Building a FinTech Ecosystem for the Recovery of the MSME Sector

APEC Small and Medium Enterprises Working Group

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Produced by
Washington CORE, L.L.C.
4500 East-West Highway, Suite 730,
Bethesda, Maryland 20814 United States
James Tetlow, Megumi Aikawa and Riku Kawakami
Tel: (1) 301 654 2915 ext. 111
Fax: (1) 301 654 4054
Email: james@wcore.com
Website: www.wcore.com

Submitted by
Javier Armando Chappell Quintana
Ministry of Production
60 Uno Oeste Street
Corpac Urbanization, Lima 15036 Peru

For
Asia-Pacific Economic Cooperation Secretariat
35 Heng Mui Keng Terrace
Singapore 119616
Tel: (65) 68919 600
Fax: (65) 68919 690
Email: info@apec.org
Website: www.apec.org

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1 Executive Summary

Micro, small, and medium enterprises (MSMEs) are the lifeblood of the APEC economy, accounting for over 97 percent of all businesses and employing more than half of the workforce across APEC economies. However, they face significant obstacles in accessing credit from formal financial institutions, due to factors such as limited credit history, high risk of defaults compared with larger companies, limited access to digital infrastructure, and a lack of financial knowledge. During the COVID-19 pandemic, these factors were coupled with the challenges from quarantines and the temporary pause of in-person operations in many economies, revealing the urgent need for innovative policies to improve financial inclusivity across the APEC region.

The financial technology (FinTech) sector has the potential to address many of the obstacles that MSMEs face in obtaining credit. Despite this potential, while the FinTech industry has been growing rapidly in many APEC economies, especially in fields where policy responses to the COVID-19 pandemic led to the digitalization of various procedures, there is still significant room for improvement when it comes to the FinTech tools and services that support MSMEs. Government policies to expand the FinTech sector can help to guide the development of new FinTechs that provide support to MSMEs and underserved populations, while also ensuring responsible regulations that ensure consumer privacy and prevent abusive lending practices.

This report draws on a combination of literature research, surveys, workshop findings, and interviews with government and private sector stakeholders to describe the current credit environment for MSMEs in the APEC region, the ways that FinTech can help to overcome their obstacles, and the best practices that governments across APEC have undertaken to grow the FinTech sector.

The first half of this report provides a summary of the credit environment for MSMEs in the APEC region, and an overview of the regulatory framework for FinTech services in APEC, including the coordination mechanisms for FinTech oversight, and different regulatory approaches across the region. The second half of this report presents case studies of eight APEC economies, describing their individual credit environment, as well as the effective regulatory responses to MSMEs' needs during the COVID-19 pandemic, and the success cases of FinTech companies providing credit services to the MSME sector. The report concludes with an analysis of the findings from the research, and a set of findings and recommendations for future actions by policy makers.

2 Introduction

This report maps the current environment for MSMEs to access credit in the APEC region and provides a summary of the regulatory framework of FinTech services, including barriers to overcome to increase their use and adoption in the MSME sector. The report then provides eight case studies of economies, including successful cases of FinTech companies that have provided credit services to the MSME sector during and after the COVID-19 pandemic.

This report has been produced based on the following key research elements:

- A review of the recent literature on FinTech usage by MSMEs in the Asia-Pacific region, as well as conventional and novel regulatory approaches to support FinTech adoption.
- A targeted survey of public and private FinTech stakeholders in APEC economies. The survey covered the FinTech environment, including how FinTech technologies are supporting MSME entrepreneurs; the existing regulatory framework on FinTech; and the stakeholders' perspectives on the current barriers and challenges to support MSMEs.
- Virtual interviews with public policy officials and FinTech associations from eight APEC economies: Australia; Hong Kong, China; Mexico; Peru; The Philippines; Singapore; Chinese Taipei; and Viet Nam. The interviews were focused on best practices by government and industry to strengthen institutional support for MSMEs through the FinTech sector.
- Findings from a two-day virtual capacity-building workshop that was organized by Peru in April 2024.

3 MSMEs' Access to Credit in the APEC Region

3.1 Overview

Micro, small and medium-sized enterprises (MSME) represent a significant part of the world economy and play an important role in economic development and job creation across the APEC region. However, studies have found that there is an 'MSME finance gap,' which refers to credit constraints faced by many MSMEs in emerging markets that hinders the capacity of businesses to achieve higher growth.

A seminal study in this area is the 2017 study by the International Finance Corporation (IFC) titled "MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets." The study concluded that an estimated 65 million MSMEs, equivalent to 40% of MSMEs in developing economies, have an unmet financing need of USD5.2 trillion each year.

A particularly significant finding for APEC policymakers is that the MSME finance gap is especially large in the East Asia and Pacific (EAP) region. The study calculated the MSME finance gap as the difference between current supply and potential demand for MSME finance. According to the analysis, potential demand for MSME finance was highest in the EAP region (58% of the total global potential demand), and the region had the largest share (46%) of the total global MSME finance gap, followed by Latin America and the Caribbean (23%). The EAP region also had the highest proportion of the microenterprise finance gap attributed to women-owned businesses (37 percent), which was the equivalent of USD103 billion USD.[1]

Some studies have looked into the effects of the COVID-19 pandemic on SME/MSME access to finance. IMF's 2022 Financial Access Survey (FAS) published in October 2022 found that loans to SMEs remained stable or even slightly increased in many economies in 2020, in the early part of the pandemic. This was at least partly due to pandemic-triggered government policies that aimed to prevent bankruptcies through measures such as loan assistance and wage subsidies. However, the following year, more than 70 percent of the responding economies experienced a decline in outstanding loans to SMEs.[2]

Another study found that 17% of total policy measures and 25.5% of rescue packages during the pandemic specifically targeted MSMEs; however, on the other hand, only 4.1% of policies and 2.2% of funding as part of pandemic recovery measures targeted MSMEs.[3]

3.2 Barriers to access

MSMEs in the APEC region and around the world often struggle to access finance due to various reasons. Some major barriers for both the demand side and supply side identified by recent literature are summarized in the table below.

Table 1: Common MSME barriers to accessing credit

Demand side (MSMEs)	Supply side (financial institutions)
• Limited collateral due to lack of revenues and cash flows • Lack of a robust credit history • Complex documentation requirements • Lack of digital and financial literacy • Institutional and structural factors (e.g., inadequate personnel and/or infrastructure) • Often subject to higher interest rates and stricter borrowing terms	• Inadequate information due to inefficient collateral registries • Higher risk perception by financial institutions towards young and growth-focused firms • Wider range in firm size, capital, phase of development, and needs • A lack of public support and economic stimulus to mitigate risks

Sources: OECD[4], UNESCAP[5], World Bank[6], NIH[7]

3.3 Role of FinTech

A number of studies have concluded that FinTech has the potential to play a key role in bolstering the financial inclusion of underserved members of the economy, including MSMEs.

For example, the Financing for Sustainable Development Report 2023 by the UN Inter-Agency Task Force on Financing for Development noted that FinTech has the ability to bolster access to finance for previously excluded groups by reducing cost and mitigating market frictions. FinTech can deliver increased transparency through improved access to information, enabling risks to be more accurately analyzed and addressed. Furthermore, FinTech innovations can improve the overall efficiency of the financial ecosystem through the introduction of novel business models, which could lower the costs of financial services. However, FinTech can also create new risks or amplify existing risks to financial stability without adequate regulatory frameworks in place. Many of these risks are associated with the novelty of the technologies (e.g., AI and blockchain), increased transactional speeds, and the cross-border nature of operations that make management more challenging.[8]

A study by the Asian Development Bank Institute and the Cambridge Centre for Alternative Finance (2022) found that FinTechs played an important role in mitigating the disproportionate negative impact of the COVID-19 pandemic on MSME finance, and that this trend was especially notable in Asia. FinTechs saw significant growth in the Asia and the Pacific region during the pandemic, partly due to the low levels of financial inclusion and the limited penetration of insurance and wealth management services at the onset of the pandemic. Many firms and governments rapidly worked to adopt digital solutions out of dire necessity, to continue with their operations and meet their objectives. The adoption of FinTech during the pandemic enabled many vulnerable MSMEs to remain economically viable by providing faster, more efficient, and cheaper access to credit. Moreover, peer-to-peer lending and crowdfunding became important sources of financing for many MSMEs in the region during the pandemic.[9]

4 Regulatory Framework of FinTech Services in the APEC Region

4.1 Coordination Mechanisms for FinTech Oversight

FinTech is advancing at a remarkable rate across the APEC region, continuously giving rise to new products and services ranging. Advances in technology, such as data analytics, cryptography, and AI are accelerating the development of innovative FinTech solutions.[10]

While some FinTech products and services are developed and deployed by large technology firms and incumbent financial institutions, in many markets, FinTech is being driven by new players including non-financial companies and start-ups,[11] resulting in a complex economy comprised of a wide range of players.

This ever-changing, multifaceted nature of the FinTech economy presents unique challenges to its oversight. To navigate this, many APEC economies are seeking to develop guiding strategies and coordination mechanisms that align policies among relevant authorities,[12] as described in the sections below.

4.1.1 Domestic FinTech strategies

In many economies across the globe, including in the APEC region, a domestic FinTech strategy at the government level has been set through the central bank or the main financial regulator (i.e., Ministry of Finance or its equivalent). [13]

Such a strategy typically describes the overarching vision for the FinTech industry, sets out key objectives, defines relevant authorities and their roles, and explains specific measures to promote and regulate FinTech. The APEC FinTech Scoping Study published in March 2023 identified the following trends:

- The FinTech strategies of advanced economies tend to emphasize wider adoption of cutting-edge technology and increasing the economy's position as a global FinTech center.
- The FinTech strategies of developing economies tend to focus on broader initiatives that enable the adoption of FinTech products and services, with the goal of broadening financial inclusion and boosting the overall economy.[14]

4.1.2 Coordination of Government FinTech Responses

FinTech responsibilities typically span across various government agencies. These may include agencies responsible for financial sector policies, IT, industrial development, competition, data protection, innovation, and law enforcement. To coordinate policy and increase regulatory efficiency, some economies have established or designated a lead office that coordinates FinTech-related matters within their government. The lead office typically serves as a point of contact for FinTech firms and points them to the relevant department or program.
For example, within the APEC region, Mexico has designated the Ministry of Finance and Public Credit as the main lead in FinTech-related matters, and Thailand has designated the Digital Economy Promotion Agency (DEPA) for the leading role. There are also several economies that have established FinTech-specific offices. [15] For example, Singapore has established within the Monetary Authority of Singapore (MAS) the FinTech & Innovation Group (FTIG),[16] led by the Chief FinTech Officer of Singapore. Similarly, the Hong Kong Monetary Authority (HKMA) has established a FinTech Facilitation Office[17], which serves as a point of contact for all FinTech related matters.

4.2 Regulatory Approaches

FinTech can provide various benefits to companies in both advanced economies and emerging markets, such as efficiency, lower costs, improved compliance, and financial inclusion. At the same time, its innovative nature calls for a regulatory response that ensures that new risks are appropriately identified and managed. Some of the most salient risks associated with FinTech include cybersecurity, consumer and investor protection, financial integrity, and regulatory incompliance.[18]

The regulatory response to FinTech typically involves policies to support and promote the growth of the FinTech economy, alongside regulations to mitigate risks and ensure that consumers and the market are properly protected. Several studies have found that APEC economies are taking varying approaches to regulating the industry. These approaches are summarized in the sections below.

4.2.1 Establishment of FinTech Legislation

While most APEC economies have introduced laws or regulations to oversee certain FinTech product or service categories, only a notable few have published a singular, overarching law that regulates the FinTech sector as a whole. This approach aims to provide regulatory cohesiveness by combining the various product or activity-specific regulations under a single law, covering both established and novel services.

Most notably, Mexico enacted the Law to Regulate Financial Technology Institutions (The FinTech Law) in 2018, which set out rules for FinTech services, including open banking, big data analytics, crowdfunding, cryptocurrency, e-money, and robo-advisory, and laid the groundwork to establish a regulatory sandbox.

Likewise, the Chilean Congress approved the FinTech Bill in October 2022, which came into force on 3 February 2023. The legislation covers areas such as cryptocurrency, Peer-to-Peer (P2P) personal loans, digital banks, and open banking, and updates local regulations considering technological innovations and new players that have recently entered the market.[19]

4.2.2 Retrofitting existing regulatory frameworks and policies

FinTech typically falls under the jurisdiction of a diverse array of regulations and regulators, which makes regulation and oversight complex and challenging. Some economies have introduced new legislation to streamline existing regulations and expand the scope to accommodate FinTech, especially in relatively mature segments such as digital payments.[20]

For example, Singapore's Payment Services Act 2019 (PS Act), which entered into effect in January 2020, regulates various payment services based on an "activity-based approach." The law was amended in 2021 to extend the scope to several 'digital payment token' (DPT) services.[21]

Other economies (e.g., Japan and the Republic of Korea) have amended existing laws to accommodate FinTech. A 2020 study by the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) found that regulators in many economies have put in place licensing regimes specific to FinTech or have introduced FinTech-specific requirements that regulate or prohibit certain activities.[22] Other governments have issued guidelines explaining how the existing regulatory regime can be applied to FinTech activities, without introducing new legislation or amendments.[23]

4.2.3 Regulating specific FinTech segments

APEC economies have been issuing various activity-specific regulations to cover the wide-ranging innovations within the FinTech sector. For example, the 2020 FSI study found that many economies have introduced FinTech-specific regulations for loan and/or equity crowdfunding (e.g., Australia; Canada; China; Japan; Mexico; Peru; the Philippines; Singapore; USA).[24]

Another area that has been receiving significant recent regulatory attention is cryptocurrency. According to the APEC FinTech Scoping Study (2023), Australia and Canada have relatively strong crypto standards in place, including standards that define cryptocurrency exchanges and explain which financial laws crypto firms must follow. While many economies have yet to introduce regulations in this space, some economies have started to issue rules that build upon existing legislation or have announced plans to begin developing regulations in the near future. In the United States, President Biden signed an executive order on cryptocurrency in March 2022.[25] Other economies such as Chinese Taipei and Thailand have taken similar approaches.[26] There are also economies that have prohibited a variety of activities related to cryptocurrencies, such as China.[27]

Some enabling technologies, such as application programming interfaces (APIs), cloud computing, biometric-based identification and authentication, AI, machine learning (ML), and distributed ledger technology, may also be subject to additional regulations or guidelines.[28]

In economies where there are no regulations or guidelines that cover the whole FinTech sector, firms are subject to a different set of regulations depending on the service they provide and how they collect and use customer data. For example, in the United States, where there is no single federal law or regulator that oversees FinTech, firms are subject to a wide range of licensing, registration, and data protection requirements set by various regulators.[29]

4.2.4 Experimental ('Test and Learn') Policies

In some economies where the FinTech industry is experiencing rapid growth, a 'test and learn' approach to policy has been adopted. This approach establishes a controlled environment where FinTech firms can try out novel technologies and business models with certain regulatory exemptions. At the same time, it allows regulators to better understand the impact of the new technology on existing policy and gain valuable insights for future policy and regulation planning. Some examples of 'test and learn' approaches include regulatory sandboxes, innovation hubs, and TechSprints.[30] A brief description of each type of policy and an overview of its application in the APEC region is provided below.

Regulatory sandboxes

According to a consultation document published by the Global Financial Innovation Network (GFIN) in 2018, sandboxes implemented by financial services regulators have varying objectives, including: supporting financial innovation and FinTech; building efficient and effective financial service systems; understanding how novel technologies and business models interact with the existing regulation; and promoting healthy competition and financial inclusion.[31]

According to the APEC FinTech Scoping Study (2023), most APEC economies have one or more FinTech regulatory sandboxes in place. For example, the Monetary Authority of Singapore (MAS) is known for fostering innovation through a range of regulatory sandbox initiatives. In addition to the FinTech Regulatory Sandbox launched in 2016, MAS runs an AI sandbox to co-test the use of AI in finance based on ethical AI principles co-developed with industry partners.[32] MAS has also introduced the Sandbox Express in 2019, which allows companies to quickly test out innovative financial solutions in the market. In 2022, it launched the Sandbox Plus, an updated version of the FinTech Regulatory Sandbox.[33]

Hong Kong, China is also known for its wide adoption of regulatory sandbox initiatives. The Hong Kong Monetary Authority (HKMA) has set up a FinTech Supervisory Sandbox which allows financial institutions and FinTech firms to pilot novel products and services with certain exemptions to HKMA's supervisory requirements. The Securities and Futures Commission (SFC) and the Insurance Authority (IA), an independent insurance regulator, have also set up specialized sandboxes.[34]

Innovation hubs
Innovation hubs are typically set up by and housed under a supervisory agency, and provide support, advice and guidance to innovators on navigating the regulatory landscape and emerging market. These hubs often aim to function as a one-stop shop for FinTech firms seeking government support or regulatory clarity. Some hubs have a regulatory sandbox component, in which regulatory authorities, financial institutions, and FinTech firms work together to make adjustments to early regulatory frameworks.[35]

For example, the Australian Securities and Investments Commission (ASIC) launched its Innovation Hub in 2015 to help FinTechs navigate the Australian regulatory system. The Hub provides tailored information and assistance intended to facilitate ASIC licensing for startups experimenting with innovative business models. The Hub has a Digital Financial Advisory Panel that explores key issues relating to FinTech innovation and regulation and provides opportunities for regular engagement with the FinTech community. The Hub also supports companies seeking to expand their businesses overseas by facilitating connections with economies that ASIC has international cooperation agreements with. [36] In Chinese Taipei, the Financial Supervisory Commission (FSC) and the Taiwan Financial Service Roundtable (TFSR) launched FinTechSpace, the first FinTech innovation hub in the jurisdiction, in September 2018. FinTechSpace has a physical location that gathers various players of the FinTech ecosystem on one floor, and offers an accelerator program, a regulation clinic, and a digital sandbox.[37]

In some economies where there are no government-led innovation hubs, trade associations or banks may operate their own hubs. For example, in New Zealand, the trade association FinTech NZ runs RegTech NZ and WealthTech NZ, which are hubs where companies and regulators can work together to address regulatory compliance challenges.[38]

There are also international schemes, such as the Bank for International Settlements (BIS) Innovation Hub, a network of 60 central banks that work together to explore innovations in financial technology relevant to central banks.[39]

TechSprints
TechSprints bring together a variety of stakeholders for short, intense and collaborative problem-solving sessions to develop concrete and workable solutions to emerging challenges. According to a 2023 analysis by the International Monetary Fund (IMF), TechSprints originally focused on regulatory compliance (RegTech) and supervision (SupTech) and were primarily technology focused. However, more recently, the concept has been expanded to the realm of policy, where stakeholders are convened to discuss a policy-focused challenge that requires a rapid response (so-called policy sprints).[40]

In the United States, the Consumer Financial Protection Bureau (CFPB) has run a series of TechSprints since 2020, each time focusing on a different technology or problem.[41] Furthermore, the BIS Innovation Hub and the G20 Presidency have jointly run the “G20 TechSprint” since 2020, a global TechSprint that seeks technological solutions to common problems experienced by central banks and the global regulatory community. Past G20 TechSprints focused on RegTech and SupTech (2020), green and sustainable finance (2021), and central bank digital currencies (CBDCs) (2022). The 2023 G20 TechSprint, focusing on cross-border payments, was announced in May 2023.[42]

5 Case Studies

This chapter presents case studies of eight APEC economies, describing their individual credit environment, as well as the effective regulatory responses to MSMEs' needs during the COVID-19 pandemic, and the success cases of FinTech companies providing credit services to the MSME sector.

Case studies are presented for Australia; Hong Kong, China; Mexico; Peru; the Philippines; Singapore; Chinese Taipei; and Viet Nam.

5.1 Australia

5.1.1 Environment for MSMEs' Access to Credit

SMEs[43] account for 99.8% of all enterprises in Australia and employed more than 7.6 million people in 2018-19, which equates to around 66% of employment in the private sector.[44]

Economic conditions for SMEs have been relatively strong since the second half of 2021, and demand for business finance is high. However, the environment remains challenging and uncertain, and interest rates on loans for SMEs are rising sharply from historical lows.[45]

Accessing funding through traditional banks is a common challenge for SMEs. The reasons include high interest rates, unfavorable repayment terms, long wait times for decisions, difficult application processes, and a lack of transparency. In particular, the requirement to provide personal collateral – often residential property – against a business loan is a key constraint on access to finance for some SMEs.[46]

According to the Reserve Bank of Australia[47] (the central bank),
small businesses were disproportionately affected by the COVID-19 pandemic because they are more likely to be in industries that were affected by restrictions on movement, such as tourism or services.[48] While the government provided SME loan guarantee schemes, take-up of the schemes was modest, in part due to the challenging qualification requirements.[49] Fortunately, the Australian economy largely recovered from the COVID-19 pandemic in the second half of 2021, and has maintained a strong underlying momentum since then.

Other recent policies, such as recent reductions to the Australian Prudential Regulation Authority (APRA)'s capital requirements for banks' SME loans, which became effective from January 2023, are supporting lending to SMEs by lowering the risk of bank loans to SMEs.[50]

According to the 2023 Australian Digital Inclusion Index, 23.6% of the population is completely digitally excluded, while another 10% only use a mobile device to access the internet.[51] However, digital inclusion is improving over time, and Australia is actively working to address these inequalities through programs led by the Department of Education, Skills, and Employment, which works closely with employers, trainers, and employees to grow a digitally skilled workforce.

5.1.2 Environment for Credit FinTech Services

Australia is a leader among global FinTech ecosystems, ranking second in the Asia-Pacific region and sixth in the world.[52] Australia's largest FinTech segments are payments, wallets and supply chain solutions, followed by lending, business tools, wealth and investment, and data analytics/information management.[53]

FinTechs that provide credit to MSMEs must comply with several licensing requirements, such as the Australian credit license, or the Australian services license, and may also need to hold additional licenses if they operate exchanges or operate clearing and settlement mechanisms.

Obtaining these licenses can present a significant cost for smaller start-ups which are just launching their operations.[54]

The Australian government has been exploring ways to reduce the burden of licensing regimes for FinTechs. For example, a licensing regime has been introduced to allow new entrants, including digital banks, to operate in a restricted phase with limited activity for up to two years until it becomes a fully licensed bank.[55]

The level of domestic investment in FinTech has stalled in recent years, presenting a significant challenge for the overall ecosystem. A 2022 survey found that in the last 12 months, a rising number of Australian FinTechs (29% versus 18% in 2021) failed to meet their capital raising expectations. As a result, the local ecosystem has suffered a “brain drain” from entrepreneurs seeking funding abroad, which has negatively impacted the local industry. The local investment environment has also been hindered by regulatory uncertainty, and by reluctance from the traditional banking industry to provide substantial funding to FinTechs.[56]

Emerging trends such as open banking and embedded finance are contributing to the development of new ecosystems and the evolution of business models. [57] These trends are supported by recent financial regulatory activities to provide clarity and set parameters that encourage adoption of the industry. For example, a 2020 survey of key industry leaders in the financial sector found that 71% of respondents intended to capitalize on recent government policies on open banking standards and data portability rights, including the Consumer Data Right, to develop new services that leverage open banking standards.[58]

5.1.3 Policies and Regulations for the FinTech Industry

The primary financial regulators include the Australian Securities and Investments Commission (ASIC), the Australian Prudential Regulation Authority (APRA), and the Australian Transaction Reports and Analysis Centre (AUSTRAC). In addition, Austrade, through providing market information and insights, promotes Australia's capabilities and facilitating connections through its extensive global network. Many State and Territory Governments also provide support to FinTechs.

FinTech businesses must comply with the applicable licensing, registration and disclosure obligations under Australia’s financial services framework, such as financial services and consumer credit licensing, registration and disclosure obligations, consumer law requirements, and privacy and anti-money laundering requirements.

Australia has implemented some FinTech-specific regulatory requirements to track key financial data. *The Financial Sector Collection of Data Act 2001* (FSCODA) is designed to assist APRA in collecting information relevant to financial sector entities. FSCODA requires certain finance providers to regularly report relevant data to APRA including aggregated lending activity and balance sheet information.

The Australian Government has also taken a proactive stance on the regulation of digital assets and services and emerging payments models and was the first jurisdiction in the world to create a regulatory framework designed specifically for the buy now, pay later (BNPL) system.[59] Recent regulatory activities have included reviews into Australia’s payments systems, stored value facilities, mobile digital wallets, and crypto asset products and services. The government has also enacted recent regulations supporting consumer data rights, open banking, and other areas.

ASIC Regulatory Sandbox for FinTechs

ASIC operates an enhanced regulatory sandbox regime that allows FinTechs to operate small-scale financial service and credit offerings as pilot projects. The sandbox provides licensing relief for the projects. The sandbox is available to all eligible FinTechs, including those serving underserved and disadvantaged population groups. There are strict eligibility requirements for both the type of businesses that can enter the regulatory sandbox, and the products and services that qualify for the licensing exemption.

ASIC and AUSTRAC Innovation Hubs
Regulators have committed to helping FinTech businesses by streamlining access and offering informal guidance to enhance regulatory understanding. Both ASIC and AUSTRAC have established Innovation Hubs to assist start-ups in navigating the Australian regulatory regime. AUSTRAC's Fintel Alliance has an Innovation Hub targeted at combatting money laundering and terrorism financing and improving the FinTech sector's relationship with the Government and regulators. The Innovation Hub also assesses the impacts of emerging technologies such as blockchain and cryptocurrency.[60]

Review of Financial Services Regulation System
The Australian Government has asked the Australian Law Reform Commission (ALRC) to explore simplifying the financial services regulatory framework to make it "more adaptive, efficient and navigable for consumers and regulated entities." The ALRC is developing interim reports on the design and use of definitions in corporations and financial services legislation, the regulatory design and hierarchy of laws, and the potential to reframe or restructure the overarching financial services laws.[61]

Best Practices during the COVID-19 Pandemic
During the COVID-19 pandemic period, both state and commonwealth governments provided financial assistance to businesses. The government of Australia introduced the Coronavirus Small and Medium Enterprises (SME) Guarantee scheme, which was designed to enhance lenders' willingness and their ability to provide a credit line of up to AUD40 billion to SMEs in loans.[62] As a part of the scheme, the Australian government provided a 50% guarantee to participating lenders to enhance their ability to extend credit to SMEs.

Each level of government offered different measures to support businesses during the COVID-19 pandemic. For example, the Victoria state government provided a Small Business Digital Adaption Program that gave businesses rebates of up to AUD1,200 for using digital services or moving to a tech platform.[63]

One challenge that arose was that businesses which received assistance during the pandemic period had to be structured to meet the government and tax office requirements. As a result, generally, micro businesses, i.e. those structured as a sole trader that typically turn over under AUD75,000 per annum, were sometimes unable to qualify for the pandemic period assistance.[64] A review by the Reserve Bank of Australia found that the scheme increased lending to SMEs, although take-up of the schemes was modest, and noted that some firms had difficulties accessing loans under the scheme.[65]

5.1.4 Success Cases of FinTech Companies

The following are several cases of FinTech companies providing credit/lending services for MSMEs in Australia.

<u>Prospa</u>
Prospa, founded in 2012 and headquartered in Sydney, is an online lending service provider for small businesses. The firm provides a range of lending solutions and dedicated business accounts, offering small business loans and lines of credit. Funding solutions include fixed term loans of up to AUD500,000 and lines of credit of up to AUD150,000, with funds available in 24 hours. During the COVID-19 pandemic, the federal government's SME Guarantee Scheme (See above section) empowered Prospa to provide small businesses with up to AUS250,000 in unsecured funding for up to three years, and a six-month repayment holiday with interest to be capitalized at the end of the six-month period.[66]

Judo Bank

A neobank founded in 2016 and headquartered in Melbourne, Judo Bank emerged as the economy's first purpose-crafted "challenger bank"[67] catering primarily to SMEs. Achieving the historic milestone of being the first commercial bank to be listed on the Australian Stock Exchange in three decades in 2021, Judo Bank now has a customer base of more than 35,000. The bank provides an online lending platform for SMEs, with credit ranging from AUD250,000 to AUD5,000,000. Judo Bank recently partnered with Dutch digital banking software provider Backbase to create new digital experiences for its SME business banking and term deposit customers. Backbase's Engagement Banking Platform (EBP) will enable Judo to release additional features on a monthly basis going forward.

