

QATARI FINTECH LANDSCAPE & COMMERCIAL OPPORTUNITIES

QATAR
FINTECH
REPORT 2021



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QFC FINTECH INCENTIVES

QFC offers a host of incentives and benefits tailored specifically to FinTechs looking to expand to Qatar and set up their business on our platform:



QFC will waive the application fee of USD 5,000 for qualified fintech companies



QFC will waive the first year annual registration fee of USD 5,000 for qualified fintech companies



The QFC Fintech Circle, which provides a shared workspace and registration address, rent free for the first 12 months, for qualified fintech companies

* The QFCA reserves the right to amend or withdraw the incentives referred to above at any time and without notice. Please get in touch with our team to find out more about how you can take advantage of these incentives.

Are you ready to take your
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FOREWORD



COVID-19 accelerated FinTech developments in Qatar already underway, which has resulted in an influx of interest from commercial players to set up operations in Qatar over the past year. The country offers FinTechs worldwide substantial opportunities domestically as an unsaturated market with ICT spending expected to reach US\$9 billion by 2024, in addition to its first-mover advantage to emerge as a FinTech leader in the region.

Qatar has made remarkable progress in the FinTech space in a very short time. Several major developments have taken place in the last year, including the launch of Qatar's National FinTech Strategy, the Qatar FinTech Hub (QFTH) and its incubator and accelerator programmes as well as the Qatar Financial Centre (QFC) Fintech Circle and Tech Talk series.

QFC has taken several initiatives as a developer of the FinTech sector in Qatar, working together with the Qatar Central Bank (QCB), Qatar Development Bank (QDB) and QFTH to cultivate a globally competitive FinTech ecosystem in Qatar. We foresee expanding Qatar's FinTech sector beyond the realm of payments and remittances, setting our sight on attracting future leaders in Islamic FinTech, RegTech, InsurTech, PropTech and SME-enabling FinTech.

We have introduced the "FinTech Services Providers License", which targets companies providing cyber-security solutions, application programming interfaces (APIs), cloud computing, developing blockchain-based technologies and artificial intelligence as well as those companies that provide a platform for facilitating real-time transaction capability of Internet connected devices. Since then, QFC has welcomed a host of international FinTechs, issuing 39 FinTech licenses with another 20 in the pipeline by the end of 2020.

FinTechs established on the QFC platform, that also give Qatar a competitive edge, enjoy several incentives during their first year, including the waiver of application and first-year registration fees in the first year and rent-free workspace. We recently launched the QFC FinTech Circle and the QFC Tech Talk Series in late 2020, granting our resident FinTechs exposure and networking opportunities with leading Qatar-based financial institutions.

This in-depth report highlights the major milestones of Qatar's FinTech journey and potential opportunities to establish a first-mover advantage in the region's FinTech industry. A peer analysis identifies how comparator FinTech jurisdictions have forged ahead in the development of their FinTech industries and offers best practices that QFC and other FinTech development partners can utilise to establish Qatar as a regional FinTech hub.

YOUSUF MOHAMED AL-JAIDA

Chief Executive Officer & Board Member
Qatar Financial Centre Authority



EXECUTIVE SUMMARY

MENA FinTech trailing global exponential growth

Over the past decade, global FinTech investments have grown exponentially, reaching an estimated US\$34.5 billion by the end of 2019, largely focused in digital payments. Although global venture capital investments have dampened in the wake of the Covid-19 pandemic, FinTech investments remained stable at US\$30.4 billion during the first nine months of 2020, demonstrating a shift towards digital banking, wealth management and SME-enabling FinTechs.

Despite this remarkable growth in global FinTech investment, the MENA region accounted for less than 1% of global investments in 2019, although many investments undertaken by the regional sovereign wealth funds are not included in these estimates as they are not publicly disclosed. Meanwhile, all Gulf jurisdictions have taken steps to establish their own FinTech ecosystems, setting up regulatory sandboxes, establishing FinTech incubators and accelerators and issuing FinTech-related regulations.

Covid-19 accelerating digital transformation

Many countries' transition to a new normal following the COVID-19 pandemic is creating new opportunities for FinTechs worldwide. Ongoing social distancing and other precautionary requirements have forced traditional financial institutions, especially in the MENA region, to hasten the implementation of their digital transformation plans, which will remain a primary focus in the coming years. A considerable shift towards online commercial activity, along with social distancing practices, has led to a surge in digital and contactless payments that will likely continue in the near future.

The pandemic has also shed light on the potential of FinTech in promoting financial inclusion with some governments turning to digital payment platforms to extend financial support unbanked segments of society. However, in Gulf countries with large un- or under-banked low-income migrant workforces, digital payment and e-wallet platforms have an opportunity to offer these potential customers a suite of financial services sans the requirement of having a bank account.

The accelerated pace of digitalization has led financial regulators in upcoming FinTech jurisdictions to take up a more proactive approach to FinTech regulation to ensure consumer protection and the stability of their respective financial systems. Additionally, financial institutions have become more susceptible to cyber security risks, prompting a 15% increase in cyber security spend in 2020. It is estimated that cybercrime will cost around US\$6 trillion in 2021, and grow further to \$10.5 trillion in 2025, rising from US\$3 trillion in 2015.

Qatar making strides with National FinTech Strategy

Qatar has made considerable progress towards developing a sustainable and globally competitive FinTech ecosystem in recent years, starting with the formation of the Qatar National FinTech Taskforce in 2017. The country's National FinTech Strategy was announced in December 2019, which effectively commenced with the establishment of Qatar FinTech Hub (QFTH) in April 2020.

QFTH supports FinTech development efforts led by Qatar Central Bank (QCB) in addition to managing both incubator and accelerator programmes, which have received over 750 applications from 73 countries in their first editions in 2020. These programmes are funded by QDB's US\$100 million venture capital fund-of-funds. Both programs are supported by a US\$100 million VC fund-of-funds managed by QDB. QFTH has also partnered with several established FinTech hubs globally, facilitating the exchange of FinTech solutions and attracting international FinTechs from these hubs to operate in Qatar.

In addition to its role as the "Orchestrator" of Qatar's FinTech strategy, QCB is also the central FinTech regulatory authority in the country. In 2019, the Central Bank established its FinTech Office responsible for facilitating and executing QCB's FinTech objectives and began with issuing regulations on payments — the fastest growing segment in FinTech — with information security controls currently being drafted. QCB's Regulatory Sandbox, planned to launch in 2021, will offer FinTechs a safe and controlled environment to test their technologies under relaxed regulations.

Top recommendations for driving Qatar’s FinTech momentum

01



Introducing specialized regulations and guidelines

02



Offering financial and tax incentives to FinTech start-ups

03



Attracting foreign FinTechs through depth of venture capital and breadth of business opportunities

Qatar Financial Centre (QFC), a partner in developing Qatar’s FinTech sector, has set a priority to attract FinTechs operating in digital payments, Islamic FinTech, RegTech, InsurTech, PropTech and SME-enabling FinTech. It introduced the FinTech Services Provider License that classifies FinTechs under QFC’s platform as non-regulated FinTech Service Providers and, by the end of 2020, a total of 39 FinTechs have been registered with another 20 in the licensing pipeline. The Ministry of Commerce and Industry also issues licenses for non-regulated FinTechs, while those that handle client funds must be licensed by QCB. QFC also offers qualified FinTechs incentives including the waiver of the application fee and the first-year annual registration fee, as well as free access to its FinTech Circle free-of-charge for the first year.

Growth potential for FinTechs in Qatar

Islamic FinTech is expected to experience significant growth in coming years and Qatar has the opportunity to secure a unique advantage over other Islamic FinTech hubs through Shariah-compliant venture capital. Primarily targeting Islamic FinTechs, Islamic venture capital investments could be deployed through QFTH programs or by partnering with Islamic investment banks. Offering special incentives to set up Islamic VC funds or equity crowdfunding platforms would also drive Islamic VC investments in Qatar-based FinTechs. Islamic RegTech — a segment yet to be established — also presents

an opportunity for Qatar to gain an advantage in the Islamic FinTech space. Islamic financial institutions particularly face Shariah risk, for which RegTech could potentially offer the tools to mitigate, facilitating easier compliance with Islamic financial regulations and Shariah compliance standards.

In the current economic environment, traditional financial institutions are steering clear of lending to SMEs, which are expected to source up to 90% of supplies for state projects in Qatar. This is an opportunity for digital banks and alternative lenders to tap the SME market, offering cost-efficient small business loans. These FinTechs would also be able to offer SMEs customised financial facilities, including trade credit lines and payment management facilities.

Witnessing a boom in recent years, e-commerce sales in Qatar are expected to reach more than US\$3.2 billion by 2022 as many retailers and consumers to shift to online platforms, allowing for substantial growth of digital payment gateways and contactless payments. This presents an opportunity for payment solution providers — that can provide world-class services — to tap the increasing demand from online retailers and e-commerce platforms in Qatar. Digital wallets could also tap into a market of 800,000 un- or under-banked low-income workers in Qatar, offering banking, payment and remittance services without having to open a bank account.

Global and MENA FinTech Landscape

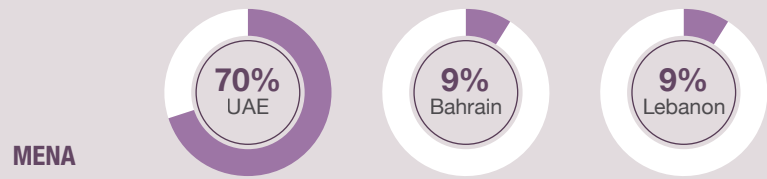
TOTAL FINTECH VC FUNDING IN 2019

GLOBAL
\$34.5
 BILLION

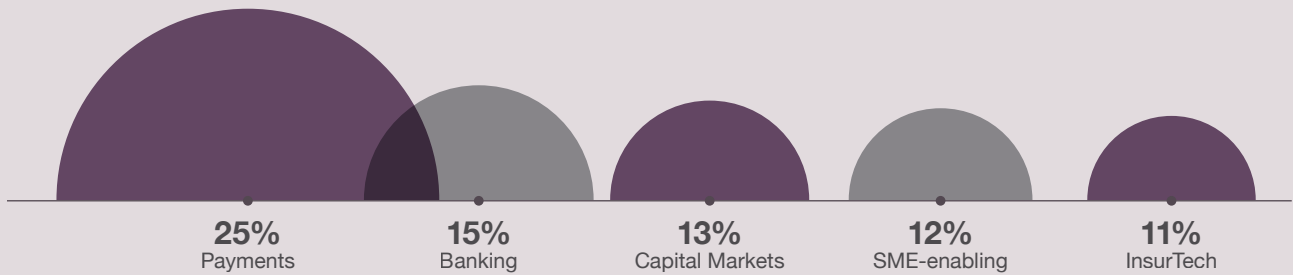
TOP FINTECH MARKETS IN 2019



MENA
\$40 MILLION



TOP FINTECH VERTICALS BY GLOBAL FUNDING IN 2019

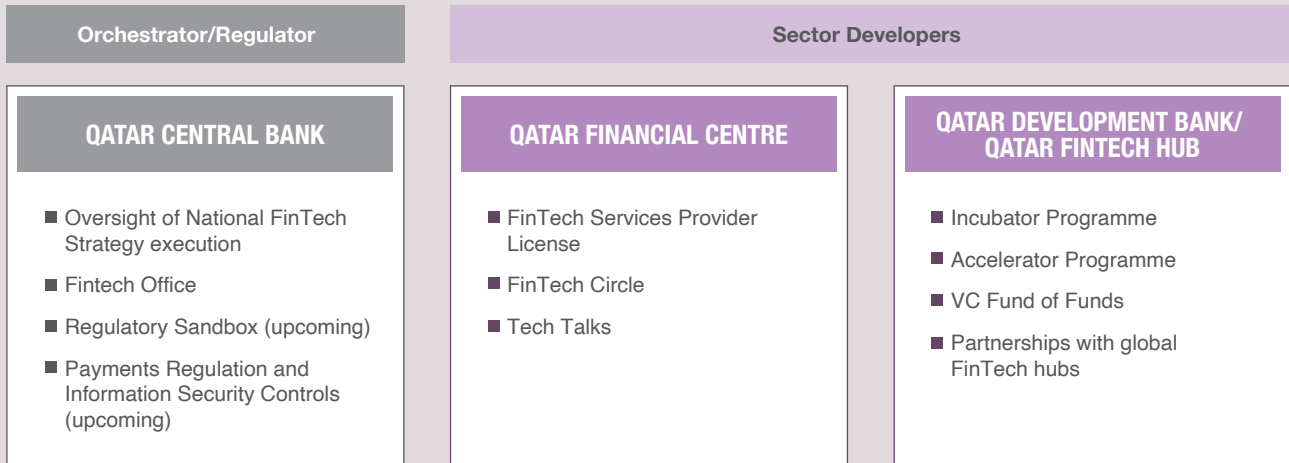


Global FinTech Outlook

| | | | | | |
|---|---|--|--|--|--|
| <p>Accelerating digital transformation and evolving business models</p> | <p>Rapid development of the digital economy boosting digital payments</p> | <p>Cyber-security will be one of the top risks facing financial institutions</p> | <p>Financial regulators keeping up with rapid digitalisation</p> | <p>Covid-19 making a more compelling case for RegTech adoption</p> | <p>Leveraging FinTech to promote financial inclusion</p> |
|---|---|--|--|--|--|

Qatar FinTech landscape and growth potential

KEY STAKEHOLDERS IN QATAR'S FINTECH STRATEGY



OPPORTUNITIES



DIGITAL AND CONTACTLESS PAYMENTS



ISLAMIC FINTECH



SME-ENABLING TECH

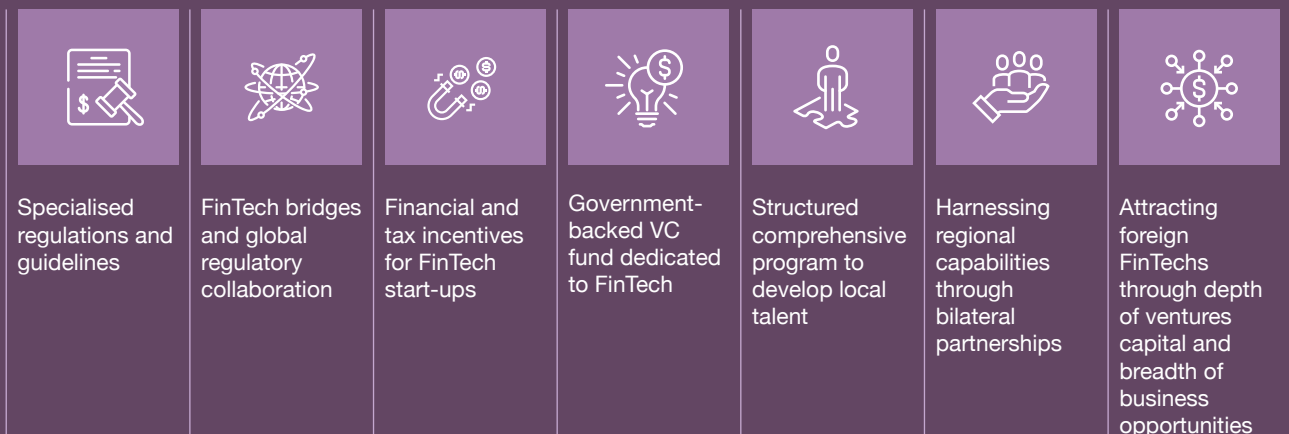


INSURTECH



UNDERBANKED TECH

Qatar as a Regional FinTech Hub



GLOBAL FINTECH OVERVIEW



GLOBAL FINTECH SEES EXPONENTIAL GROWTH AS MENA FINTECH LAGS BEHIND

FinTech has taken the global financial industry by storm since the onset of the global financial crisis. The promotion of cashless payment solutions by governments and tighter financial regulation that followed the crisis, in addition to wider access and adoption of technology, had set the stage for a new breed of players in the financial industry. These new companies — smaller and more agile — have and continue to disrupt the industry, leveraging innovative technologies like blockchain and artificial intelligence (AI) to address the pain points of traditional processes to make them more efficient. At this point, FinTechs have started to reshape and set the future direction of various financial services with a major focus on digital payments, and expanding to other areas such as digital banking, alternative lending, asset management, insurance and others.

