocurrency bourse, supervised by the Commodities Futures Trading Supervisory Agency. Local company PT Kliring Berjangka Indonesia was appointed as the futures clearing house for the settlement of crypto assets. In contrast, another local company, PT Tennet Depository Indonesia, was appointed as the crypto asset storage manager.</li></ul>	<ul style="list-style-type: none"><li>• With the strengthening of the regulatory environment for the cryptocurrency sector, licensed companies like Ripple, Ethereum, and Bitcoin, can operate in a safe crypto trading ecosystem. Currently, the use of cryptocurrencies as a payment medium is still prohibited.</li></ul>	
	 <ul style="list-style-type: none"><li>• In 2022, the Malaysian Securities Commission (SC) established a framework for cryptocurrency exchanges, requiring them to register with the SC and comply with certain regulatory requirements.</li><li>• It has become a large cryptocurrency trading market, with over 1 mil cryptocurrency traders. Central bank, Bank Negara Malaysia (BNM), is also exploring the use of blockchain technology for cross-border payments.</li></ul>	<ul style="list-style-type: none"><li>• The Malaysian government's support for cryptocurrency and blockchain is positive, and this cautious and pragmatic approach promotes growth and development. The new framework increases investor protection and reduces fraud.</li></ul>	
	<ul style="list-style-type: none"><li>• The Philippine Securities and Exchange Commission (SEC) has issued multiple regulations for cryptocurrency exchanges, but there is still no comprehensive regulatory framework for cryptocurrency and blockchain in the country.</li><li>• In 2022, the Philippine Central Bank (BSP) issued a circular requiring banks to report suspicious cryptocurrency transactions.</li></ul>	<ul style="list-style-type: none"><li>• Cryptocurrency exchanges need to comply with SEC regulations, including KYC/AML requirements and BSP reporting requirements, which could potentially increase cryptocurrency transaction costs and reduce the risk of fraud and scams.</li></ul>	

Source: Tech in Asia, fintech.sg, theedgemalaysia, p2enews, matterslab



## Countries in the SEA region have been looking into more extensive adoption of blockchain community with increased investment and support by the government and corporations

### Notable Trends and Developments

### Key Implications



- In Nov 2023, MAS (Monetary Authority of Singapore) began gradually rolling out new investor protection measures the new investor protection measures for cryptocurrency service providers to focus on business conduct, consumer access, technology and cyber risk management. In 2022, the Singapore government launched a sandbox for blockchain-based applications, allowing startups to test their applications in a controlled environment.
- Evolved into a major hub for cryptocurrency investment, with over 1,500 cryptocurrency companies.

- Singapore's new cryptocurrency regulations and blockchain sandbox foster innovation while protecting investors. Cryptocurrency service providers must enhance compliance, startups gain regulatory clarity, and investors benefit from enhanced protections and a wider range of investment options as Singapore positions it as a leading cryptocurrency hub.



- In 2022, the Thai Securities and Exchange Commission (SEC) issued a warning to cryptocurrency exchanges about the risks of operating in the country without a license.
- Thailand is a major exporter of goods and services, and several blockchain-based startups are developing solutions to improve the efficiency of supply chains. For example, a startup called Omise has developed a blockchain-based platform for cross-border payments.

- Thailand's cryptocurrency licensing requirements and blockchain adoption drive compliance and supply chain efficiency. Cryptocurrency exchanges face operational risks, while blockchain startups gain opportunities to improve cross-border payments and supply chain management.



- The country's central bank, the State Bank of Vietnam (SBV), is currently exploring the use of blockchain technology for central bank digital currencies (CBDCs).
- Vietnamese startups are developing green cryptocurrency mining technologies. For example, a startup called Bamboo Energy has developed a blockchain-based platform that allows users to invest in renewable energy projects.











- The adoption of blockchain technology for CBDCs and the development of green cryptocurrency mining technologies could lead to increased efficiency, transparency, and sustainability in the Vietnamese financial sector, potentially benefiting all stakeholders, including the central bank, startups, investors, and the general public.