Grapple

Grapple is a financial service company that offers financing and B2B payments solutions for SMEs. Founded in Sydney in 2018, Grapple allows suppliers to be paid in full instantly, with Grapple paying the invoice on the customer's behalf. The customer then pays Grapple back over four instalments. The services ease cashflow challenges for SMEs, especially when they are unable to secure business funding from banks and large financiers. Grapple has processed more than 100,000 invoices for over 1,500 Australian SMEs to date.

Afterpay (Block)

Afterpay Limited is an Australian financial technology company best known for its buy now, pay later (BNPL) service, which allows in-store and online customers to purchase a product immediately and pay in installments. Founded in Australia, the firm was acquired by U.S. payments company Square (later renamed Block) in 2021 for AUD39 billion. The company's combination of payment and software solutions supports MSMes by eliminating many of the tedious aspects of running small businesses so that the firms can focus on their core business. Block also manages a USD100 million social impact fund that invests in the economic empowerment of minority and underserved communities, including Australian indigenous entrepreneurs.

5.2 Hong Kong, China

5.2.1 Environment for MSMEs' Access to Credit

As of March 2024, SMEs in Hong Kong, China account for more than 98% of business establishments and employ over 44% of the workforce in the private sector.[68] Small businesses often encounter difficulties borrowing from banks due to Hong Kong, China's lack of a credit information infrastructure and the significant burden faced by banks in conducting credit scoring and monitoring related processes. [69] Meanwhile, despite economic headwinds, perceptions among SMEs of banks' credit approval stance are showing signs of stabilization: 71% perceived a similar or easier credit approval stance in the first quarter of 2024, up from 69% in the previous quarter.[70]

Traditional banks continue to be a key source of financing for SMEs, funding 70% of SME originations in 2022. At the same time, virtual banks have gained some traction, with 4% of SME originations coming from digital banks in 2022.[71] There is a growing role for FinTech products and services to support local MSMEs.

5.2.2 Environment for Credit FinTech Services

The financial services sector is one of Hong Kong, China's most important economic pillars, and accounts for 21.3% of the city's GDP. With over 163 licensed banks and 8 virtual banks, the economy has a large financial infrastructure. Within this infrastructure, Hong Kong, China is home to about 1,000 Fintech companies and start-ups, including globally respected research centers and innovation laboratories.

The government has invested over HKD130 billion in information technology over the past four years, and more than 40% of entrepreneurs agree that the government is effective at cultivating an ideal entrepreneurial environment, boosting public confidence in adopting startup-led digital solutions and supporting information technology startups, including FinTech firms.[72]

The Hong Kong Monetary Authority (HKMA) of Hong Kong, China is also highly engaged in supporting the FinTech ecosystem. In order to increase the supply of FinTech talent, the HKMA collaborates with various strategic partners on initiatives such as developing FinTech-specific training programs and qualifications, as well as promoting joint projects between the industry and the academia. The regulator has also set up a supervisory sandbox for banks and their partnering FinTech companies to test their products and services in a controlled environment, fostering innovation in a safe space. [73]

5.2.3 Policies and Regulations for the FinTech Industry

The HKMA is Hong Kong, China's central banking institution and is responsible for FinTech initiatives and regulations.

In June 2021, the HKMA unveiled its "Fintech 2025" strategy to drive the Fintech development of Hong Kong, China. The strategy aims to encourage the financial sector to adopt technology comprehensively by 2025, as well as to promote the provision of fair and efficient financial services for the benefit of Hong Kong, China people and the economy.

The HKMA has adopted a multi-pronged approach in facilitating Fintech development, with the aim to promote wide Fintech adoption and strengthen Hong Kong, China's position as a Fintech hub in Asia. Ongoing measures include:[74]

- Enhancing Fintech infrastructure;
- Promoting Hong Kong, China's Fintech competitiveness internationally;
- Launching support schemes to incentivize the digitization of financial services;
- Cultivating local Fintech talents;
- Creating an enabling regulatory environment for local innovation and cross-boundary collaboration.

The HKMA recently launched a Commercial Data Interchange (CDI) in October 2022, as part of the Fintech 2025 strategy. The CDI is an innovative, consent-based data infrastructure which effectively facilitates enterprises, in particular small and medium-sized enterprises, to share their commercial data at different data sources with banks, thereby enhancing their access to financial services.[75]

Hong Kong, China is also exploring Central Bank Digital Currencies (CBDCs). Project Aurum is a collaboration between the BIS Innovation Hub Hong Kong Centre, the HKMA, and the Hong Kong Applied Science and Technology Research Institute of Hong Kong, China to explore the development of a CBDC system comprising a wholesale interbank system and a retail e-wallet system. Privacy, safety and flexibility are core to the system design.[76]

Consumer Protection Regulations

The HKMA adopts a risk-based and technology-neutral approach in its supervision. Its supervisory policy permits banks to utilize FinTech so long as the associated risks are effectively managed. This means that policies such as the HKMA's supervisory guidance on cyber risk management and resilience[77] are applicable to all technology adoptions, including FinTech.

To bolster the cyber resilience of the banking sector, the HKMA introduced the Cyber Resilience Assessment Framework (C-RAF) in 2016. The C-RAF is a risk-based framework for banks to assess their own risk profiles and benchmark the level of defense and resilience that would be required to accord the appropriate protection against cyber-attacks. Taking into account the industry's feedback, technology trends and development of relevant international standards, the C-RAF was further enhanced to C-RAF 2.0 in late 2020.

With the growing use of data by banks in Hong Kong, China and the crucial role of data in FinTech applications (e.g. cloud computing, AI), the HKMA has also been introducing different guidelines and sharing sound practices with the industry to help banks manage and protect their data, such as:[78]

- Guidance on Cloud Computing (issued on 31 August 2022): This guidance sets out the HKMA's supervisory expectations for cloud computing, such as the need for banks to implement effective controls to ensure the security of the information assets and their compliance with statutory requirements for customer data confidentiality.
- Sound practices for customer data protection (issued on 4 April 2022): This circular shares the sound practices observed by the HKMA in its thematic examinations of customer data protection. For example, AI should establish a proper data governance framework, implement effective customer data inventory management, and adopt security measures over transmission and storage of customer data, including physical and logical security controls.
- Secure Tertiary Data Backup (issued on 18 May 2021): To counter the risk of destructive cyber-attacks that may lead to permanent loss, corruption or unauthorized alteration of critical data, the HKMA has requested all banks in Hong Kong, China to critically assess the need for setting up a secure tertiary data backup.
- High-level Principles on Artificial Intelligence (issued on 1 November 2019):

The growing use of AI presents not only opportunities but also new risk management challenges to banks. The HKMA therefore set out the high-level principles on AI, which cover, among others, adopting effective data governance framework, implementing effective data protection measures, and complying with applicable local and overseas regulatory requirements for collecting and processing personal data. Banks should apply these principles in a proportionate manner that reflects the nature of their AI applications and the level of risks involved.

- Use of Personal Data in Fintech Development (issued on 3 May 2019): The HKMA provided guidance to banks on the proper use of personal data in the online environment, as part of its efforts to encourage banks to adopt and implement the Ethical Accountability Framework for the collection and use of personal data issued by the Office of the Privacy Commissioner for Personal Data (PCPD).
- Customer Data Protection (issued on 14 October 2014): Given the increasing use of technologies by banks and technological advancement over the past years, this circular highlights the importance of customer data protection, especially the controls for preventing and detecting loss or leakage of customer data and controls for handling incidents involving loss or leakage of customer data.

Best Practices during the COVID-19 Pandemic

During the COVID-19 pandemic period, the HKMA, together with the banking sector, undertook a host of measures to support SMEs.

In order to help banks support their customers, the HKMA released HKD1 trillion of lending capacity, and increased the banking system liquidity. It also set up the 'Banking Sector SME Lending Coordination Mechanism' in October 2019 to facilitate banks' ability to support the economy. Since its establishment, the Mechanism has rolled out several rounds of relief measures for corporate customers, including the Pre-approved Principal Payment Holiday Scheme, loan tenor extensions, and the conversion of trade financing lines into temporary overdraft facilities.[79] At the end of June 2023, banks had granted over 118,000 applications for loan tenor extension and other forms of relief, involving an aggregate amount of HKD1.2 trillion. As the orderly exit from the banking sector's Pre-approved Principal Payment Holiday Scheme commenced in July 2023 with the economic effects of COVID-19 receding, the HKMA worked closely with banks to ensure a gradual and smooth transition to normal loan repayment, with flexibility for those borrowers who continued to be under pressure.[80]

The HKMA also enhanced its 'SME Financing Guarantee Scheme (SFGS)', which was originally launched in 2011, in response to the COVID-19 pandemic. These enhancements, benefitting loans approved for SMEs under the 80% and 90% Guarantee Products, included raising the maximum loan amount, extending the guarantee period, lowering the guarantee fee and providing interest subsidies for a one-year period, to help alleviate their cash-flow pressures. In addition, a time-limited Special 100% Loan Guarantee was launched under the SFGS in April 2020 to alleviate the financial burden of paying employee wages and rents for SMEs that suffered at least a 30% decline in their sales turnover during the COVID-19 pandemic period. To help SMEs manage their cash flow amidst the COVID-19 pandemic, eligible borrowers were able to apply for principal moratorium up to 42 months in aggregate, and partial principal repayment for a maximum of 48 months. With the Hong Kong, China economy recovering steadily as the epidemic subsided, the principal moratorium arrangement and the Special 100% Loan Guarantee have fulfilled their purposes, and their application periods expired in end-September 2023 and end-March 2024 respectively.[81]

5.2.4 Success Cases of FinTech Companies

The following are two cases of notable FinTech firms serving MSME customers in Hong Kong, China.[82]

Velotrade

Velotrade, founded in 2017, is an online marketplace that brings together businesses looking to finance their operations with investors willing to advance funds. The company provides collateral-free supply chain financing to facilitate trades for MSMEs.

Based on the trade records and the trade counterparts of the MSMEs, Velotrade utilizes its comprehensive risk analysis system to formulate financing terms for the clients. Through Velotrade, businesses can trade their receivables for working capital. The company has served more than 2,000 companies to date. It was awarded 'Best SME Invoice Solution' by the HKMA and the Bank for International Settlements.

XTransfer

XTransfer, set up in Hong Kong, China in 2017, provides small and medium-sized enterprises (SMEs) with comprehensive solutions, including foreign trade collection, multi-currency cash management, foreign exchange, risk management and customer relationship management. The firm expanded its services in August 2023, including the official launch of its global payment & collection solutions, foreign exchange services, and other financial services for Hong Kong, China's SMEs.

The firm has developed a global multi-currency unified settlement platform, along with a data-based, automated, internet-powered, and intelligent anti-money laundering risk management infrastructure centered on SMEs, in order to provide SMEs with same level of cross-border financial services as large multinational corporations.

5.3 Mexico

5.3.1 Environment for MSMEs' Access to Credit

Mexico has 4.47 million SMEs, of which 94.1% are micro-enterprises. These altogether account for 99.7% of all private enterprises and 35.6% of the total gross production.[83]

For several years now, the programs and legal reform proposals by the Mexican authorities have aimed to deepen access the financial of individuals and businesses to the financial sector, reduce inequality in access to the financial system and promote innovation, inclusion and competition. In addition, the government has put in place several measures to help MSMEs overcome the economic impacts of the COVID-19 pandemic.

The Ministry of Economy has launched various actions aimed at improving the situation of SMEs through providing more favorable access to financing, and through supporting the development of training and integration actions and inclusion in the digital economy, such as a program to grant credits to SMEs in MXN25,000 Mexican pesos (around USD1,200) per loan under preferred conditions, including lower interest rates, and a 3-year term with a grace period up to 3 months. This program specifically targets SMEs that maintain employees on payroll, self-employed and domestic workers, and formal and informal family businesses previously registered in the Welfare Census.[84]

To contribute to economic reactivation, the Ministry of Economy has created two digital platforms for MSMEs: *Mercado Solidario* to promote local consumption, allowing the continuity of operation of the various businesses in the context of the pandemic, and *MIPYMES MX*, which makes business tools and content available to MSMEs.[85]

There are many opportunities in the post-COVID-19 ecosystem to further promote the financial inclusion of MSMEs. One area with significant potential is digital lending. Currently MSMEs provide 70% of employment, but only around 11% use bank credit, due to affordability and access issues.[86] However, over 75% of the population in Mexico has a mobile phone, and many rely on their mobile phones to conduct financial transactions. This provides opportunities for new and improved processes for sending and receiving payments.

5.3.2 Environment for Credit FinTech Services

With 773 FinTech start-ups identified in 2023, Mexico is one of the largest FinTech markets in Latin America, as well as one of the most active economies backing financial technology ventures.[87]

Most Mexican FinTech companies are focused on lending, payments, remittances, and business technologies for financial institutions.[88] Between 2022 and 2023, the number of Mexican FinTech startups increased by 19%. Transactions made through a mobile device have also experienced significant growth, both in value and volume.[89]

One of the key challenges for the FinTech sector in Mexico is attracting private equity. During the pandemic, the FinTech sector attracted a lot of interest from private equity firms, but there was a notable drop around 2022. As a result, attracting more investment to ensure the continued growth of the sector has become increasingly difficult. FinTechs are also working to shift their focus from growing their business to becoming profitable.[90]

5.3.3 Policies and Regulations for the FinTech Industry

Law to Regulate Financial Technology Institutions
The FinTech ecosystem in Mexico is governed by the Law to Regulate Financial Technology Institutions (commonly known as the FinTech Law 2018) and the secondary provisions that emanate from it, whose initial purpose was to lay the foundations for the authority to mitigate the

risks arising from a wave of technological innovation that promoted new financial services through digital channels and allow their expansion in a competitive and controlled environment.

It is one of the first regulatory frameworks in the world that was created specifically to protect users who request its services and generate trust and certainty, as well as promote innovation and the transformation of digital financial services, through the incorporation of new technologies such as artificial intelligence, blockchain, the collaborative economy and peer-to-peer financial services. The law was designed to be technology-neutral and is based on the principles of financial inclusion, innovation, consumer protection, healthy competition, preservation of financial stability, and prevention of money laundering and terrorist financing.

The term "Fintech" refers to "Financial Technologies" and encompasses all technologies that allow any financial product or service to be offered. In Mexico, the FinTech Law refers to "Financial Technology Institutions" (ITFs), which in a strict sense refers to Electronic Payment Fund Institutions (IFPs or Wallets) and Collective Financing Institutions (IFC or Crowdfunding).

The Secretariat of the Treasury and Public Credit (SHCP), the Mexican Banking and Securities Commission (CNBV), and the Central Bank of Mexico (BANXICO) are the main regulators of the FinTech sector. Applications for authorization for ITFs are reviewed by an interdisciplinary committee made up of representatives of these regulators and authorizations are granted by the CNBV, making regulated entities subject to the supervision of that Commission.

Mexico has designated the SHCP as the key point of contact for FinTech regulation matters. This approach eases the communication barrier between the private sector and the regulator and makes the process of engagement with the private sector simpler and more efficient.[91]

In relation to the above, and as a result of various working groups held within the Financial Innovation Group (GIF), the SHCP is developing a public policy project on Digital Finance, addressing topics such as digital payments, open finance, sandbox environments, and new business models in Digital Finance.

Although the FinTech Law 2018 includes most of the rules and establishes general principles, the substantive content is described in the secondary regulation documents prepared by financial authorities such as the CNBV, SHCP, BANXICO, among others. The law was intentionally kept basic in recognition of the need to be flexible in light of the rapidly changing nature of the FinTech ecosystem.

To date, the regulation of crowdfunding has been the most successful section of the FinTech Law. Mexico has created a successful model, especially in the activity of contacting people in order to grant financing to each other through the celebration of financial operations, which is highly applicable to small businesses and entrepreneurs. Currently, the SHCP is looking for new ways to incentivize crowdfunded green projects.[92]

Review of the 2018 FinTech Law[93]
Because the 2018 FinTech Law is still very new, it has experienced some problems in its implementation, and there is an overall recognition of the need for some procedures to be made more agile/flexible.

While one of the major goals of the FinTech Law was to promote financial inclusion, there are concerns that the focus of many FinTech companies has been on young people and existing customers, and not necessarily on branching out to those who do not have access to financial services. One of the next big challenges for the authorities will be to incentivize FinTechs to reach out to these excluded groups, which account for around 40% of the population.

Since fintech companies’ licenses only allow them to operate in one area of activity, such as wallets, credit, or investment, the company needs to get another license or merge and acquire another business to operate in other fintech areas. Stakeholders have noted that the revisions to the Fintech Law could include new rules allowing companies to conduct multiple activities across different areas.[94]

Another challenge will be to implement a successful sandbox that explores new ways to include groups that are excluded from the ecosystem, including MSMEs. This has been a significant barrier to exploring innovative business models to grow the FinTech ecosystem. Based on the feedback that the SHCP has heard from consulted parties, one possible solution could be to set up an innovation hub that could facilitate collaboration between the authorities and the stakeholders in the FinTech ecosystem on regulatory matters.

Best Practices during the COVID-19 Pandemic
In the context of COVID-19, the Mexican authorities are implementing reforms to support a more resilient and sustainable economic recovery over the medium term.

The Ministry of Economy, in alliance with the Fund of Investment and Capitalization for the Rural Sector (FOCIR) and local governments, implemented the Emerging Program for Economic Reactivation, through which loans up to MXN180,000 (around USD900) are granted to formal SMEs affected by the pandemic, under preferred interest rates of 10%, and a 3-year term including the option of a 3-months grace period. This program considers the following activities as a priority: retail trade, manufacturing, lodging services, food and beverage preparation, restaurants, and the dough and tortilla industry. Up to the third quarter of 2021, 720 SMEs were granted loans under this program.[95]

During the pandemic, banks provided special programs to their customers (including MSMEs) that allowed for more flexibility in loan payments. These programs were highly effective. FinTechs were still in the process of acquiring their licenses under the FinTech Law during the early pandemic, so there were no 'regulated entities' that the CNBV oversaw at that time.[96] Since then, FinTech companies have been involved in supporting the governments in emerging markets in providing COVID-19 relief, particularly in the digital disbursement of payments and remittances, and the delivery of government relief and stimulus funding.[97]

In March 2020, during the start of the pandemic, the Bank of Mexico (BANXICO) published the first rules for open banking, which are applicable to credit information entities and clearing houses. The reforms and policies implemented by BANXICO opened the market for new entities to participate in the payments industry, including clearing houses, specialized service providers, aggregators, acquirers, and issuers.

The COVID-19 pandemic also greatly spurred users' adoption of electronic payment platforms, including government-led platforms. In 2019, BANXICO launched an electronic payment platform called Cobro Digital (CoDi), which was designed so that users could charge and make payments through their smartphone or directly from the internet using a QR code. CoDi provides businesses with a digital payment collection alternative, while also being contactless. In addition, all operations are liquid, including the merchant's charges, so that the transaction reaches the users' account immediately, with no commission charged for using the platform. While CoDi experienced slow growth in its first year, the pandemic led to significant adoption, and accounts have more than doubled from 2020 to 2022.[98]

BANXICO is also in the process of developing Mexico's Central Bank Digital Currency (CBCD) which is estimated to be rolled out by 2025. The CBCD is being designed to increase financial inclusion and to create a payment alternative to cash.[99]

Lessons Learned
Since the implementation of the FinTech Law, there is still a need to set up a dedicated office or team of people in charge of communicating with smaller companies, since many MSMEs are not used to handling complex paperwork or communicating closely with regulatory authorities.

Oftentimes, startups are not even aware that certain regulations apply to their business model, and they may also lack the tools or resources that banks or bigger firms utilize.

In addition, the SHCP has found that a vision is required that promotes inclusion, innovation and competition as transversal axes to give value to the Fintech ecosystem, with respect to the offer of financial products and services in this new disruptive digital context, through the construction of a government agenda in feedback and synergy with the industry associations, which identifies the areas of opportunity in the economy. Mexico has instituted goals to achieve benchmarks in these areas over the next six years.

5.3.4 Success Cases of FinTech Companies

The following are several cases of FinTech companies providing credit services for MSMEs in Mexico.

Konfio

Konfio, headquartered in Mexico City, builds digital banking, payments and software tools to boost MSME growth and productivity.

The FinTech leverages data technology to expedite loan applications and lends to customers "historically neglected" by traditional banks. MSME lending is one of the key products within Konfio's ecosystem for small businesses. It also includes business credit cards and point-of-sale devices.

The company is backed by Softbank, a Japanese investment management firm. In 2021, the firm became Mexico's 4th unicorn, when its worth exceeded USD1.3 billion.[100]

In 2023, the company has upsized its borrowing capacity with Goldman Sachs and Gramercy to a combined USD227 million to lend to MSMEs in Mexico. The startup will apply the new capabilities to increase its lending. The additional funds will result in 10 thousand new loans for SMEs, typically ranging from USD8,000 to USD165,000. [101]

Kapital

Kapital, headquartered in Mexico City, is an emerging market FinTech company focused on serving Latin American SMEs. The company empowers businesses with data and insights through its Automated Intelligence Dashboard (AID) software, providing insights into their business operations and cash flows. By equipping SMEs with this information, Kapital aims to enhance decision-making, expedite loan repayments, and foster business expansion among its customer base.[102]

Kapital also uses AID subscriptions as a wedge into its full-stack financial platform. Through Kapital, smaller-sized companies can access loans and credit cards, pay bills in advance, and manage their cash flows and expenditures on a digital platform.

The firm drew a USD100 million credit line in 2022 to become Latin America's "neobank for SMEs." The company also announced an expansion into Colombia, fueled by a USD100 million credit line from Sivo, a debt-as-a-service U.S. company. [103]

Mercado Libre (Mercado Pago)

Mercado Libre is an Argentine multinational company focused on e-commerce and fintech ecosystems that is present in 18 economies, including Argentina; Brazil; Chile; Colombia; Mexico; and Peru. Mercado Libre also oversees Mercado Pago, whose mission is to democratize access to financial services in Latin America and serves both sides of financial transactions with friendly and accessible solutions. The firm began in 2003, and since then it has worked towards generating financial inclusion among merchants, sellers, buyers and payers. The Mercado Pago wallet enables and enhances access to the financial system through four pillars: credits, online and offline payments, savings and investments, and insurance.

Clip

Mexican unicorn Clip, headquartered in Mexico City, is a leading commerce and digital payment platform. The company provides a portable card reader linked to an app. Clip introduced its first credit service in late 2020: a loan that can be taken out digitally and repaid with a portion of the user's sales.

Clip's technology was crucial for retailers when customers turned to touchless and reliable payment during the COVID-19 pandemic. In June 2021, Clip became a unicorn with a USD2 billion valuation, employing 600 people in the U.S. and Mexico.

In addition, the company provides higher commissions to local Mexican businesses and partners with the Central Bank of Mexico to make recommendations for economic growth.[104]

5.4 Peru

5.4.1 Environment for MSMEs' Access to Credit

In 2020, 99.5% of Peruvian enterprises were SMEs (including micro-enterprises, which employ fewer than ten persons), and they employed 89.4% of the private sector's workforce.[105]

Peruvian MSMEs share several common challenges for access to credit with other economies in Latin America. These include low banking penetration, sizeable informal workforces, and a preference for cash transactions.

MSMEs, particularly those operating in the retail portfolio, tend to have a low degree of organization, operate in the local market, and mostly lack financial information regarding their activities. Around 57.9% of SMEs do not keep a record of their cash flows and 80% do not prepare a financing plan for their activities.[106] Roughly 41% of adults are below the minimum score for financial education.[107] As a result, government and industry actors are keenly aware of the need to promote financial education and awareness. [108]

Despite these challenges, there have been several positive trends for MSMEs' access to credit in recent years. The percentage of adults with access to a financial account has grown rapidly, from 33% in 2015 to 52% in 2022.[109] As of December 2022, 90% of districts across Peru had access to the financial system (99% of the population).[110] The adoption of digital finance has also been growing in recent years. In 2022, fully online digital contracts made up 19% of accounts and 8% of credit.[111]

The primary policy plan for financial and digital inclusion, The National Financial Inclusion Policy (PNIF), was approved on 5 August 2019. It is the second financial inclusion policy of Peru and is implemented through the Multisectoral Strategic Plan (PEM) up to 2030. The plan has five key policy objectives:

a) Generate greater confidence of all segments of the population in the financial system
b) Have sufficient and suitable financial services according to the needs of the population
c) Mitigate frictions in the market (competition & market conduct)
d) Develop telecommunications infrastructure and digital platforms to increase the coverage and usage of financial services
e) Strengthen institutional articulation mechanisms

Some of the programs within the PNIF that are especially relevant to MSMEs include digital wallets, new tools to capture more information from financial sector, and new policies to strengthen financial consumer protection regulations.

In addition, the Ministry of Economy and Finance is developing measures to support the most vulnerable populations based on its “Impulso Peru” Plan, which aims to reactivate and enhance sustained economic growth, and promote job creation. The plan proposes accelerating the closing of structural gaps, through a combination of improving conditions for spending, accelerating public investment, and building trust. The mechanisms will include a business promotion program focused on MSMEs.[112]

5.4.2 Environment for Credit FinTech Services

Peru is the sixth-largest FinTech ecosystem in Latin America, following Brazil; Mexico; Argentina; Colombia; and Chile. With 132 FinTech startups as of 2022 and an average year-on-year growth rate of 69% up to 2021, Peru leads the Inter-American Development Bank (IDB)'s ranking of economies with an emerging FinTech sector.[113]

Many Peruvian FinTechs are highly focused on solutions addressing the high level of unbanked persons. Almost four in every 10 FinTech startups in Peru have a proposition built around financial inclusion.[114]

According to a 2022 government survey[115], the most frequent barriers for the Peruvian FinTech industry are the following:

(1) Deficiencies in terms of financial education,
(2) Need for a policy for open finance,
(3) Lack of payroll and registration for FinTechs

Public and private sector organizations are currently discussing ways to address these challenges through the Financial Inclusion Advisory Committee (CCIF) for FinTech, which is discussed in the following section of this case study.

5.4.3 Policies and Regulations for the FinTech Industry

Like many APEC economies, Peru does not have a specific regulatory framework in place for FinTech industry. Instead, FinTechs must comply with regulations that provide a legal framework for various types of finance and digital information verticals.

Peruvian FinTechs typically do not require governmental authorization for performing their activities unless they engage in financial intermediation[116], such as digital banking or crowdfunding, which requires prior authorization from the Superintendencia de Banca (Seguros y AFP, or SBS), the banking regulator. In addition, some FinTech business models, such as online currency exchanges, may be required to register with the SBS due to anti-money laundering and counter-terrorism financing regulations. Similarly, FinTech companies working in securities intermediation (regularly performing operations such as purchasing, selling, placing, distributing or negotiating securities on behalf of others), require prior authorization from the Peruvian securities market regulator (the Superintendencia del Mercado de Valores, or SMV).[117]

There are also a broad range of consumer protection, data protection, and competition regulations that apply across the board to all FinTech business models in Peru. These regulations include the Personal Data Protection Law (Law No. 29733) and the Regulation for the Management of Information Security and Cybersecurity (Resolution SBS 504-2021).

Recent Regulatory Reforms
In March 2022, the Peruvian Ministry of Economy and Finance (MEF) amended several laws to promote greater competition within the financial services industry. These regulatory changes have had a significant impact on the FinTech industry.