Global FinTech investments have grown exponentially from just under US\$ 1 billion in 2008, reaching an estimated US\$34.5 billion by the end of 2019, making it a record funding year. Despite economic uncertainty and financial market volatility brought on by the Covid-19 pandemic, FinTech investment levels remained relatively stable at US\$30.4 billion during the first nine months of 2020. The largest investments were in payments, securing a quarter of VC funding, followed by digital banking and capital market solutions.

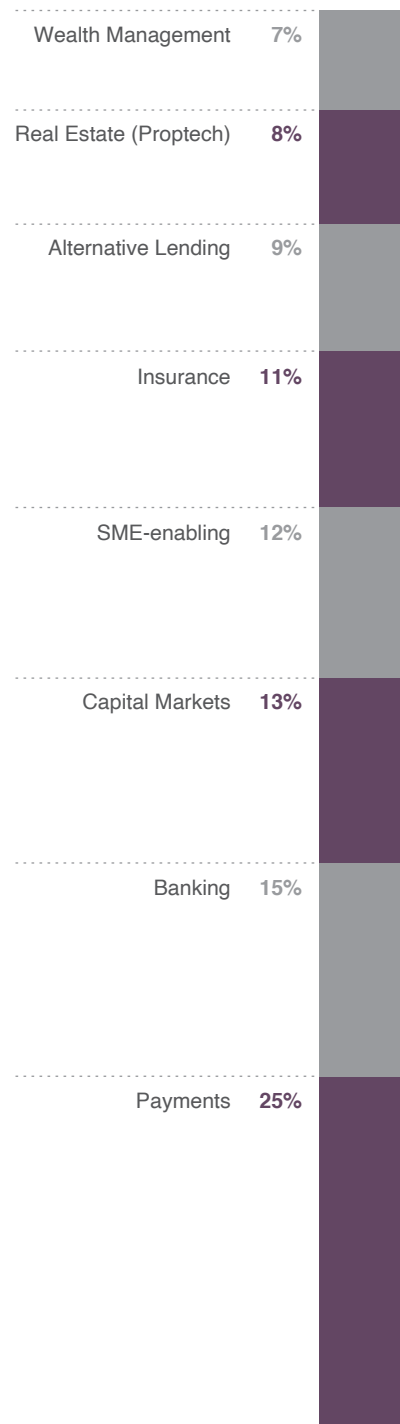
In the first three quarters of 2020, investments in digital banking increased by 85% compared to the whole of 2019, indicating a shift that challenges incumbent traditional banks. Similarly, wealth management showed a 46% increase, while investments in SME-enabling FinTechs increased by 37% during the same period. Disruption is the keyword of 2020 FinTech investing, more so than in the previous five years.

However, the number of deals has been in steady decline since the final quarter of 2019 indicating larger funding rounds in more mature FinTechs. The average deal size for 2020 has increased to US\$21.5 million compared to US\$15 million in 2019. In the first nine months of 2020, there were 72 mega funding rounds (US\$100M+), compared with only 70 for the same period in 2019 as investors increasingly place larger bets on a smaller number of players.

The US is by far the largest funding market, making up 51% of VC-backed FinTech investments in 2019. It is followed by the Asian market with 20% of investments, and Europe accounting for 19% of global FinTech investments.

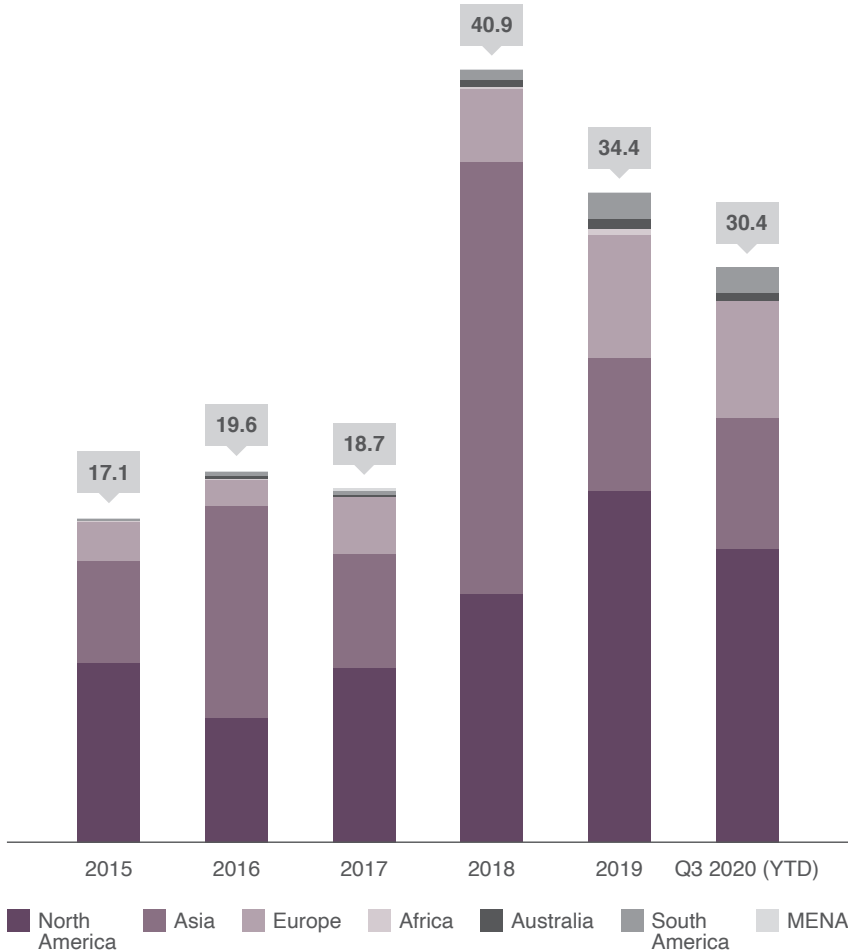
Despite the remarkable growth in global FinTech investment, the MENA region accounted for less than 1% of global investments in 2019. The UAE makes up nearly 70% of all FinTech investments in 2019, followed by Bahrain and Lebanon at 9% each. It should be noted that many investments undertaken by the Qatar Investment Authority, and other regional sovereign wealth funds, are not publicly disclosed and therefore are not included in these estimates.

GLOBAL VC-BACKED FINTECH FUNDING BY VERTICAL, 2015-2019



Source: CB Insights, MAGNITT, Refinitiv Analysis. Note: these figures are estimates based on disclosed deals and estimates of undisclosed deals, which may not capture the totality of transactions in the marketplace.

GLOBAL VC-BACKED FINTECH FUNDING BY REGION, 2015-2019 (US\$ TRILLION)



Source: CB Insights, MAGNiTT, Refinitiv Analysis

Note: these figures are estimates based on disclosed deals and estimates of undisclosed deals, which may not capture the totality of transactions in the marketplace.

REGIONAL FINTECH ECOSYSTEMS

National FinTech Strategy

FinTech Development Centre

Regulatory Sandbox

Incubators/Accelerators

Government FinTech funds

Private FinTech funds

* not specific to Fintech

Although this funding performance indicates significantly slower FinTech adoption in the region, it is also a sign of substantial untapped potential, especially in the Gulf. Key drivers for FinTech solutions in the Gulf include above average GDP per capita, high internet and online payment penetration, as well as shifting consumer preferences away from traditional financial institutions.

Meanwhile, nearly all Gulf jurisdictions have already taken

steps to establish their own FinTech ecosystems, setting up regulatory sandboxes, establishing FinTech incubators and accelerators and issuing FinTech licenses to ensure this demand will be met. Gulf-based FinTech hubs have also ensured that FinTech funding is available through government-backed funds and facilitating venture capital (VC) investments in FinTechs.

Early in 2020, Qatar witnessed the launch of the Qatar FinTech Hub

(QFTH) by Qatar Development Bank (QDB), mandated with supporting development and growth of the FinTech industry led by the Qatar Central Bank (QCB). In the first editions of its incubator and accelerator programs, QFTH received over 750 applications from new and established FinTechs from 73 countries including Qatar, the US, the UK, Australia, India, Singapore, Turkey, Nigeria, Germany, Russia, and Indonesia. A total of 24 FinTechs were selected to participate in

| | Qatar | DIFC | ADGM | Bahrain | Saudi Arabia | Kuwait | Oman | Egypt | Jordan |
|--|---|---|--------------------------|---|--|--|---|-------------------------------------|--|
| | Qatar National Fintech Strategy (2020) | — | — | — | Part of Saudi Vision 2030 | — | — | CBE FinTech and innovation Strategy | — |
| | Qatar FinTech Hub | Fintech Hive | — | Bahrain FinTech Bay FinHub 973 | Fintech Saudi | — | — | CBE Fintech Hub | Jordan FinTech Bay |
| | QCB Regulatory Sandbox (upcoming) | DFSA Innovation Testing Licence (ITL) Programme | ADGM RegLab | CBB Regulatory Sandbox | SAMA Regulatory Sandbox CMA Fintech Lab | CBK Regulatory Sandbox | CBO Fintech Regulatory Sandbox | CBE Regulatory Sandbox | CBJ Regulatory Sandbox |
| | QFTH Incubator and Accelerator Programmes | Fintech Hive (DIFC) | ADGM FinTech Digital Lab | Bahrain FinTech Bay Corporate Innovation Lab BFB Acceleration Program Venture Acceleration Platform | Fintech Accelerator Program NCB / Monsha'at fintech accelerator TAQADAM Startup Accelerator* | Zain Great Idea (ZGI) accelerator program* Brilliant Lab* | Fintech Innovation Lab Oman Startup Hub* | — | Jordan FinTech Bay AB Accelerator AHLI FINTECH Changelabs |
| | QDB VC Fund of Funds* | — | — | Al Waha Fund of Funds* | — | — | Oman Technology Fund* | Fintech Innovation Fund (CBE) | Innovative Startups and SMEs Fund (ISSF)* |
| | Doha Tech Angels* Iris Next Capital* SpeedInvest* | DIFC Fintech Fund | — | — | Riyad Bank Fintech Fund | — | Bank Muscat Fintech Investment Programme | Disruptech (Fawry) | Arab Bank Fintech Venture Fund |

Source: Refinitiv Analysis

both programmes — 11 for the incubator and 13 for the accelerator.

Both programs are supported by a US\$100 million VC fund-of-funds managed by QDB, in collaboration with eight local and international funds, including Iris Next Capital, SpeedInvest Fund, Romulus Fund, ERA Fund Accelerator and Alchemist Accelerator. FinTechs in Qatar can also seek VC funding from QFC-based Doha Tech Angels (DTA) — Qatar's first private angel

fund. The fund specialises in seed funding for early-stage technology start-ups, particularly FinTechs, in Qatar and the rest of the world.

GLOBAL OUTLOOK: COVID-19 JUMPSTARTING DIGITAL TRANSFORMATION

The global financial crisis presented an opportunity for FinTechs to disrupt traditional financial services and begin

to play a pivotal role in the future of financial services. The Covid-19 pandemic has created amenable circumstances for the industry, necessitating further financial innovation and creating opportunities for FinTechs to set the course for development of the financial industry.

Accelerating digital transformation and rethinking business models

The global outbreak of the Covid-19 pandemic came as

MOHAMMED AL EMADI

Head of Angel Investment
Qatar Development Bank (QDB)



1. In 2019, QDB announced a commitment to invest significantly in SMEs including FinTechs from your US\$100 million VC allocation; could you give us an update on 2020? How much funding are you dedicating to FinTechs in the near-term after successfully launching QFTH last year?

We witnessed growth in our invested capital during 2020, despite Covid-19 challenges, QDB's direct investment in SMEs across various sectors was increased from QAR 49 million to QAR 59 million, growing 20% year-on-year, meaning more capital will be available to this segment. As for the FinTech sector, QDB continued to invest in this sector through QFTH programmes and its direct investment arm. In 2021 and onwards, we are targeting to allocate more than QAR 40 million exclusively to FinTech SMEs and toward the development of this sector as a whole.

2. What sub-sector focus areas are you expecting to hone in on during the waning period of the Covid-19 pandemic, which initially lifted a range of payment solutions?

The companies that withstood the crisis best are ones that made it easier for users to reach their product or service. E-commerce companies have played a significant role as they enabled other businesses to maintain their operations. During periods when Covid-19 measures restricted individuals' movement, these platforms were the best solution for consumers to continue purchasing and receiving all types of products. In tandem, health technology companies enabled individual consumers to continue accessing services smartly and seamlessly. We support the implementation of innovative FinTech solutions that help business operations' continuation under various unexpected circumstances, thereby creating a competitive advantage that should realize a higher return on investment.

3. What new fund initiative(s) does Qatar have on the horizon that will stimulate the development of the Fintech ecosystem?