The SEA region has strong awareness and adoption of Cryptocurrency, but still has ways to go and improve to fully capitalize on the growth of the industry

### Key Drivers & Barriers



<b>Level of Digital Adoption</b>	 <ul style="list-style-type: none"> <li>High level of adoption on multiple verticals</li> </ul>	 <ul style="list-style-type: none"> <li>Still a growing adoption of multiple verticals</li> </ul>
<b>Regulatory Support and Collaboration</b>	 <ul style="list-style-type: none"> <li>Strong government support and regulatory initiatives</li> </ul>	 <ul style="list-style-type: none"> <li>Rising government support and initiatives</li> </ul>
<b>Market Growth and Investment</b>	 <ul style="list-style-type: none"> <li>Heavily funded from international giants and VCs</li> </ul>	 <ul style="list-style-type: none"> <li>Rising foreign investment and expanding venture capital ecosystem</li> </ul>
<b>Technological Advancement</b>	 <ul style="list-style-type: none"> <li>Advanced IT and digital infrastructure and networks with a deep talent pool</li> </ul>	 <ul style="list-style-type: none"> <li>Limited IT infrastructure and network reach that is still being developed</li> </ul>
<b>Partnerships, Collaborations, and Events</b>	 <ul style="list-style-type: none"> <li>Strong partnership and collaborations across industries</li> <li>Frequent events regarding the cryptocurrency space</li> </ul>	 <ul style="list-style-type: none"> <li>Limited partnerships across industries</li> <li>Hosts events regarding the cryptocurrency space</li> </ul>



High



Moderate



Limited



Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.

## Key Drivers & Barriers



### Level of Digital Adoption



- Healthy adoption in multiple verticals



- Rising government support and initiatives

### Regulatory Support and Collaboration



- Rising government support and initiatives



- Limited but growing government support

### Market Growth and Investment



- Rising digital investment opportunities by the public and private sector



- A few investments by venture capitals and startup accelerators

### Technological Advancement



- Strong and expanding digital structure with technical talent pool



- Limited IT infrastructure and network reach that is still being developed

### Partnerships, Collaborations, and Events



- Fairly active partnership and collaborations across industries
- Frequent events on technology and cryptocurrency space



- Still developing in terms of partnerships with recent partnership with a telecommunications company



High



Moderate



Limited



Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.

## Key Drivers & Barriers



### Level of Digital Adoption



- Healthy adoption of multiple verticals



- High level of adoption on multiple verticals

### Regulatory Support and Collaboration



- Rising government support and initiatives



- Development stage of legal frameworks and government support

### Market Growth and Investment



- Rising foreign investments and accelerators



- A huge amount of local and foreign direct investment in terms of cryptocurrency technology

### Technological Advancement



- Strong and expanding digital structure with developed connectivity



- Developing digital infrastructure but has a strong technical talent pool

### Partnerships, Collaborations, and Events



- Fairly active partnership and collaborations across industries



- Fairly active partnership and collaborations across industries



High



Moderate



Limited



Early Stage

harvey ball analysis to describe where each country is at in terms of key drivers and barriers and level of impact on each country.

# What's next for Cryptocurrency in SEA

The cryptocurrency market in Southeast Asia is poised for continued growth in the coming years, fuelled by rising adoption by businesses and consumers, increasing popularity of decentralized finance (DeFi), and growing regulatory clarity. This expansion will bring innovation, financial inclusion, and economic opportunities to the region.



## **Potential adoption of cryptocurrencies by businesses**

The increased adoption of cryptocurrencies by businesses in SEA is driven by several factors, including their convenience and cost-effectiveness for making payments, their faster and more affordable nature for sending remittances, and their potential for providing businesses with a competitive edge through investments in innovative ventures.

## **Rise of decentralized finance (DeFi)**

The burgeoning decentralized finance (DeFi) sector, built upon decentralized applications (DApps) within the cryptocurrency market, is another catalyst propelling the growth of the cryptocurrency market in Southeast Asia. DApps, applications built on blockchain technology, serve diverse purposes, including lending, trading, and insurance.

## **Regulatory clarity and investor confidence**

Governments in Southeast Asia are implementing increasingly clear cryptocurrency regulations, bolstering investor confidence. This regulatory framework is essential for fostering a stable and secure environment that promotes cryptocurrency adoption and expansion and establishing a more transparent path for businesses and consumers to navigate the cryptocurrency landscape.