As part of these reforms, the Banking Law was amended to allow financial system companies to carry out all authorized activities digitally. This change has enabled the establishment of completely digital banks in Peru, reducing costs and increasing convenience for users of financial services. Peru is one of the few APEC economies that has allowed for bank account openings to be ‘purely electronic’, in a bid to advance financial inclusion efforts.[118]

The update to the Banking Law also introduced a new type of financial system company called “Credit Companies” (Empresas de Créditos), specializing in granting financing in various modalities. These companies can offer services like financial leasing, granting letters of guarantee or acting as trustees in trust.[119]

Peru has also implemented new regulations on inter-party payment services provided by payment providers. This has been a priority area for regulation, because electronic transactions have been increasing since the COVID-19 pandemic period, but there was a lack of regulations governing activities such as bank-to-bank transfers. The new regulations on payment services are expanding the ways that payment services and credit services can be conducted, alongside a series of regulations for anti-money laundering and consumer security, such as new information-sharing requirements.[120]

Interoperability and Open Banking
Peru enacted new regulations in 2022 promoting interoperability in the payments sector. The regulations seek to facilitate financial inclusion and competition by allowing customers to transfer funds seamlessly between different payment service providers. [121] A bill was also presented in 2022 to encourage open banking. The SBS has recommended that the bill be expanded to include the implementation of an open finance model, covering all the systems under its supervision. [122]

In a related effort, the Central Reserve Bank of Peru (CRBP) is currently exploring the implementation of a Peruvian central bank digital currency (CBDC) within the framework of the payment system in Peru, in order to give the unbanked population access to digital payments. The CRBP published a paper in April 2023 that was the first in a series to examine the need, design and timing of a Peruvian CBDC. The project to explore the creation of a CBDC includes the involvement of other central banks around the globe, including Singapore and India.[123]

Regulatory Sandbox
In order to support the growth of the FinTech sector while ensuring the protection of financial services consumers, in 2021 the SBS created a regulatory sandbox that allows financial system companies, insurance companies and related firms, including those undergoing incorporation, to test their products and services in a controlled environment before seeking regulatory approval.[124]

Financial Inclusion Advisory Committee for FinTech
On 17 December 2021, the Financial Inclusion Advisory Committee (CCIF) for FinTech was created. The Committee is led by the Ministry of Economy and Finance (MEF), through the Directorate of Financial System and Capital Markets. The Committee is a space for coordination between the public, private and civil society sectors[125], in which specific mechanisms or products that seek to promote the comprehensive development of the FinTech ecosystem can be analyzed, designed and/or proposed.[126]

The CCIF for FinTech began its activities in 2022. In its first session, the work plan was approved, which included as an activity the preparation of a roadmap with prioritized actions for 2023. A qualitative instrument was designed to collect feedback from nine public and private entities in order to determine the main barriers faced by the FinTech industry, as well as proposals for solutions.

Best Practices during the COVID-19 Pandemic
In 2020, the Peruvian government implemented three support programs for SMEs (Reactiva Peru, Business Support Fund for MSMEs (FAE-MYPE) and the Business Support Programme for micro and small businesses (PAE-MYPE)), which were designed to alleviate the liquidity problems faced by companies as a result of the closure of activities due to COVID-19. In addition, a credit rescheduling program was implemented to control the potential risks of default.

The ADB estimates that the Reactiva Peru program provided a coverage range of 80% to 98% of SMEs. According to the OECD, and 98.6% of the beneficiaries were SMEs.[127] The program assigned guarantees to qualifying companies depending on the level of sales that it reached in 2019. In addition, the credit term obtained by the guarantee was up to 36 months, including a grace period of up to 12 months. The FAE-MYPE had similar qualification requirements.[128]

In some cases, the COVID-19 crisis led to an increase in the collaboration between the government and FinTech service providers to expand the reach of governments' support measures. For example, Peruvian authorities expanded the set of financial service providers to channel government-to-person (G2P) funding measures to include private banks and mobile money providers, in order to reach additional beneficiaries.[129]

5.4.4 Success Cases of FinTech Companies

There are several Peruvian FinTech companies that are providing services for MSMEs, including lenders, e-wallets, payment solutions, and virtual exchanges.

Prestamype

Prestamype, founded in 2017 and headquartered in Lima, provides accessible funding and financial services to underserved MSMEs. Its main products are asset backed loans and factoring financing. The company makes money by either earning an interest spread in its balance sheet model or charging a management fee to its peer to peer investors.

Currently, 80%+ of Prestamype's clients are MSMEs, of which more than half were previously excluded financially – meaning they had no credit history or only had access to revolving consumer credits at predatory rates. Women account for over 43% of Prestamype's clients.[130] Currently serving over 4,000 clients, Prestamype has disbursed USD43 million to entrepreneurs in the first half of 2023, and aims to surpass USD110 million in disbursements by the end of 2023.

Prestamype raised USD5 million in a Pre-Series A round of funding in August 2023, which will be used to solidify Prestamype's leadership in the MSME segment. Funding was led by social impact investors Acumen Latam Impact Ventures (ALIVE) and Oikocredit, with the participation of Salkantay Ventures, Peru's largest Venture Capital fund; as well as Inca Ventures, AVP, and other angel investors. This was the largest Pre-Series A equity round ever raised by a FinTech in Peru.[131] In October 2022, the firm also received a USD2 million investment from the Inter-American Development Bank (IDB), which was the first IDB investment of this kind into a Peruvian FinTech.

Wolet

Wolet, founded in 2022 and headquartered in Lima, is dedicated to payments and credit infrastructure for SMEs. Wolet operates as a Loan-as-a-Service (LaaS) FinTech that enables FinTech-integrated platforms to provide capital to SMEs. The loan is based on income, supported by daily sales, transaction data, periodicity, among other data, and takes a percentage of their sales to collect payment fees.[132]

Wolet's solution is targeted to payment processors, POS systems, point of sale terminals and commercial chains, which allows them to analyze business transactions and understand their operational flow. It also enables customers' integration with platforms to offer financing to SMEs. Wolet is also developing 'buy now - pay later' technology so that their customers can increase their sales. Wolet recently raised USD2 million to expand its lending capabilities.[133]

Grupo Credicorp (Yape)

Grupo Credicorp, founded in 1995 and headquartered in Lima, is the largest financial services holding company in Peru, and is working to turn its e-wallet digital payments app Yape into a super-app. Launched in 2016, Yape is a mobile application for making payments wherein users can both send and receive financial transactions. Yape is among the first and largest payment apps in Peru, with more than 2 million affiliated businesses across the economy.[134]

Chaty

Chaty, founded in 2018 and headquartered in Lima, provides online payment solutions for businesses and consumers, and is focused on providing a platform that helps restaurants to sell online and build loyalty.

Chaty is a platform that sells and processes payments across social networks, such as Instagram, WhatsApp, and Facebook Messenger, through artificial intelligence technology. With the aim of facilitating online transactions, their chatbots enable businesses to take orders and payments from customers with ease via instant messaging services. Users can generate links and request payment through social media platforms like Facebook, WhatsApp, Instagram, and more. It enables users to pay through debit and credit cards.

Izipay

Izipay, founded in 2018 and headquartered in Lima, offers innovative payments products and services. It is a POS company that offers sales services through debit, credit, and prepaid cards. Merchants can enable their smartphone as mPOS by installing mPOS software. It accepts all cards like debit and credit. The money received is directly transferred to the merchant's account, and the user receives vouchers by SMS and mail.

Kambista

A virtual exchange house that was created in Lima in 2016, Kambista allows people to exchange money online via its mobile app. Users include account holders from any bank in Peru. The company grew exponentially during the pandemic, when many people were barred from leaving their homes. It is currently one of the biggest online currency exchanges in Peru.

5.5 The Philippines

5.5.1 Environment for MSMEs' Access to Credit

MSMEs comprise roughly 99.5 percent of business establishments in the Philippines and employ 62.4% of the total workforce.

Despite its huge size, the sector's contribution to the Philippine economy is only 35.7%, due in part to the lack of financing available from banks.[135] Banks are hesitant to extend credit to MSMEs for a range of reasons, such as a lack of acceptable collateral; low paying capacity due to unstable income or cash flows; and a lack of business or credit track record. As a result, many MSMEs are forced to obtain funds with high interest rates from informal sources such as loan sharks.[136]

Since 2018 there has been significant progress in onboarding citizens into the formal banking system: by 2023, the Philippines expects that at least 70% of adult Filipinos will be participating in the formal financial system.[137] Similarly, while the banking industry was only 1% digital in 2015, it reached 20% digital solutions by 2020, and the Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines) predicts that by the end of 2023 it will digitalize 50% of its transactions.[138]

Several government programs are in place to address the challenges that MSMEs face. The backbone of MSME-centered legislation is the 1991 Republic Act (RA) 6977, commonly known as the "Magna Carta for MSMEs," which created the Small Business Guarantee and Finance Corporation (SBGFC) and the MSME Development Council, which advises governmental agencies on appropriate MSME policies. The Act requires that all lenders under the BSP must devote at least 6% of their total loan portfolio to small enterprises, and at least 2% to medium enterprises.[139]

From 1991-2002, additional key legislation included amendments to RA 6977; the 1997 Social Reform and Poverty Alleviation Act (RA 8425), which instituted a greater role for private microfinance institutions in the provision of financial services and poverty alleviation; the General Banking Law of 2000 (RA 8791), which provides a legal basis for the BSP to mainstream microfinance in the banking sector; and the 2002 Baranggay Micro Business Enterprise Act (RA 9178), which requires government financial institutions to set up a special wholesale window for accredited microfinance institutions.

More recently, in 2017, Pondo Para sa Pagbabago at Pagasenso (P3), a microfinancing initiative, provided MSMEs with lower lending rates to eliminate underground moneylender schemes and encourage a shift to legal microfinancing facilities. As of 2021, the initiative had benefitted over 219,000 underprivileged microentrepreneurs.[140]

In April 2019, the government introduced the Innovative Startup Act (RA No. 11337) to coordinate and monitor the types of support for start-ups and start-up enablers, including the implementation of a start-up venture fund and government grant fund.

Currently the *National Strategy for Financial Inclusion (NSFI) 2022-2028* provides a roadmap for whole-of-government support for the financially excluded, including MSMEs, through institutions such as the BSP and the Department of Information and Communications Technology (DICT).

Programs such as the BSP's *Credit Surety Fund (CSF)* are designed to increase the creditworthiness of MSMEs which otherwise cannot obtain loans from banks due to a lack of acceptable collaterals, credit knowledge and credit track records. A CSF is created by pooling the contributions of cooperatives, nongovernment organizations, local government units, partner institutions, donors and other government agencies, in order to serve as a security for loans of MSMEs from banks in lieu of acceptable collaterals.[141]

The DICT is committed to empowering MSMEs through comprehensive skilling programs that are designed to equip MSMEs with the digital tools and knowledge necessary to thrive in today's rapidly evolving technological landscape. By offering specialized training in areas such as digital marketing, e-commerce, cybersecurity, and data analytics, DICT fosters innovation and competitiveness among MSMEs, propelling them towards sustainable growth and success in the digital age.

DICT has also committed to promoting e-government initiatives to simplify bureaucratic processes, paving the way for innovative startups to thrive by reducing red tape and expediting administrative procedures. For example, the DICT launched the eGOV PH Super App, a mobile application that will streamline processes and transactions with at least 26 government offices to ensure the ease of doing business, especially for MSMEs. The Department also ensures data protection using Know Your Customer (KYC) systems in relevant initiatives.[142]

5.5.2 Environment for Credit FinTech Services

The Philippines is home to a thriving FinTech sector, which has seen significant growth in recent years, despite the difficulties posed by the COVID-19 pandemic. This growth in the field during the COVID-19 pandemic period came about due to a demand use shift of MSMEs increasingly embracing FinTech technologies, with tremendous growth from micro entrepreneurs adapting to FinTech platforms for digital payments.

As a result, the number of FinTech players has grown from a baseline of about 216 companies in 2019 to 285 companies in August 2023, ahead of government predictions from 2019 that the field would grow to about 260 players by 2028.[143]

One challenge that has come up since the COVID-19 pandemic is a slowdown in investments into the FinTech field into the Philippines. Industry members predict that investments will once again rise in the next two to three years, especially as new legislation to scale up inclusive digital finance becomes implemented.

FinTech stakeholders also noted that while there has been progress in the recent passage of several laws and regulations to provide support for MSMEs and to grow the FinTech sector, there have been delays in implementing the new regulations, which is hindering their full effectiveness.[144]

5.5.3 Policies and Regulations for the FinTech Industry

The Bangko Sentral ng Pilipinas (BSP), the central bank, is working to establish new e-governance tools, a new digital banking framework, an open finance framework, a Central Bank Digital Currency (CBDC) initiative, and has also implemented tools such as a BSP-led regulatory sandbox for FinTechs.

Key Policies for SMEs' Access to Credit through FinTech

Currently there are three major policies which direct governmental institutions to support SMEs' access to credit through FinTech tools and services.

First, the *National Strategy for Financial Inclusion (NSFI) 2022-2028* includes the promotion of inclusive digital finance and enhancement of the MSME financing ecosystem among its strategic objectives.[145]

Second, the *MSME Development Plan 2017-2022*, led by the Department of Trade and Industry (DTI), includes the following FinTech-supportive strategies and action plans:[146]

- Under the priority area 'Improved Access to Finance', institute policies and programs for innovative financing; and
- Under the priority area 'Improved Access to Technology and Innovation', provide financing programs for equipment and machinery acquisition.

As of October 2023, the work to develop an updated 2023-2028 MSMEDP is currently underway.

Third, the *Philippine Development Plan 2023-2028* has highlighted the following strategies:[147]

- Adopt regulatory sandbox approach for FinTech innovators
- Encourage efficiency and innovation in small and medium enterprises (SME) financing, microfinance, and microinsurance

Recent Regulatory Reforms for FinTech Services

The Philippines has implemented several regulatory reforms that impact credit FinTech services. For example, the economy has introduced common QR code standards[148] in recent years to facilitate domestic payments interoperability between banks and non-banks, along with a framework to encourage the adoption of open banking initiatives.[149]

The BSP is also spearheading progressive legislation such as the Philippine Identification System Act, the Philippine Innovation Act, and the Personal Property Security Act. These acts are expected to bring millions of SMEs into the formal financial system so they can actively participate in the digital economy.[150]

The Securities and Exchange Commission (SEC) has created an Innovation Office to improve communication with the fintech industry. The office is implementing a regulatory sandbox for fintech, modeled after similar efforts that have been established by the Financial Conduct Authority (FCA) in the United Kingdom and the Monetary Authority of Singapore (MAS) framework. The SEC issued a framework for the Strategic Sandbox (StratBox) regulatory sandbox on 25 April 2024. Participation in the sandbox will be on a case-to-case basis depending on the novelty of, and consumer benefits that may be derived from, the proposed financial product
or service. In all cases, the appropriate limitations and conditions shall be in place to sufficiently protect target consumers and address any perceived risks.[151]

In 2023, the SEC's Office for the Advancement of Strategic Investments in SMEs (OASIS) began an economy-wide roadshow for local MSMEs that demonstrates how to raise capital through the various regulations released by the Commission, including, among others, crowdfunding platforms, and showcases successful companies that have completed IPOs.[152]

Best Practices during the COVID-19 Pandemic

During the pandemic, the Philippines instituted a policy for the non-application of interest, fees, and charges to future payments and/or amortization of individuals, households, microenterprises, SMEs, and corporate borrowers.[153]

In June 2021, the BSP launched its Open Finance Framework, a policy framework to enable portability, interoperability, and collaborative partnerships between BSP-supervised financial institutions and FinTech players. The Digital Payments Transformation Roadmap includes: [154]

- Innovative digital financial products and services.
- An economy-wide ID System supported by more modern payment services that will facilitate the real-time processing of financial transactions.
- Two payment systems: the InstaPay instant payment stream and the PESONet batched payment stream.
- Digital finance infrastructure to facilitate the interoperability of payment services and seamless transaction processing.
- Digital governance standards to protect the integrity of consumer data privacy.
- "Digital banks" as a new bank classification for the end-to-end processing of financial products and services through digital platforms and electronic channels.

5.5.4 Success Cases of FinTech Companies

The following are success cases of the Philippines' FinTech companies in the banking, business loan, and digital payments sectors.

RCBC

The COVID-19 pandemic has accelerated the adoption of digital financial services in the Philippines. Mobile banking and e-wallet downloads surged significantly during the quarantine, driven by limited personal mobility and increased financial needs among companies. Local banks like LANDBANK, UNIONBANK, and RCBC rapidly enhanced their digital banking services through mobile apps.[155]

RCBC has actively extended its banking facilities to the unbanked and underserved, focusing on micro-merchants. Utilizing AI and data science, the bank provides credit scoring for MSMEs, enabling these businesses to access services like micro-insurance, savings, payments, and telemedicine. This support has empowered numerous micro-businesses to grow and thrive.

At the onset of the pandemic, RCBC spearheaded the first major private initiative to distribute government aid to Filipinos. By June 2021, the bank had disbursed over USD319.9 million (PHP16.13 billion) in government aid to more than 4.5 million low-income families.[156]

RCBC's ATM Go solution, with its handheld mobile neighborhood ATMs, addresses the needs of remote and hard-to-reach areas. These devices, deployed in partner retail stores, cooperatives, microfinance institutions, rural banks, and other community establishments, enable cardless transactions within rural communities. Terminal deployment grew by 727% in 2023 and are expected to reach 10,000 units. ATM Go now boasts the most extensive reach for banking across the Philippines, covering all provinces, cities, and over 80% of municipalities. It provides services to 60% of rural women and 72% of household beneficiaries of the government's conditional cash transfer (4Ps) program.

DiskarTech is the world's first multi-lingual app and RCBC's flagship financial inclusion super app. Designed to simplify financial jargon, DiskarTech uses Taglish (Filipino-English) and Cebuano to make its features more relatable and accessible. The app offers a range of 'sachet-type' financial solutions, including microfinancing, micro-insurance, and livelihood opportunities, making it a vital tool for financial inclusion.

First Circle

First Circle is a business loan provider that is revolutionizing the way Filipino business owners access credit. It offers online lending products to help small and medium enterprises (SMEs) succeed in the ever-changing business landscape. Launched in 2016, First Circle was chosen as an official finance partner of the Department of Trade and Industry (DTI).[157]

The use of digital tools for sales and marketing among Filipino SME owners is still minimal, so they mostly rely on word-of-mouth and referral from personal connections to find revenue-increasing opportunities.[158] First Circle launched Project Finder in July 2022 to provide Philippine SMEs with a set of digital tools to help them engage in work as government suppliers.

Maya

Maya (formerly known as PayMaya), is a Filipino financial services and digital payments provider that was launched in 2000 and is based in Metro Manila, the Philippines. The firm allows money transfers between Maya users, and users can also send money to other local banks, pay recurring bills, purchase prepaid credits, pay offline merchants by scanning unique QR codes, checkout from online stores using virtual or physical cards, and get insurance coverage for various products.

As of June 2022, Maya Wallet reached 50 million registered users, making it the second most-used e-wallet service in the Philippines, behind GCash. As of 2022, there were an estimated 58 million active e-wallet users in the Philippines, with this number expected to grow to 81 million by 2025.

Maya is a partner in the SEC's financial education and investor protection program. In determining the objectives of the partnership, it was determined that creating videos for Filipino investors to learn more about finance and investments is a key initiative. The company therefore hosts investor protection videos that are intended to increase financial literacy and financial inclusion.

The firm's Negosyo app and its in-app KYC process was recognized as *Best in Future of Digital Innovations* and *Best in Future of Intelligence*, correspondingly, at the 2021 Future Enterprise Awards.

5.6 Singapore

5.6.1 Environment for MSMEs' Access to Credit

Small and medium-sized enterprises (SMEs) contribute approximately 48% of GDP and employ 71% of the workforce.[159] There are approximately 300,000 SMEs in Singapore, accounting for 99% of all enterprises in the economy.[160]

Despite their significant contribution to the economy, MSMEs in Singapore often face challenges in obtaining financing to support their growth and expansion. One of their primary challenges in obtaining financing is a lack of creditworthiness. Most MSMEs do not have a long financial track record, so it is difficult for banks and financial institutions to assess their creditworthiness. Additionally, the companies may not have sufficient collateral to secure loans, further reducing their ability to obtain financing. This lack of creditworthiness and collateral makes it difficult for them to obtain traditional bank loans, leaving them with few financing options.[161]

Other common challenges for Singaporean SMEs include the high cost of financing, due to their perceived high risk, and knowledge barriers, such as a lack of awareness of available financing options. A 2022 survey found that in the last five years, 86% of Singaporean SMEs indicated being unable to secure any or sufficient funding to cover the needs of their business on at least one occasion, citing weak cash flow (36%), strenuous collateral requirements (34%), an arduous application process (29%), rigid lending criteria (29%) and rejection due to a lack of a business plan (29%), as their greatest barriers to funding.[162]

Recognizing these challenges, the Singapore government works to channel substantial resources to the MSME sector and expand the availability of financing for MSMEs. Enterprise Singapore (EnterprisSG) offers the Enterprise Financing Scheme, which is a comprehensive tool to enable Singapore enterprises to access financing more readily across all stages of growth. It covers seven areas to address enterprises' financing needs: green loans, working capital loans, fixed asset loans, venture debt loans, trade loans, project loans, as well as merger & acquisition loans.

EnterpriseSG will co-share the loan default risk in the event of enterprise insolvency with participating financial institutions. A higher risk share will be considered for young enterprises formed within five years with at least one employee, and more than 50% equity owned by individuals.[163]

During the COVID-19 pandemic period, EnterpriseSG introduced the Temporary Bridging Loan Programme, co-sharing up to 90% of the loan default risk. It helped many MSMEs to secure financing that they would otherwise be unable to access.[164]

The Government of Singapore has also invested heavily in its digital infrastructure. The government spent an estimated SGD3.8 billion on info-communications technology (ICT) procurement in 2022, which went towards transforming government digital services used by both citizens and businesses, and re-engineering government digital infrastructure to support modern application development.[165]

5.6.2 Environment for Credit FinTech Services

To address MSMEs' unmet finance needs, alternative lenders and new FinTech players have entered the market in Singapore over the past couple of years. For example, Singapore-based Funding Societies operates one of the region's largest SME digital financing and debt investment platforms, specialized in short-term financing for SMEs, while digital lenders such as Validus provide SME financing platforms for small businesses and accredited investors. *(Note: Further details on these companies and others are listed below in 'Success Cases of FinTech Companies')*

According to members of the local FinTech industry, MSMEs in Singapore are typically motivated to seek out FinTech solutions that provide access to credit/financing, as well as products that offer ease of usage/convenience and low cost alternatives to traditional banking. [166] A 2022 poll of SMEs in Singapore found that almost all (97%) said they would consider switching lenders if a competitor offered a better or improved offering. Among the top three reasons for switching lenders, Singaporean SMEs cited better digital services (47%), better borrowing benefits and incentives (43%) and better in-store services (40%).[167]

The most popular FinTech solutions for MSMEs include credit/financing services, money transfers or remittances, and enterprise management systems (EMS), and there is ongoing growth in MSMEs' adoption of payment, clearing, or settlement services, and cryptocurrencies.[168]

However, the overall speed of adoption of FinTech services and tools by MSMEs has been slow, in part due to barriers such as a lack of knowledge about available tools and services. Industry members suggested that new government policies to support access to finance could include the creation of a framework that assesses and recognizes established FinTech solutions that can support MSMEs, which would help to provide credibility and assurance to MSMEs when using FinTech.[169]

The Monetary Authority of Singapore (MAS) has worked to reduce regulatory barriers for the FinTech industry to serve MSMEs. For example, in 2017, MAS issued changes to the regulations for three licensed finance companies, which typically provide more personalized loan solutions to SMEs than banks, to provide them with greater capacity to serve SMEs. Some of the loosened restrictions included the increase in the aggregate and individual uncollateralized business loan limits. Finance companies were also permitted to provide current account and checking services and became eligible for electronic payment networks.[170]

5.6.3 Policies and Regulations for the FinTech Industry

Key Regulatory Bodies and Partners

Singapore adopts a Whole-of-Government (WOG) approach to tap on diverse knowledge, viewpoints and ideas across the public sector, with different government agencies coming together to broaden and deepen policy development, and to deliver services in more synergistic ways.

The Monetary Authority of Singapore (MAS) is Singapore's integrated financial regulator and administers various legislation governing financial institutions which includes banks, insurers, capital market intermediaries, financial advisors, and stock exchanges. It is the key driver of Singapore's FinTech policies and supported by other government agencies such as Enterprise Singapore[171] and the Infocomm Media Development Authority (IMDA).[172]

In 2015, the MAS formed the FinTech & Innovation Group (FTIG)[173], which is dedicated to formulating regulatory policies and developing strategies to facilitate the use of technology and innovation, to better manage risks, enhance efficiency and strengthen competitiveness in the financial sector.

The MAS also works closely with industry partners such as the Singapore FinTech Association to promote innovation in the financial sector, and to support a thriving and vibrant FinTech ecosystem in Singapore. It also works closely with private sector financial institutions to encourage them to set up FinTech Innovation Labs, in order to nurture a culture of innovation in the sector.

FinTech Services Industry Transformation Map

The *Financial Services Industry Transformation Map 2025 (ITM 2025)*[174], spearheaded by the MAS, lays out the growth strategies to further develop Singapore as a leading international financial center in Asia. The ITM sets out to deepen capabilities in asset classes that Singapore plays a key regional or global role in, digitalize Singapore's financial infrastructure, catalyze Asia's Net-Zero Transition, and enhance payments connectivity and build an innovative and responsible digital asset ecosystem.

The ITM also aims to develop the FinTech space in Singapore, promote the development of digital infrastructure and platforms for bonds, funds settlement, and trade financing, expand cross-border payment linkages, explore the use of distributed ledger technology, and enable digital currency connectivity, among other goals.

Grants for Innovation

Singapore funds FinTech innovation through a variety of grant programs, including the following notable programs:[175]

a) Set up Centre of Excellence: Under the MAS Financial Sector Technology and Innovation Scheme (FSTI) Centre of Excellence Grant, up to 50% support may be provided to set up centers of excellence or Corporate Venture Capital entities (CVC) in Singapore to nurture a culture of innovation in Singapore's financial services sector.
b) Industry-wide projects: Under the MAS FSTI Industry-wide Technological Infrastructure or Utility Project Grant, up to 50% support may be provided for thematic industry-wide or economy-wide utility projects, supporting the wider adoption of technological/utility infrastructure which would improve market efficiency, boost productivity, and strengthen risk management capabilities in the financial services sector.
c) Encourage experimentation: Under the MAS FSTI Innovation Acceleration Track, up to SGD400,000 in support may be provided to conduct experiments with novel technology and solutions to improve efficiency or productivity of the financial services sector.
d) Adopt AI/data analytics technology: Under the MAS FSTI AI and Data Analytics (DA) grant, up to 30% support may be provided to projects that demonstrate adoption of AI & DA techniques that achieve business objectives of strategy & decision making or insights generation with consideration of workforce impact, as well as applied research projects in AI and DA.
e) Adopt Environmental-Social-Governance (ESG) technology solutions: Under the MAS FSTI ESG FinTech Grant, up to 50% support may be provided for Financial Institutions to deploy and scale innovative technology solutions to address key challenges in obtaining quality ESG data, efficiently mobilizing capital towards sustainable initiatives, and developing and implementing robust net zero transition plans.
f) Adopt digital solutions: Under the MAS FSTI Regulatory Technology Grant, support may be provided to improve efficiency of Financial Institutions' risk management and regulatory compliance process through the use of technological solutions.
g) Equity market support: Under the MAS Grant for Equity Market Singapore (GEMS), (i) 70% co-funding of eligible expenses (up to SGD1 million) for new technology sector; (ii) 20% co-funding of eligible expenses (up to SGD500,000) for high growth sector; and (iii)20% co-funding of eligible expenses (up to SGD200,000) for all sectors;

Regulatory Sandboxes

Singapore's FinTech Regulatory Sandbox framework enables financial institutions and FinTech players to experiment with innovative financial products or services in a live environment but within a well-defined space and duration. Depending on the experiment, MAS will provide appropriate regulatory support by relaxing the specific legal and regulatory requirements that are typically prescribed by MAS, which the sandbox entity would otherwise be subject to, for the duration of the sandbox.

The sandbox includes appropriate safeguards to contain the consequences of failure and maintain the overall safety and soundness of the financial system. Upon successful experimentation and on exiting the sandbox, the sandbox entity must fully comply with the relevant legal and regulatory requirements.[176]

Collaboration with International Partners

The MAS, in partnership with the UN Development Programme (UNDP) and the Global Legal Entity Identifier Foundation (GLEIF) embarked on Green FinTech Project Savannah[177] in June 2023. This is a global initiative to develop basic Environmental, Social and Governance (ESG) digital credentials for MSMEs worldwide. The project will harness technology from MAS' Project Greenprint[178] to support MSMEs' ability to report against basic sustainability metrics at low cost.

The reported data will be housed in MSMEs' Legal Entity Identifier (LEI) records that will be issued and administered by GLEIF. This allows MSMEs to transmit verified ESG data to their business partners, strengthening their ability to gain access to global financing and supply chain opportunities. MAS, UNDP and GLEIF are consulting regulators, financial institutions and real economy corporations to refine the project's execution and will be announcing the inaugural multi-geography pilot at COP28.