We are about to launch a FinTech venture capital fund, which aims to bring multiple LPs and partners onboard. This fund will finance future QFTH cohorts along with other FinTechs in Qatar and the broader region. Furthermore, it will target early to late-stage companies, ranging from seed to A-B rounds for eligible entities, focusing on emerging markets and exclusively allocated to the FinTech sector. Moving forward, we expect more initiatives in this area.

a wakeup call for traditional financial institutions (FIs) across the board, especially in the MENA region, leading them to accelerate the implementation of their digitalisation strategies. Although FIs across various sectors had already begun their digital transformation journeys in recent years, the litmus test posed by lockdown measures in 2020 left them scrambling to adapt their operations to accommodate remote working conditions and their customers' needs for contactless services.

Concurrently, the demand for digital financial services from FIs has increased markedly this year. Business process automation and other digital services have become crucial as infrastructure needs of traditional FIs rapidly evolve, leading to partnerships with FinTechs to offer basic digital services in the short term. With FinTech VC investments shifting towards later stage funding rounds, partnerships with FIs, or even being acquired by them, are becoming more attractive to early stage FinTech start-ups.

This accelerated pace of digital transformation shows no signs of abating over the next couple of years, becoming the primary focus for FIs striving to deliver efficient, effective and sustainable financial services. Investments are expected to be mainly focused in artificial intelligence, a cornerstone for customer-centric digital services such as call centre bots, account opening procedures and loan automation. Digital identity technologies, part of RegTech, will also receive greater attention from FIs as they increasingly shift KYC processes online. To this end, it is likely more partnerships between traditional banks and FinTechs will take place as the former come to terms with the necessity of digital transformation and offering digital financial services in a post-COVID-19 era.

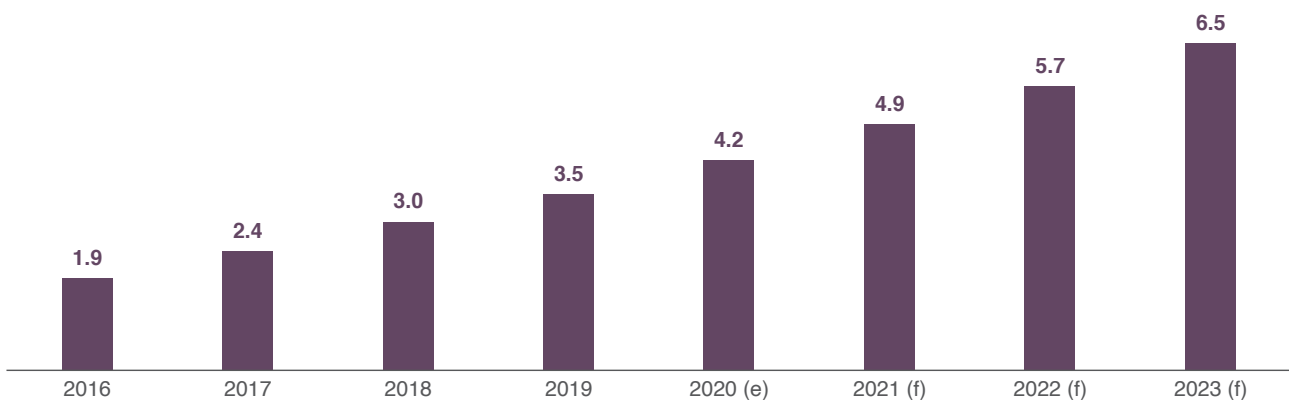
Financial regulators keeping up with rapid digitalisation

Supporting the accelerated pace of digitalisation in their jurisdictions several financial regulators in upcoming FinTech jurisdictions have stepped up regulation in various FinTech

verticals, also safeguarding financial stability and consumer protection. Such examples that occurred in the wake of the Covid-19 pandemic include:

- Saudi Arabian Monetary Agency| regulations for debt-based crowdfunding
- Bank Negara Malaysia| draft framework for virtual banks
- Bank Negara Malaysia's Shariah Advisory Council| permitted investments in digital currencies and virtual tokens listed on regulated digital exchanges
- Securities Commission Malaysia| published its digital assets guidelines
- Indonesia Financial Services Authority (OJK)| expected to release an Islamic fintech framework in 2020.
- Central Bank of Nigeria| guidelines on digital payments to support its MSME sector

GLOBAL RETAIL E-COMMERCE SALES 2016–2023 (US\$ TRILLION)



Source: Statista (2020)

Rapid development of the digital economy boosting digital payments

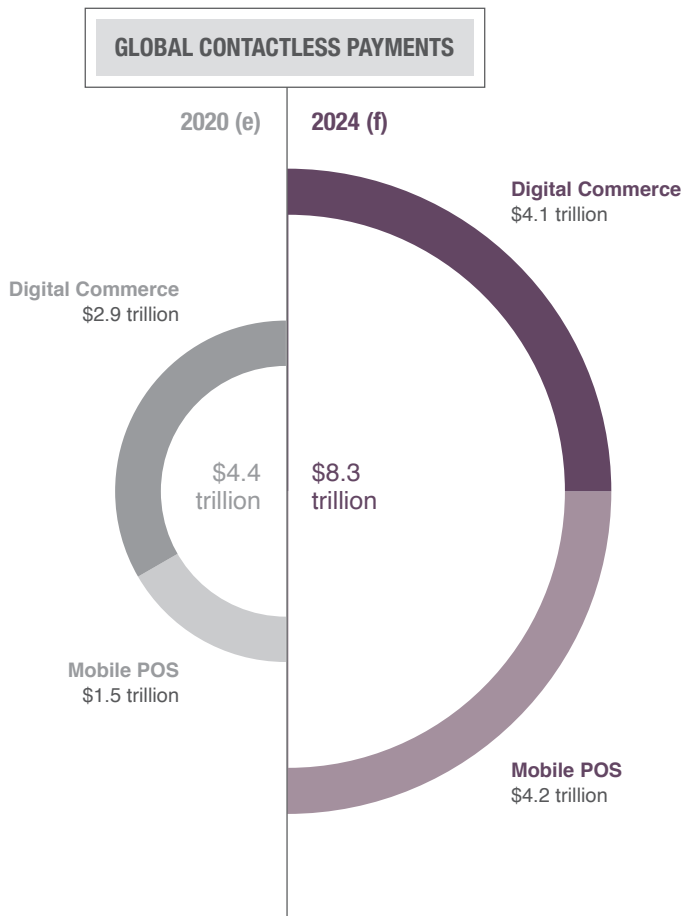
As many countries transition to a new normal following the COVID-19 pandemic, this creates new opportunities for FinTechs worldwide. Ongoing social distancing and other precautionary requirements have forced digital transformation across all economic sectors, giving rise to the global digital economy and, in turn, shifting

consumer preferences to digital and contactless payment options.

Global e-commerce sales worldwide were valued at US\$3.5 trillion in 2019 and projected to reach US\$6.5 trillion by 2023. In the MENA region, e-commerce sales were estimated at US\$26.9 billion in 2018 and projected to reach US\$48.6 billion in 2022, according to a 2019 whitepaper by Visa International. Many brick-and-mortar businesses and retailers

shifted to a variety of online platforms as lockdowns and store closure were enforced following the Covid-19 outbreak. These platforms include proprietary websites, e-commerce platforms, local delivery applications and social media and communications platforms such as Facebook, Instagram and WhatsApp. According to a 2020 study by Visa, 74% of businesses globally shifted their business online or increased their online presence. In the Gulf, this rate is expected to be even higher, given what is witnessed in the UAE where the comparable figure reached up to 92%.

PROJECTED GROWTH IN GLOBAL CONTACTLESS PAYMENTS 2020 – 2024



This mass shift towards online commercial activity to keep businesses afloat has, in addition to social distancing practices, led to a corresponding shift to digital and contactless payments. The forced digital transformation of the retail sector will likely continue over the next few years, creating a growth opportunity for digital wallets and payment gateways. The value of contactless transactions is set to nearly double the digital payments business from US\$4.4 trillion in 2020 to US\$8.26 trillion in 2024, according to research by Statista.

Until 2019, Gulf consumer behaviour demonstrated a huge preference for cash on delivery (COD) when making online purchases, which made it a necessary payment option provided by e-commerce platforms and e-retailers in the Gulf. At that point, it is estimated that up to 80% of e-commerce transactions in Gulf countries were paid by COD. In Saudi Arabia, the region’s largest e-commerce and

Source: Statista (2020)



COD market, COD transactions significantly dropped by almost 50% by May 2020, according to Wamda. In its place, payment gateways have thrived.

Nevertheless, many of these regional consumers remain averse to making payments online, which has led couriers and delivery services in the region to offer contactless payment options on delivery, such as NFC-enabled mobile point of sales (POS) devices or “tap and pay” options.

The growth in digital and contactless payments in the region will continue as social distancing measures remain in place. This will engrain the use of these types of payments in consumer behaviour even further, especially with tech-savvy millennials driving consumer preferences, thus perpetuating demand and investment for innovative payment solutions. In Qatar, the drive for a cashless society before the FIFA World Cup 2022 has been turbocharged by recent events.

Covid-19 making a more compelling case for RegTech adoption

In the aftermath of the global financial crisis, financial institutions were fined an estimated US\$340 billion following regulatory compliance failures, resulting in tighter compliance requirements over the last decade. As a consequence, the compliance function at FIs became more resource-intensive and expensive, pushing FIs to consider automating their compliance tasks and adopting AI-powered platforms for pre-emptive financial crime

detection. Regulatory compliance spend was projected to reach US\$127 billion in 2024, increasing twentyfold from US\$6.3 billion in 2018, according to data published by Juniper Research in Q3 2019.

RegTech adoption is expected to witness even higher growth in the post-COVID-19 era, correspondent with efforts by FIs to achieve leaner and lower-cost compliance functions. Many FIs have suffered financial losses during 2020, in addition to the hindrance of remote working arrangements to incumbent manual compliance processes such as Know Your Client (KYC) or regulatory reporting. These developments have made a compelling case for the benefits of RegTech adoption, where FIs had previously been resistant.

RegTech remains a nascent segment of MENA’s fintech sector, however financial regulators are pushing for greater use of technology to enhance regulatory compliance functions within FIs. Some jurisdictions, such as Abu Dhabi Global Market (ADGM) and Bahrain have already introduced e-KYC frameworks to encourage FIs to take their KYC and due diligence processes online.

With expectations of increasing financial technology investments by FIs in the regions, the associated exposure to money laundering, terrorist financing, fraud and cyber security risks will also be on the rise. Hence, it will become necessary to also enhance their compliance processes to adapt to these increasing risks and in turn ramp up investments in RegTech solutions. Financial regulators, including FSRA in ADGM and

the Central Bank of Bahrain (CBB) in have introduced e-KYC frameworks giving a push to local FIs to adopt RegTech solutions.

Cyber-security will be one of the top risks facing financial institutions

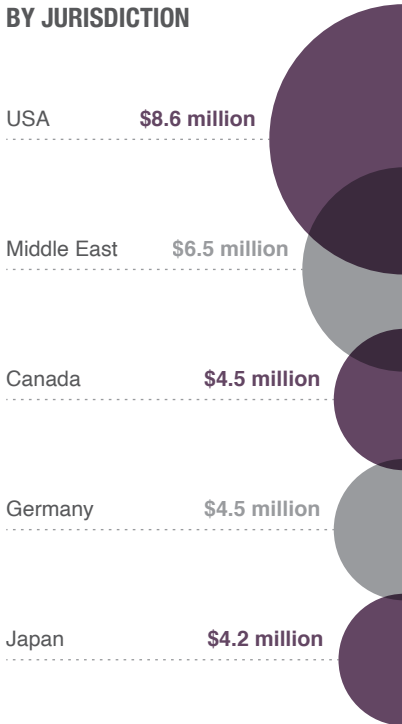
The recent acceleration of FinTech adoption is promising, but it comes at the cost of greater cyber security risks. The increasing dependence on digital infrastructure leaves it more vulnerable to cyber-attacks and data breaches. According to the IBM Cost of Breach 2020 report, the average cost of a data breach in the global financial services sector for 2020 is increasingly costly at US\$5.9 million, compared to US\$5.1 million in 2015. The report estimates that 56% of security breaches in the financial industry are caused by malicious attacks.

At the regional level, the average cost of breach in the Middle East — represented by Saudi Arabia and the UAE — is estimated at US\$6.5 million, coming second only after the US. It is estimated that 59% of breaches in the region are driven by malicious attacks.

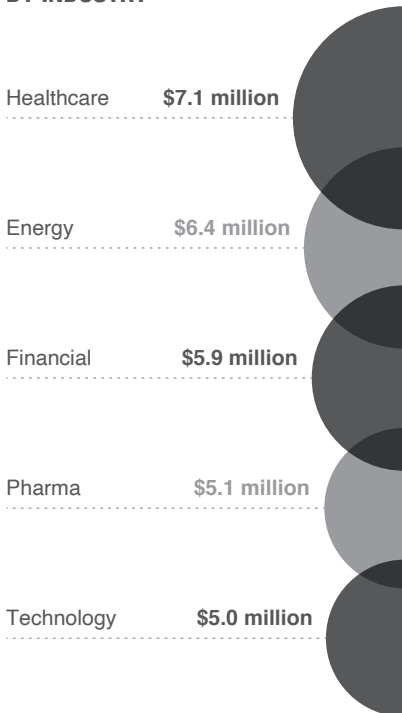
It is estimated that cybercrime will cost around US\$6 trillion in 2021, and grow further to \$10.5 trillion in 2025, rising from US\$3 trillion in 2015. Cyber security spending is expected to increase in parallel, especially with remote working arrangements at many financial institutions globally. A 2020 survey by Deloitte found that big banks and other financial institutions have increased their cyber security spend by 15% during 2020, with the average budget spend per employee at US\$2,691.

AVERAGE TOTAL COST OF DATA BREACH BY JURISDICTION AND BY INDUSTRY IN 2020

BY JURISDICTION



BY INDUSTRY



Source: IBM Cost of a Data Breach 2020

Leveraging fintech to promote financial inclusion

Around 1.7 billion individuals globally are either un- or under-banked, relying entirely on cash in their financial transactions. However, these segments enjoy better access to mobile phones, which has enabled FinTechs to facilitate these individuals' access to financial services including banking, payments and insurance, thus integrating them into the global financial system. This role of FinTech in promoting financial inclusion has come under the spotlight during the Covid-19 pandemic as some governments, particularly in Southeast Asia, utilised digital payments platforms to extend financial support to low-income families during these times. This activity will carry on as governments continue to disburse financial aid to individuals and small businesses who remain unbanked. Moreover, digital financial services are cheaper and more efficient than traditional channels, which will enable alternative lenders to offer this segment microloans through digital channels to help cope and recover from the economic impact of the pandemic.