## **Challenges despite growth potential**

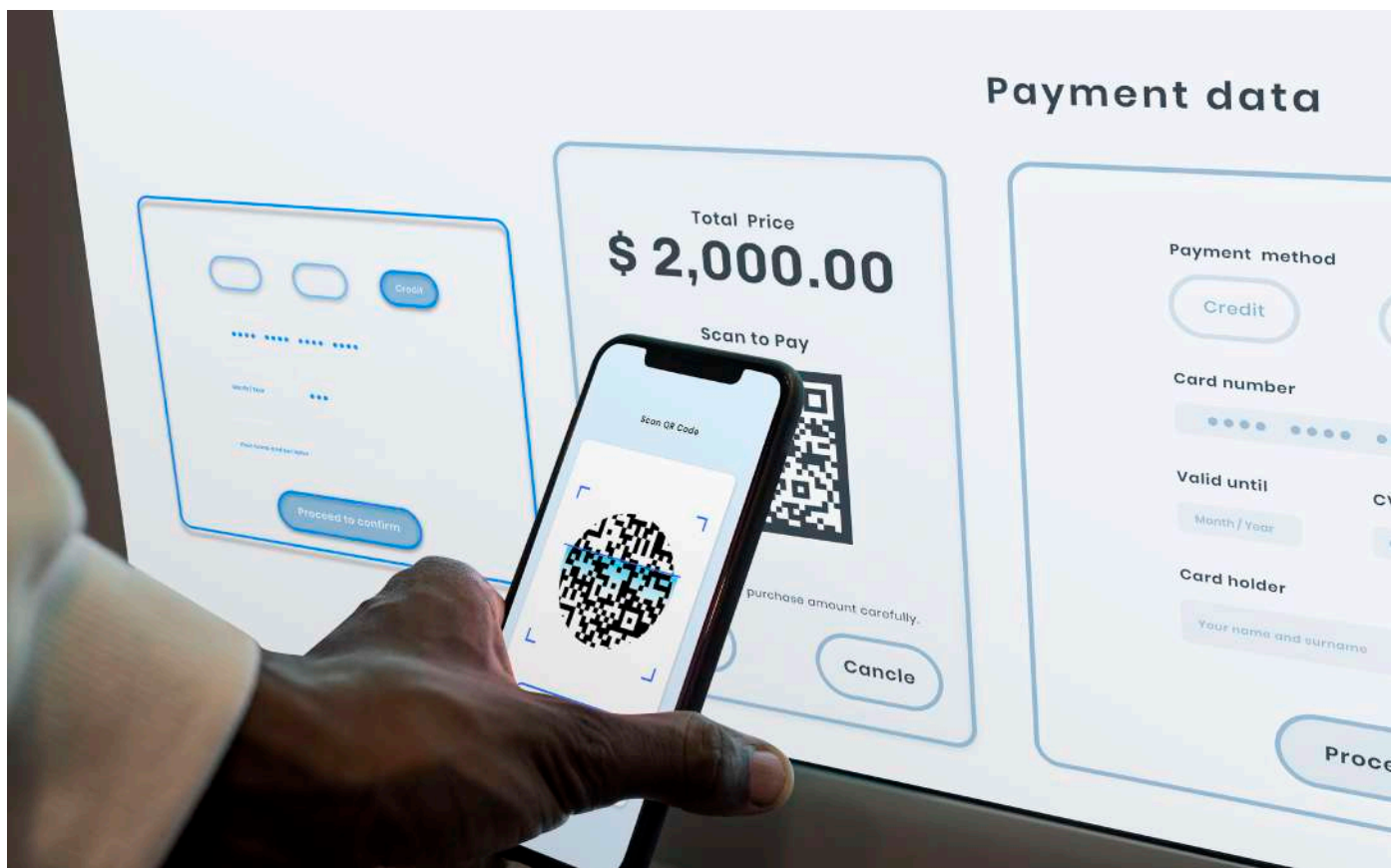
Despite the optimistic prospects for the cryptocurrency market in Southeast Asia, it faces several challenges, including the volatility of cryptocurrency prices, which make them risky investment choices, the potentiality for scams that pose significant risks to investors, and a limited understanding of consumer cryptocurrencies that can hinder adoption.

## **Cryptocurrency market in SEA is expected to continue expanding in the coming years**

Despite these hurdles, the cryptocurrency market in SEA is expected to continue expanding in the coming years. This growth will be driven by businesses and consumers' rising adoption of cryptocurrencies, the growing popularity of DeFi, and the increasing regulatory clarity in the region.

## Future Outlook

# Embedded finance, digital banks and partnerships will shape the future



## What's next for SEA's fintech ecosystem?

Southeast Asia's fintech landscape is poised for continued growth and innovation, driven by a rapidly expanding digital economy and a growing tech-savvy population. This report delves into the main trends and prospects of key fintech segments, including digital payments, digital lending, InsurTech, WealthTech, and cryptocurrency.

Embedded finance will integrate financial services directly into customer journeys, enhancing convenience and accessibility. Digital banks will disrupt the traditional banking model by offering fully digital and customer-centric financial services.