In another example of international cooperation, the Bank for International Settlements (BIS) and Singapore's MAS collaborated together to develop a new prototype platform that integrates regulatory data and analytics. Known as Project Ellipse, the platform successfully demonstrates how regulatory and other data, such as articles and news, can be integrated into a single platform to help regulatory authorities identify potential risks to individual banks and the banking system.[179]

MAS is also collaborating with the IMDA and other partners to create Business sans Borders (BSB), a fair and global digital hub of connected MSME networks to facilitate easy and user-permissioned access to a wider ecosystem of buyers, sellers and service providers for integrated financing and financial services. Some of the key outcomes of BSB to date are the Proxtera neutral hub, which has connected key markets and governments for MSMEs across Asia and Africa for business and financial services, and the international SME financial literacy and empowerment program, under the auspices of UNDP, the International Finance Corporation, and MAS. BSB is also partnering with Project Savannah to enrich the trusted credentials of MSMEs.

Best Practices during the COVID-19 Pandemic

In partnership with financial institutions and with other government agencies, MAS implemented the following measures to support MSMEs which faced financial difficulties.[180]

1) **The Special Financial Relief Programme**: This allowed MSMEs to apply to their lender to defer 100% of principal repayment of their secured loans from March to December 2020. Thereafter, under the Extended Support Scheme – Standardised (ESS-S), SMEs could apply to their respective bank or finance company to defer 80% of principal payments for fully secured term loans from January 2021 through to either March 2021 or September 2021, depending on eligibility criteria. The Extended Support Scheme – Customised (ESS-C) offered a framework for MSMEs to restructure their loans with their creditors from November 2020 – December 2021.
2) **COVID-19 (Temporary Measures) Act 2020**: This legislation provided parties in certain categories of contracts temporary relief from legal and enforcement actions from Apr 2019 to Oct 2019, if they were unable to fulfil their contractual obligations due to COVID-19. Secured loans agreements to MSMEs and hire-purchase agreements were among the contracts covered under the act.

During the COVID-19 pandemic, MAS also announced a SGD125 million support package and a subsequent SGD6 million FinTech Solidarity Grant to help MSMEs and FinTech firms to deal with the immediate challenges, business recovery, and future growth. Specific measures for the FinTech industry included support for manpower costs (training allowance grants, wage support for local employees, and salary assistance for recent graduates), funding support for operational costs, six months of free access for FinTechs to the "APIX Care" digital platform for sales engagement with financial institutions globally, and grants and funding support for FinTechs to experiment in new proof-of-concept projects.[181]

Upcoming Policies: Financial Sector Technology and Innovation Scheme 3.0
On 7 August 2023, MAS announced that it will commit up to SGD150 million over three years under the renewed Financial Sector Technology and Innovation Scheme (FSTI 3.0).[182] FSTI 3.0 seeks to accelerate and strengthen innovation by supporting projects that involve the use of cutting-edge technologies or with a regional nexus. FSTI 3.0 will be comprised of the following tracks:[183]

1) Enhanced Centre of Excellence track: Formerly known as the Innovation Labs track, the scope of grant funding will be expanded to include corporate venture capital (CVC) entities, at funding support of up to 50% of qualifying expenses, capped at SGD2 million per project. Given the importance of CVCs in identifying and nurturing the next generation of start-ups, the funding will enable CVCs to offer strong mentorship and support to help start-ups scale and develop resilient and viable business models.
2) Innovation Acceleration track: Conduct open calls for the use of innovative technologies in industry use cases. Grant funding will be provided to support actual trial and commercialization.
3) Environmental, Social and Governance (ESG) FinTech track: Support the development and deployment of projects that address ESG data, reporting, and analytics needs of the financial sector, at funding support of up to 50% of qualifying expenses, capped at SGD500,000 per project.

5.6.4 Success Cases of FinTech Companies

The following are two examples of participants in the FinTech Regulatory Sandbox, and three examples of FinTech companies providing credit services for MSMEs.

ADDX
ADDX is an investment platform founded in 2017 that offers access to private market investments in fractions through blockchain technology. The platform helps the financially underserved through granting them direct access to private market assets from around the world. The company has active users in 39 economies.

In 2018, the company became one of the earliest participants in the FinTech Regulatory Sandbox. The Sandbox allowed ADDX to live-test its technology during the early stages, while mitigating the risks commonly associated with blockchain. Through its Sandbox experience, ADDX also found key investors in the Singapore Exchange (SGX) and Heliconia, and forged partnerships with law firms Allen & Overy and Allen & Gledhill, as well as professional services firm PwC Singapore.

BondEvalue
Founded by international banking veterans in 2016, BondEvalue's BondbloX was the world's first and largest fractional bond exchange. By offering everyone the ability to buy bonds in smaller denominations through transparent, distributed ledger technology, BondbloX helps people to invest in global bonds.

MAS' Sandbox Express option allowed BondEvalue to test the scalability of its exchange within clear boundary conditions. During its Sandbox Express stint, BondEvalue was able to connect with major financial institutions such as UOB Kay Hian and the firm's global custodians, Citi and Northern Trust. These experiences helped the firm achieve a clear path to licensing within a shorter time frame.

Funding Societies
Founded in 2015, Funding Societies is the largest SME finance platform in Southeast Asia, helping SMEs manage their cashflow. The firm operates in Indonesia; Malaysia; Singapore; Thailand and Viet Nam. It offers cards, accounts (via partners), unsecured financing, and

receivables and payable management. In 2022, the company disbursed USD1 billion of loans to SMEs, with a revenue of approximately USD40m as the market leader.[184]

Linkflow Capital

Linkflow Capital operates a SME financing portal assisting SMEs to access financing options across all banks, financial institutions, digital lenders and alternative financiers in Singapore. This service helps SMEs to address the wide information asymmetry between SMEs seeking to tap into debt financing, and lenders in the market, by providing SMEs with a single portal with key information about the lenders and the differences in their financing products and credit criteria.

Validus

Founded in 2015 to address the unmet financing needs of SMEs, Validus is growing rapidly across Indonesia; Singapore; Thailand and Viet Nam. To-date, Validus has disbursed more than USD2.5 billion in loans to small businesses across Southeast Asia and is a leading all-in-one SME financing platform in Southeast Asia. Validus drives financial inclusion and prosperity for small businesses by leveraging data and AI to drive growth financing to the SME sector, resulting in one-stop digital finance solutions that increase business customers' productivity and cost savings.[185]

5.7 Chinese Taipei

5.7.1 Environment for MSMEs' Access to Credit

There are about 1.6 million SMEs in Chinese Taipei, accounting for over 98% of all enterprises.[186] Recognizing the need to provide access to finance for MSMEs, the Financial Supervisory Commission (FSC) has implemented several measures that help MSMEs to explore opportunities to access credit through the FinTech industry.

For example, in order to encourage financial innovation, deepen financial inclusion, and meet the demands of the new generation of consumers, three Internet-only Banks were approved to commenced operations successively between December 2020 and December 2021. The FSC continues to monitor the business development needs of Internet-only Banks, and, while ensuring risk management, allows them to conduct specific operations through business trials. This approach assists them in steadily expanding their services to meet the financial needs of different customer groups in various consumption scenarios.

5.7.2 Environment for Credit FinTech Services

Overall, Chinese Taipei has four major advantages in developing FinTech, including advanced technologies, a well-established ICT infrastructure, an inclusive financial system, and a rich talent pool. However, Chinese Taipei also faces challenges such as rigorous financial regulations, and limited resources and recognition for FinTech startups. Given that the FinTech industry involves financial services directly related to individuals, households, and businesses' funds and finances, the overall social culture and values in Chinese Taipei tend to be more risk-averse and cautious toward FinTechs and new technologies.

The FSC has established a certification mechanism, the "FinTechTaipei Awards 2022" to showcase the potential and collaborative achievements in domestic FinTech and hosted the "FinTech Taipei 2022" to create an international platform for the exchange of practices and development in FinTech.

Also, the FinTechSpace, instructed by the FSC and co-funded by its private wing Taiwan Financial Service Roundtable (TFSR), periodically updates the counseling and subsidy resources offered by the Ministry of Digital Affairs (MODA), the Ministry of Economic Affairs, the National Science and Technology Council (NSTC), and the National Development Fund for FinTech startups, and publishes the related information on the website of the FinTechSpace.[187] In order to assist FinTech startups access the capital market and raise funds, the FinTechSpace plans a subsidy mechanism for startups that intend to apply for listing on the Chinese Taipei stock market.

Notable FinTech Measures for MSMEs

The FSC and other peripheral organizations have implemented several programs to help connect MSMEs with FinTech technologies and services.

To assist small and medium-sized enterprises in opening online accounts with ease, the FSC allows domestically registered legal entities with fewer than 3 adult partners/shareholders who have citizenship to open digital deposit accounts. Furthermore, on 6 October 2022, securities firms were permitted to accept applications from legal entities to open securities accounts through remote or electronic means.

In addition, the Joint Credit Information Center (JCIC) has initiated a program for customers of FinTech companies to access the JCIC's data. Building upon the foundation of individuals' online access to credit reports, this program offers encryption and decryption services to eligible FinTech companies. This enables individuals to securely and conveniently transmit their personal credit scoring data to FinTech companies according to their personal preferences.

The government also encourages MSMEs to utilize MyData, the personalized digital services platform.[188] Financial institutions, with the authorization of consumers or businesses, can access the necessary cross-government agency documents required during consumer or business service applications, making online account opening more convenient for consumers or businesses.

5.7.3 Policies and Regulations for the FinTech Industry

Key Regulatory Bodies and Stakeholders

The Financial Supervisory Commission (FSC), to promote the development of FinTech and implement FinTech innovation experimental mechanisms to enhance the efficiency and competitiveness of financial businesses, has established the Financial Technology Development and Innovation Center (FinTech Center), which is responsible for the formulation, planning and implementation of FinTech development policies, as well as cross-departmental communication, coordination, and cooperation on related issues.

The FinTech Center has established a Consultation Committee that combines expertise from across the government, which facilitates the integration of recommendations from relevant agencies and institutions regarding the promotion of FinTech development, as well as opinions on policy planning or legal amendments.

While the FinTech Center is responsible for formulating and promoting the overall FinTech development policies, some FinTech policies specific to enterprises of specific scales or types, such as MSMEs, involve the responsibilities of relevant ministries, such as the Ministry of Economic Affairs or bureaus within the FSC. These policies can be discussed through inter-ministerial or cross-bureau meetings.

The FSC's collaborative partners include government agencies such as the Ministry of Digital Affairs (MODA) and the NSTC. For example, since September 2022, the FSC and the MODA have established a cross-agency communication platform that serves as a forum for exchanging views on topics such as third-party payments, electronic signatures, virtual assets, MyData, and others.

The promotion of FinTech development policies and related measures also requires effective collaboration between the public and private sectors. The FSC's collaborative partners include private-sector entities and organizations such as the TFSR, various financial industry associations, and FinTech associations.

To integrate opinions from the FinTech ecosystem and implement market development policies in a more forward-looking and comprehensive manner, the FSC collaborated with the TFSR to establish the "FinTech Co-creation Platform" in 2020. This platform includes working groups that support capacity building, data governance, regtech and research application, and publicity and information exchange.

In addition, to promote the development of the domestic FinTech industry, the FSC, in collaboration with the TFSR, established the first FinTech physical co-creation space in Chinese Taipei, the "FinTechSpace," in 2018. The FinTechSpace offers comprehensive coaching and support services for FinTech startups, with the main areas as follows:

a) Cross-domain and cross-industry coaching: Startup recruitment, tailored deepening counseling, and Regulatory Clinics.
b) Theme-based innovation verification: Digital sandbox thematic verification and promotion, the digital sandbox campus verification base, and the corporate laboratories' scope expansion.
c) Global connection: Introduction and matchmaking of international startups, and research on domestic and foreign FinTech topics.

d) Domestic and international FinTech startup pitches and promotion: International publicity and counseling to connect with the global market.

FinTech Development Roadmap (2.0)

Based on the current development and regulatory policy objectives, on 15 August 2023, the FSC released the "FinTech Development Roadmap (2.0)." This roadmap aims to achieve a more inclusive, fair, sustainable, and internationally aligned FinTech ecosystem through four major dimensions:

a) Optimizing the legal system and policies of FinTech
b) Intensifying supporting resources and talent development
c) Expanding FinTech technologies and applications
d) Increasing financial inclusion and digital finance adoption

Primary Regulations for FinTech

The *Financial Technology Development and Innovative Experimentation Act*, enacted in January 2018, aims to create a safe environment for experimentation involving innovative financial technologies to develop technology-based financial products or services, facilitate the development of financial inclusion and FinTech, and protect innovative experimentation participants and financial consumers.

In 2019, the FSC formulated and implemented operational directions governing applications for business trial pilot programs in the banking, insurance, and securities & futures industries. This initiative aimed to enhance the efficiency of existing financial services through innovative approaches or collaborations with other companies to adopt new technologies or business models.

Best Practices during the COVID-19 Pandemic

The FSC worked with financial institutions to provide a wide range of relief and stimulus measures for enterprises, including the following:[189]

a) **Loan extensions:** For an enterprise which has the intention to continue operating and pays interests regularly, under the situation where its original loan principal expires before 31 December 2023 and its payments need to be extended, the financial institution may agree the extension of a loan for 6 months if the enterprise applies for an extension.
b) **Lowering the threshold for debt workouts:** In the past, a debt workout procedure would only be initiated if creditors holding at least two-thirds of all creditor claims agreed to it. This threshold was reduced to creditors holding at least one-half of all creditor claims, and the deadline for application was extended to the end of December 2023.
c) **Relaxing the conditions of guarantees:** Financial institutions no longer must require the enterprises to provide deposits as collateral in principle, nor do they require anyone other than the responsible person or actual person in charge as a guarantor.
d) **Shortening the processing time for loan applications:**
   (1) The extension of a loan should be approved within 2 weeks in principle.
   (2) The amount of a loan which is less than NTD5 million would be approved within 10 business days for working capital loans and 15 business days for revitalization loans in principle.
   (3) The amount of a loan which is less than NTD1 million would be approved within 7 business days in principle.
e) **Loan applications are simplified for small-scale business entities:** For small-scale business entities applying for loans of less than NTD500,000, financial institutions adopted a simple credit score mechanism to simplify the process. For small-scale business entities with its credit score above the certain level, the “Small and Medium Enterprise Credit Guarantee Fund of Chinese Taipei” provided a 100% credit guarantee with an interest rate not exceeding 1% to help small-scale entities immediately get the loan they needed. This measure was launched on 20 April 2020 and ended on 30 June 2022.

The FSC Insurance Bureau also implemented various other financial assistance measures to mitigate the impact of the COVID-19 pandemic. These measures include a Preferential-Rate Policy Loan Stimulus Program, deferred payments of automobile insurance renewal premiums, and alleviated burdens for real estate tenants.

Promoting Open Banking

The FSC has implemented open banking since 2019. The purpose is to provide consumers with more innovative financial services while considering personal data protection, information security control and consumer rights protection. It encourages banks to voluntarily implement open banking in three phases. The first phase is "Open Information Inquiry," the second phase is "Consumer Information Inquiry," and the third phase is "Transaction Information." As of the end of December 2023, a total of 27 financial institutions and third-party service providers have participated in the first phase, while 17 financial institutions and two third-party service providers participated in the second phase. Altogether, 24 cases have been approved by the FSC. As for the timeline of the 3rd phase, the relevant self-regulations and technical cybersecurity standards submitted by the Bankers Association and the Financial Information Service Co., Ltd (FISC) were reviewed in January 2024 by the FSC to facilitate banks that are willing to apply. The FSC believes that the success of open banking requires "sound technical standards," "trusted TSPs (Trust Service Providers)," and "good data protection."

Future Policies

The FSC is exploring several policies to encourage open banking and the adoption of digital banking. For example, it is deliberating on allowing legal entities with more than 3 shareholders to open accounts online, and the establishment of related management mechanisms.

In order to advance open banking, the Bankers Association and the Financial Information Service Co., Ltd (FISC) have submitted their self-regulations and technical cybersecurity standards to the FSC. Following a review by the FSC, implementation may come in 2024. In the future, users will be able to link their accounts, make payments, and integrate funds from various accounts directly through third-party applications.

5.7.4 Success Cases of FinTech Companies

The following are two cases of FinTech companies that are supporting MSMEs in Chinese Taipei. The following information is provided by FinTechSpace.

NexTrek

NexTrek, founded in 2017 in Taipei City, is a cloud-based cash flow and financial management software that enables enterprises to manage their bookkeeping and operations.

Among the nearly 1.6 million SMEs in Chinese Taipei, a high percentage of them do not have full-time finance and accounting staff, and they can only keep their books in the traditional way, or they do not have any financial statements at all. In order to support these businesses, NexTrek launched the cloud-based bookkeeping tool "Lantou Bookkeeping" ("Blueprint Bookkeeping"), which, through an innovative and easy-to-use interface, allows SMEs, regardless of whether they already have an accounting staff, to easily fulfill their bookkeeping and management needs, and to enhance their operational efficiency and competitiveness by instantly generating the necessary operating charts.

NexTrek currently assists more than 2,500 SMEs with their bookkeeping and financial management needs. The firm's clients include Chinese Taipei companies, overseas companies, communities, and non-profit organizations.

COMMEET

COMMEET, a one-stop expense management system vendor, provides SMEs with an all-in-one spending platform, which includes procurement, payment, reimbursement, intelligent budget management, and budget optimization analysis.

COMMEET's platform provides expense management digitization services for SMEs and has assisted over 200 SMEs in their expense management digitization transformation. COMMEET is the first expense management system in Chinese Taipei that provides innovative operational thinking and allows enterprises to manage expenses in a more efficient manner.

5.8 Viet Nam

5.8.1 Environment for MSMEs' Access to Credit

MSMEs in Viet Nam account for the majority of all active enterprises and provide over three-quarters of the population with employment. They also generate 40% of the economy's GDP and produce 20% of total exports.[190]

Vietnamese firms consider the lack of external finance a major issue: 22% regarded this as their main challenge.[191] It is typically more challenging for SMEs to access credit than larger firms. A study by the National Economics University additionally shows that the probability of getting a business loan is 23.7-26% lower if the enterprise is an SME, but 2.3-2.8% higher if the enterprise is a state-owned company.[192]

Viet Nam's SME lending has increased over the last years, reflecting the overall growth of the economy. In the 2018-2022 period, the average credit outstanding to SMEs increased by 14.17% on a year-on-year basis, higher than the average credit growth of the whole economy. As of the end of 2022, the credit outstanding to SMEs increased by 8.28% as compared to that of the end of 2021, accounting for nearly 19% of the total credit outstanding of the whole economy.[193]

State-owned banks play an important role in SME financing in Viet Nam, accounting for 47% of total SME loans, only marginally lower than the proportion originating from private commercial banks (49%). Sources of finance other than traditional banks still play a small role in the business financing landscape.[194]

The financing provided by traditional banks are sometimes a poor match for SMEs, since most banks provide limited offerings to address the specific needs of SMEs, such as small-ticket unsecured loans, liabilities-focused propositions, or export-import related solutions. In addition, most banks continue to drive traditional commercial credit processes and underwriting that are more suited to large businesses, without adapting them to the SME context. Most banks also have yet to offer a seamless digital process for customer onboarding and servicing of SME customers.[195] Improving the digitalization of bank services is a priority for the State Bank of Vietnam (SBV).[196]

Going forward, the development of alternative financial institutions could help boost competition in the credit market and lead to better borrowing conditions, especially for smaller companies that have fewer relationships with state-owned banks and large commercial banks. One of the most important reasons that MSMEs in Viet Nam seek FinTech services has been the opportunity to access low cost loans that they can't receive from traditional banks.[197]

Viet Nam is a predominantly cash-based economy, and more than 70% of the population does not have a bank account, in part due to limited access to financial information and banks in rural areas. Stakeholders have suggested that one of the most important activities that the government can undertake to grow the FinTech market would be to provide education to MSMEs about FinTech through webinars or training sessions.[198]

The population is becoming increasingly digitally literate, with a 70.3% internet penetration rate and 63.1% of the population being smartphone users as of 2021. As a result, since the COVID-19 pandemic, contactless transactions are becoming increasingly popular, and around 85% of Vietnamese banking consumers are more likely to use online and digital banking services in 2021 compared to a year and a half ago.[199]

Viet Nam was the host economy of the 2017 APEC Financial Inclusion Summit, which was followed by its implementation of Resolution 01/NQ-CP of 2019, which gave the State Bank of Vietnam (SBV, the central bank) the main responsibility for implementing the National Financial

Inclusion Strategy, the main aim of which is to increase the share of the population with access to finance. [200]

In recent years, Vietnamese SMEs and MSMEs continue to face challenges that are common to small businesses worldwide, such as productivity, network coverage, access to capital and the slowdown from COVID-19 pandemic.[201] The SBV has continued to place a high priority on creating favorable conditions for the development of the private sector, including SMEs. According to an update by the SBV in March 2023, these activities include:[202]

- Managing monetary and credit policies in a proactive, flexible and consistent manner in order to enable businesses to access bank loans;
- Improving the legal frameworks for the lending operations of the credit institutions toward strengthening the decision-making authority and the responsibilities of the credit institutions in providing loans to businesses;
- Directing the credit institutions to further reform their administrative procedures;
- Regularly reviewing and improving the legal frameworks for banking operations;
- Promptly formulating and issued guiding documents for the Law on Credit institutions;
- Creating favorable conditions for credit access, and removing the difficulties in accessing bank loans for all customers, including SMEs.

In addition, the SBV has also implemented specific credit programs with preferential mechanisms with SMEs as the key beneficiaries and implemented synchronous solutions to remove the difficulties in accessing bank loans from SMEs.

The SBV has also actively cooperated with international institutions such as the Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), and the World Bank to implement concessional loan programs focusing on SMEs. In addition, the Viet Nam Bank for Social Policies has implemented many loan packages with preferential lending interest rates targeting SMEs.

5.8.2 Environment for Credit FinTech Services

Viet Nam's FinTech market currently has the second fastest growth rate in the region, after Singapore, and is expected to reach USD18 billion by 2024.[203] By the end of 2020, there were 260 Fintech companies in the economy, including 81 companies in payment services, 42 in peer-to-peer (P2P) lending, and 31 in blockchain and cryptocurrencies.[204] Tracn, a firm that tracks venture capital investment, estimates that there are about 550 fintech startups in Viet Nam in 2024.[205] This has led to a highly competitive marketplace.

Viet Nam has also seen recent growth in investment deals for the industry: FinTechs gathered 15 investment deals during the January-September 2021 period, placing the economy in a joint third position with Malaysia among its regional neighbors, behind Singapore and Indonesia.[206]

Fintech industry members' top concerns about future growth include meeting compliance with new regulations and fitting products into the market.[207]

The top sub-sectors accounting for 76% of the total FinTech market share in Viet Nam include digital payments, peer-to-peer (P2P) lending, cryptocurrencies and blockchain, investment tech, and point of sales.[208] Fintech projects with growth in demand include payment, clearing, or settlement services, credit/financing services, and money transfers.[209]

5.8.3 Policies and Regulations for the FinTech Industry

The State Bank of Viet Nam (SBV), as the central bank, is the primary regulator for the FinTech industry. In March 2017, the SBV established a Steering Committee on Financial Technology, which is dedicated to the building of a regulatory framework for the development of the FinTech ecosystem and creating opportunities for local companies.

A five-year project (2021-2025) has been approved to support the development of cashless payments. The project aims to accelerate the growth of cashless payments with improved security, safety, and confidentiality, and to make it more accessible to residents in all areas. The project also aims to increase the value of non-cash payments to be 25 times higher than the GDP, and the proportion of cashless payments in e-commerce to reach 50% by 2025. Additionally, the project attempts to close the current gap in financial inclusion, lowering the rate of the unbanked population to 20% among people aged 15 and over.[210]

On 6 September 2021, the government issued Resolution No. 100/NQ-CP, approving the proposal to develop a decree on a regulatory sandbox for FinTech activities in the banking sector. The government updated the decree for the sandbox in April 2022.[211] In response, the Ministry of Finance, in collaboration with the SBV, is establishing a regulatory sandbox to further boost the financial ecosystem. The sandbox will enable businesses in various FinTech sectors, including P2P lending, payments credit, and consumer identification, to participate. A research group is also in place to cover policies for virtual assets and cryptocurrencies.[212]

The government also recently issued Decision No. 316 on the pilot implementation of mobile money services. This decision allows mobile service operators in Viet Nam to provide telecommunication users with an e-wallet feature through their telecommunication accounts. The decision is a pilot implementation for users to purchase small-value goods and services, especially in rural and remote areas.[213]

In non-banking areas, the Law on Insurance Business 2022 has dedicated space for the digital transformation of the insurance industry, including insurtech.[214]

Given the rapid growth of the FinTech industry in Viet Nam, the regulatory framework remains incomplete in some areas. The draft of the regulatory framework for some fintech sectors is ready and the government is already seeking public opinions, but the regulations have not been promulgated yet.[215]

For example, since there is no digital banking licensing framework in place, digital banks in Viet Nam must partner with existing traditional banks (that hold a bank license) in order to offer financial products and services.[216] Similarly, the lack of a comprehensive regulatory framework around open banking has hindered banks' efforts to develop common APIs and other tools.[217] Peer-to-peer lending is another regulatory "gray area."[218] This current uncertain regulatory environment can hinder investments in fintech.

Viet Nam is also working to introduce new protections for consumers, including MSMEs. Its new Cybersecurity Law requiring data localization[219] took effect in October 2022, and on April 17, 2023, Viet Nam issued its first comprehensive data privacy law, Decree No. 13/2023/ND on the Protection of Personal Data (Decree).[220]

Best Practices during the COVID-19 Pandemic

Viet Nam has received positive feedback for its implementation of measures to fight against the Covid-19 epidemic. The government issued several supportive policies in 2020, with a focus on SMEs. These policies included a VND250,000 billion credit support package and a VND16,000 billion package to help businesses pay employees' wages.[221]

In addition, the government implemented many flexible tax policy solutions, such as exemptions, reductions, and extensions on taxes, fees, and charges, including land rents. For example, in April 2020, the Government issued Decree 41/2020/ND-CP extending the deadline for tax and land rent payment, in order to alleviate difficulties for businesses affected by the Covid-19 pandemic. Similarly, Decree 114/2020/ND-CP provided support for businesses with total revenue less than VND200 billion (approximately USD8,000), reducing their corporate income tax by 30%.[222]

5.8.4 Success Cases of FinTech Companies

SmartPay by SmartNet

Founded in 2019 in Ho Chi Minh City, SmartNet promotes cashless payment for Viet Nam's MSMEs. Its target customers are small merchants, businesses, and shop owners in Viet Nam, whose transactions average from only USD1-2.[223]

SmartNet partnered with OpenWay, a global leader in payments software solutions, to create SmartPay, Viet Nam's first mobile payment wallet targeted towards MSMEs and unbanked population. In the nine months since its launch in May 2019, the SmartPay wallet picked up 1.7 million individual customers and signed up 193,000 merchants.[224]

Before developing their product, SmartPay did extensive research to map out the current financial ecosystem that existed among the unbanked. Unlike FinTechs who focused on the spending habits of the middle class in Ha Noi and other urban areas, SmartPay researched the lifestyles of the 25 million unbanked individuals, 6 million micro-merchants, and up to a million people selling mostly over the internet, both in urban and rural regions. They found that people were doing multiple things at the same time, playing many different roles that overlapped as producers, sellers, buyers, and sourcers. Many produced small things and sold them on the street, often while working other jobs. Small stores and kiosks were selling food, shoes, and a plentitude of other small goods. SmartPay found that many financial interactions among this population took place informally, which made it difficult for them to demonstrate creditworthiness to potential financers. However, the consumer segment was also well equipped to use mobile channels, with 89 percent of Viet Nam's rural population owning suitable mobile phones.[225]

MoMo e-wallet

MoMo, founded in 2007 and headquartered in Ho Chi Minh City, is a unicorn FinTech that offers a mobile, electronic wallet, and payment application for iOS and Android devices. Its products help customers in Viet Nam make cash transfers, pay more than 100 types of bills, recharge mobile phone accounts, settle personal loans, and purchase services such as software license and online game cards, airline and movie tickets, etc.

MoMo is the most popular digital wallet in Viet Nam, with over 23 million active users. Its primary product includes a mobile app that allows customers to conduct transactions directly from their mobile devices.