At a multilateral level, the Islamic Development Bank (IsDB) has deployed Shariah-compliant social finance solutions through FinTech platforms to assist communities most affected by Covid-19. As part of IsDB's digital transformation strategy, it launched a series of COVID-19 FinTech initiatives including development of a blockchain-powered platform to distribute financing to its member countries as well as providing tech grants supporting

innovations in line with the UN Sustainable Development Goals (SDGs). Its subsidiary, the Islamic Corporation for the Development for the Private Sector (ICD), is also exploring blockchain Waqf and crowdfunding solutions.

In Gulf countries, financial inclusion takes a different form, where the un- or under-banked segments in these countries comprise low-income migrant workers. The majority of these workers do not meet minimum requirements to open bank accounts, and rely solely on cash for payments and remittances, which can incur up to 10% in commissions and fees. However, almost the entire customer segment enjoys access to mobile phone services, and this presents digital payment and e-wallet platforms an opportunity to offer these potential customers a suite of financial services sans the requirement of having a bank account. These platforms will become an attractive option as individuals and establishments alike shy away from handling cash in favour of digital payments. ■

FINTECH ECOSYSTEM IN QATAR

35%

BALANCE SHEET

| | |
|-----------------------|--------------|
| ASSETS | 1,478,988.00 |
| Current Assets | 1,250,200.00 |
| Non-Current Assets | 2,288,788.00 |
| LIABILITY | 3,478,787.00 |
| Current Liability | 2,250,200.00 |
| Non-Current Liability | 2,288.99 |

EQUITY STATEMENT

| | |
|------------|--------------|
| REVENUES | 6,554,224.00 |
| NOT SALES | 3,420,563.00 |
| Investment | 6,764,984.00 |

| | |
|----------------------|---------------|
| EXPENSES | 6,550,452.00 |
| Research-Development | 1,337,886.00 |
| Operating expenses | 2,899,500.00 |
| Marketing | 500,799.00 |
| NET INCOME | 59,877,892.00 |

INCOME STATEMENT

| | |
|------------|--------------|
| REVENUES | 6,554,224.00 |
| NOT SALES | 3,420,563.00 |
| Investment | 6,764,984.00 |

S3

BALANCE SHEET

| | |
|--------------------|--------------|
| ASSETS | 1,478,988.00 |
| Current Assets | 1,250,200.00 |
| Non-Current Assets | 2,288.99 |

QATAR MAKING STRIDES WITH NATIONAL FINTECH STRATEGY

A recent entrant into the FinTech domain, Qatar has already taken major steps towards developing a robust and globally competitive FinTech ecosystem, aligned with the priorities of the Qatar National Vision 2030 and Qatar’s Second Strategic Plan for the Financial Sector. As a result, the Qatar National FinTech Taskforce was formed in 2017, comprising Qatar Development Bank (QDB), Qatar Central Bank (QCB), Qatar Financial Centre (QFC) and various financial institutions operating in Qatar. The objective of the task force is to create a strong and sustainable FinTech ecosystem capable of competing regionally and internationally.

Additionally, QDB has been mandated by the Qatari government to develop and execute a national FinTech strategy in collaboration

with QCB and QFC, which was announced in December 2019. The National FinTech Strategy is targeting opportunities in digital payments, money management and lending, among other FinTech verticals. It aims to nurture start-ups that will help develop the sector, as well as established companies that have significant potential for growth.

With this in view, FinTech ventures serve as a key domain in the country’s overarching foreign direct investment (FDI) attraction strategy, orchestrated by Invest Qatar – the nation’s FDI brand. Invest Qatar leverages an integrated ecosystem of business and licensing platforms to connect international investors to lucrative business opportunities tailored to their unique ambitions, while powering the country’s socio-economic transformation.

As steward of the Invest Qatar brand, the Investment Promotion





Agency Qatar (IPA Qatar) is constantly working to create success stories of international firms in FinTech and other key sectors, in collaboration with its key ecosystem partners including the Ministry of Commerce and Industry (MOCI), QFC, Qatar Free Zones Authority (QFZA), and Qatar Science and Technology Park (QSTP).

QATAR FINTECH HUB KEY FACILITATOR FOR FINTECHS’ SUCCESS

Implementation of the National FinTech Strategy effectively began in 2020 with several initiatives already underway, including the establishment of the Qatar FinTech Hub (QFTH), FinTech licencing, and recently issued payments regulations.

QDB, the appointed lead of the FinTech sector, launched QFTH

ROLES OF KEY STAKEHOLDERS IN QATAR’S FINTECH STRATEGY

| ORCHESTRATOR | REGULATOR | SECTOR DEVELOPER | QATAR FINTECH TASKFORCE | | | | | | | | | | | | | | | | | | |
|--|--|--|---|--------------------|-----------|------------------------|------------|------------------------|---------------------|--|----------------------|-----------------------------------|--------------------|----------------------|-------------------------|--------------------------|--------------------|-----------------|----------------------------------|--|---|
| <ul style="list-style-type: none"> Flag bearer and leading force of the national FinTech agenda Facilitate collaboration and oversee execution Manage intra-government liaising  | <ul style="list-style-type: none"> Central regulatory authority, issuing laws to enable the Fintech strategy Operate regulatory sandbox Create Fintech risk management policies Track and define mitigation strategy  | <ul style="list-style-type: none"> Support national FinTech agenda Establish supportive environment for FinTechs (financing, incubators, accelerators) Identify FinTech research, technology and talent   | <ul style="list-style-type: none"> Qatar Fintech task force consists of 17 major players in Qatar’s financial ecosystem <table border="0"> <tr> <td>QATAR CENTRAL BANK</td> <td>DOHA BANK</td> </tr> <tr> <td>QATAR FINANCIAL CENTRE</td> <td>AL KHALIJI</td> </tr> <tr> <td>QATAR DEVELOPMENT BANK</td> <td>QATAR NATIONAL BANK</td> </tr> <tr> <td>MINISTRY OF TRANSPORT AND COMMUNICATIONS</td> <td>DOHA INSURANCE GROUP</td> </tr> <tr> <td>MINISTRY OF COMMERCE AND INDUSTRY</td> <td>QATAR ISLAMIC BANK</td> </tr> <tr> <td>MINISTRY OF INTERIOR</td> <td>QATAR ISLAMIC INSURANCE</td> </tr> <tr> <td>COMMERCIAL BANK OF QATAR</td> <td>STANDARD CHARTERED</td> </tr> <tr> <td>MASRAF AL RAYAN</td> <td>QATAR INTERNATIONAL ISLAMIC BANK</td> </tr> <tr> <td></td> <td>QATAR GENERAL INSURANCE AND REINSURANCE</td> </tr> </table> | QATAR CENTRAL BANK | DOHA BANK | QATAR FINANCIAL CENTRE | AL KHALIJI | QATAR DEVELOPMENT BANK | QATAR NATIONAL BANK | MINISTRY OF TRANSPORT AND COMMUNICATIONS | DOHA INSURANCE GROUP | MINISTRY OF COMMERCE AND INDUSTRY | QATAR ISLAMIC BANK | MINISTRY OF INTERIOR | QATAR ISLAMIC INSURANCE | COMMERCIAL BANK OF QATAR | STANDARD CHARTERED | MASRAF AL RAYAN | QATAR INTERNATIONAL ISLAMIC BANK | | QATAR GENERAL INSURANCE AND REINSURANCE |
| QATAR CENTRAL BANK | DOHA BANK | | | | | | | | | | | | | | | | | | | | |
| QATAR FINANCIAL CENTRE | AL KHALIJI | | | | | | | | | | | | | | | | | | | | |
| QATAR DEVELOPMENT BANK | QATAR NATIONAL BANK | | | | | | | | | | | | | | | | | | | | |
| MINISTRY OF TRANSPORT AND COMMUNICATIONS | DOHA INSURANCE GROUP | | | | | | | | | | | | | | | | | | | | |
| MINISTRY OF COMMERCE AND INDUSTRY | QATAR ISLAMIC BANK | | | | | | | | | | | | | | | | | | | | |
| MINISTRY OF INTERIOR | QATAR ISLAMIC INSURANCE | | | | | | | | | | | | | | | | | | | | |
| COMMERCIAL BANK OF QATAR | STANDARD CHARTERED | | | | | | | | | | | | | | | | | | | | |
| MASRAF AL RAYAN | QATAR INTERNATIONAL ISLAMIC BANK | | | | | | | | | | | | | | | | | | | | |
| | QATAR GENERAL INSURANCE AND REINSURANCE | | | | | | | | | | | | | | | | | | | | |

Source: Qatar Financial Centre

VALUE PROPOSITION FOR QFTH INCUBATOR AND ACCELERATOR PROGRAMMES

| | | | |
|---|---|--|--|
| <p>FINANCIAL SUPPORT</p> <ul style="list-style-type: none"> ■ Cash + in-kind support will be available for the participating FinTechs | <p>MENTOR</p> <ul style="list-style-type: none"> ■ Access to global mentors and network partners in over 12 countries | <p>LOCAL MARKET ACCESS</p> <ul style="list-style-type: none"> ■ Access to local financial institutions ■ Access to local industry players | <p>GLOBAL MARKET ACCESS</p> <ul style="list-style-type: none"> ■ Global business development ■ Participation in marquee global FinTechs events |
| <p>LOGISTICS SUPPORT</p> <ul style="list-style-type: none"> ■ Free office space for the duration of the program ■ Free coworking space for a period of 1 year post program | <p>ACCESS TO CAPITAL</p> <ul style="list-style-type: none"> ■ Participation of local and global VCs in Demo day and investor days | <p>REGULATORY SUPPORT</p> <ul style="list-style-type: none"> ■ Application to QCB regulatory sandbox ■ Support and workshops by QCB and QFC | <p>COMMERCIAL ESTABLISHMENT</p> <ul style="list-style-type: none"> ■ QFC registration and license fee waived for year 1 ■ Fastrack work visa and Qatar ID |

Source: Qatar FinTech Hub

in April 2020 under the auspices of QCB. QFTH's primary focus is to support FinTech development in Qatar, offering a platform for local and international FinTechs to launch and expand globally. The platform also enables the digital transformation of traditional financial services offerings.

QFTH runs both incubator and accelerator programmes, depending on the profile of the applicants. Its incubator helps early-stage FinTech entrepreneurs with a proof of concept (POC) to convert their prototypes to saleable and marketable products. Meanwhile, its accelerator programme facilitates global expansion for established FinTech ventures with a proven product-market fit. The incubator programme offers accepted FinTechs a comprehensive package worth US\$250,000,

while the accelerator program offers a US\$300,000 package.

In their first cohort of 2020, these programmes had prioritised FinTechs offering payment solutions but also considered those in RegTech, Islamic FinTech and SME solutions. In exceptional cases, QFTH may graduate promising FinTechs directly into QCB's regulatory sandbox without going through the incubator and accelerator programs.

QFTH has forged partnerships with various players in the FinTech space, including incumbent FIs and regulators in the national FinTech Taskforce, international FinTech hubs and associations and technology solution providers. FinTech hubs across the world have partnered with QFTH, which will benefit from their know-how and experience in operating a FinTech

hub and supporting its community. It also aims to promote bilateral exchange of financial technology, where solutions from developed hubs can be localized in Qatar and to export and globally scale up local FinTechs that are currently under development. Strategic partners include Innovate Finance (UK), Findec (Sweden), Singapore FinTech Association, Mumbai FinTech Hub, Istanbul FinTech Hub, Beirut Digital District, the Fintech Association of Nigeria and Fintech Hub Lithuania among others.

Other QFTH partners include the FinTech Association of Malaysia, which will offer greater support in the development of Islamic FinTech in Qatar. In particular, this partnership will offer support in working with local regulators to ensure the introduction of necessary regulations that would continue to maintain financial

HAMAD AL QAHTANI

**SME Incubation & Acceleration Manager & General Manager,
Qatar Business Incubation Centre (QBIC) at Qatar Development Bank**



1. What are the key features of the QFTH's Incubator and Accelerator programmes?

We started our journey to establish a robust FinTech eco-system in Qatar in 2020, with a vision for QFTH to become a globally recognized hub that connects with like-minded hubs, organizations, entrepreneurs and regulators from all over the world. Our programs are designed to empower FinTechs seeking support and growth in a dynamic and up-and-coming market through financial support; guidance on business models; market access; and most importantly, providing a platform to showcase their talents and aspirations.

The Incubator and Accelerator programmes provide FinTechs with a unique opportunity to become a part of Qatar's FinTech ecosystem. In addition to providing mentorship and masterclasses, we offer our FinTechs an opportunity to present their solutions to the various well-capitalized financial institutions and entities in Qatar and in our network. We also work closely with QCB and other stakeholders, such as QFC, to implement a national approach to providing support to our FinTech community.

2. How do these programs relate to the Fintech initiatives at QDB and Qatar Fintech Hub?

In addition to our flagship Incubator and Accelerator programmes, we run a number of activities throughout the year, which are designed to promote and cultivate strong FinTech brand awareness in the country. Last year, we conducted two webinars during which we invited participants from Qatar and the rest of the world to discuss the latest FinTech developments. We also participated in a number of international events like Asia Blockchain summit, Hong Kong FinTech week, Finovate 2020 Berlin, World AI show, where we had an opportunity to showcase the progress of Qatar's FinTech agenda.