Fintechs will collaborate with traditional financial institutions and governments to drive innovation and financial inclusion.

The fintech landscape in Southeast Asia is characterized by rapid growth, innovation, and collaboration. Digital payments, digital lending, InsurTech, WealthTech, and cryptocurrency are key areas of growth and transformation. Embedded finance, digital banks, and partnerships between fintechs, traditional financial institutions, and governments will shape the future of the fintech landscape in Southeast Asia.



# Outlook and key themes to look out for...



## Digital Payments

### Seamless and Convenient Transactions

Digital payments are at the forefront of fintech in Southeast Asia, with mobile wallets and QR codes gaining widespread adoption. This trend is expected to continue, fuelled by the growth of e-commerce and the increasing preference for cashless transactions. Cross-border payments are also expected to become more seamless and efficient, facilitating trade and remittances across the region.



## Digital Lending

### Expanding Access to Financial Services

Digital lending is poised to surpass digital payments as the primary revenue driver for digital financial services in Southeast Asia by 2025. Automated loan origination procedures will make loan applications and approvals faster and more efficient, expanding access to financial services for underserved communities. Financial services will be seamlessly integrated into customers' digital journeys, providing convenient financing options for online shopping, travel bookings, and other activities.



## InsurTech

### Disrupting the Traditional Insurance Industry

InsurTech is disrupting the traditional insurance industry by offering personalized, on-demand, and data-driven insurance products. Microinsurance and parametric insurance are providing affordable and accessible insurance solutions to underserved populations. Partnerships between InsurTech companies and traditional insurance providers are accelerating innovation and market reach.



## WealthTech

### Democratizing Financial Advisory Services

WealthTech is democratizing access to financial advisory services and investment opportunities for individuals of all income levels. Robo-advisors are providing automated investment management based on individual risk profiles and financial goals. Digital platforms are making it easier for investors to access and manage their wealth portfolios.



## Cryptocurrency

### Navigating Regulatory Frameworks and Expanding Use Cases

Cryptocurrency adoption is expected to continue to grow in Southeast Asia, driven by the increasing awareness of its potential benefits. Regulatory frameworks will evolve to provide clarity and address concerns surrounding cryptocurrencies. Cryptocurrencies will be explored for new use cases, such as cross-border payments and remittances.

# Authors

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At YCPS, Takahiro Okawara has been engaged with go-to-market-strategy planning, M&A support, marketing projects, and hands-on support for new business launches.

Prior to joining YCPS, he gained expertise in Accenture where he was involved in new services/ business planning, business strategy, and business process reengineering projects for communication/ high-tech/ media industries as a project manager. At Rakuten, he was engaged in new business development, marketing operation and strategy planning, he also launched a new CVC group.

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At YCPS, Hiroshi Tsuchiya is a Director based in Singapore with a decade of experience across ASEAN. Within YCPS, he has worked in new business, digital, and growth strategies to assist clients across industrial manufacturing, public sector, energy, finance, and digital service.

Before joining YCP Solidiance, he worked as a Consultant at Boston Consulting Group (Tokyo) and as an Investment Associate at JX Nippon Oil & Gas Exploration. He holds a Bachelor's Degree in Journalism from Sophia University.

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At YCPS, Samantha is part of the Singapore management consulting team and works mainly on strategy projects, market research, and project management. She has also led initial due diligence of potential opportunities for YCP Group's principal investments in the education and F&B sectors. Samantha brings functional expertise in market research and entry strategy analysis, deal sourcing and evaluation, and due diligence of investment opportunities. She has industry expertise in various sectors such as tech, construction, logistics, automotive, retail, and consumer markets.

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# About Us

## What We Do

YCP Solidiance is an Asia-focused strategy consulting firm with offices across 20 key locations globally. Asia-focused with global presence, we define new business models and help clients drive their business growth through strategic solutions. We deliver high-impact advisory services by tailoring our services to suit different business needs. To learn more about our services visit: <https://ycpsolidiance.com>





## Our Locations

We are present in Singapore (global headquarters), Japan, China, Hong Kong, Taiwan, Indonesia, Malaysia, the Philippines, Thailand, Vietnam, India, United Arab Emirates, Canada, the United States, and the Netherlands.

## What We Focus On

We focus on advising our large client base across a wide spectrum of strategic consultancy areas, identify breakthrough growth opportunities and develop execution-ready strategies and roadmaps. Our Asia-focused market entry and growth strategy services provide the required insights to capture a profitable market share in the region.

## Connect With Us

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