Since 2022, the firm has been working to capture markets in areas such as payments solutions for small businesses. It recently acquired Nhanh, a company working with 80,000 SME partners and offering a wide range of online and physical service options. MoMo's aim is to capture values at each part of the SME value chain in order to help the company expand into rural areas and banks.[226]

MoMo was chosen as one of the payment channels for a newly launched public service portal to connect the government with people and enterprises.[227] The portal is piloting online payment for some public services, including changing a driver's license or registering for low-voltage power supply services. MoMo Wallet was also selected as a unit of e-payment to turn the coastal city of Da Nang into a smart city. Most recently, Khanh Hoa was the second province to cooperate with MoMo to apply e-payments for the province's public administrative services. [228]

Timo

Timo, Viet Nam's first digital bank, was established in 2015 in Ho Chi Minh City, working in partnership with Viet Capital Bank.

Timo has rapidly evolved into one of Viet Nam's most awarded banks, named both 'Fastest Growing Digital Bank' and 'Most Innovative Digital Bank' at the 2020 Global Economics Awards, International Business Magazine's 'Best Digital Bank in Viet Nam' and Global Brands Magazine's 'Best Customer–Centric Digital Bank' in 2021.

Timo has partnered with Mambu, a cloud platform, to leverage the benefits of a cloud native core banking platform as it scales its business to a full service digital bank. Mambu is also working to develop tools which banks can use this information to assess and score SMEs' credit health, thereby processing their loan applications quickly.

SoBanHang

SoBanHang (or "sales book") has developed a simple smartphone interface that empowers micro/nano-SMEs, which often lack financial literacy, to establish online stores and manage their customer inventories and operations. It currently serves 500,000 entrepreneurs in Viet Nam and aims to help 1 million businesses and generate USD100 billion in revenue by 2025. The firm provides MSMEs with instant access to market data and procurement services, and also facilitates product sourcing, order placement, check-out, payment, fulfillment, support and guidance for merchants.

6 Analysis of Findings

6.1 Literature and Interview Findings

The literature review aimed to provide a broad picture of the credit environment for MSMEs in the APEC region, as well as an overview of the regulatory framework for FinTech services in APEC.

A major finding from studies regarding the credit environment is that the MSME finance gap is particularly large in the East Asia and Pacific (EAP) region, with the region having the largest share (46%) of the total global MSME finance gap. Past studies have identified various barriers, both in the demand side and supply side, that contribute to the MSME finance gap. A number of studies supported the potential for FinTech to help overcome some of the most salient barriers, and promote the financial inclusion of MSMEs.

At the same time, a review of past studies revealed the complex and ever-changing nature of the regulatory oversight of FinTech. The rapid advances in technology and the wide range of services and players that characterize the sector have presented many unique challenges for regulating authorities.

Many APEC economies have risen to this challenge by developing guiding strategies for the FinTech sector and by establishing coordination mechanisms that help align policies among multiple relevant authorities. Previous studies have also found that the regulatory response to FinTech in APEC economies typically involves both policies to support and promote the growth of the FinTech economy, as well as regulations to mitigate the risks associated to FinTech, which include cybersecurity, consumer protection, and financial integrity.

APEC economies have taken varying approaches to regulation, including establishing a FinTech law, retrofitting existing regulatory frameworks and policies, issuing a range of activity-specific regulations, and adopting 'test and learn' approaches such as regulatory sandboxes and innovation hubs. The diversity in regulatory approaches, and the prevalence of experiential policies, signifies that FinTech regulation is still in the developmental phase in many economies across the APEC region.

The interviews with public policy officials have provided a deeper understanding of the various policy mechanisms that APEC economies are utilizing to support the FinTech ecosystem, such as regulatory sandboxes, public-policy collaborative councils, and open banking initiatives.

The interviews with private sector stakeholders have revealed widespread concerns about falling investments in the FinTech ecosystem, and the need for regulatory policies that balance the need for consumer protections with the recognition that FinTech start-ups face a range of challenges in competing with established financial players. Interviewees recommended a range of government actions, such as tailoring licensing requirements to specific firm sizes (to reduce burdens on very small start-ups), increasing the capacity of regulatory sandboxes, and promoting inter-economy platforms for collaboration between FinTech players.

6.2 Survey Findings

The notable findings from a targeted survey of government entities are described below. A survey of private sector entities (MSME associations and FinTech associations) was also conducted, but due to the low response rates, comparisons were not feasible. The findings from the responses to both surveys have also been incorporated into the case studies for their individual economies.

Sixteen government organizations submitted survey responses, from 11 economies: Australia; Chile; Hong Kong, China; Malaysia; Mexico; Peru; the Philippines; Chinese Taipei; Thailand; the United States; and Viet Nam.

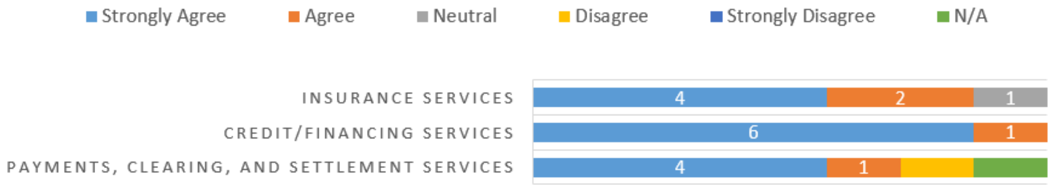
6.2.1 Universal access to broadband services

A lack of access to broadband services is one of the challenges that can prevent MSMEs from participating in the digital economy. The majority of responding economies (8) indicated that they have already achieved universal access to broadband services or will achieve the goal within the next five years, while three (3) economies responded that they expected that it will be achieved within 6-10 years or more.

6.2.2 Financial services for MSMEs that FinTech can support

There are a wide range of ways that FinTech can support MSMEs. Based on the literature findings, the survey instrument listed three major areas for FinTech services, and asked respondents to rank which areas would best support the MSMEs in their economy. Credit/financing services were uniformly agreed to be useful, while responses on insurance services were generally positive, and payments, clearing, and settlement services received mixed feedback.

Figure 1: Support for MSMEs[229]



6.2.3 Fin Tech strategies, standards and regulations

Several survey questions explored the existence of strategies and standards/regulations related to credit FinTech services and the financial inclusion of MSMEs. The results from these questions are summarized below.

Few of the responding economies (4) have implemented an economy-wide plan to promote the adoption of FinTech among SMEs/MSMEs, while seven have not created a plan. Among the four economies that have an existing plan, three of them[230] were created after the COVID-19 pandemic.

There was a near-even split among responding economies regarding the existence of a financial inclusion policy and reduced compliance regimes for FinTech vendors serving underserved and disadvantaged population groups.

The majority of responding economies (8 out of 9 responses to the question) confirmed the existence of standards for cyber risk management and resilience in FinTech, as well as regulations to ensure strong data governance practices concerning data ownership, privacy, integrity and protection in the FinTech sector.

Many of the economies also confirmed that they or an external organization, such as a FinTech association, maintain a list of 100% of the FinTechs in their economy.

Table 2: Strategies and standards for Credit FinTech Services and MSMEs

Item	Yes[231]	No
Strategy to promote the adoption of FinTech among SMEs/MSMEs	4	7
Financial inclusion policy	6	5
Reduced compliance regimes for FinTech vendors serving underserved and disadvantaged population groups	6	5
Established standards for cyber risk management and resilience in FinTech	8	1
Regulations to ensure strong data governance practices concerning data ownership, privacy, integrity and protection in the FinTech sector	8	1

6.2.4 Economy-wide FinTech studies

Nearly all of the responding economies provided examples of an economy-wide study on FinTech, drafted by the private sector and/or the government. Most (7 out of 9) published their latest FinTech-related studies within the past two years and have conducted more than one study, indicating a widespread interest in capturing economy-wide FinTech trends across APEC economies.

Table 3: Economy-wide Studies on FinTech

Economy	Date	Studies
Australia	May 2023	Global FinTech Report (BCG)
	Nov 2022	FinTech Australia Census (EY)
	June 2022	Australian FinTech Survey Report (KPMG)
	Oct 2021	Digital Transformation Report (Deloitte/Institute of Int’l Finance)
	Feb 2021	Pulse of FinTech (KPMG)
Chile	Nov 2021	Innovation and Technological Adoption in the Financial Sector
	Aug 2021	Guidelines for the Development of an Open Finance Framework in Chile, with a Focus on Competition and Financial Inclusion
	May 2021	FinTech Radar Chile
Hong Kong, China	2016-present	The Hong Kong Monetary Authority (HKMA) has conducted a number of studies on FinTech, including Distributed Ledger Technology (DLT), Central Bank Digital Currency (CBDC) Artificial Intelligence (AI), and a Tech Baseline Assessment
Malaysia	2019	FinTech Regulatory Sandbox Framework Study
Peru	Sept 2023	Preliminary Report of the Market Study of the FinTech sector in Peru (National Institute for the Protection of Competition and Intellectual Property (INDECOPI))
	March 2023	Advances in Interoperability and Digital payments in Peru (Central Bank of Peru)
	March 2022	FinTech Ecosystem: Promoting Innovation to have Sustainable and Inclusive Supervised Systems. (Superintendence of Banking, Insurance and Private Pensions)
The Philippines	2023	Annual Report of the FinTech Industry in the Philippines (FinTech Alliance.ph)
	April 2023	Analysis of the FinTech Landscape in the Philippines (Philippine Institute for Development Studies)
Chinese Taipei	April 2023	Surveying Current State and Future Prospects of the FinTech Ecosystem in Taiwan (National Chengchi University (NCCU), commissioned by the Taiwan Depository & Clearing Corporation (TDCC))
	Dec. 2022	Green Finance Solutions and Regulatory Adaptation for Practical Implementation (FinTechSpace)
Thailand	2022	Chambers Global Practice Guides - FinTech 2022 - Thailand
	2019	Thailand FinTech Landscape Report (EY)
Viet Nam	2022	Report on FinTech Ecosystem in Viet Nam (SBV)
		Drafting Decree on FinTech Regulatory Sandbox in the Banking Sector

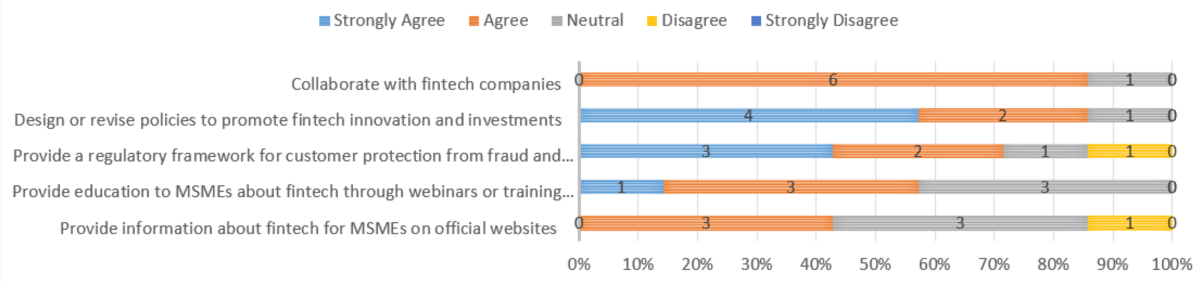
Many of the economies (7 out of 11 responding) also confirmed that they or an external organization, such as a FinTech association, maintain a list of 100% of the FinTechs in their economy.

6.2.5 Current and future policies to increase MSMEs' adoption of FinTech

All of the responding economies had more than one existing policy to increase MSMEs' adoption of FinTech, the most popular ones being providing regulatory frameworks for customer protection and data privacy and designing or revising policies to promote FinTech innovation and investments.

The same two policies were also the most commonly listed by survey respondents as future policies to increase MSMEs' adoption of FinTech.

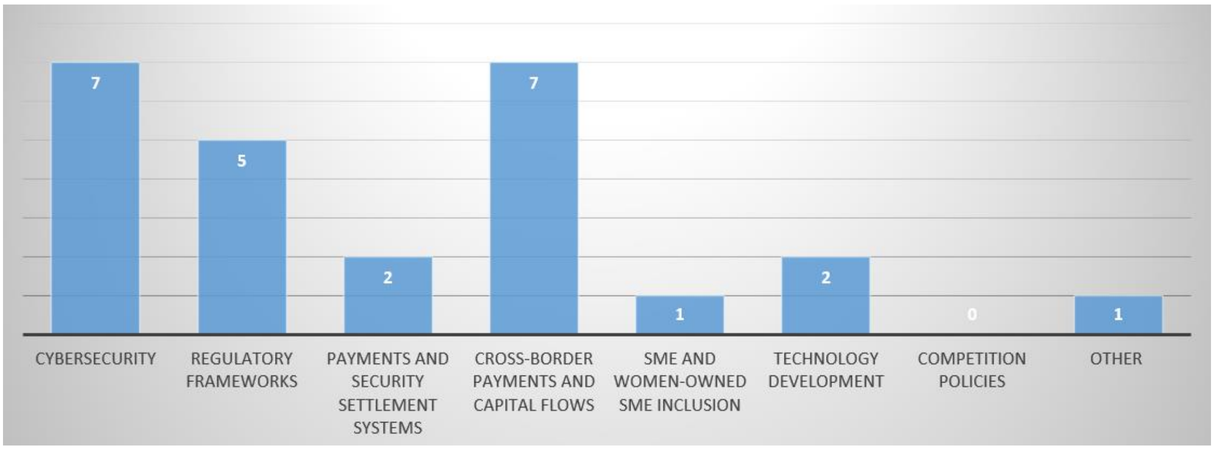
Table 4: Priorities for Future Policies[232]



6.2.6 Priorities for international cooperation and capacity-building

Considering the role of APEC as a forum for international cooperation and capacity-building, the survey respondents were asked to list the top priorities for international cooperation on FinTech issues. The top responses were cross-border payments and capital flows, cybersecurity, and regulatory frameworks, as shown below.

Table 5: Priorities for International Cooperation in FinTech[233]



6.2.7 Important topics for discussion in APEC workshop

Respondents were asked to suggest possible topics for discussion during the February 2024 virtual workshop on FinTech for MSMEs. The following table lists the suggested topics from various respondents.

Table 6: Possible Topics for Discussion

Topic Areas	Possible Topics for Discussion
Exploring policy approaches to FinTech regulation and promotion	• Regulatory flexibility approaches to encourage early-stage investment and innovation • Strategies to encourage professionalization and facilitate access to digital financial services • Financing and incentivizing the FinTech sector to serve MSMEs • Discussing open finance regulatory approaches • Sharing international experiences with improving MSME's access to finance through FinTech adoption. • Exploring topics such as financial inclusion, security systems, and regulatory frameworks • Financial education to improve the access of MSMEs through FinTech • Considering topics such as financial inclusion and the payments ecosystem; digital financial services benefits; alternative financing; and financial education • Examine the regulatory environment for FinTech in APEC economies and explore how regulatory advancements can facilitate greater financial inclusion for MSMEs while safeguarding consumer protection and financial stability. This topic could also introduce the concept of regulatory sandboxes, and how they can be utilized to encourage FinTech innovation while maintaining regulatory oversight.
Focusing on specific FinTech technologies and applications	• Exploring the latest financial innovations, such as through case studies on FinTech helping access to finance for MSMEs. • Discussing topics on FinTech related to payments, international credit, and trade financing. • AI applications in FinTech to improve credit risk assessment for SME lending • Studying the use of alternative data in credit evaluation, such as explaining how alternative data (e.g., social media, utilities data, online transactions, behavioral data) can be leveraged to improve the creditworthiness assessment of MSMEs lacking credit history. • Exploring FinTech-enabled innovative lending models (such as supply chain financing and invoice financing) and how they can contribute to making credit more accessible to MSMEs. • Explore various digital payment platforms and their potential to improve cash flow management for MSMEs and discuss the benefits of digital transactions for both businesses and consumers. This topic could include data privacy aspects, digital identity and know-your-customer (KYC) solutions. • Analyzing the emergence of alternative lending platforms and crowdfunding as viable options for MSME financing, including sharing successful case studies and best practices.
Sharing past experiences in addressing specific challenges	• Case studies of successful FinTech initiatives for MSME financing; regulatory and policy frameworks for FinTech in MSME financing; and cybersecurity and data privacy considerations • Discussing the challenges and opportunities in enabling cross-border FinTech services for MSMEs while complying with different regulatory regimes. • Discussing the specific challenges faced by MSMEs in accessing traditional finance, such as limited collateral, credit history, and financial literacy. Participants could highlight the potential opportunities FinTech offers in addressing these challenges. The discussions could include successful examples of MSMEs that have effectively utilized FinTech

	solutions to improve their access to finance and grow their businesses. • Exploring how to encourage inclusivity. The discussions could emphasize the need to ensure that FinTech solutions are inclusive and accessible to all segments of the population, including women-led MSMEs and those in geographically isolated and disadvantaged areas (GIDAs).

6.3 Workshop Findings

During the two-day virtual workshop on FinTech, the expert speakers provided a range of recommendations for future action by APEC economies. The speakers' comments are summarized in depth in the workshop report in the annex of this document. The bullet points below present a brief list of key findings which have been incorporated into the conclusions and recommendations for APEC in the following chapter.

- Reliable digital connectivity and Internet accessibility are necessary for fintech tools to be usable by MSMEs. Investing in the core digital infrastructure, especially in rural areas and growing economies, is a necessary component of financial inclusion.
- It is important to enact a well-crafted regulatory framework to foster the FinTech ecosystem. Additionally, the legislative process for fintech laws and regulations should be transparent and smooth.
- APEC economies should explore ways to introduce financial education/training programs to increase the financial literacy of individuals and MSMEs, empowering them to utilize FinTech services.
- It is valuable for regulators to foster collaboration or communication with other agencies, private companies, academia, and international organizations to facilitate discussions about regulations, to establish FinTech models, and share best practices.
- Regulators should also work to understand recent technological advancements and reform the structure of public institutions as needed to keep up with new trends and technologies.
- APEC should continue to collect data and conduct more detailed studies to assess the impact of FinTech on society.

7 Conclusions and Recommendations

The following recommendations for policy makers are based on the research report (consolidating the findings from the literature review, interviews, and survey research), along with the findings from the workshop. Each recommendation includes a note about economies with best practices related to the recommendation, so that policy makers can review those economies' case studies for more insights.

Recommendations for Policy Makers:

- **Coordinate policies across government**: Establish mechanisms to coordinate policy and increase regulatory efficiency across various government agencies that share responsibilities in FinTech oversight. In Mexico, for example, while the regulation of the FinTech sector is split among the Secretariat of the Treasury and Public Credit (SHCP), the Mexican Banking and Securities Commission (CNBV), and the Central Bank of Mexico (BANXICO), the applications to become a fintech institution (ITF) are reviewed by an interdisciplinary committee made up of representatives of these regulators, while the SHCP is the key point of contact for FinTech regulation matters, which makes the process of engagement with the private sector simpler and more efficient.

- **Regulatory experimentation**: In economies where FinTech is growing rapidly, adopt 'test and learn' approaches such as TechHubs, business trials, and sandboxes, to establish controlled environments for FinTechs and regulators to try out new business models and regulatory approaches. These programs should have clear rules governing contracts between the FinTech applicant and participants during the experimentation period (the guidelines issued by the Financial Supervisory Commission may provide a useful example). The approaches must also have sufficient capacity to allow participation by a wide range of FinTech start-ups, in order to sufficiently encourage innovation. Economies such as Australia; Hong Kong, China; the Philippines; Chinese Taipei; and Singapore have implemented models of sandbox programs that can provide valuable lessons learned for other economies, while Mexico and Viet Nam are in varying stages of implementing their own fintech sandbox programs, some of which are already incorporating the lessons learned from the programs implemented by Singapore and the UK's Financial Conduct Authority (FCA).

- **Adopt data-centric policies**: Craft a FinTech strategy that is in line with the economy's goals and long-term vision for its FinTech industry, which takes into account the characteristics of the economy's credit environment and existing regulatory frameworks. Publicizing and tracking these metrics help to provide goalposts for future policies, as well as clarity about the government's future policies, providing reassurance to financial institutions and MSMEs. In addition, government-funded datasets on key fintech topics are helpful to facilitate deeper research by the private sector and academia. Economies such as Hong Kong, China and the Philippines actively track progress on key metrics for the implementation of multiple levels of FinTech strategies. During the workshop, regulators from the Superintendencia Financiera of Colombia shared their best practices in regularly investing in new regulatory technologies to optimize supervision (SupTech) for the fintech space.

- **Provide fintechs with incentives to prioritize financial inclusion and MSMEs**: Design incentive programs which specifically encourage domestic FinTechs to produce products and services that meet the needs of local financially excluded populations. Regulators in Mexico, for example, are reviewing domestic FinTech legislation to explore ways to encourage industry members to develop inclusive financial products, while Singapore offers targeted grants that support FinTechs developing Environmental, Social, and Governance (ESG) products.

- **Encourage financial education for MSMEs:** Many MSMEs are hindered by a lack of knowledge about financial tools and financial management practices, especially if they are not participating in the formal economy. Policymakers can encourage or require fintechs to provide users with educational tools. For example, Latin American fintech Mercado Pago has prepared videos for MSMEs about financial risks and investments and has independently provided funding to support 3,400 young people with financial education and technology.

- **Investing in infrastructure**: Reliable digital connectivity and Internet accessibility are necessary for fintech tools to be usable by MSMEs. Investing in the core digital infrastructure, especially in rural areas and growing economies, is a necessary component of financial inclusion. In the Philippines, for example, policymakers are following a digitalization roadmap to provide those in rural areas with access to the Internet.

- **It is important to balance innovation and consumer protection.** In many economies, the demand for consumer protection from cyberattacks and fraud is pressing, so it is urgent to implement consumer protections through regulation as well as industry standards. However, these efforts should also take into account the need to foster innovation, promote funding activities/crowdfunding, improve funding mechanisms, and establish FinTech innovation labs. A well-crafted regulatory framework will balance between these priorities to protect consumers while encouraging the growth of the fintech industry in ways that will support MSMEs. In the Philippines, for example, the Securities and Exchange Commission (SEC) encourages MSMEs to participate in the capital market through crowdfunding and other initiatives, while also working to safeguard investor interest and market integrity. Similarly, within the private sector, Fintech Alliance.Ph was the first Asian FinTech organization to formalize a code of conduct/ethics for online lending companies to prevent FinTech companies from exploiting MSMEs.

- **Communicate with local stakeholders**: Create opportunities for various FinTech stakeholders (financial institutions, FinTechs, regulators, trade associations) to work together to promote collaboration, increase transparency, and jointly develop and refine regulatory frameworks that support the healthy growth of the industry. Examples of best practices from case study economies include a joint public-private committee for FinTech policy development in Peru, and Chinese Taipei's creation of the "FinTech Co-creation Platform" and the FinTechSpace co-creation space.

- **Communicate within APEC:** Share best practices to improve MSME access to finance through FinTech adoption among APEC economies, including exchanging lessons learned from 'test and learn' approaches and showcasing the latest financial innovations that may benefit MSMEs across the region. During the virtual workshop on fintech, regulators from Colombia's Superintendencia Financiera noted that international workshops (including training programs and capacity-building workshops) are helpful to bring everyone to the table and share best practices, since regulators can read the workshop summary reports, discuss them in their offices, and polish their agenda, ultimately advancing financial inclusion. Similarly, a legal expert at the workshop noted that APEC workshops also help stakeholders to consolidate their thoughts, which leads to uniform and improved international standards for the FinTech industry. The president of the Fintech Association of Peru also noted that there are opportunities for APEC to increase its collaboration with central banks and financial regulators, such as through the creation of a task force within APEC that could discuss how to promote transitions from the informal sector to the formal one via incentives and reduced transactional costs. Similarly, a speaker from the Philippines' SEC suggested that APEC host an inter-economy forum that aims to share the experiences of regulatory sandboxes and capacity building efforts for MSMEs, which would allow regulators to share their experiences in helping MSMEs to achieve their financial goals.

8 Annex

8.1 Survey Instruments

The following three survey instruments were shared in a survey of approximately 100 public and private stakeholders, including policy officials responsible for FinTech or MSME policies, MSME associations, and FinTech associations.

8.1.1 Survey of Public Policy Officials

1. Name of economy* (i.e. Mexico; Peru, etc.)
* Respondents from Hong Kong: Please indicate Hong Kong, China

2. Organization name

3. Name

4. Department

5. Email Address (Optional)

6. This question is on the digital infrastructure that enables FinTech usage. What is your economy's policy goal in terms of universal access to broadband services?

- Already achieved
- Within 5 years
- 6-10 years
- More

7. Which of the following financial infrastructure types operate in your economy? (Select all that apply)

- Retail payment systems
- Securities settlement systems
- Central securities depositories
- Credit reporting systems
- Innovative payment systems (QR code payments, etc.)

8. The following statements are about the types of financial services for MSMEs that FinTech can best support in your economy. Please indicate how strongly you agree or disagree with each statement based on your assessment of the economy you represent. (Strongly Agree – Agree - Neutral – Disagree – Strongly Disagree)
The type of financial services for MSMEs that FinTech can best support is…

- Payments, clearing, and settlement services
- Credit/financing services
- Insurance services

9. Does your economy have a strategy to promote the adoption of FinTech among SMEs/MSMEs?

- Yes (If so, please provide the strategy name & date of implementation)
- No

10. Do you have a financial inclusion policy?

- Yes (If so, please provide the strategy name & date of implementation)
- No

11. Do you have reduced compliance regimes for FinTech vendors serving underserved and disadvantaged population groups that are more costly to service?

- Yes
- No

12. Are there established standards for cyber risk management and resilience in FinTech in your economy?

- Yes (If so, please provide the name(s) & date(s) of implementation)
- No

13. Are there regulations to ensure strong data governance practices concerning data ownership, privacy, integrity and protection in the FinTech sector?

- Yes (If so, please provide the name(s) & date(s) of implementation)
- No

14. Your economy has conducted studies on FinTech.

- Yes (If yes, please provide the name of the study and date of publication.)
- No

15. Does your economy have a list of 100% of the FinTechs in your economy?

- Yes (If yes, please provide the link or the entity in charge of providing this information.)
- No

16. The following statements are about the existing policies in your economy to increase MSMEs' adoption of FinTech.
Current government policies to increase MSMEs' adoption of FinTech includes… (Select all that apply)

- ☐ Provide information about FinTech for MSMEs on official websites
- ☐ Provide education to MSMEs about FinTech through webinars or training sessions
- ☐ Provide a regulatory framework for customer protection from fraud and data governance (privacy)
- ☐ Design or revise policies to promote FinTech innovation and investments
- ☐ Collaborate with FinTech companies
- ☐ Other:

17. The following statements are about the priorities for future policies to increase MSMEs' adoption of FinTech in your economy. Please indicate how strongly you agree or disagree with each statement based on your assessment of the economy you represent. (Strongly Agree – Agree - Neutral – Disagree – Strongly Disagree)
In order to increase the adoption of FinTech among MSMEs in your economy, the most important policy priority for the government is to…

- Provide information about FinTech for MSMEs on official websites
- Provide education to MSMEs about FinTech through webinars or training sessions

- Provide a regulatory framework for customer protection from fraud and data governance (privacy)
- Design or revise policies to promote FinTech innovation and investments
- Collaborate with FinTech companies

18. In what FinTech areas is it necessary to develop new international standards? (Select all that apply)

- Crypto-assets
- Mobile money
- Peer to peer lending
- Use of artificial intelligence in FinTech

19. What are the top priorities for international cooperation and capacity building in FinTech? (Select up to three)

- Cybersecurity
- Regulatory frameworks
- Payments and security settlement systems
- Cross-border payments and capital flows
- SME and women-owned SME inclusion
- Technology development
- Competition policies
- Other

20. What aspects of your economy's experience with FinTech could provide the most valuable lessons for other APEC economies? (Select all that apply)

- Payments and security settlement systems
- Regulatory frameworks
- Supervisory frameworks
- Financial inclusion for SMEs
- AML (anti-money laundering)/KYC (know your customer) applications

21. There will be an APEC workshop hosted by Peru on how to improve MSMEs' access to finance through FinTech in February 2024. What topics do you believe would be helpful to cover in this workshop?