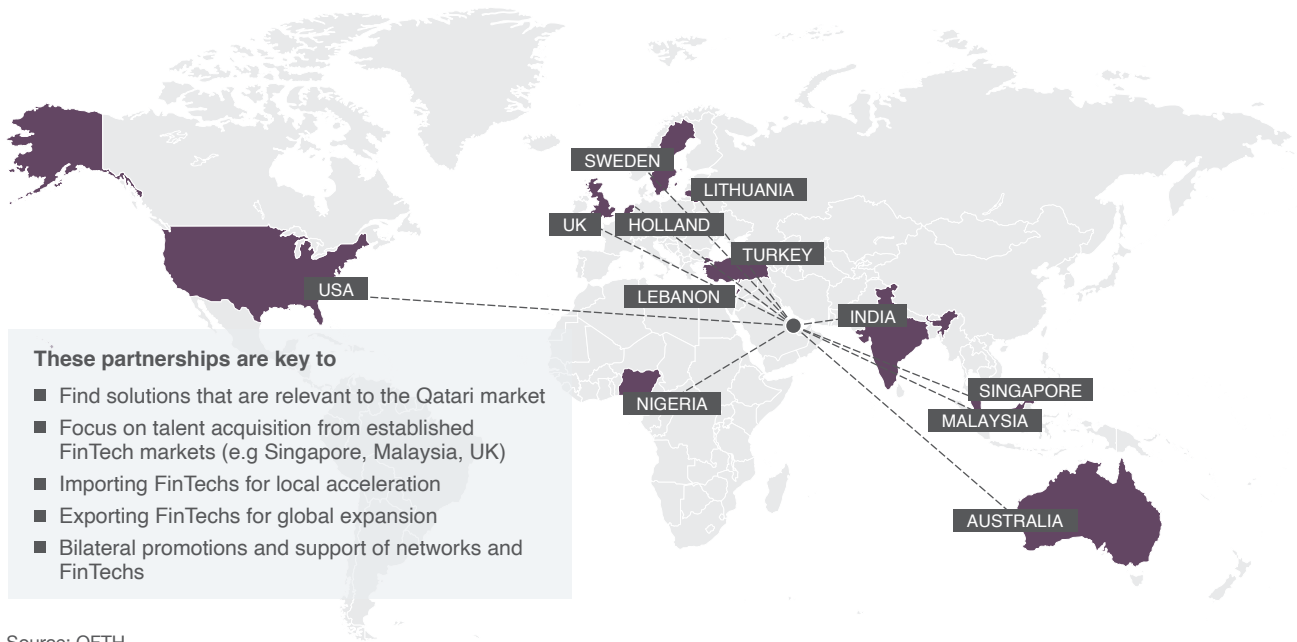
In addition to the webinars, we also actively engage with the investor community through events like the Investor Forum and Demo Day. We also run hackathons to motivate entrepreneurs and talented individuals to participate in fortifying the FinTech ecosystem. Lastly, we have signed a number of MoUs with global FinTech hubs and partners, including leading FinTech and tech firms, payments processors, universities, and LPs. This helps us identify our direction and purpose to the wider market and promote an inclusive and sustainable journey.

3. How do these programs contribute to the tech and fintech capability developments?

The Qatar National Vision 2030 focuses on building a knowledge-based economy in Qatar. Our National FinTech Strategy is aligned and fully supports the execution of this vision, and our aim with QFTH is to promote FinTech and the role it plays in the stability, growth and sustainability of the financial industry in Qatar and globally.

We spread awareness through our programmes and involve participants in building a cohesive environment where human capital is nourished in a structured manner. The FinTech team takes a proactive stance to meeting with budding entrepreneurs and interested students. We are also planning to roll out internships for university students in 2021, allowing students to work directly with FinTechs and witness the ecosystem first-hand. The team is also working closely with our university partners to develop a FinTech course, which will be designed based on modern principles and the latest trends in the local market.

MAXIMISING THE REACH AND IMPACT OF QFTH PROGRAMS



stability and consumer protection, yet simultaneously allow for marked financial innovation.

QFTH has also struck partnership agreements with leading global companies and financial institutions to further stimulate activity of the FinTechs under its purview. As a first step, it has partnered with Microsoft to enable the graduates of its incubator and accelerator programmes to test their solutions in a sandbox environment on the Microsoft Azure Platform, or in a sandbox environment on the QCB platform that will be realised in 2021. Aiming to accelerate innovation and drive the adoption of digital payments in Qatar, QFTH has partnered with Mastercard to enrol FinTechs in Mastercard’s start-up engagement program — Start Path. This partnership will open up market access for both QFTH start-ups and Start Path companies.

PHASED APPROACH TO FINTECH REGULATION, PRIORITY FOR PAYMENTS

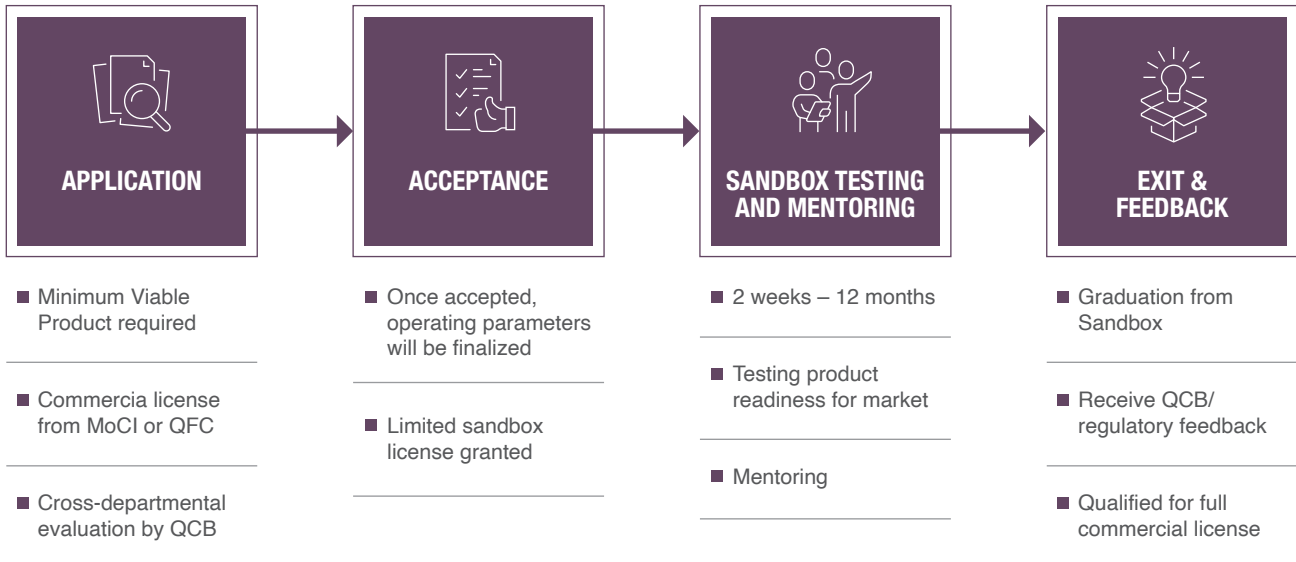
QCB has taken on a role of the “Orchestrator” of Qatar’s FinTech strategy, in addition to acting as the central regulatory authority of its FinTech ecosystem. In alignment with the Second Strategic Plan for the Financial Sector, QCB has set itself four key objectives as part of the National FinTech Strategy, which are:

- Creating a connected and collaborative FinTech ecosystem
- Maintaining global competitiveness of FinTech services
- Having a strengthened financial system
- Providing meaningful solutions to local consumers

Through fulfilling these targeted objectives, the Central Bank launched three initiatives concerned with regulating the FinTech sector in Qatar, aiming to maintain a balance between enabling FinTech innovation while also protecting consumers and the integrity of Qatar’s financial system.

The first of these initiatives was establishing the FinTech Office at QCB in 2019, which is tasked with facilitating and executing QCB’s FinTech objectives. This Office comprises three units: Ecosystem & Partnerships, FinTech Programmes and a Centre of Excellence. The FinTech Programmes Unit is the main point of contact for FinTechs in the State of Qatar for regulatory and licensing queries, and it is also responsible for operating the soon-to-be announced regulatory sandbox.

QCB REGULATORY SANDBOX PROCESS



Source: Qatar Central Bank

QCB REGULATORY SANDBOX EVALUATION CRITERIA

- F** **LOURISHING BUSINESS CASE**
Do you have a robust business plan and a solution that is financially sound?
- I** **INNOVATION**
Are you bringing something new to the table?
- N** **OTABLE RISKS AND MITIGATION**
Have you prepared a risks and mitigations analysis?
- T** **ESTING READINESS**
Do you have a minimum viable product, or a solution that is ready to operate?
- E** **XIT STRATEGY**
Do you have realistic and strong plans on what to do after exiting the sandbox, whether or not you successfully graduated?
- C** **ATERS TO QATAR**
Will your solution benefit Qatar?
Will it help the country move toward achieving Vision 2030?
- H** **ELPS ADDRESS A PROBLEM**
Does it provide a solution to a challenge, locally or globally?

Source: Qatar Central Bank

QCB’s Regulatory Sandbox is an initiative – planned to launch in 2021 – which offers a safe and controlled space for companies to test out their FinTech solutions under relaxed regulatory requirements. FinTechs can spend up to 12 months in this operating environment operating under a limited license, with restrictions on parameters including the number of customers or application users, number of daily transactions, maximum value per transaction, Value at Risk (VaR) and value of funds held by the entity.

Lastly, QCB has also embarked on regulating aspects of the FinTech business and ecosystem. In 2019, it began with issuing regulations on payments, which is the fastest growing FinTech segment in the region and a priority focus of the National FinTech Strategy. QCB is currently developing information security controls that will be applicable to all FinTech segments.



FINTECH ACTIVITIES LICENCED BY QFC

- 1 Empowered by technology, customer expectations are changing and becoming more sophisticated
 - 2 Providing APIs over the internet
 - 3 Providing cloud computing solutions
 - 4 Development and promotion of blockchain-based technologies through applications of distributed ledger technology
 - 5 Providing platforms for facilitating real-time transaction capability of internet-connected devices
 - 6 Offering innovative ways of delivering computing resources, including data storage, software processing, email handling, etc.
 - 7 Developing algorithm-based portfolio management, personal finance management, and budgeting tools
 - 8 Ancilliary unregulated activity that QFC deems necessary for the provision of FinTech services
- Regularly encountered
 Incidentally encountered
 Not yet encountered

Source: Qatar Financial Centre

QFC NON-REGULATED LICENSING AND INCENTIVES SET TO ATTRACT INTERNATIONAL FINTECHS

A partner in the development of Qatar’s FinTech sector, QFC has introduced its FinTech Services Provider License, allowing international FinTechs to establish regional operations in Qatar. With 39 already registered and another 20 new FinTechs in the licensing pipeline, QFC has set its focus to onboarding FinTechs operating in digital payments, Islamic FinTech, RegTech, InsurTech, PropTech and SME-enabling FinTech.

Licensed FinTechs are classified as FinTech Service Providers

under Professional Services activities allowed under QFC’s platform. QFC perceives that around 80% of FinTechs do not require regulation, given that they develop the underlying technologies such as APIs, AI and blockchain, and provide them directly to financial institutions that themselves act as depository institutions. Hence, they are licensed as non-regulated companies on the QFC platform. The Ministry of Commerce and Industry (MoCI) views this similarly for the FinTechs it licenses. By contrast, FinTechs that receive and handle client funds are considered regulated companies and will have to go start off in QCB’s regulatory sandbox with a limited license.

QFC has introduced incentives specifically targeting qualified FinTechs, including the waiver of the application fee and the first-year annual registration fee, each costing US\$5,000. Newly onboarded FinTechs will also gain access to a shared workspace, which acts as an initial registration address, at its FinTech Circle free-of-charge for the first 12 months. Having already had a soft launch in late 2020, the FinTech Circle will ensure these FinTechs exposure and networking opportunities with some of the region’s leading financial institutions based in QFC and the State of Qatar. FinTechs will also receive support from QFC in accessing the wider financial sector, benefiting from targeted network efforts, and regular Tech Talks held under its auspices.

GROWTH POTENTIAL FOR FINTECHS IN QATAR

Digital and contactless payment solutions

The e-commerce sector in Qatar has witnessed a boom in recent years as the e-commerce penetration rate more than doubled in the last year, from 15% in 2018 to 37% in 2019. The Ministry of Transport and Communications (MoTC) had projected in 2018 that e-commerce sales would reach US\$3.2 billion by 2022, up from US\$1.3 billion in 2017. This projection could potentially be exceeded as online sales were boosted by the Covid-19 outbreak, which forced many retailers and consumers to shift to online platforms.

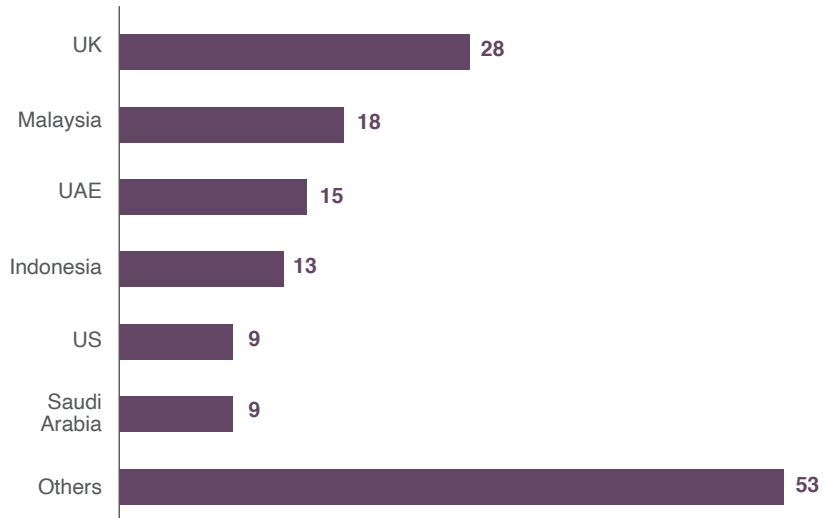
In addition, the pandemic has also pushed more SMEs in Qatar to utilise online platforms including Instagram, Whatsapp and home delivery services like Talabat and Carriage to display and sell their products and offering digital or contactless payment options for customers.

QCB launched an instant payment system – Qatar Mobile Payment System (QMP) – in 2019, which offers a mobile based e-wallet and QR code-based options. However, digital payment gateways and contactless payments in Qatar are still at a nascent stage, allowing for substantial growth in the digital and contactless payments segment. This presents an opportunity for payment solution providers – that can provide world-class services – to tap the increasing demand from online retailers and e-commerce platforms in Qatar.

Islamic Fintech

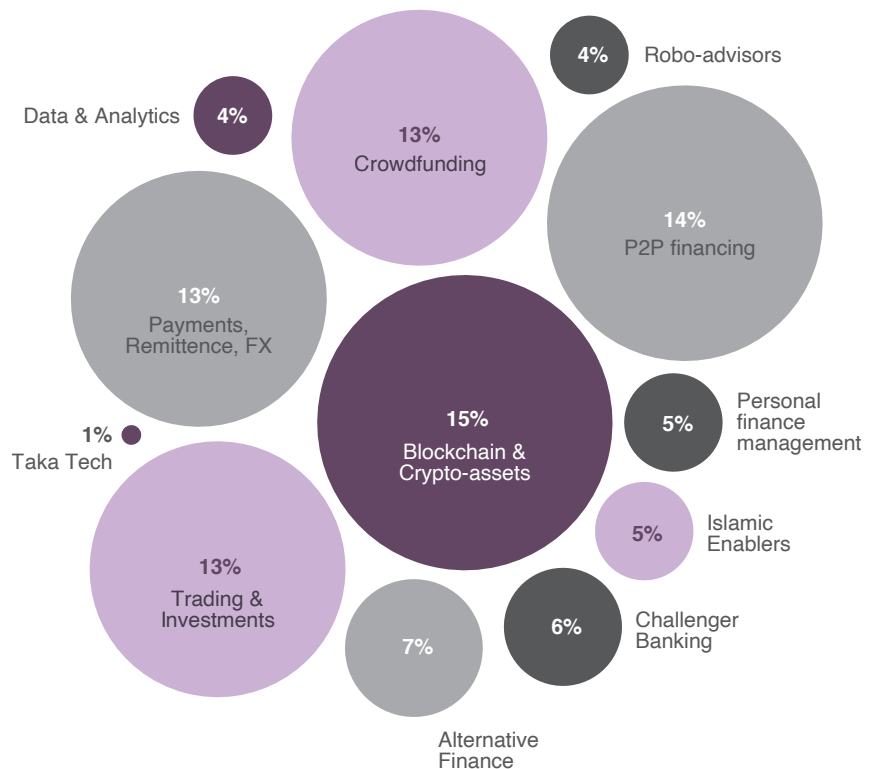
By August 2020, the global Islamic FinTech sector comprised 145 companies spanning across 29 countries, according to an estimate by IFN Fintech. Although, Southeast Asia and the Gulf constitute the largest Islamic financial markets and most developed jurisdictions, the UK is – in fact – the world’s leading Islamic FinTech jurisdiction underlined by the Bank of England’s recent development of a liquidity tool for Shariah-compliant banks. The UK is home to the highest number of Islamic FinTechs with 28 registered companies, followed by Malaysia accounting for 18 FinTechs and the UAE with 15.

NUMBER OF ISLAMIC FINTECHS BY COUNTRY (AUGUST 2020)



Source: IFN Fintech

ISLAMIC FINTECHS BREAKDOWN BY VERTICAL (AUGUST 2020)



Source: IFN Fintech

Islamic FinTech is primed for significant expansion in the years ahead. P2P crowdfunding and challenger banking are the top expected growth sectors for Islamic FinTech. Beyond that, three top growth sectors for next year are blockchain/crypto, robo-advisory/personal finance management, and lending activities.

According to a 2019 survey by Elipses, the most important factor for Islamic FinTechs in selecting a base for operations is the strength of the local conventional and Islamic financial industries in the jurisdiction. This bodes well for future Islamic FinTech activity in Qatar, which boasts a robust financial system that includes a long-established Islamic finance sector supported by core competencies.

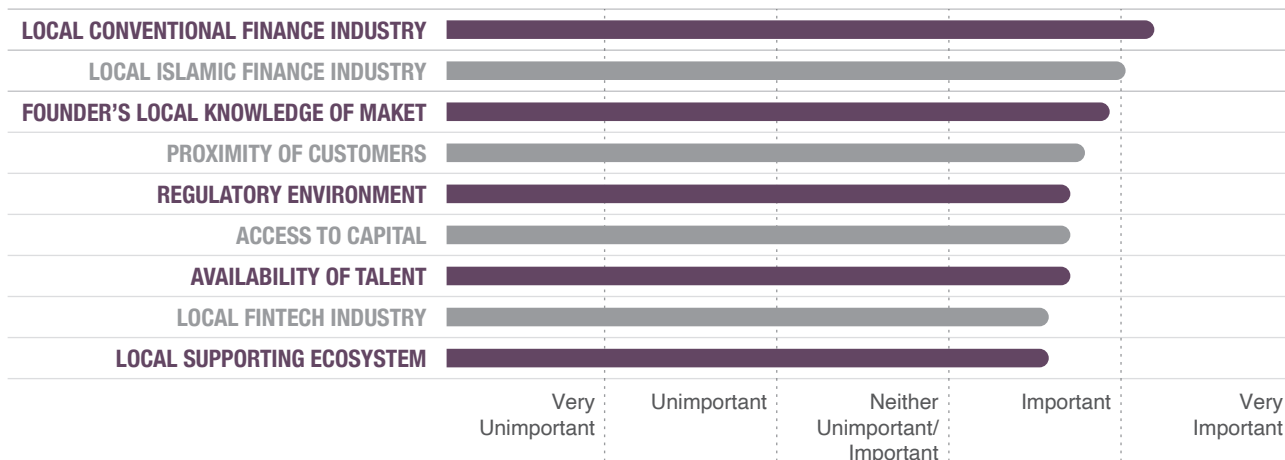
Although access to capital was not rated as important as the strength of the financial industry, it is actually perceived as the greatest barrier to growth for Islamic FinTechs. In particular, these FinTechs face challenges of securing Shariah-compliant VC investment, despite significant wealth in core Islamic finance jurisdictions like the Gulf. Islamic VC itself is a nascent segment of Islamic finance that has not yet gained much traction in core markets, which leaves traditional Islamic investors as the only other viable source for Shariah-compliant capital. Typically seeking safer investments, these investors find Islamic FinTech less appealing due to the high risk of failure associated with the segment.

As a result, many of the existing Islamic FinTechs have sought



Museum of Islamic Art in Doha. PHILIP LANGE / SHUTTERSTOCK.COM

FACTORS IMPACTING ISLAMIC FINTECH JURISDICTION SELECTION



Source: Elipses Global Islamic Fintech Report 2019

funding from conventional VC investors. AAOIFI Shariah Standard (12) on Sharikah (Musharakah) and modern corporations permit the mixing of conventional and Islamic investors in Islamic venture capital. In addition, it allows for replicating some protections offered using preferred shares, which are themselves prohibited, through Shariah-compliant governance structures. Nonetheless, conventional investors remain reluctant to invest in FinTechs that label themselves as “Shariah-compliant” or “fully-Islamic”, while those labelled as “Islamic-friendly” ethical platforms are perceived to fare better.

Qatar stands to gain a unique advantage over other Islamic FinTech hubs by offering Shariah-compliant venture capital, specifically for Islamic FinTechs, through QFTH programs or in partnership with Islamic investment banks in Qatar that are already active in private equity. Alternatively, Qatari regulators

could offer special incentives for the formation of Islamic VC funds or setting up Shariah-compliant equity crowdfunding platforms.

Another opportunity for Qatar to stand out in the Islamic FinTech space lies in Islamic RegTech — a niche segment yet to be ventured into. In addition to the regulatory risks facing all FIs, Islamic FIs also have to deal with Shariah risk as a result of varying and sometimes conflicting Shariah rulings and interpretations. RegTech could potentially offer Islamic FIs the tools to facilitate easier compliance with Islamic financial regulations and Shariah compliance standards, and ultimately free up Shariah supervisory boards to tackle more complicated issues.

Islamic RegTech could also be useful in sukuk markets and promote standardisation of legal and Shariah documents, thereby streamlining the sukuk issuance process. Standard

legal documentation provides clarity for investors regarding the terms of default, which is still lacking for sukuk, particularly for new structures. Islamic FinTech could also help investors in monitoring and assessing the risk exposure to their potential and existing sukuk investments.

SME- enabling Tech

Encouraged by an increased government focus, more than 96% of Qatar’s 25,000 private businesses are SMEs, according to a statement by QDB in 2019. SMEs are expected to supply up to 90% of materials purchased for government projects in coming years. SMEs have traditionally struggled with gaining access to credit facilities, due to the high financial risk associated with these businesses in addition to the smaller-ticket funding requirements compared to corporates, but the government’s commitment to procurement from the segment is infusing newfound confidence.

Despite this, countervailing winds from the economic impact of Covid-19 and a low interest rate environment will likely drive traditional banks to steer clear of lending to SMEs until lending conditions are more favourable. This makes SMEs a ripe target for digital banks and alternative lending platforms, which can leverage lower operating costs, compared to traditional banks, to offer smaller business loans. These FinTechs would also be able to offer SMEs more customised financial facilities such as trade credit lines and payment management facilities — capabilities that would be enhanced by the presence of an open banking framework.

Other than the obvious financing providers, FinTechs that automate business functions would thrive in Qatar from tapping into the SME market — including accounting platforms that would offer invoicing and tax solutions, payroll and pension management applications, expense and cashflow management platforms and procurement as well as B2B payment platforms.

InsurTech

The Covid-19 outbreak has necessitated quicker implementation of digital transformation of insurers, like the greater financial industry. However, for insurers in emerging markets to hasten the implementation of these strategies in-house would impose considerable pressure on already struggling operating margins. This situation presents an opportunity for InsurTech companies to partner with these insurers, onboarding them to end-to-end insurance platforms that

are cost-efficient and address the full insurance lifecycle from customer engagement and underwriting, to support functions like finance and human resources.

Although the advent of InsurTech in the Gulf region has been mainly characterised by online insurers and insurance aggregators, a different breed of InsurTech players emerged in Qatar. In 2020, Qatar Insurance Company (QIC) established its QFC-based IT services subsidiary Anoud Technologies, which offers the Anoud+ platform and its support services to insurers in emerging markets with a focus on Africa. The web-based platform was developed in-house by QIC, in collaboration with Swiss Re, to support insurers in improving the operational resilience and efficiency with a quick turnaround and without straining their IT investment budgets. Anoud+ provides functionalities including client relationship management, underwriting, technical accounting, finance, policy and claims management, workflow and document management, reporting, data analytics and reinsurance administration.

Underbanked Tech

As previously mentioned, digital wallet and payment platforms drive greater financial inclusion in low-income countries in the wake of Covid-19 through the disbursement of government financial support payments to impoverished segments. In Qatar, however, these technologies can instead be used to facilitate greater and easier access to financial services for low-income and domestic workers.

Although local banks in Qatar already offer Wage Protection System (WPS) and Domestic Worker accounts, and a few with contactless capabilities, these still mainly require the paperwork for opening the accounts and the use of debit cards.

Recently established Qatari FinTech, cWallet, is a digital wallet that utilises blockchain technology to offer this segment access to financial services such as receiving salaries, making contactless payments and international remittances without having to open a bank account or obtaining a pay card. cWallet has ensured that salary transfers through the platform are WPS-compliant in addition to secure remittances by partnering with internationally recognised remittance companies. It has also leveraged partnerships with retailers in Qatar to facilitate cash deposits through money vouchers and cash withdrawals, which can also be done through ATMs without a debit card.

This business model presents a solution that can be replicated in Qatar, with around 800,000 low-income workers, and perhaps improved with additional features. Such digital wallets can also be scaled on a regional or international level, targeting low-income countries where FinTech services have been slow to take off. ■

QATAR AS A REGIONAL FINTECH HUB

Positioning Qatar for FinTech Momentum

SPECIALISED REGULATIONS AND GUIDELINES

FINTECH BRIDGES AND GLOBAL REGULATORY COLLABORATION

FINANCIAL AND TAX INCENTIVES FOR FINTECH START-UPS

GOVERNMENT-BACKED VC FUND DEDICATED TO FINTECH

STRUCTURED COMPREHENSIVE PROGRAM TO DEVELOP LOCAL TALENT

HARNESSING REGIONAL CAPABILITIES THROUGH BILATERAL PARTNERSHIPS

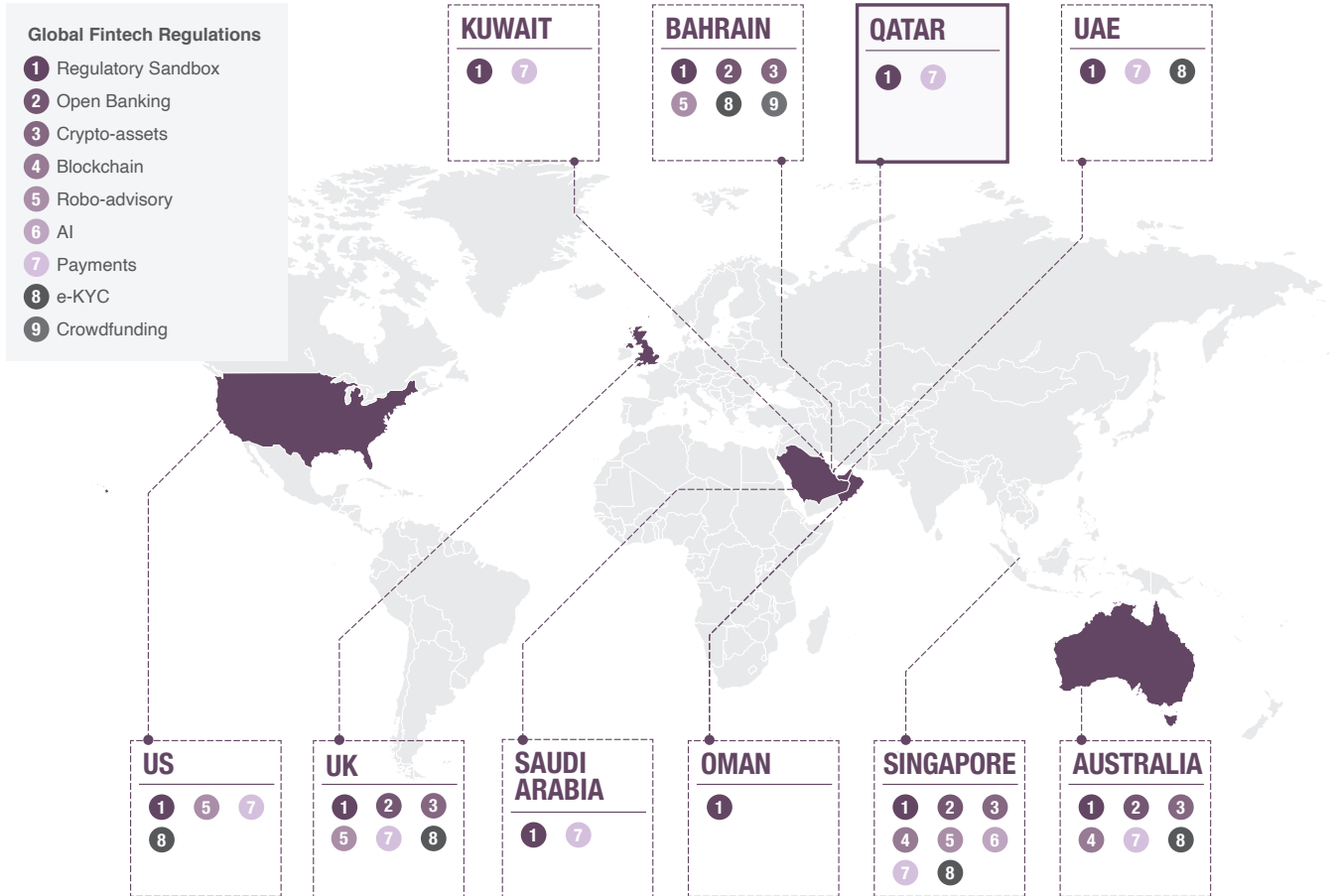
ATTRACTING FOREIGN FINTECHS THROUGH DEPTH OF VENTURE CAPITAL AND BREADTH OF BUSINESS OPPORTUNITIES

SPECIALISED REGULATIONS AND GUIDELINES

As the central regulator for Qatar’s FinTech sector, QCB has already issued payments regulations considering this FinTech vertical the top priority of Qatar’s National FinTech Strategy. Meanwhile, Qatar has also set its sights on attracting Islamic FinTech, RegTech, InsurTech and SME-enabling FinTech, which encompass a range of FinTech business models such as digital banks, alternative lending platforms, robo-advisors and product aggregators. With the potential offering of these new types of financial services in Qatar, the market would benefit from QCB making amendments to existing regulations or issue new frameworks to ensure these new activities do not compromise the stability and soundness of the financial system.