22. This research project will also include 15–30-minute interviews with government officials in the case study economies* about best practices in developing policies to support MSMEs' access to FinTech. May we contact you to set up an interview?
* Case study economies: Australia; China; Hong Kong, China; Mexico; Peru; The Philippines; Singapore; Chinese Taipei; Viet Nam

- Yes (If yes, please provide your name and email)
- No

8.1.2 Survey of FinTech Organizations

1. Name of economy* (i.e. Mexico; Peru, etc)
 * Respondents from Hong Kong: Please indicate Hong Kong, China

2. Organization name

3. Department

4. Email Address (Optional)

5. How many member companies do you represent?

6. Approximately how many FinTech companies are active in your economy?

7. What are your members' top concerns about future growth? (Select all that apply)

- ☐ Engaging with MSMEs
- ☐ Compliance with new regulations
- ☐ Customer acquisition
- ☐ Fitting products into their market
- ☐ Adoption rate
- ☐ Customer data governance or protection
- ☐ Competition with incumbent competitors (e.g., large domestic and foreign financial services providers)
- ☐ Scalability of current technological platform

8. Which of the following FinTech solutions provided by your members are most popular among MSMEs in your economy (Select up to 3 responses)

- ☐ Payment, clearing, or settlement services
- ☐ Credit/financing services
- ☐ Access to insurance
- ☐ Money transfers or remittance
- ☐ Data Analytics
- ☐ Personal Finance Management
- ☐ Trading, Fund Management
- ☐ Cryptocurrency
- ☐ Enterprise Management Systems
- ☐ Digital Identity
- ☐ Others

9. Which of the following FinTech solutions are seeing growth in demand in your economy (Select up to 3 responses)

- ☐ Payment, clearing, or settlement services
- ☐ Credit/financing services
- ☐ Access to insurance
- ☐ Money transfers or remittance
- ☐ Data Analytics
- ☐ Personal Finance Management
- ☐ Trading, Fund Management
- ☐ Cryptocurrency
- ☐ Enterprise Management Systems
- ☐ Digital Identity
- ☐ Others

10. The speed of adoption of FinTech services/tools by MSMEs in my economy has been … (Select the response below that best applies)

- Very slow
- Slow
- Neither slow nor fast
- Fast
- Very fast

11. The following are the most salient reasons that drive MSMEs to seek FinTech services … (Select up to 3 responses)

- Access to payment, clearing, or settlement services
- Access to credit/financing
- Access to insurance
- Investment management services
- Ease of usage/convenience
- Low cost alternatives to traditional banking

12. The following statements are about the barriers to MSMEs adopting FinTech tools/services in your economy. Please indicate how strongly you agree or disagree with each statement based on your assessment of the economy you represent. (Strongly Agree – Agree - Neutral – Disagree – Strongly Disagree)
The most significant barriers to MSMEs adopting FinTech tools/services are…

- Financial risk
- Concerns about customer protections against fraud and data privacy
- Lack of knowledge about available tools
- Lack of digital infrastructure to effectively use FinTech

13. The following statements are about the policies to support MSMEs' access to finance in your economy in response to the COVID-19 pandemic. (Select all that apply)
To the best of your knowledge, as a response to the COVID-19 pandemic, the government …

- Created new policies or programs that helped MSMEs to access finance through FinTech tools/services in some way
- Created new policies governing FinTech (data privacy, customer protections, etc.)
- Sought to build MSMEs' awareness of the availability of FinTech options
- Developed the digital infrastructure
- Other:

14. What new government policies do you believe are necessary to support MSMEs access to finance in the future? (Select all that apply)

- Provide information about FinTech for MSMEs on official websites
- Provide education to MSMEs about FinTech through webinars or training sessions
- Provide a regulatory framework for customer protection from fraud and data governance (privacy)
- Design or revise policies to promote FinTech innovation and investments
- Collaborate with FinTech companies
- Other:

15. Do you believe that FinTech was given greater impetus in your economy after the COVID-19 pandemic era?

- Yes
- No

16. This research project will also include 15–30-minute interviews with FinTech associations and FinTech companies about success cases in supporting MSMEs' access to FinTech. If you would like to participate in these interviews or nominate a company for participation, please provide the organization name and a contact person below.

8.1.3 Survey of MSME Organizations

1. Name of economy* (i.e. Mexico; Peru, etc)
* Respondents from Hong Kong: Please indicate Hong Kong, China

2. Organization name

3. Department

4. Email Address (Optional)

5. How many member companies does your organization represent?

6. The following statements are about the challenges that MSMEs face in traditional banking. Please indicate how strongly you agree or disagree with each statement based on your assessment of the economy you represent. (Strongly Agree – Agree - Neutral – Disagree – Strongly Disagree)
Traditional banking is challenging for MSMEs due to…

- High interest rate
- Unfavorable repayment terms
- Long wait for decision
- Difficult application process
- Lack of transparency

7. To the best of your knowledge, what percentage of your member companies have used a FinTech vendor for financing or other major financial services?
0%

- 1-25%
- 26-50%
- 51-75%
- 76%-99%
- 100%

8. The speed of adoption of FinTech services/tools by MSMEs in my economy has been …
(Select the response below that best applies)

- Very slow
- Slow
- Neither slow nor fast
- Fast
- Very fast

9. The following are the most salient reasons that drive MSMEs to seek FinTech services … (Select up to 3 responses)

- ☐ Access to payment, clearing, or settlement services
- ☐ Access to credit/financing
- ☐ Access to insurance
- ☐ Investment management services
- ☐ Ease of usage/convenience
- ☐ Low cost alternatives to traditional banking

10. The following statements are about the barriers to MSMEs adopting FinTech tools/services in your economy. Please indicate how strongly you agree or disagree with each statement based on your assessment of the economy you represent. (Strongly Agree – Agree - Neutral – Disagree – Strongly Disagree)
The most significant barriers to MSMEs adopting FinTech tools/services are…

- Financial risk
- Concerns about customer protections against fraud and data privacy
- Lack of knowledge about available tools
- Lack of digital infrastructure to effectively use FinTech

11. The following statements are about the policies to support MSMEs' access to finance in your economy in response to the COVID-19 pandemic. Please select all responses that apply. (Select all that apply)
To the best of your knowledge, as a response to the COVID-19 pandemic, the government …

- ☐ Created new policies or programs that helped MSMEs to access finance through FinTech tools/services in some way
- ☐ Created new policies governing FinTech (data privacy, customer protections, etc.)
- ☐ Sought to build MSMEs' awareness of the availability of FinTech options
- ☐ Developed the digital infrastructure
- ☐ Other

12. This research project will also include 15–30-minute interviews about success cases regarding MSMEs' access to FinTech. If you would be willing to participate in these interviews or nominate a company for participation, please provide the organization name and a contact person below.

8.2 Case Study Interviews

8.2.1 Interviews Conducted

The following organizations have been interviewed for this project, providing either verbal interviews over digital platforms (such as Microsoft Teams), or written responses over email.

Table 7: Interviews

Economy	Sector	Organization
Australia	Private	Blockchain Australia
		Executive at fintech firm
Hong Kong, China	Public	Trade and Industry Department

	Private	Various industry organizations[1]
Mexico	Public	Secretariat of the Treasury and Public Credit (SHCP)
	Private	Executive at fintech firm
Peru	Public	Ministry of Economy and Finance
	Private	FinTech Association of Peru
The Philippines	Public	Securities and Exchange Commission (SEC)
	Private	FinTech Alliance
Singapore	Public	Enterprise Singapore
	Private	Singapore Fintech Association (SFA)
Chinese Taipei	Public	Financial Supervisory Commission (FSC)
	Private	FinTechSpace
Viet Nam	Academia	RMIT University
	Private	VietFintech Club

8.2.2 Questionnaire for Public Policy Officials

I. Organization and Budget for FinTech Policies supporting MSMEs

1. Is there a specific department/division responsible for FinTech policy? Can you provide an overview of how FinTech policy is coordinated across relevant authorities and regulators?
2. Are FinTech policies for MSMEs handled by the same department/division(s), or is there a separate department/division that oversees that area?
3. Who are the partnering organizations, if any? (government, NGOs, industry)

II. Implementation of FinTech Policies supporting MSMEs

1. What are the current significant measures that you are taking to expand the FinTech ecosystem?
2. Are any FinTech measures designed specifically to support MSMEs' access finance?
3. Are there some broader FinTech-related measures that are not solely targeted at MSMEs but are benefiting them as well?
4. What are the significant regulations or legislation on FinTech in your economy?
5. During the COVID-19 pandemic, did you undertake any special measures to provide financial support to MSMEs?
    a. If so, was FinTech involved in the measures in any way?
6. What are some future policies that you're currently exploring?

III. Challenges

1. What are the major challenges that MSMEs in your economy face in obtaining credit or other financial services?
2. Have you faced any challenges in implementing policies to address these challenges?
3. Are there any notable challenges for growing the FinTech industry in your economy?

IV. Success Cases

1. We are interested in learning about some success cases for <u>policies supporting MSMEs' access to FinTech</u>. Could you share any policies that would be useful for other economies to learn from?

[1] The Trade and Industry Dept. compiled inputs from multiple organizations for their survey responses, and later provided additional information over email.

2. We are interested in learning about some success cases for policies supporting the development of the FinTech ecosystem. Could you share any policies that would be useful for other economies to learn from?
3. We are interested in learning about some success cases for FinTech companies that are supporting MSMEs. Could you please share any notable companies from your economy?

8.2.3 Questionnaire for FinTech Private Sector Organizations

I. State of the FinTech Ecosystem

1. Are there any notable challenges for growing the FinTech industry in your economy?
2. Do you believe that FinTech was given greater impetus in your economy after the COVID-19 pandemic era?
3. We are interested in learning about some success cases for policies supporting the development of the FinTech ecosystem.
    a. What policies to support the FinTech industry in your economy have been helpful?
    b. What policies would you like to see from the government?

II. FinTech and MSMEs (micro- and small-and-medium sized enterprises)

1. Do you see any trends in the use of FinTech by MSMEs?
2. In your view, what are some of the major barriers that MSMEs in your economy face in obtaining credit or other financial services?
3. How are FinTech companies supporting MSMEs in addressing these barriers?
4. During the COVID-19 pandemic, did the government undertake any special measures to provide financial support to MSMEs? If so, was FinTech involved in the measures in any way?
5. What additional policies or government support for MSMEs would be helpful in this area?
6. We are interested in learning about some success cases for FinTech companies that are supporting MSMEs. Could you please share any notable cases for companies from your economy? For each company, the following details would be helpful:
    a. Company name and background
    b. Types of FinTech products/solutions provided for MSMEs
    c. Notable activities and/or best practices in providing FinTech services to MSMEs
    d. Participation in government programs (if any)

8.3 Materials from the Virtual Workshop

8.3.1 Agenda: The APEC Workshop for Building a Fintech ecosystem for the recovery of the MSME sector

Objectives
Micro, small, and medium enterprises (MSMEs) are the lifeblood of the APEC economy, accounting for over 97 percent of all businesses and employing more than half of the workforce across APEC economies. However, they face significant obstacles in accessing credit from formal financial institutions. During the COVID-19 pandemic, these factors were coupled with the challenges from quarantines and the temporary pause of in-person operations in many economies, revealing the urgent need for innovative policies to improve financial inclusivity across the APEC region.

The financial technology (FinTech) sector has the potential to address many of the obstacles that MSMEs face in obtaining credit. Government policies to expand the FinTech sector can help to guide the development of new FinTechs that provide support to MSMEs and underserved populations, while also ensuring responsible regulations that ensure consumer privacy and prevent abusive lending practices. Since this is a complex sector with many innovative policy approaches being explored, it would be beneficial for APEC economies to exchange their best practices and lessons learned to date from the implementation of FinTech policies designed to support MSMEs.

Agenda for Day 1 (16 April 2024) [All times in SGT]

7:45	**Door opens for registration**
8:00	**Housekeeping announcement**
8:15 - 8:20	**Greeting** Ministry of Production (Peru) (Video)
8:20 - 8:45	**Introductory Presentation on Research Report** Mr James TETLOW, Senior Research Analyst, Washington CORE * The presentation will be followed by audience Q&A.
9:05 - 10:35	**Panel Presentation 1*: Balancing Consumer Risk Protection and Regulation of the Fintech Industry** Moderator: Mr James TETLOW, Senior Research Analyst, Washington CORE Speakers: • Mr George C.T. LIANG, Division Director of the Fintech Center, Financial Supervisory Commission (FSC) (Chinese Taipei) *"Balancing Consumer Risk Protection and Regulation of the FinTech Industry"* • Ms Maria ALEJANDRA URUEÑA & Ms Daniela LONDOÑO, Senior Advisor, Financial Superintendency of Colombia (SFC) (Colombia) *"Working Outside the Box: Lessons Learned and Ongoing Challenges from the Colombian Financial Supervisor Fintech Strategy"* • Mr Alejandro CRUZ-SÁNCHEZ, Head of Public Policy and Government Relations, Mercado Pago (Mexico) *"We are Mercado Libre"* • Ms Ljubica VODANOVIC, Founding Partner, Vodanovic Legal (Peru) *"FINTECH REGULATION: BALANCING INNOVATION AND CONSUMER PROTECTION"* * The presentations will be followed by audience Q&A.
10:35 - 11:05	**Expert Presentation: Success Stories: Fintech in Peru** • Mr Carlos FERREYROS VICUÑA, CEO and co-founder, PRESTAMYPE (Peru) *"Financial inclusion in LATAM from a Startup perspective"* • Mr Daniel Hernán PALACIOS VALENCIA, CEO and cofounder, CONTIGOENTODO (Peru) *"Humanizing Financial Inclusion through the Use of Technology"*

11:05 - 11:20	**Summary of Discussion and Reminder on Schedule for Day 2** Mr NAKAMURA Takahiro, Project Manager, Washington CORE

Agenda for the Day 2 (17 April 2024)

8:00	**Introduction of Agenda for Day 2 from the organizer**
8:05 - 9:45	**Panel Presentation 2*: Success Cases of Fintechs providing Services for MSMEs** Moderator: Mr James TETLOW, Senior Research Analyst, Washington CORE Speakers: • Mr Rafael GAGO, Chief Experience Officer, ProFintech (Chile) *"Driving Positive Impact: The Role of Chilean and Latin-American Fintechs in MSMEs Transformation"* • Mr Daniel MARTINEZ SERRANO, Director of External Affairs, Clip (Mexico) *"Clip: Blazing a new trail for merchants in payments"* • Mr Roberto VARGAS, President, Fintech Perú & Fintech Ibero-America (Peru) *"The design of a new institutionalism to accelerate impacts on the economies through fintech policies"* • Mr Lito VILLANUEVA, Founding Chairman, Fintech Alliance.Ph (The Republic of the Philippines) * The presentations will be followed by audience Q&A.
10:05 - 11:20	**Panel Presentation 3*: Identifying Policy Mechanisms and Fintech Solutions for Promoting MSMEs' Access to Credit** Moderator: Mr James TETLOW, Senior Research Analyst, Washington CORE Speakers: • Atty. Paolo M. ONG, CPA, Chief Counsel, PhiliFintech Innovation Office, Office of the Chairperson, Securities and Exchange Commission (SEC) (The Republic of the Philippines) *"SEC Crowdfunding: Unlocking the Potential of the Philippine Capital Market"* • Dr Huy Nguyen Anh PHAM, Senior Lecturer in Finance, RMIT University (Viet Nam) *"FinTech Environment in Viet Nam"* * The presentation will be followed by audience Q&A.
11:20 - 11:35	**Summary of Discussion** Mr NAKAMURA Takahiro, Project Manager, Washington CORE
11:35 - 11:40	**Closing Comments**

8.3.2 Workshop Participant Survey Responses

After the virtual workshop, attendees were invited to complete a post-workshop survey to provide their feedback on the event, along with their personal and demographic information. The survey is designed to capture audience members' thoughts on workshop contents and support APEC in making future improvements, through suggestions on possible topics for future workshops and other measures. Fourteen participants (28.0%) filled out survey forms.

The first half of the survey consisted of a series of multiple choice (required) and free-form (optional) sections that asked respondents to evaluate and provide feedback on the workshop. Overall, the results from the multiple-choice questions suggest that the attendees are satisfied with the workshop's contents. The responses to the free-form sections are also summarized further below.

Survey Prompt: Workshop helped me to better understand the benefits of FinTech products and services for MSMEs

Strongly Agree	Agree	Disagree	Strongly Disagree
50.00%	42.86%	7.14%	0.00%

Survey Prompt: Fostering a FinTech ecosystem will be beneficial for businesses in my economy and/or region

Strongly Agree	Agree	Disagree	Strongly Disagree
71.43%	28.57%	0.00%	0.00%

Survey Prompt: Best practices and recommendations discussed during the workshop could be effective for my economy and/or organization

Strongly Agree	Agree	Disagree	Strongly Disagree
28.57%	64.29%	0.00%	0.00%

Survey Prompt: Presentations helped me understand the challenges for a FinTech ecosystem supporting MSMEs to grow in an economy

Strongly Agree	Agree	Disagree	Strongly Disagree
71.43%	28.57%	0.00%	0.00%

Survey Prompt: Presentations provided valuable insights on how these challenges can be addressed

Strongly Agree	Agree	Disagree	Strongly Disagree
42.86%	50.00%	7.14%	0.00%

In the free-form survey section, audience members have opportunities to articulate their views on the workshop's contents and arrangements. First of all, one of the respondents expressed that the workshop facilitated a better understanding of how FinTech can benefit both individuals and economies in the APEC region. Another audience member noted that necessary and common components for establishing a robust FinTech ecosystem in each APEC economy should be identified. In the meantime, there was a request from one respondent to either extend the duration of the workshop or arrange an in-person workshop. Lastly, one audience member appreciated the presence of a Spanish-English interpreter during the workshop.

The survey feedback on the workshop's most useful insights yielded some notable points. Several audience members stressed the significance of sharing best practices and experiences across diverse economies. Speaking of specific workshop content, one respondent found the "Success Stories: Fintech in Peru" segment, where two Peruvian startups offered their perspectives, particularly insightful. Furthermore, multiple respondents recognized the critical role FinTech can play in helping MSMEs. Another respondent reported that learning how to humanize FinTech to achieve higher financial inclusion was useful. Another audience member found it beneficial to hear how FinTech can contribute to reducing poverty and improving accessibility to financial services.

Another question solicited suggestions for additional topics to cover in future workshops. One respondent expressed the hope of exploring various kinds of FinTech services in greater depth. Another respondent showed enthusiasm for hearing more examples of cross-border digital payment solutions. Furthermore, another audience member showed an interest in studying the readiness of MSMEs in adopting FinTech and examining how governments and FinTech enterprises encourage MSMEs to adopt new disruptive technologies. Lastly, there was a request for future workshops to address how to overcome more fundamental challenges, such as difficulties in accessing electricity and using mobile phones and laptops, which are prevalent in rural areas of some economies.

In the last section of the post-workshop survey, the attendees were asked to propose further steps for APEC to address FinTech-related concerns among its member economies. Multiple respondents demanded more studies be conducted at the individual economy level. Moreover, one audience member suggested establishing standard guidelines for the recovery of MSMEs. Likewise, another audience member requested that APEC develop a common framework for digital payment services that are universally recognized within the APEC region, which may lead to the actual launch of such services. Additionally, given the importance of FinTech, there was a suggestion to share information with other fora and discuss how to assist economies in building robust financial ecosystems. Lastly, another respondent suggested collecting data on MSMEs and on the utilization of FinTech in rural areas, anticipating APEC-led discussions on the roles of government and central banks in regulating FinTech companies. This respondent also urged APEC to deliberate efforts to ensure the sustainability of FinTech products and services by addressing fraudulent activities.

8.3.3 Speaker Biographies

Mr George C.T. LIANG, Division Director of the Fintech Center

Financial Supervisory Commission (FSC) (Chinese Taipei)

Mr George C.T. Liang is the Divion Director of the Fintech Center of the Financial Supervisory Commission in Chinese Taipei. He is responsible for the overall FinTech policy planning of the FSC, including the Fintech Development Roadmap. He is also responsible for the supervision and management of the FinTech Space. Previously, he has served in the Executive Yuan and the Banking Bureau. His deeds include promoting the Financial Mobile Identification Authentication Mechanism (Financial FIDO), the Taipei Fintech Exhibition/Forum, etc. He holds a Master's degree in International Business Management from NTU and joined public sector in 1995.

Ms Maria ALEJANDRA URUEÑA, Senior Advisor

Financial Superintendency of Colombia (SFC) (Colombia)

Ms Maria Alejandra Urueña serves as an advisor within the Technological and Financial Innovation Group at the Financial Superintendency of Colombia (SFC). The group's primary objective is to promote innovation within the Colombian financial sector. She has worked with the team spearheading disruptive projects related to financial information reporting, distributed ledger technology (DLT) adoption, and the establishment of a regulatory sandbox. Ms Maria Alejandra brings valuable experience in project management, utilizing the PMI methodology. She holds a degree in Economics from the UNAL and earned her master's degree in economics from the Andes University in Colombia.

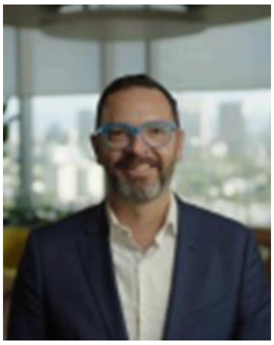
Ms Daniela LONDOÑO, Senior Advisor

Financial Superintendency of Colombia (SFC) (Colombia)

Ms Daniela Londoño serves as an advisor within the Technological and Financial Innovation Group at the Financial Superintendency of Colombia (SFC), with the objective of fostering innovation within the Colombian financial sector. Previously, Ms Daniela Londoño worked as a warranties coordinator at Development International Desjardin and as a chief economist at Banca de las Oportunidades. She has been involved in disruptive projects focusing on financial inclusion, information reporting, and data analysis. She holds a degree in Business Administration and Economics from the Andes University in Colombia and obtained her master's in Economics from the same institution.

Mr Alejandro CRUZ-SANCHEZ, Head of Public Policy and Government Relations

Mercado Pago (Mexico)



With over 20 years of experience working in the public, private and civil association sectors, Mr Cruz-Sanchez specializes in strategic planning, FinTech, financial inclusion, public and regulatory affairs, lobbying, corporate governance, comms and international relations. He is currently the Head of Public Policy and Government Relations for Mercado Pago Mexico, a FinTech company that focuses on payments, credits and insurtech. He has held various management positions such as Executive Coordinator of the Mexican Association of Retirement Fund Administrators; Chief of Staff in the Mexican Senate and in the Vice Ministry of Finance and Public Credit; Head of Planning and International Relations, as well as General Director of Social Involvement in the Ministry of Social Development; Senior Advisor to the Vice Minister of Latin America and the Caribbean in the Ministry of Foreign Affairs; among others. Mr Alejandro Cruz-Sanchez holds a MSc in International Cooperation Policy from the Ritsumeikan Asia Pacific University in Japan and a BA in International Business from the Monterrey Institute of Technology and Higher Studies in Mexico.

Ms Ljubica VODANOVIC, Founding Partner

Vodanovic Legal (Peru)

Ms Ljubica (Lubi) Vodanovic is a distinguished expert in banking, financial, and FinTech regulation, dedicated to promoting financial innovation and inclusion as well as the application of new technologies in the Peruvian financial industry. She holds a Master of Laws (LLM) in Banking and Financial Law from the London School of Economics (LSE). With over 20 years of experience spanning both the private and public sectors, Ms Vodanovic's career is marked by significant contributions to financial regulation. Before establishing Vodanovic Legal, she was a partner at EY Peru, where she led the Financial Regulation and FinTech Area of EY Law. Before her tenure at EY, Ms Vodanovic served as a consultant for Philippi, Pietro Carrizosa Ferrero DU y Uría (PPU) law firm. Her public sector experience includes 11 years at the Peruvian banking supervisor, SBS (Superintendencia de Banca, Seguros y AFP), from 2002 to 2013. Ms Vodanovic is a frequent speaker at international forums on banking, financial, and FinTech regulation. Her expertise and influence in the field have been recognized in rankings published by Chambers and Partners and Leaders League, where she has been named “the leading female lawyer in banking and financial regulation in Peru."

Mr Carlos FEREYROS VICUÑA, CEO and cofounder

Prestamype (Peru)

Mr Carlos Fereyros is the CEO and cofounder of Prestamype, the biggest FinTech in Peru, focused on SMEs and with debt lines from institutions, like IDB Lab and Triple Jump. Previously, he worked as a business developer at Cinepapaya, a Peruvian startup, that successfully exited when it was later acquired by Fandango, a USA-based company. He graduated with an undergraduate degree in business and a second bachelor’s in data science.

Mr Daniel Hernán PALACIOS VALENCIA, CEO and Co-Founder

CONTIGOENTODO (Peru)

Mr Daniel Palacios is a Computer Systems Engineer. He has an MBA with a major in International Business from San Ignacio University in Miami, the United States. He is a professional with more than 20 years of experience in technology, innovation, digital transformation, FinTech ecosystems with a focus on the design and implementation of good practices and business models. He provides technology consulting, innovation management, experience management, service transformation, operational efficiency, and digital products and FinTech solutions for industries such as banking, finance, and insurance. He has implemented projects for important companies in the Central America, South America, and Caribbean region.

Mr Rafael GAGO, Chief Experience Officer

ProFintech (Chile)

Mr Rafael Gago is a seasoned professional in the FinTech industry, currently serving as the Chief Experience Officer (CXO) at ProFintech in Chile. With a background as a Commercial Engineer and notable roles such as Industry Leader at FinteChile and Coordinator at the FinTech Iberoamerica Alliance, Mr Gago brings extensive expertise to his position. His role is dedicated to fostering growth within the FinTech ecosystem by guiding companies through all stages of development with a commitment to innovation and excellence, ultimately enhancing their market presence and success. Through his leadership, ProFintech aims to solidify its position as a leading advisory firm for FinTech companies in Chile and beyond.

Mr Daniel MARTÍNEZ SERRANO, Director of External Affairs

Clip (Mexico)

Mr Daniel Martinez is Director of External Affairs at Clip, a leading payments company in the financial technology sector. In his role, he leads the company's institutional relations with government bodies, industrial chambers, and associations, ensuring effective collaboration and strategic partnerships. Mr Daniel Martinez holds a degree in International Relations from Universidad Iberoamericana in Mexico City. He has further enhanced his expertise through specialized studies in negotiation and competition. He has over 10 years of experience in the technology and financial sectors, working for companies like Uber and AT&T, spearheading collaborative efforts in diverse areas, including telecommunications, international trade, financial inclusion, mobility, and technological innovation.

Mr Roberto VARGAS, President

Fintech Perú & Fintech Ibero-America (Peru)
Vice Chairman Americas, Global Fintech Alliance / CEO Betriax / CFO SetHunt / Advisor

A trailblazer with over 18 years of experience across government and business sectors, Mr Roberto Vargas embodies innovation and disruption. Recognized with prestigious awards and a finalist in global entrepreneurship contests, he has shaped policy and fostered growth in the FinTech industry, impacting economies across Latin America and beyond. Due of his forward-thinking mindset, high executive capacity, and convincement of the evolution of financial markets, he was appointed as Dubai Fintech Summit´s Ambassador. With other FinTech leaders, he recently founded the Global Fintech Alliance, a block of FinTech business associations with more than 100 economies in it. Mr Vargas served twice at the Presidential Office of Peru and several public offices. He also served at the Embassy of the Republic of Korea and the international NGO CARE among other organizations. He has studied Economics, Business (MBA), Public Management and Navy Defense.

Mr Lito VILLANUEVA, Founding Chairman

Fintech Alliance.Ph (The Republic of the Philippines)

Mr Lito Villanueva stands as a trailblazing figure in the realm of digital transformation and inclusive digital finance at scale not only in the Philippines, but globally. As the Executive Vice President and Chief Innovation and Inclusion Officer of RCBC, he spearheads groundbreaking initiatives that revolutionize the digital financial landscape, meriting over 200 accolades in four years. Mr Villanueva is the Founding Chairman of Fintech Alliance.Ph, the Philippines' largest industry association driving over 95% of digital retail financial transactions. Additionally, he serves as the Global Chairman of the Alliance of Digital Finance Associations, based in South Africa, and is a co-founder and co-convenor of the 11-economy Asia FinTech

Alliance. He has received distinctions, such as the title of "Mr FinTech of the Philippines" by NewsBiz Asia, and has been included in various prestigious lists, including Seamless Asia's Top 50 Banking and Payments Leaders and Top 100 Fintech Leaders in Asia.