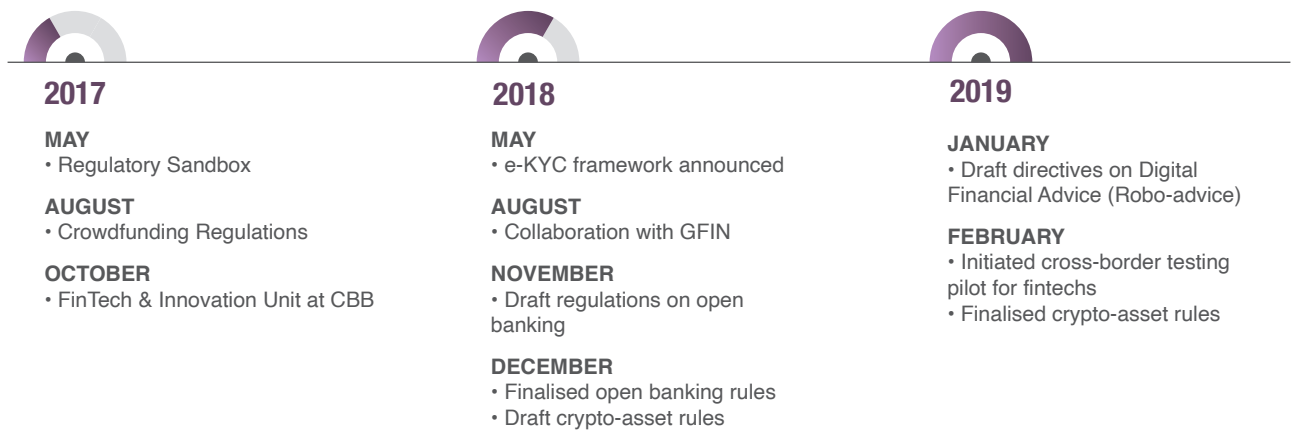
In parallel to Qatar’s efforts, Singapore has been diligent in taking steps to supervise and regulate FinTech verticals. In addition to payments regulations, the Monetary Authority of Singapore (MAS) issued regulations for crowdfunding and guidelines on crypto-assets, open banking, e-KYC, blockchain-powered financial services, and artificial intelligence-driven services. By issuing guidelines on most of these verticals, which were not mandatory, the Central Bank has aimed to encourage greater innovation in product development and assurances of the market’s stability.

FINTECH REGULATORY COVERAGE



Source: Bahrain FinTech Ecosystem Report 2018, Refinitiv Analysis

FINTECH REGULATION DEVELOPMENT IN BAHRAIN



Source: Bahrain FinTech Ecosystem Report 2018

By contrast, Bahrain has taken a sterner approach to FinTech regulation, enforcing mandatory compliance with regulations issued on crowdfunding, crypto assets, open banking, e-KYC and draft regulations on digital financial advice. The CBB has issued most of these regulations in line with FinTech market trends, but also in line with the type of FinTechs applying to its regulatory sandbox.

Licensing FinTechs across the Gulf

In terms of FinTech licensing, QFC has clearly defined the type of activities that would be granted a FinTech service provider license that would not be subject to financial regulation and supervision, since they do not handle client

funds. Similarly, this type of FinTechs, based outside QFC, is licensed as a non-financial company by the MoCI.

Contrastingly, the financial regulation and supervision of FinTechs that take deposits and handle client funds, such as digital banks and robo-advisors, is left with QCB. Initially, these FinTechs would have to enter Qatar through the QCB regulatory sandbox, and then qualify for a full commercial license upon graduation.

Much like in Qatar, FinTechs setting up in Dubai’s DIFC are licensed by the Dubai Financial Service Authority (DFSA) for regulated or non-regulated activities. Regulated FinTechs are likely to be issued a DFSA Innovation Testing License,

after which they receive a Category 3 or 4 license covering various financial activities. Non-regulated FinTechs are granted a DIFC Innovation (or Tech Start-up) license, which is specifically offered to FinTechs.

Meanwhile, at ADGM, FinTechs participating in the ADGM RegLab sandbox are granted a limited financial services license with their activity specified as “Developing financial technology in RegLab”. Upon successful graduation from the sandbox, the FinTechs receive full financial services licenses corresponding to their main activities. For instance, a digital bank would be granted a Category 1 financial services license, while a payment provider would obtain a Category 3 license.

LICENSES GRANTED TO FINTECHS IN GULF JURISDICTIONS

| | Qatar | DIFC | ADGM | Bahrain | Kuwait | Oman | Saudi Arabia |
|--|--|--|---|---|---------------------------------|---------------------------|---|
| Regulatory Sandbox Participants | QCB - TBC | DFSA Innovation Testing License | Financial Services License - Reglab Participant | No License; “Authorised Regulatory Sandbox Participant” designation | n/a | n/a | SAMA - Sandbox Permission CMA - Financial Technology Experimental permit (FinTech ExPermit) |
| General | QCB – TBC QFC – Fintech Service Provider; MOCI | Regulate - Category 3 or 4 financial services license Non-regulated - DIFC Innovation license | Full Financial Services License | Full Financial Services License | MOCI - Commercial registration* | Non-Bank Financial Entity | SAMA - Full Financial Services License (SAMA-regulated activities) CMA - Authorised Capital Market Institution |

Source: Regulator websites, Refinitiv Analysis

DR. ANDREW DAHDAL

Assistant Professor,
Qatar University



1. What specialized regulations would be helpful to the future advancement of the fintech ecosystem in Qatar?

The required regulations are more at the level of rules, implemented by QCB – needed for example for payment system services. QFTH's first cohort primarily operates in this space, and we already have several active operators in the country. They need guidance. How to onboard customers, how to deal with their data, how to ensure they are compliant with standards are the most critical issues to tackle.

Another area that requires regulatory guidance is open banking, which has to be implemented through a multi-phase approach. The concept is not overly intrusive to existing competitors if done correctly.

The goal is to mandate banks to provide read and write access for third parties pertaining to customer data and accounts - but that is way off in Qatar. Such start-ups in the early phase can provide comparison services, usually with payment based on commissions (of financial services transactions). Data standards bodies are also needed in this area, potentially involving MoCI or MoTC, enabling businesses to access open API data for analysis and other use.

Beyond these two specific areas, a lot of the desirable regulations that would have substantial impact in Qatar are more broad-based in nature. These include rules for online transaction and data regulations, which would impact all firms engaging in the digital economy but especially and FinTechs. Such regulations could pave the way for a series of positive steps in Qatari FinTech development.

2. What makes you optimistic for the local FinTech market, as you survey recent developments?

The size of Qatar as a jurisdiction – not the largest in the region – enables FinTechs to have easy access to regulators and other decision-makers, which is not the case elsewhere in the region or globally. This competitive advantage of Qatar's allows stakeholders to be involved in the progression of the local market. Another factor driving FinTech developments in Qatar is the driving academic interest across several institutions currently engaged with local market participants. This nexus permits Qatari academic literature to feature current market references and applicability, further propelling interest and research in the sector. A third and final competitive factor is the centralisation of data in the State, which creates infrastructure FinTechs

can leverage (if allowed) to provide a variety of services.

3. How advanced and ambitious are Qatar's market regulators in FinTech as compared to those in the rest of the GCC?

While Qatar is currently lagging somewhat, there is significant promise and it is green pastures ahead. Foreign and local FinTechs face a market that is relatively emergent. By contrast the Central Bank of Bahrain is very advanced, while the Abu Dhabi Global Market (ADGM) already has some very solid regulations on token issuances. Moreover, ADGM's posture is very consultative, which appears flexible and a welcoming stance as compared to what is found elsewhere. Whereas Qatar is not yet competing at the same level, there is promise moving forward to develop the legal and regulatory backbone to attract world-class FinTech players interested in innovation. QCB is starting to make headway with its various FinTech initiatives, as is QDB. Much work remains ahead, but if implemented as foreseen the FinTech landscape in Qatar could alter dramatically to one featuring low barriers between developers and regulators partnered with access to capital and a strong domestic client base.

Mandatory cyber security compliance

QCB is in the process of issuing information security controls, following the launch of a national cybersecurity framework — the National Information Security Standards Framework — by the MoTC in 2019. However, given the gravity of cyber risks to financial institutions and the overall financial system, the development of a mandatory comprehensive cyber security framework would be vital for Qatar as a FinTech hub.

During 2019, Qatar’s banks have come under a barrage of cyber-attacks in the form of phishing attempts and targeted social engineering attacks. These attacks

on the banking sector have increased by 50% between Q1 and Q4 2019, making up over 50% of overall cyber-attacks during the year, according to the QCB 2019 Financial Stability Report.

As a result, QCB developed practices and response mechanisms to tackle cyber-attacks on the financial sector to enhance financial institutions’ cyber security capabilities. The Central Bank also established a dedicated Information Security Department (ISD) in 2019, which is responsible for guiding financial institutions towards improving information security and maintaining a high level of cyber resilience. This function focuses on developing six fundamental elements of a cyber-security program:

- Governance
- Threat intelligence
- Security operations
- Security architecture
- Risk management
- Cyber security capabilities development

Meanwhile, the Saudi Arabian Monetary Authority (SAMA) introduced the SAMA Cyber Security Framework in 2017, following several incidents of cyber security breaches in recent years. The cost of data breaches is high, with Saudi Arabia ranking second in data breach costs globally, estimated at US\$5.9 million for 2020. According to IBM’s “2019 Cost of Data Breach Report”, Saudi Arabia (representative of the Middle East) had the highest average

number of breached records, at 38,300 per incident, compared to the global average of 25,500.

The Saudi framework is built on best practices from various government frameworks and industry standards, such as the US government’s National Institute of Standards and Technology Framework for Improving Critical Infrastructure Cybersecurity. Rather than offering financial institutions the option of voluntary compliance with the cyber security framework, SAMA elected to mandate the implementation of the framework to assure the sector can manage and withstand cyber security threats. Overall, the SAMA Cyber Security Framework is comprehensive and prescriptive, propagating key cyber security principles and objectives to be embedded and achieved by each regulated entity. These are broken down in terms of four main cyber security domains: Leadership and Governance, Risk Management and Compliance, Operations and Technology, as well as Third-Party considerations.

In Singapore, MAS issued a set of cyber security notices to all financial institutions in August 2019, requiring mandatory compliance within 12 months. A total of 11 notices were issued, each for a different type of financial service, based on the existing MAS Technology Risk Management (TRM) Guidelines, as part of pre-emptive efforts to combat the growing threat of cybercrime in the financial sector. The following requirements are now mandatory for all financial institutions in Singapore:

CYBER SECURITY REGULATION IN GULF JURISDICTIONS

| | |
|---------------------|--|
| Qatar | QCB - Information security controls (pending) |
| DIFC | DFSA - Cyber Threat Intelligence Platform (CTIP) No regulation |
| ADGM | FSRA - Governance Principles and Practices to Mitigate Cyber Threats and Crime |
| Bahrain | CBB - Cyber security modules within various rulebooks |
| Kuwait | CBK - “Cyber Security Framework for Kuwaiti Banking Sector” |
| Oman | n/a |
| Saudi Arabia | SAMA - “Cyber Security Framework” |

Source: Refinitiv Analysis

- establish and implement robust security for IT systems;
- ensure updates are applied to address system security flaws in a timely manner;
- deploy security devices to restrict unauthorised network traffic;
- implement measures to mitigate the risk of malware infection;
- secure the use of system accounts with special privileges to prevent unauthorised access; and
- strengthen user authentication for critical systems as well as systems used to access customer information.