Atty. Paolo M. ONG, CPA, Chief Counsel

Securities and Exchange Commission (SEC) (The Republic of the Philippines)

Atty. Paolo M. Ong, CPA, serves as the Chief Counsel of the PhiliFintech Innovation Office, under the Office of the Chairperson, at the Securities and Exchange Commission (SEC) of the Philippines, where he is deeply involved in shaping regulatory initiatives to accommodate the rapidly evolving fintech landscape. Prior to this role, he was formerly an IT Risk Associate from SGV & Co. (Ernst & Young Philippines), where he had experience in information systems audit of different companies in various industries, including telecommunications, broadcast media, and manufacturing, among others. Atty. Ong has participated as a keynote speaker and panelist at multiple conferences. Notable engagements include the UN Office on Drugs and Crime (ODC) Cryptocurrency Working Group, Fintech Philippines Association’s Meeting on Regulatory Sandboxes, Development Academy of the Philippines and Asian Productivity Organization’s Training Course on Design and Evaluation of Innovation Policies, and SEC Communication, Advocacy, and Network (CAN) Webinar on Digital Assets.

Dr Huy Nguyen Anh PHAM, Senior Lecturer in Finance

RMIT University (Viet Nam)

Dr Huy Pham is a senior lecturer in finance at RMIT University in Viet Nam, founder of RMIT FinTech-Crypto Hub and a regular member of the American Finance Association. Dr Huy Pham is also the CFO of GreenAnt, a technology start-up focusing on satellite data processing and Southeast Asian carbon markets. He is among the very first academics who brought various knowledge on fintech, crypto and blockchain to RMIT University. He has published his research work in top-tier academic journals, including Energy Economics, Accounting and Finance, Economic Modelling, Energy Policy and Applied Economics, among many others. As a leading researcher in the fields of sustainable finance, FinTech, cryptocurrencies, asset pricing and empirical finance, Dr Huy Pham’s research intertwines these fields to address UN SDGs (focusing on SDG 4, 6, 7, 9, 11 and 13) and create a more sustainable world. He is also one of the most sought-after sustainable finance, fintech and blockchain experts in the APAC region for advisory and mentoring activities, research and media comments from global premium news outlets such as AFP, Fortune, Tech in Asia, Nikkei Asia, ThinkChina, FintechNews, Vietnam Investment Review and Vietnam Economic Times.

Moderator for Questions and Answers

Mr James TETLOW

Senior Research Analyst, Washington CORE

Mr James Tetlow is a Senior Research Analyst at Washington CORE, a policy research firm in Bethesda, Maryland. He conducts literature research and interviews covering a variety of emerging technology fields and international trade issues. Since 2012, he has supported multiple APEC projects. His most recent roles with APEC have been as the project lead for a study on manufacturing-related services, and serving as the moderator for a series of online workshops on digital technologies for trade facilitation. James earned a Master of Arts in Asian Studies from George Washington University in Washington, DC, and has a Bachelor of Arts in Professional Writing from Carnegie Mellon University in Pittsburgh, Pennsylvania.

8.4 Workshop Summary Report

8.4.1 Executive Summary

The APEC Small and Medium Enterprises Working Group (SMEWG) hosted a virtual workshop, as a part of a larger project, on 16-17 April 2024. The workshop was designed to help participants to share their expertise and to explore mechanisms to develop the FinTech sector, with the aim of reactivating and strengthening MSMEs. This event featured distinguished experts working at the forefront of the FinTech industry across government, private sector, and academia.

The workshop opened with welcoming remarks by Peru's Minister of Production (PRODUCE). The research team, Washington CORE, then delivered an introductory presentation. The speakers then delivered their presentations, on three panels and one block of pitches, discussing topics relevant to the overall workshop goals. Each panel included a robust Q&A session during which audience members were encouraged to submit questions.

The experts provided insights on several topics, based on their knowledge and experience. On the first day, the panel on "Balancing Consumer Risk Protection and Regulation of the Fintech Industry" featured speakers from Chinese Taipei; Colombia; Mexico; and Peru. The panel was followed by a segment on "Success Stories: Fintech in Peru," in which two Peruvian startup founders provided overviews of their firms and stressed the importance of financial inclusion.

Two panels were held on the second day. The "Success Cases of FinTech providing Services for MSMEs" panel featured three speakers from Chile; Peru; and the Philippines, who discussed measures by the private and public sectors to achieve a higher level of financial inclusion. In the last panel, titled "Identifying Policy Mechanisms and Fintech Solutions for Promoting MSMEs' Access to Credit," a Filippino government officer and a scholar from Viet Nam discussed how to overcome the challenges faced by MSMEs, and possible future policy directions.

The workshop was attended by 50 people hailing from 10 APEC member economies, including speakers and organizers. The speakers joined from Chile; Colombia; Mexico; the Republic of the Philippines; Peru; Chinese Taipei; and Viet Nam. Their details are as follows:

- Mr George C.T. Liang, Division Director of the Fintech Center,
  Financial Supervisory Commission (FSC), Chinese Taipei

- Ms Maria Alejandra Urueña & Ms Daniela Londoño, Senior Advisors,
  Financial Superintendency of Colombia (SFC), Colombia

- Mr Alejandro Cruz-Sánchez, Head of Public Policy and Government Relations,
  Mercado Pago, Mexico

- Ms Ljubica Vodanovic, Founding Partner,
  Vodanovic Legal, Peru

- Mr Carlos Fereyros Vicuña, CEO and co-founder,
  PRESTAMYPE, Peru

- Mr Daniel Hernán Palacios Valencia, CEO and co-founder,
  CONTIGO EN TODO, Peru

- Mr Rafael Gago, Chief Experience Officer,
  ProFintech, Chile

- Mr Daniel Martinez Serrano[2], Director of External Affairs,
  Clip, Mexico

- Mr Roberto Vargas, President,
  Fintech Perú & Fintech Ibero-America, Peru

- Mr Lito Villanueva, Founding Chair,
  Fintech Alliance.Ph, the Republic of the Philippines

- Atty Paolo M. Ong, CPA, Chief Counsel,
  PhiliFintech Innovation Office, Office of the Chairperson,
  Securities and Exchange Commission (SEC), the Republic of the Philippines

- Dr Huy Nguyen Anh Pham, Senior Lecturer in Finance,
  RMIT University, Viet Nam

[2] Mr Martinez Serrano unfortunately had to withdraw from speaking due to an unforeseen illness, after attending the first half of the workshop.

8.4.2 Event Summary Day 1

8.4.2.1 Introductory Session

8.4.2.1.1 Opening Remarks

The opening remarks were delivered by Mr Sergio González GUERRERO, the Minister of the Peruvian Ministry of Production (PRODUCE).

Mr Guerrero welcomed the speakers and audience members. He noted the critical and essential role of SMEs in driving economies and highlighted the potential of FinTech to enhance and optimize the financial processes of these enterprises.

Mr Guerrero emphasized that the main purpose of the workshop is to explore how FinTech can offer disruptive and transformative solutions that boost the agility, efficiency, and accessibility of financial services for SMEs, facilitating their success and sustainable growth. He noted that the workshop also provides an opportunity to hear from FinTech experts, business leaders, and government representatives, who will share their knowledge, experiences, and perspectives on how to maximize the potential of fintech to drive SME businesses in economies.

Mr Guerrero expressed his gratitude to all of the participants, speakers, and attendees and encouraged them to engage deeply in the discussions and debates. He hoped that the workshop would inspire all of them to create a more inclusive, innovative, and prosperous financial future for SMEs in all APEC economies.

8.4.2.1.2 Introductory Presentation

The introductory presentation was delivered by Mr James Tetlow, Senior Research Analyst at Washington CORE, a consultancy supporting the workshop. His presentation covered the major findings from literature research, interviews, and the survey that Washington CORE conducted. All of the findings will be listed in a final report that will be published by APEC in 2024.

Mr Tetlow first touched upon the findings from the literature review, highlighting common barriers that MSMEs face in accessing credit, and research demonstrating that the adoption of FinTech tools during the pandemic enabled many vulnerable MSMEs to remain economically viable, by providing user businesses with faster, more efficient, and cheaper access to credit.

Mr Tetlow then highlighted exemplary policy innovations revealed in the literature review from the case study economies of Australia; Hong Kong, China; Mexico; Peru; the Philippines; Singapore; and Viet Nam. He also spoke about the responses his team received from 11 APEC economies for a survey on the top priorities for international cooperation on FinTech issues.

After that, Mr Tetlow highlighted some preliminary recommendations on actions that can be taken moving forward. These recommendations include: establishing mechanisms to coordinate policy and increase regulatory efficiency across various government agencies that share responsibilities for FinTech oversight, adopting ‘test and learn’ approaches to policies for the FinTech sector, creating opportunities for collaboration amongst stakeholders to develop a regulatory framework, designing incentives for domestic FinTechs to make products and services for financially excluded populations, and sharing best practices among APEC economies.

His presentation was followed by a Q&A session with Mr NAKAMURA Takahiro, project manager at Washington CORE. Mr Nakamura asked about the main challenges during the research were. According to Mr Tetlow, one challenge was the lack of available data. Due to the COVID-19 pandemic, there was a significant increase of the number of FinTech companies in a short timeframe, but regulatory frameworks are still struggling to catch up and adjust policies to the needs. Therefore, a lot of data is unavailable.

Mr Nakamura then asked whether it is fair to say government officials are trying to bridge FinTech and MSMEs through various policies and regulatory framework. Mr Tetlow responded that the word “bridge” is too strong in most cases, but rather that governments are striving to remove barriers for MSMEs by providing incentives through grants and by fostering discussions between public and private sectors.

Mr Nakamura then asked how FinTech companies are reacting to government policies and expectations to help MSMEs. Mr Tetlow responded that FinTech companies are seeking regulatory clarity and a more clearly defined regulatory framework that accurately reflects reality. Many companies are frustrated by the lack of comprehensive FinTech policies. Mr Tetlow expressed his hope that leading FinTech companies, which focus on MSMEs and underserved communities, would share their experiences and serve as role models.

An audience member from the Ministry of Entrepreneur and Cooperatives Development of Malaysia then asked whether the research encompasses petty traders in rural areas. Mr Tetlow affirmed that the research does include micro companies whose employees range from one to ten. For instance, mobile payment platforms with electronic transactions installed for small traders have achieved success in Mexico; the Philippines; and Viet Nam. Additionally, he briefly touched upon a real-world example in the Philippines, where a large bank, RCBC, has set up mobile terminals to expand banking solutions to unbanked areas.

8.4.2.2 Panel Discussion 1: Balancing Consumer Risk Protection and Regulation of the Fintech Industry

8.4.2.2.1 Presentation by George C.T. LIANG

Balancing Consumer Risk Protection and Regulation of the FinTech Industry

After noting several benefits of FinTech, such as reducing costs, improving efficiency, and promoting the development of the financial market, Mr George C.T. LIANG highlighted some potential consumer risks under FinTech development. The risks include information insecurity, privacy infringement, unfairness to the vulnerable, ethics issues, lack of clear understanding of risks, and fraud. Therefore, the Financial Supervisory Commission (FSC) places significant emphasis on risk control and consumer protection while they build a friendly and innovative environment through the advancement of new technologies.

The FSC has several supervisory principles for building a friendly and innovative environment. The first principle is responsible innovation, wherein industry players must consider consumer rights and the stability of the financial system. The second principle is to be technology neutral, which means the same financial businesses should be governed with the same regulatory standards. The third principle is risk-based supervision. The FSC sees industry players’ risk levels and attaches suitable supervisory practices accordingly. Mr Liang also noted that the FSC is promoting approaches that encourage innovation, maintain market stability, and rejuvenate market vitality. For example, the FSC is working to relax regulations and remove obstacles to foster innovation, enhance cybersecurity, and protect consumer rights to maintain market stability, and offers startups opportunities to test their services in the “FinTech Regulatory Sandbox”.

One of the FSC’s major initiatives is the FinTech regulatory sandbox, which launched in April 2018. The purposes of the sandbox mechanism are to establish a safe testing environment, maintain market stability, and protect consumer rights. Under this mechanism, after applicants submit a proposal, the FSC reviews it and decides whether the proposal could be put into practice in a real market for a given period. By establishing the sandbox mechanism, we aim to speed up innovation deployment, increase market vitality, and facilitate economic growth.

To promote the sandbox mechanism, the FSC issued and implemented the “Financial Technology Development and Innovative Experimentation Act” in April 2018. This act has multiple protection measures for sandbox participants:

- The applicants’ liability to participants may not be limited or waived by prior agreement.
- During the experimentation period, contracts between the applicant and the participants should adhere to the principles of fairness, reasonableness, equality, reciprocity, and good faith.
- The advertisement published during the experimentation period should be free from falsehood and deception.
- Applicants should furnish participants with adequate protection measures and mechanisms for withdrawing from the experimentation.
- Applicants should comply with the Personal Data Protection Act, when collecting and using participants' data.
- In the case of a civil dispute arising between the applicants and the participants, the participants may apply for ombudsman services.

The FSC may revoke the approval of the experiment if there are significant adverse effects on the financial market or the interests of participants during the innovation experiment period.

Additionally, the FSC has also established “the Business Trial mechanism” in 2019 to speed up innovation testing for financial institutions. Compared with the sandbox mechanism, the Business Trial mechanism provides more streamlined review and approval process. However, business trials do not allow the FSC to grant exemptions on related financial laws during the trial period. Financial institutions must also pay attention to cybersecurity, complying with laws and regulations on anti-money laundering, personal data protection, and consumer rights protection.

Furthermore, Mr Liang highlighted a directive related to data sharing that the FSC released in December 2021. Its main purposes are to improve consumer convenience, strengthen risk control, and promote cooperation among financial institutions.

The FSC released guidelines related to digital identity authentication by financial services enterprises in October 2023. The main goals of the guidelines are to provide the public with convenient, fast, and safe financial services while assisting the financial service sector in adopting the appropriate technology for verifying customers’ identities and mitigating potential risks. The key principles are to establish a common language, to align risks, and to encourage innovation.

Mr Liang concluded by speaking about the FSC’s core principles and guidelines for AI applications. The FSC advises financial institutions to use trustworthy AI and promote an inclusive FinTech ecosystem under robust consumer protection, risk control, cybersecurity, and secure digital rights.

8.4.2.2.2 Presentation by Ms Maria Alejandra URUEÑA & Ms Daniela LONDOÑO

Working Outside the Box: Lessons Learned and Ongoing Challenges from the Colombian Financial Supervisor Fintech Strategy

Ms Daniela LONDOÑO first described the state of FinTech in Colombia, where there are an increasing number of Fintech companies, and the total amounts of investments have also increased. The loan segment constitutes the most significant percentage of FinTechs in 2023 (28%), followed by payments and remittance (20%) and technology services for financial institutions (10%). Additionally, the digital ecosystem in Colombia has matured since 2020. She highlighted the increased use of digital transaction channels, such as mobile transactions (53% in 2020 vs 64% in 2023), while the use of traditional channels, such as ATMs, has decreased.

Colombia has the potential to strengthen a digital payment ecosystem and infrastructure to further to promote the people's well-being and contribute to productive enterprises. The use of wire transfers (3% in 2020 vs 15% in 2022) has increased. Digital payments now represent over 10% of the sales in various sectors. For instance, 35% of transactions at supermarkets and 25% of ones at service stations are digital. Colombia offers increased opportunities for individuals and enterprises to use digital products in their daily routines. Thereby, the Colombian FinTech ecosystem has fostered the Financial Superintendency of Colombia (SFC)'s strategy to facilitate more participation and the transformation of the traditional financial industry in a regulated and structured fashion.

The SFC established the Financial and Technological Innovation Group (InnovaSFC) through Resolution 03331 of 2017. This dedicated working group with its innovation accelerators aims to enhance innovation in the financial system. InnovaSFC monitors the status and understands ongoing developments to deliver innovations in the field of financial systems.

Ms Maria Alejandra URUEÑA then discussed the SFC's strategies to understand, catalyze, and solidify innovation for the growth of the financial industry. The SFC has established six principles:

- Observing and analyzing innovation trends to grasp how new business models are working and innovating.
- Helping with the authorization of new business models and providing the SFC-issued license.
- A sandbox (from May 2018) for entrepreneurs to test their innovative products in a controlled and supervised environment.
- Enabling regulation through an annual update of the regulatory framework that enables new technologies to enroll in the market.
- A hub that gives firms advice on existing regulation or supervision.
- Implementing regulatory technologies (SupTech) to optimize supervision.

The SFC has issued external circulars on technology adoption, risk management, and consumer protection measures in 2018. The circulars are about cloud computing, the use of new technologies (e.g., blockchain, AI), biometrics, cybersecurity, administration of anti-money laundering and combating the financing of terrorism (AML/CTF), and QR codes. The SFC has established rules in circulars on issues such as crowdfunding, companies specializing in electronic deposits and payments and open finance. The SFC granted licenses to many new business models between 2017 and 2023, thanks to a more streamlined licensing process.

The SFC's Financial and Technological Innovation Strategy has positioned Colombia as an innovation leader in Latin America. The innovation office has received 422 meeting requests at their hub, where people seek advice on system regulation and supervision. The innovation committee formed by the SFC, and its delegates has approved 17 pilots through the sandbox since May 2018. The SFC has also tested seven pilots in RegTech. Their topics include the automatic processing of transactional information, network analysis for conglomerate supervision, and smart supervision for the financial consumer.

The SFC's strategy from 2022 to 2026 focuses on the following principles:

- Driving innovation in the financial system using regulatory and technical sandbox,
- Shaping the new digital financial networks by creating guidelines in risk management, issuing circulars and regulatory proposals,
- Adoption of distributed ledger technology (DLT) in securities and payment markets,
- Fostering cooperation and participation in the ecosystem,
- Strengthening the fintech value proposition through financial education, development of Central Bank Instant Payment System, and interoperability,
- Developing RegTech/SupTech monitoring tools with pilot projects in Decentralized Finance (DeFi), traditional finance (TradFi), Web 3, and metaverse.

8.4.2.2.3 Presentation by Mr Alejandro CRUZ-SÁNCHEZ

We are Mercado Libre

Mr Alejandro CRUZ-SÁNCHEZ first provided an introduction to Mercado Libre, which is Latin America's leading technology company, with a mission to democratize e-commerce and financial services in Latin America. Since Mercado Libre, Inc. (MELI) was listed on the NASDAQ in 2007, it become a leading e-commerce and FinTech company with about 58,000 employees in 18 Latin American economies. The company provides two types of services: the first type is called Marketplace, including ads, deliveries, and shops, and the second one is called Mercado Pago, and offers digital accounts, payments, investments, and other benefits.

Mr Cruz-Sánchez then provided a brief historical overview of Mercado Libre's growth over the past 25 years, and an overview of Mercado Libre's success. Its e-commerce platform generates USD2.4 billion in net revenue with 54.4 million unique buyers and USD13.4 billion in sales. Additionally, the company sold 413 million items and shipped 407 products in the fourth quarter of 2023. Additionally, digital banking yielded USD1.8 billion in revenue, more than 2 billion transactions, and 53 million unique active users in Latin America. Their portfolio includes USD3.8 billion in credit, 8.6 million pre-paid and debit cards, 30.4 million asset management users, and over 9.5 million insurance policies. Mercado Libre is a pioneer in asset management accounts in Latin America, providing individuals with opportunities to invest 24/7.

Mercado Libre empowers people to drive businesses toward a better financial life by providing more than 45 million loans to small and medium entrepreneurs (SMEs), and the company provides 3,400 young people with financial education and technology. Mercado Libre deliver the right tools and education so that individuals can access their accounts and use their credits and investment accounts. The company creates 27 new jobs every hour. It impacted 1.8 million families that find their main source of income through Mercado Libre platform. The COVID-19 pandemic accelerated the global surge of FinTech.

Mr Cruz-Sánchez noted that Mercado Libre reduces environmental impacts, linking opportunities with transparency, ethics, and security. The company has generated more than 10 million favorable impact products and has shipped more than 22 million packages with sustainable methods. In terms of inclusion and diversity, women hold 28% of leadership roles, and 12% of employees belong to LGBTQ+ communities.

8.4.2.2.4 Presentation by Ms Ljubica VODANOVIC

FINTECH REGULATION: BALANCING INNOVATION AND CONSUMER PROTECTION

Ms Ljubica VODANOVIC initially noted that FinTech is a business model that implies the use of technology to provide better and more agile financial services (e.g., payments, credits, and investments), whether by a bank, startup, or non-financial company. Recently, non-financial companies have increasingly started providing FinTech services in Peru.

There are several constraints faced by MSMEs in Peru. One of the fundamental issues is their limited access to credit, because they do not have a credit history. As a result, 75% of MSMEs operate in the informal sector. Other obstacles include liquidity constraints and financial incapabilities. They mean that MSMEs are less familiar with financial tools and financial management practices. To resolve this issue, education needs to be improved based on the needs of industry. Lastly, MSMEs face limited investment opportunities, as there are no investment tools or insurance services designed specifically for them.

Ms Vodanovic highlighted several recent examples of FinTech companies that help MSMEs in Peru. For instance, crowdfunding is emerging as a viable alternative for lending, through the four crowdfunding companies in Peru. She emphasized the importance of actively fostering this service in Peru. Additional examples include digital loan services, which offer a faster process than traditional methods, factoring, which is a proven method to provide liquidity to MSMEs, and payment and disbursement with full interoperability.

Ms Vodanovic then shared the data on interest rates for each of the traditional loans and loans offered by FinTech companies in Peru, such as Afluenta and Prestamype. Thanks to technologies, including machine learning (ML), the interest rates attached to loans provided by FinTech companies are lower. This illustrates that those FinTech companies' loans are better positioned for helping MSMEs.

Regulation plays an essential role in the evolution of the FinTech ecosystem. There are two important aspects for future regulatory efforts. First, the government needs to enhance digital connectivity. Second, there is a need for a comprehensive regulatory framework, although a specific FinTech law is unnecessary.

This comprehensive regulatory framework shall address four critical aspects. These are consumer protection, data protection, cybersecurity, risk management related to credit, liquidity, and operations. The regulators have lagged behind innovation. All the involved actors need to consider how to improve standards/self-regulation, rather than solely relying on government to tackle the issues.

There is a need to balance innovation and consumer protection. In Peru, the demand for consumer protection from cyberattacks and frauds is pressing, so it is urgent for the whole economy to work hard to secure cybersecurity with regulation. The industry should raise their standards, not just wait for a government regulation. Other essential steps include fostering innovation, promoting funding activities/crowdfunding, improving funding mechanisms, broadening Peru's FinTech sandbox by making it more comprehensive and applicable to the whole industry, and establishing more FinTech innovation labs. In addition, more financial education is essential to equip individuals with the skills to use financial services and teach MSMEs how to manage their finances. To sum up, Peru does not need to make any stringent FinTech laws that could hinder innovation. Instead, the economy needs a more well-crafted regulatory framework.

Lastly, Ms Vodanovic discussed three recent developments in Peru. First, there is a growing number of innovative FinTech business models from financial institutions as well as retail and telecommunication companies. Second, Peru has finally achieved full interoperability, thanks to the efforts made by the central bank. This enables individuals to immediately transfer money between banks regardless of the bank they use. Third, Peru does not have any regulations on open finance, but banks and FinTech companies share the information with each other through agreements.

8.4.2.2.5 Q&A Session

After the panelists delivered their presentations, the panel moderator, Mr James Tetlow from Washington CORE, invited them back onto the stage.

Mr Tetlow asked the two Colombian speakers about the top priorities to achieve consumer protection alongside improved support for innovation from the private sector. Ms Londoño responded that the key is a balance between them. In reality, it is sometimes challenging. She noted the importance of fostering innovation and competition, while also ensuring the protection of macroeconomic, financial situations, and consumers.

Mr Tetlow then asked for more details about the seven RegTech pilot projects in Colombia. Ms Urueña provided two examples. First, the SFC has worked on creating a model for network analysis and information transmission to supervise entities. Second, the SFC utilizes ML and artificial intelligence (AI) to classify complaints and questions from consumers and supervised entities, thereby improving its efficiency in responding to them.

An audience member from the Ministry of Entrepreneur and Cooperatives Development of Malaysia asked Ms Vodanovic about whether Peru's regulatory framework applies to the informal economy or only to participants in the formal sector. She responded that the regulations indeed apply to both formal and informal sectors. This presents some challenges because there is not enough information about the informal sector.

Mr Tetlow then asked Mr Cruz-Sánchez about Mercado Libre's outreach to underserved or remote areas. Mr Cruz-Sánchez responded that Mercado Libre visits underserved or rural areas where there are no traditional banks, provides access via digital accounts, and teaches clients how to use them. Survey results show that the use of credit or e-transactions have increased by 30% in those areas. Additionally, in Mexico City, users of public transportation can charge the city's mobility card in the Mercado Pago application by tapping the card on their mobile phone.

Mr Tetlow invited all the panelists to provide ideas on innovative strategies to reach out to remote or rural areas or informal sectors. Ms Vodanovic said that in Peru, government bodies do not regularly collaborate with each other, and it delays discussions on regulations. This could be a barrier to innovation or FinTech services. Hence, it is crucial to have coordination between public agencies, as well as public-private coordination. Ms Urueña agreed and added that it is essential to have communication and collaboration between regulators, stakeholders, and innovators to establish successful FinTech models. She also pointed out the lack of access to data as another barrier. Currently, the SFC are working on detecting other barriers for underserved populations. Mr Cruz-Sánchez agreed and added that FinTech associations also play crucial roles as intermediaries. For example, a review by Finnovista, a regional think tank, found that 750 FinTech companies are operating in Mexico. Regulators cannot have one-to-one meetings with each of them, so associations set up roundtables to discuss fintech regulations on topics such as open finance or sandbox.

Mr Tetlow asked what roles international organizations, such as APEC, can play in supporting the development of regulatory approaches to move the FinTech ecosystem forward. Mr Cruz-Sánchez responded that workshops, including this one, are helpful to bring everyone to the table and share best practices. Regulators can read the workshop summary reports, discuss them in their offices, and polish their agenda using FinTech tools in economies, ultimately advancing financial inclusion. According to Ms Vodanovic, organizations such as APEC, should invite stakeholders, speakers, and authorities, and consolidate their thoughts into uniform and improved international standards for the FinTech industry.

Mr Tetlow then asked the two speakers from Colombia about the best ways that different regulators can share knowledge and approaches with each other on expanding the FinTech ecosystem and serving MSMEs. Ms Londoño said that having communications with other economies and having training programs and capacity-building workshops are crucial.

Mr Tetlow asked about any lessons learned from Colombia's efforts on expanding its sandbox program. Ms Urueña noted that one lesson learned from their sandbox experiences is to have effective communications about various aspects, such as the purpose of the sandbox, who can participate, and the time schedule, among others. Additionally, a sandbox requires a multi-disciplinary group that works as a project manager, which is responsible for supervising the progress and being a contact point. Furthermore, qualified human capital and an open culture are also required. Mr Cruz-Sánchez added that it is preferable to consult with regional banks, such as the Inter-American Development Bank (IDB) and Asian Development Banks (ADB). That is because these institutions have a special group on FinTech with data, so involving them enriches the discussions.

8.4.2.3 Expert Presentation

Success Stories: Fintech in Peru

8.4.2.3.1 Presentation by Mr Carlos FERREYROS VICUÑA

Financial inclusion in LATAM from a Startup perspective

Mr Carlos FERREYROS VICUÑA began his presentation by outlining the financial inclusion landscape in Peru. Only 52% of adults have a bank account, however, 90% of households have at least one smartphone. From a macro perspective, some gaps persist along socio-demographic lines in Latin America. There are two distinctive groups: the unserved, with no financial access and very low financial education; and the underserved, with limited access to formal loans and limited education.

FinTechs have several characteristics that traditional banks lack. FinTech companies have a different mindset and approach, stemming from a startup perspective. They are more agile in launching new products, faster to adapt, more digital, customer-centric, and have new ways of evaluating credit. FinTech companies produce ideas from scratch and challenge the conventional ways introduced by traditional banks. These features enable FinTech enterprises to provide services to both the unserved and underserved.