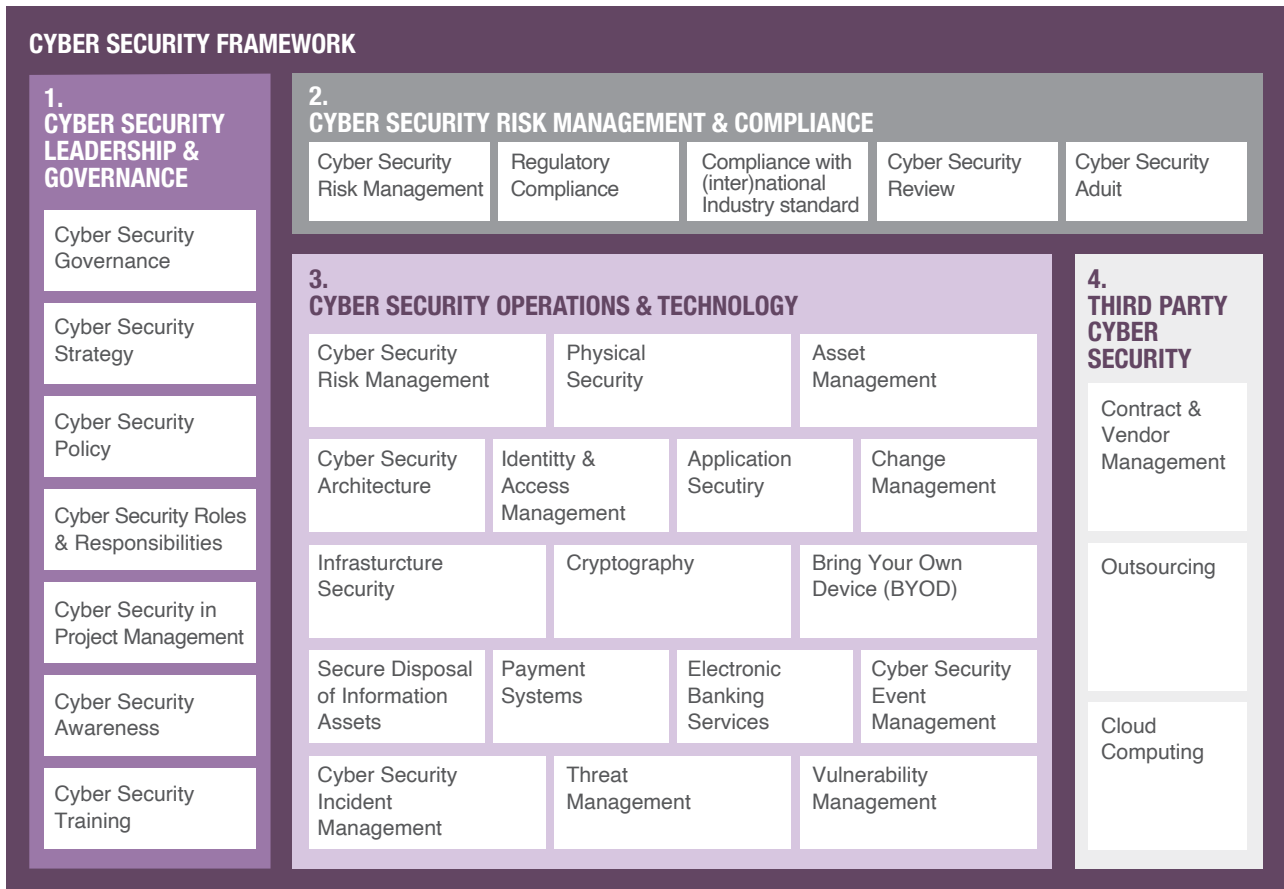
FINTECH BRIDGES AND GLOBAL REGULATORY COLLABORATION

As mentioned earlier in this report, QFTH has established strategic relationships with various FinTech hubs worldwide. Qatar would also benefit from its financial regulators establishing FinTech bridges, or MoUs with FinTech regulatory authorities to facilitate information sharing on regulatory best practices and providing regulatory support for Qatar-based FinTechs seeking to extend their operations abroad.

The UK sets a notable example for establishing FinTech bridges,

whereby UK FinTechs gain access to growth opportunities in emerging markets that, in turn, benefit from the UK’s experiences as a developed FinTech hub. The UK is part of five FinTech Bridge agreements with Singapore, South Korea, China, Hong Kong, and Australia. By sharing knowledge and best-practice with Bridge jurisdictions, and aligning international FinTech policy development, participants can realise opportunities to export solutions to key markets at pace. Each Bridge enables firms licensed by the UK’s FCA to be referred directly to regulators in Bridge markets,

SAMA CYBER SECURITY FRAMEWORK



Source: Saudi Arabian Monetary Agency (SAMA)





FITRIA RAMLI / SHUTTERSTOCK.COM

easing the process of obtaining a license and smoothing access to priority international markets.

Another example of regulatory collaboration is the Global Financial Innovation Network (GFIN), a network comprising over 60 FinTech stakeholders, led by a group of financial regulators from various jurisdictions. QFC represents Qatari regulators as a member of this network, while QDB participate as an observer.

GFIN seeks to provide a more efficient way for innovative firms to interact with regulators, through a “global sandbox”. FinTechs can apply to this scheme to test

innovative products, services, or business models across more than one jurisdiction. GFIN also aims to create a new framework for cooperation between financial services regulators on innovation-related topics, sharing different experiences and approaches.

FINANCIAL AND TAX INCENTIVES FOR FINTECH START-UPS

Qatar is the only Gulf jurisdiction that offers cost-saving incentives to new qualified FinTechs joining the QFC platform in the form of waived registration and first-year annual fees, in addition to rent-free workspace and a

registered address for the first year. Additionally, Qatar’s Investment Promotion Agency offers support for strategic ventures setting up in Qatar. Financial grants and tax exemptions are possible additional cost-saving incentives to consider, helping Qatar entice many FinTechs, which are famously loss-making during the start-up phase.

By contrast, a range of financial and tax incentives is offered to FinTech start-ups in Singapore, presenting a unique model for government support for FinTechs. These incentives are primarily in the form of grants, salary support and subsidies from the Monetary Authority of Singapore, Startup

SG and others. The Central Bank offers several FinTech-specific grants as part of its Financial Sector Technology and Innovation (FSTI) scheme, which include:

- MAS FSTI Proof-of-Concept Scheme — offers up to SG\$400K to conduct early stage development of novel solutions to problems in the financial sector.
- MAS FSTI Innovation Centre Grant — offers up to 50% salary support to set-up innovation centres of excellence or labs in Singapore to test-bed innovative ideas and roll out market solutions.
- MAS FSTI Institution-level Project Grant — offers up to 50% support for Singapore-based financial institutions to catalyse innovative ideas and market solutions to advance the competitiveness of the financial institution and the sector.
- MAS Artificial Intelligence (AI) and Data Analytics (DA) Grant — offers up to 50% support for projects that demonstrate adoption of AI data analytic (DA) techniques that achieve business objectives of strategy and decision making, as well as applied research projects in AI and DA for Singapore and the Singaporean financial sector.

In addition, FinTech start-ups are also eligible for tax exemptions and tax reliefs, with full exemptions for the first SG\$100K and up to 50% exemption on the next SG\$200K of normal chargeable income.

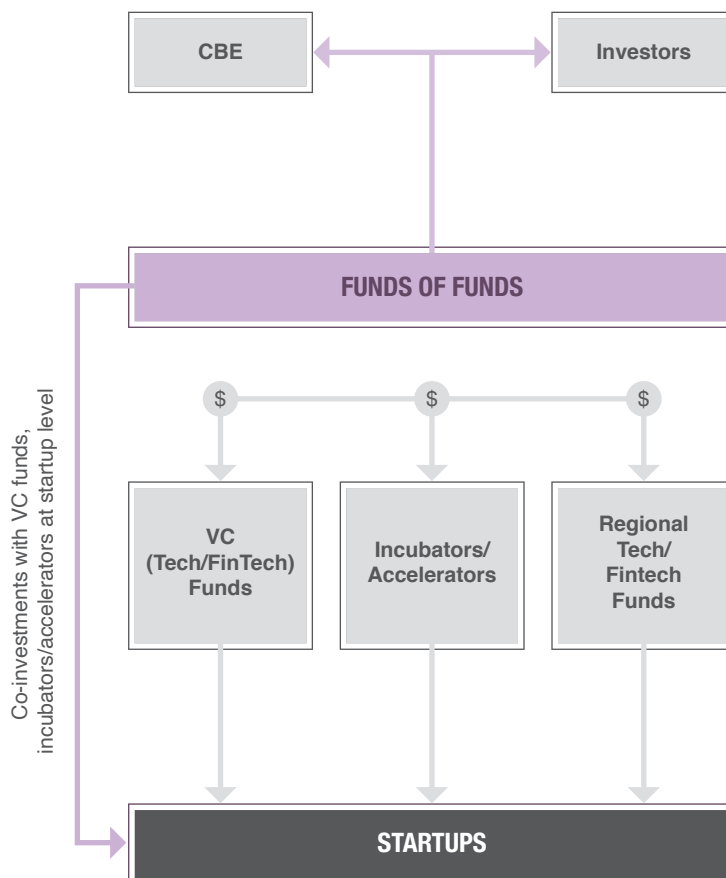
GOVERNMENT-BACKED VC FUND DEDICATED TO FINTECH

QFTH offers FinTechs cash investments of up to US\$40,000 and US\$100,000 through its incubator and accelerator programmes, respectively. This funding is backed by a venture capital partnership between QDB and VC investors including Romulus Fund, ERA Fund Accelerator, Alchemist Accelerator, Iris Next Capital Fund and SpeedInvest Fund. Through its direct investment programme, it

aims to help Qatari companies grow outside Qatar.

Similarly, the Central Bank of Egypt (CBE) established a new dedicated and independently managed investment platform in 2019 — the Innovation Fund (of Funds) — in partnership with major local and international institutions, focusing on FinTech investments in FinTech funds, VC funds and incubators and accelerators. CBE has committed US\$64 million (EGP 1 billion) to funding start-ups directly through co-investments, or indirectly through select VC funds and other investment vehicles.

CENTRAL BANK OF EGYPT INNOVATION FUND STRUCTURE



Source: Central Bank of Egypt

ALEXANDER WIEDMER

Partner,
Iris Capital



1. Why did Iris Capital set up an office in Qatar?

Iris Capital is a leading European VC firm which invests in technology generally and FinTech as a subsector. We continue to enjoy a very close relationship with QDB that has matured over the last three years. During this fruitful partnership we have discovered the Qatari ecosystem, its strengths, and its potential in the venture space. We are keen to be closely involved with

the development of venture capital in Qatar and were very pleased to be welcomed by QFC for our new area of activities here.

2. What makes Qatar an attractive place for FinTechs?

Quality incumbents and availability of capital, as well as ready access to the largest financial institutions in the region, which are natural partners/

clients for aspiring FinTechs. Qatar already has extensive experience investing in international and domestic FinTech. Besides its own venture capital activity, QDB has invested in several international fund managers including Iris Capital with whom QDB has co-invested in the FinTech space as well as accelerators active in the FinTech segment, making it an attractive destination for FinTechs seeking financing and expansion opportunities in the region.



STRUCTURED COMPREHENSIVE PROGRAM TO DEVELOP LOCAL TALENT

Capacity building is on QFTH's agenda, having forged partnerships with academic institutions such as UK-based Cambridge Spark, to facilitate the development of FinTech talent in Qatar through QFTH's incubator and accelerator programmes. Through this partnership, Cambridge Spark will provide workshops, in-kind services, and opportunities for collaboration. However, a more structured and comprehensive approach targeting the development of local talent, regardless of their participation in the QFTH incubator and accelerator programmes, would stand to reap greater benefits. Offering talented Qatari graduates training or internship opportunities within Qatar's FinTech sector or abroad, not only in hopes of being employed by FinTechs, but also equipping them with skills and experience to potentially establish their own FinTech ventures down the line. These internships may be offered at both FinTechs and financial institutions with FinTech development initiatives.

The introduction of a FinTech talent exchange programme, which would be a first for the region, could be an alternative or an extension to internships. The programme would be an extension of the partnerships between QFTH and international fintech hubs, whereby trainees or experienced FinTech professionals from Qatar can gain work experience in more



developed fintech ecosystems. This experience would expose them to new business ideas and practices that they would be able to practically apply in Qatar. On the other hand, international candidates receiving temporary placements in Qatar can become more familiar with the local and regional market, which would potentially attract more foreign FinTech ventures to set up operations in Qatar. Similar training programmes are implemented in aviation, healthcare and energy sectors as well as at Central Banks. Employees are elected to take up temporary placements at a partner institution abroad, offering them an international perspective on their jobs as well as exposure to best practices that they can implement in home jurisdictions.

A possible example to learn from is Bahrain FinTech Bay, which

in partnership with Tamkeen¹, inaugurated its National FinTech Talent Program (FTP) early in 2019. It is the first of its kind in the region, which focuses on developing the Bahraini FinTech talent pool by helping graduates develop their professional skills and gain insightful experience in the sector. Programme finalists go through an exclusive career fair where they participate in speed networking sessions with over 15 employers from the FinTech and financial services sectors. This is followed by a 6-month internship in innovation, digitization and FinTech roles, mentorship from Bahrain FinTech Bay's global partners and a 3-month online professional development FinTech course with Georgetown University.

Concurrently, QFTH is working with local universities and

¹ Tamkeen is a public authority in Bahrain tasked with supporting the enhancement of national workforce productivity and training, as well as private sector development.



colleges to incorporate FinTech into their existing finance and technology programmes. This would be a potentially faster way to upskill students and get them ready to work with FinTechs, compared to developing new modules on FinTech.

Amid concerns about the reliance of Singapore's FinTech sector on foreign talent, the Singapore FinTech Association established the Singapore FinTech Academy in 2018 to provide students with the essential technical and soft skills for FinTech careers. The Academy provides education on relevant technologies and FinTech products, services, and business models; while simultaneously developing an online training platform aimed at both FinTech start-ups and those working in the established sector. It adopts a practical approach and builds deep-dive case studies into relevant companies. Additionally, it works with the education sector to embed teaching about FinTech into existing modules in STEM and finance degrees and other programmes.

HARNESSING REGIONAL CAPABILITIES THROUGH BILATERAL PARTNERSHIPS

Although the proposed talent development program would address the FinTech talent shortage in the long run, Qatar will have to tackle this challenge differently in the short run. Qatar is able to leverage its bilateral government and FinTech hub relationships in order to draw on talents and capabilities based in these markets. One way to

do this is offshoring, whereby Qatar-based FinTechs would be able to outsource certain functions of their businesses to specialised FinTechs in partner hubs, facilitated by QFTH.

Potential partner jurisdictions include FinTech hubs in Mumbai, Beirut and Istanbul, which also have strong government relations with Qatar that can support offshoring arrangements. Qatari FinTechs would benefit from the technical expertise of partner FinTechs. Singapore, while developing local talent, has entered cooperation agreements with Malaysia and Indonesia to facilitate such offshoring arrangements for FinTechs, drawing on larger workforces in lower cost locations.

ATTRACTING FOREIGN FINTECHS THROUGH DEPTH OF VENTURE CAPITAL AND BREADTH OF BUSINESS OPPORTUNITIES

In the aftermath of Covid-19, some FinTech hubs may continue to see lower VC investments in FinTechs, especially those requiring early stage funding. The availability of fresh venture capital for investment in Qatar will help the country target this gap in VC investments as an opportunity to attract international FinTech start-ups, offering funding from the QDB VC fund-of-funds through the QFTH incubator and accelerator programmes. Private VC investors based in Qatar, such as DTA, are also keen on investing in FinTech ventures and offer an alternative for FinTechs operating outside QFTH programmes.

In addition to the depth of funding options available to FinTechs, Qatar is a nascent FinTech jurisdiction backed by a robust financial industry that presents a wealth of business opportunities to collaborate with domestic FIs or launch innovative financial solutions and technologies. Digital payments, Islamic FinTech, RegTech, InsurTech, PropTech and SME-enabling FinTech are growth segments on which Qatar's FinTech sector developers are focusing. FinTechs setting up in Qatar could also target opportunities internationally, leveraging the country's strong ties and economic treaties with other governments to export their FinTech services globally. Qatar has recently embarked on the New Emerging Belt Initiative (NEBI), establishing a new economic corridor representing a combined economy worth over US\$2.1 trillion — a huge potential export market for FinTechs based in Qatar. ■

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