FinTech covers a wide range of services and enabling technologies. They include financing, investment, financial management, saving accounts, infrastructure and open finance, insurance, FX trading, and payments and remittances. He then explained that Latin America welcomes many FinTech companies across different stages (e.g., seed/early, exists/M&A, and Initial Public Offering [IPO]) and also across various services (e.g., cards, business loans, and specialized lending). In Peru, there is a thriving ecosystem, with various FinTech companies in for instance, payment remittances, financial management, open finance, and PropTech. However, the cross-funding segment is much less developed, and the legal side also requires some effort to be developed.

There are huge market opportunities in Latin America, adding up to a USD210-billion financial gap for formal MSMEs in Peru; Colombia; and Mexico. Prestamype has developed several digital financial services for MSMEs, including its primary product of Prestamype, factoring, FX trading, and a system for MSMEs that digitalize their businesses and generate the data. The company established its ecosystem with virtuous feedback loops. Prestamype provides financial options, digital tools (e.g., business-to-business [B2B] SaaS for e-invoicing and sales and B2B sales for collection management), and an FX app. These services provide the company with invaluable data and a significant competitive advantage.

Moreover, the company offers investment vehicles dedicated to financing MSMEs. In Peru, where the market and industry are relatively small, Prestamype has prepared several ways to fund services, such as collaborative finance, private fund manager, and on balance with own capital and institutional loans. Prestamype receives loans from the IDB Lab3 and the Dutch Good Growth Fund (DGGF) of the Dutch government.

Lastly, Mr Ferreyros Vicuña discussed how to assess FinTech's social impacts more accurately. Prestamype uses the Impact Measurement Methodology, jointly developed with IDB Lab. The impact indicators consist of factors such as location, gender, former access to formal financing, level of formalization, job creation, business survival rate, and variation in sales or household income. Mr Ferreyros Vicuña concluded his presentation with gratitude to Prestamype's partners in Peru and beyond.

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[3] IDB Lab is a venture capital arm of the Inter-American Development Bank Group. This organization endeavors to benefit poor and vulnerable populations. https://bidlab.org/en

8.4.2.3.2 Presentation by Mr Daniel Hernán PALACIOS VALENCIA

Humanizing Financial Inclusion through the Use of Technology

Mr Daniel Hernán PALACIOS VALENCIA spoke about CONTIGO EN TODO, a FinTech company in Peru dedicated to the banking segment. The company's motivation is to humanize services for individuals who have been excluded from the banking services by giving them a second chance.

The concept of financial inclusion is to democratize services and products, by making them available and accessible to the entire population. Financial inclusion goes beyond creating a specific financial product, and entails providing everyone with access, by reducing obstacles and conditions. Approximately one and half billion people globally lack access to financial services. However, the gender gap in account ownership has been reduced. During the COVID-19 pandemic, 40% of individuals made digital payments for the first time, and 36% of adults in developing economies received digital payments for the first time since 2021.

Financial inclusion has a crucial role in driving economic growth and development, as well as promoting equal opportunities and improving the quality of life. However, there are some obstacles. Some notable ones include inequality and a lack of financial education for vulnerable populations, barriers in accessing financial services and technologies for small companies and low-income people, and concerns regarding data privacy and security in digital solutions.

Technology is a key tool for humanizing financial inclusion. Recent technological advancements have made financial services more affordable, accessible, and personalized. People can also enjoy financial advisory, easier transactions, and financial education via digital platforms. Technology should facilitate financial inclusion through a closer and more personalized approach, catering to different needs and offering solutions which are adapted to MSMEs.

Mr Palacios Valencia presented several technological solutions promoting financial inclusion. These include phone applications, AI, open finance, and fintech solutions. Understanding the clients' needs is necessary to create better services. Additionally, he provided examples of where FinTech are enablers of financial solutions, such as 100% digital loans and payment processors with credit and debit cards.

There are several social and economic benefits from increased financial inclusion. The use of technology and financial services has become widespread in excluded populations or sectors, which has boosted their welfare. Regarding social impact, Mr Palacios Valencia noted the empowerment of women and the vulnerable, improved access to basic services (e.g., education, health, and housing), and strengthened cohesion and social capital in communities. Economic impacts include the growth in family income and savings, promotion of entrepreneurship, bolstering economic stability, and poverty reduction.

Mr Palacios Valencia concluded his presentation by re-emphasizing that the mission of FinTech companies is to create financial inclusion. It is important to examine specific needs and humanize the services to fulfill the public needs.

8.4.3 Event Summary Day 2

8.4.3.1 Panel Discussion 2: Success Cases of FinTech providing Services for MSMEs

8.4.3.1.1 Presentation by Mr Rafael GAGO

Driving Positive Impact: The Role of Chilean and Latin-American FinTech in MSMEs Transformation

After briefly introducing his strategy consulting firm, ProFintech, Mr Rafael GAGO explained how FinTech is helping MSMEs. FinTech companies offer promising solutions to a wide array of companies, including MSMEs, which have been underserved by the traditional financial sector. Although FinTech companies provided low-quality products in the past, many of them now provide optimal financial services to MSMEs. FinTech promotes financial inclusion, and its user experience is also improving.

Recently, FinTech enterprises have enhanced user experiences by enabling business owners to manage their businesses with a phone or computer, without paperwork. Additionally, FinTech optimizes financial operations. For example, FinTech allows companies to send invoices to multiple clients simultaneously on one platform. FinTech enterprises also speed up business processes through tools such as dashboards that provide necessary information and facilitate better risk management.

Mr Gago highlighted some statistical facts about FinTech in Chile; Mexico; and Peru. Across these economies, there are 1,143 FinTech companies, according to a Finnovista report. Approximately 30% of them focused on MEMEs as clients. Mexico has the highest number of FinTech companies (650), followed by Chile (300) and Peru (193). From 2019 to 2024, these economies showed explosive growth of the number of FinTech enterprises, which doubled in Mexico and tripled in Chile and Peru. More than 60% of enterprises operate in B2B and 36.3% in business-to-consumer (B2C) in Chile, half-and-half in Peru, and 60% B2B and 40% B2C in Mexico. Additionally, about 30% of Chilean companies are MSMEs, and around 60% of Peruvian firms and 50% of Mexican enterprises are small businesses.

Mr Gago then provided an overview of two companies each from Chile; Mexico; and Peru, totaling six companies. Beginning with Chile, he introduced Xepelin, the largest supply chain finance company in the economy, offering premium corporate finance or treasury services to companies of all sizes. Another Chilean firm, Global66, provides remittances and wallets that helps businesses to pay remittance fees in an efficient, swift, and cheap manner.

Moving to Peru, Mr Gago introduced Innova Funding, which provides a B2B cloud lending service that allows small companies to sell their invoices at better rates. Prestamype was presented as another example. The company provides supply chain finance and loans for small companies.

Mr Gago then provided a brief overview of Minu in Mexico, which allows small companies to provide employees with on-demand wages, salaries, and other benefits, and Slight Pay, which provides buy now, pay later (BNPL) services to help small businesses acquire credit. Mr Gago concluded his presentation by inviting the audience to promote these types of companies in each economy, since they play crucial roles in helping MSMEs around the globe.

8.4.3.1.2 Presentation by Mr Roberto VARGAS

The design of a new institutionalism to accelerate impacts on the economies through fintech policies

Mr Roberto VARGAS began his presentation by introducing the Fintech Association of Peru, which is a private business association with more than 80 members and five committees that facilitate connections with Peru’s public and private sectors and beyond. Peru has been elected as the Presidency of Fintech Ibero-America to lead, cooperate, and collaborate with regulators, financial regulators, banks, and other intermediaries from Americas and Spain. Peru and Spain are also the promoters of the Global Fintech Alliance, a block of business associations. The Fintech Association of Peru is working to lead the creation of a new modern financial system in the Americas.

Currently, there are close to 1,000 FinTech enterprises in Mexico, more than 350 in Chile, and 288 in Peru. Close to a third of FinTech companies in Peru utilize technologies with AI and ML. The association also works with the banking sector. Additionally, there is an exclusive sandbox in Peru for banks and intermediaries. About one-third of Peruvians are excluded from the formal financial sector. Therefore, Peru needs to increase its level of cooperation and collaboration. Furthermore, the Central Bank of Peru is creating an interoperable wallet system, as part of efforts to reform the payment system in Peru.

Mr Vargas underscored that it is imperative to increase the level of competition and competitiveness within the financial sector. There are opportunities to create an extensive collaboration in the private sector and increase the standards regarding cybersecurity, anti-money laundering (AML), and know your client (KYC) policies.

There are many opportunities for APEC to align with the central banks' efforts on financial regulation, such as promoting transitions from the informal sector to the formal one via incentives and reduced transactional costs. Economy-level strategies are also key for improving financial education in all economies.

In the last part of his presentation, Mr Vargas proposed some public policy recommendations:

- Exemptions of value-added tax (VAT) on interests earned by lending FinTech companies.
- Empowerment through modern financial education by training behaviors and attitudes with adequate tools and technologies.
- Increasing collaboration with central banks and financial regulators, such as through the creation of a task force within APEC.
- Open finance, which can boost economic development in regions such as Latin America and the Caribbean, where people suffer from high transactional costs for remittances.

Mr Vargas also proposed two recommendations for the public sector. Public officials must comprehend technological advancements and modify the ministry designs accordingly. Regarding this, collateral policies and spot foreign currency exchange were suggested as an appropriate starting point for reform. Lastly, it is critical to create tax facilitation for investors to establish a more robust ecosystem. Also, economies need to provide more incentives for younger generations to become software developers.

8.4.3.1.3 Presentation by Lito VILLANUEVA

Mr Lito VILLANUEVA first talked about the Fintech Alliance of the Philippines. Its vision is a digitally advanced, cash-lite society built on customer-centric innovations and founded on financial inclusion for all. Fintech Alliance.Ph is the Philippines' leading digital association, comprising over 100 startups and unicorns generating over 95% of digital financial transactions. It publishes the annual Philippine Fintech report that for regulators, policymakers, legislators, industry players, and investors.

MSMEs are the backbone of the Philippines economy and constitute 99.5% of enterprises. However, they face funding or credit gaps totaling around USD5.2 billion in developing economies. It is essential to ensure that solutions are seamless, relevant, and accessible to underserved MSMEs and individual workers, by leveraging tech-enabled products and services to meet their diverse needs.

Mr Villanueva then described three successful initiatives to help MSMEs. RCBC ATM Go is a handheld mobile ATM that enables web markets, mom-and-pop stores, and public transportation hubs to access ATM services, even in geographically isolated and disadvantaged areas. This service covers 81% of municipalities and 100% of provinces and cities in the Philippines. This wide accessibility has increase' RCBC's revenues, transaction volume, and value by 76%, 46%, and 44%, respectively. Women are primarily users (63% women vs 37% men), and 60% of transactions are related to conditional cash transfer transactions from the economy government to poor and vulnerable families.

The second initiative is the RCBC[4] DiskerTech. According to Mr Villanueva, it is the multilingual financial inclusion app, provided in Taglish (Tagalog and English) and Cebuano. It offers savings with some features, such as a 6.5% annual rate, zero dormancy fees, and lending. Amid the peak of COVID-19, RCBC’s digital platforms served as a vital channel in distributing the government’s social grants, totaling USD543 million, to 7.7 million households, benefiting over 38.8 million individuals in the Philippines. In fact, 30 to 40% of beneficiaries are microentrepreneurs, and members of RCBC Negosyantech can earn up to USD550 per month by facilitating digital transactions. Additionally, retail store owners receive free merchandizing signages to promote their services.

Mr Villanueva noted that the RCBC partnered with Hapinoy, a social enterprise collaborating with microentrepreneurs, and with GrowSari, digitalization platform for neighborhood stores. The RCBC has integrated these MSMEs into a single digital financial ecosystem via interoperable QR Ph codes. The economy’s government has promoted this ecosystem through its central bank – Bangko Sentral ng Pilipinas (BSP) – and enables MSMEs to send digital payments for services and receive rewards in return.

The third example is DiskarTechPreneur, a bootcamp and business-case competition. In collaboration with the Department of Education, the program tries to equip senior high school students with entrepreneurial knowledge and financial literacy through modules and expert mentorship. Additionally, the RCBC integrated a digital module on financial stewardship into the curriculum for grades 11-12. The Department of Education, headed by the Philippines’s Vice President, Sara Duterte, tries to ensure the youth learn financial stewardship from an early stage.

Furthermore, Mr Villanueva spoke about RCBC Boz, which assists small business owners with e-invoices, payroll management, transaction organization, among others, in one app. It can analyze transactions and provide loan facilities. Lastly, Mr Villanueva introduced the Paleng-QR Ph program, jointly developed by the BSP and the Department of the Interior and Local Government (DILG). The program aims to promote cashless payments in public markets and local transportation.

The RCBC has also formed partnerships with local government units. The BSP and the Department of Finance praised RCBC for its extensive digitalization program for bringing banking to communities through its “human-centric and empathy-driven” designs. Mr Villanueva underscored the numerous regional and internal awards that the RCBC received, including AsiaMoney’s “Best Bank for Digital,” the Digital Banker's Best SME Financial Inclusion Initiative, and Gartner’s Challenger Bank awardee. The RCBC has become the Philippines fastest growing bank, climbing from eighth in 2018 to fifth in 2022 in terms of top private banks and assets.

8.4.3.1.4 Q&A Session

After the three presentations were delivered, the panel moderator, Mr James Tetlow from Washington CORE, invited all three panelists back on the stage.

Mr Tetlow asked about any suggestions or advice to FinTech firms that are interested in expanding their outreach and impact on MSMEs, especially for unbanked or rural areas, to pursue financial inclusion goals. First, Mr Vargas noted that there is a potential market that is bigger than the current one. Several companies remain in the informal sector because they are excluded from the formal sector or have insufficient incentives to enter and remain in the formal sector. Many in Latin America and Caribbean people live on a day-to-day income.

[4] Rizal Commercial Banking Corporation (RCBC) is one of the largest banks in the Philippines.

Mr Gago followed up to note that it is important that FinTech companies themselves understand they belong to the ecosystem. So, if they want to provide products or services to MSMEs, then they need to collaborate with the rest of the ecosystem. Collaborating in the field of credit scoring, authentication, biometry, and banking services gives MSMEs cheaper and best quality loans for MSMEs. Mr Gago said that the best recommendation to firms is to collaborate and speak with some providers, competitors, clients, and other members.

Lastly, Mr Villanueva answered that the essence of FinTech ecosystem lies in collaboration and cooperation to create a sustainable and effective ecosystem. More than 90% of MSMEs do not have formal credit access, so they need an alternative credit scoring system. Additionally, FinTech enterprises in the lending segment must promote consumer promotion. Fintech Alliance.Ph is the first Asian FinTech organization to formalize a code of conduct/ethics for online lending companies that prevents FinTech companies from exploiting MSMEs.

The next question was from a representative from a participant from the Ministry of Entrepreneurial Development and Cooperative Development of Malaysia, asking the speakers to provide any cases of exemptions to credit scoring for microentrepreneurs prior to the disbursement of loans and its outcome. Mr Gago responded with the case of Mento5 in Chile, which provides loans in a low amount at the beginning, assesses the receiver's behavior, and then increases the amount of money that can be borrowed accordingly. While Mento's business is B2C, a similar model could apply to a B2B model as well.

Next, Mr Villanueva noted that credit scoring is necessary to protect the ecosystem and sustainability of credit cycles. He discussed that accelerating financial education and financial stewardship are essential among microentrepreneurs. Technologies like AI are crucial for FinTech enterprises to provide positive customer experiences and services for MSMEs. Lastly, Mr Vargas shared a positive example from Brazil. Movbank[6] developed credit scoring and new models to offer resources, including credit cards. The company has reached a valuation of USD80 billion and serves 90 million active clients across Brazil, Mexico, and Colombia, and is projected to reach a valuation of USD100 billion in 2026.

Mr Tetlow then asked for any suggestions on ways that FinTech companies or associations can collaborate with regulators to enhance consumer education and literacy. Mr Vargas noted that private-public dialogue must be sustainable and open. Moreover, regulators need to increase their capabilities to understand the speed of change. For example, the whole ecosystem needs to rethink the speed and depth of technological progress to alleviate poverty. Discussions on FinTech issues, seen in the UN forum, the Davos forum, G20 discussions, and APEC workshops, including the current workshop, are huge milestones.

Mr Villanueva was asked by Mr Tetlow about the best ways to coordinate among multiple bodies and deliver a clear message to customers in the Philippines. Mr Villanueva responded that in the Philippines, open, progressive, and dynamic regulators engage in dialogues with policy makers or legislatures. Prior to finalizing regulations, regulators share the draft with the Fintech Alliance and seek comments, suggestions, and recommendations. Then, Fintech Alliance submits the consolidated draft to regulators.

Mr Tetlow asked about the best ways, like KPIs or metrics, to evaluate the social impact or financial inclusion outcomes aimed at MSMEs. Mr Villanueva highlighted two examples of measuring the impact and success of FinTech entities. The first case is the Philippine

[5] Mento is a Chilean digital lender that provides credit, payments and other financial services to underserved portions of society. https://mambu.com/insights/press/chile-s-data-driven-lender-mento-launches-on-mambu-to-improve-financial-inclusion

[6] MovBank is a FinTech company based in Sao Paulo, Brazil. Through its mobile app MovStatus, businesses can upload their bank statements which are automatically stored, sorted, and analyzed to be used for expense planning. https://movbank.com.br/

Development Plan, prepared by the economy's Economic Development Authority (NEDA) under the Office of the President, which sets a target for the economy to have 286 FinTech companies by the end of 2028. The Philippines met the target four years ahead of the schedule. Second, he mentioned the Digital Payment Transformation Roadmap set by the BSP, which sets at least 50% of retail financial transactions to be digital. The roadmap also aims for 50% of Filippino adults to be integrated into the formal financial system by the end of 2023. The Philippines also successfully achieved this goal.

Mr Gago discussed the question at both the macro and micro levels. At the macro level, venture funds, international organizations, government, think tanks, and universities should fund more studies about the impact of FinTech. At the micro perspective, he proposed that FinTech companies can measure their impacts by comparing some metrics from their inception, such as improvements in users' financial situations. Mr Gago recommended collecting data and using it to measure the impact.

Mr Tetlow asked for suggestions for topics for future APEC workshops or training sessions. Mr Vargas suggested exploring fostering the transparent development of the ecosystem, having conversations between economies about approving unified tools or policy instruments, and distributing a single survey for the whole 21 member economies. Mr Gago emphasized his hope that the government publishes more organized datasets to facilitate research. If data were available and cleaned, further funding for studies would not be necessary. Mr Villanueva agreed that collaboration is essential.

8.4.3.2 Panel Discussion 3

Identifying Policy Mechanisms and Fintech Solutions for Promoting MSMEs' Access to Credit

8.4.3.2.1 Presentation by Atty Paolo M. ONG

SEC Crowdfunding: Unlocking the Potential of the Philippine Capital Market

Atty Ong first began by presenting numerical data on MSMEs in the Philippines. There are a total of 1,109,684 establishments, and 99.59% of them are classified as MSMEs (90.49% are micro businesses that have less than 10 employees with less than three million pesos in assets). These MSMEs contribute to employment, accounting for 65% of the total employment, with the wholesale and retail sectors being the most prevalent. Geographically, 15.5% of MSMEs are in the capital city, while the rest are scattered across other regions. Additionally, MSMEs contribute to 35.7% of GDP and create various job opportunities for the growing population. MSMEs contribute to rural development and serve as valuable partners for large corporations.

MSMEs in the Philippines face several challenges. Non-financial obstacles include supply chain management issues due to underdeveloped road infrastructure and the Philippines' archipelagic geography, human resources management (e.g., difficulties to hire individuals with appropriate skills and capabilities), high energy costs, and complex regulatory burdens. Financial challenges include a tedious process of access to finance, salary payments and mandatory contributions, and the high cost of financing, which pushes MSMEs to borrow money from the informal sector, where they must pay significantly higher fees and high interest rates.

In this situation, the Securities and Exchange Commission (SEC) helps the development of MSMEs and supervises corporations. The SEC recently set a goal, 888@88, in which it aimed for at least 888 enterprises to enter the capital market by its 88th anniversary (November 2024). As of December 2023, 694 companies entered the capital market, 346 of which used crowdfunding.

Crowdfunding involves raising funds from numerous individuals, often through online platforms, offering investors access to investment opportunities and providing MSMEs with an alternative funding channel. It is classified into four types: donation based, rewards based, equity based, and debt based. The SEC encourages participation in the capital market through financial return crowdfunding that corresponds to equity based and debt-based crowdfunding.

The SEC Roadshows on Capital Market Formation for MSMEs and Start-ups is an initiative that has been implemented under the Office for the Advancement of Strategic Investments in SMEs (OASIS). The initiative encourages SMEs to explore the capital market for external financing by simplifying the capital-raising products, streamlining the registration process, and encouraging investment houses and other financial institutions to implement SME-friendly underwriting and advisory programs. Additionally, the SEC launched the Call-a-Friend and Engage with SEC (CAFÉ SEC) in December 2023. These serve as channels for the roadshow participants to reconnect with the crowdfunding organizations and their intermediaries in the Philippine Stock Exchange, enabling them to access additional information on capital market-based products and services.

The Philippine Stock Exchange has also launched its own initiative to encourage SMEs to participate in the capital market. This initiative involves launching a marketing campaign and updating the listing regulations to streamline processes. The campaign features online resources for evaluation, IPO readiness evaluations, and virtual meetings with crucial stakeholders. The updated regulations are aligned with international standards and offer support for IPO applicants affected by COVID-19.

The SEC is the primary regulator of financing and lending companies in the Philippines. As of December 2023, there are 883 financing companies and 3,794 lending companies. Additionally, there are 140 registered online lending platforms, with a moratorium on issuing additional licenses.

The PhiliFinTech Innovation Office (PhiliFINNO) was established by the SEC to support entrepreneurs, promote innovation, and adapt to the FinTech environment in the Philippines. The Office serves as a contact point for FinTech entities, analyzes FinTech business models, and crafts appropriate regulatory responses to promote FinTech growth and safeguard investor interest and market integrity.

Atty Ong closed his presentation by highlighting the SEC's endeavors to develop a regulatory sandbox framework. The sandbox will enable entrepreneurs to test their products and services in a controlled environment, and help the SEC gather data and assess the risks that are involved in fintech activities to create an appropriate regulatory response. These initiatives will encourage more entrepreneurs to set up their own businesses, building up a dynamic and more vibrant Philippine economy.

8.4.3.2.2 Presentation by Dr Huy Nguyen Anh PHAM

FinTech Environment in Viet Nam

Dr Huy Nguyen Anh PHAM began his presentation by outlining the current state of FinTech in Viet Nam. The number of FinTech companies has increased since 2018, but the growth rate has declined. That means Viet Nam has failed to attract more FinTech firms into the economy, or funding has been an issue. In fact, Viet Nam has attracted less funding since 2022, even compared to the pre-COVID-19 period.

The funding has primarily gone to the thriving digital payment segment, with more than 40 digital wallets, while some of the rest has been poured into blockchain services. Dr Pham also noted that Viet Nam is enjoying growing transaction values in digital payment facilitated by a widespread adoption of cashless payment, especially after the COVID-19 pandemic.

In Viet Nam, there were about 263 FinTech firms at the end of 2022, but the growth rate has declined. Dr Pham spoke about the lack of a clear regulatory framework for FinTech firms in Viet Nam. At the beginning of 2024, the government of Viet Nam and the SBV (Central Bank of Viet Nam) issued a law on testing mechanisms for banking innovation, though the law is limited to the banking sector.

The total funding value of FinTech deals in Viet Nam has decreased from 2016 to 2022, possibly due to the global economic slowdown and its effects. Additionally, there was a shift in funding from the e-wallet sector to the emerging technology of blockchain in 2022. Furthermore, Dr Pham forecasted a substantial increase in transaction values of the FinTech sector from 2018 to 2028.

Dr Pham then discussed the key engines for FinTech growth in Viet Nam. Viet Nam's digital economy has the fastest rate of growth in the Southeast Asia region. The economy enjoys extensive 4G mobile network coverage with high-speed internet access, high smartphone penetration (99.7%), and younger demographics (many GenZ and Gen Alpha). These younger generations will take over the labor force and spend most of their time on their digital devices with high-speed internet. These factors are strengthening the growth of the digital economy and FinTech sector.

In Viet Nam, the Internet economy's annual growth merchandise value (GMV) has increased to USD30 billion in 2023, or about 8% of the economy's GDP. In 2025, Viet Nam is expected to have USD43 billion values in Internet economy, which is equivalent to 10% of the economy's GDP. Also, 99.7% of the population has access to the internet. More than 80% of the population has smartphones, and it is projected to reach 99% in the coming years.

Dr Pham then highlighted several factors, both positive and challenging, for MSMEs. On the upside, the government of Viet Nam has enacted a SME Law, which provides tax support, accounting procedure simplification, access to credit, land rental, and human resources development. Additionally, they provide bank loan packages with preferential lending interest rates. On the other hand, the challenging factors include stringent banks' criteria for appraising and approving MSMEs' credit loans, competition with foreign firms, and low digital and financial literacy, especially in rural areas.

Dr Pham then provided some examples of companies that are supporting MSMEs' access to credit. Validus Viet Nam7 offers unsecured loans for SMEs with low-interest rates starting from around 1.5% per month. The unsecured loans are helpful for SMEs since they tend to lack collateral and proper financial transaction records. They recently launched eBIZ, a service that does not require companies to have any collateral and financial history, except for a bank account and a bank statement, to receive a loan of up to VND500 million (Vietnamese Dong).

Another example, the Kim An Group8, brings financial inclusion to underserved companies through partnerships with financial institutions in sales, credit scoring, and technology. Furthermore, SoBanHang provides solutions to manage multichannel expansion, financial control, customer services, debt collection, and credit access to MSMEs. Dr Pham also

[7] Validus is the leading SME growth financing platform in Southeast Asia, owned by the Government of Singapore. The company headquarters in Singapore and provides services in four economies, including Indonesia and Thailand. https://validus.vn/en/

[8] Kim Ang is a fintech platform that bridges the gap between institutional funding and MSMEs in Viet Nam. https://vn.linkedin.com/company/kim-an

mentioned multiple digital payment companies, including Momo, Zalopay9, VNPay10, and VietQR11, which are also helping MSMEs.

Dr Pham concluded by highlighting some considerations for both government and private sector on how to best broaden MSMEs' access to credit. First, for the government side, he proposed establishing a clearer regulatory framework. The process must be completed soon, so that MSMEs in Viet Nam do not lose any competitive advantage, and to prevent the market from being taken over by firms outside of Viet Nam. He also proposed establishing flexible license requirements to resolve conflicts of interest between the license holder and licensed users. Dr Pham also recommended strengthening the capacity of financial institutions in SME lending. They can collaborate with international institutions like the International Finance Corporation (IFC)[12]. Lastly, a financial literacy development program for MSMEs should also be implemented.

Dr Pham also discussed several points that the private sector should consider. First, the private sector can create a tiered lending procedure that allows for more flexible assessments of SMEs. He also proposed creating a more innovative credit scoring system or collaborating with FinTech firms that provide solutions. For example, one credit scoring system calculates the score based on how individuals spend money on e-commerce platforms and allows them to use BNPL services. Lastly, the private sector ought to pay attention to financial literacy and develop an economy-wide program to enhance it.

8.4.3.2.3 Q&A Session

After the two presentations, the panel moderator, Mr James Tetlow from Washington CORE, invited both panelists back on the stage.

Mr Tetlow asked Dr Pham about how Validus Viet Nam works, and whether it allows exemptions to credit scoring to microentrepreneurs. Dr Pham responded that Validus Viet Nam's model has an established maximum cap of VND500 million or 300 million. Depending on the tier of recipients, FinTech companies provide the loans accordingly.

Mr Teltow asked Atty Ong about how the SEC identifies potential new policies or programs to support MSMEs in connecting them with finance options, and about any kinds of policies under consideration. Atty Ong noted that the crowdfunding roadshow was a helpful tool for MSMEs to raise capital, so the SEC plans to do a second roadshow in different cities to engage with more participants and identify effective policies to help them. The SEC has also identified some sectors to focus on in the second roadshow, such as power generation and distribution, agribusiness, healthcare, and small-sized real-estate companies.

Mr Tetlow then asked about the development status of a draft regulatory sandbox in Viet Nam. Dr Pham responded that earlier in 2024, the Congress of Viet Nam issued a law on banking. One of the articles mentioned a testing mechanism for innovative banking products, tailored for mobile lending or peer-to-peer (P2P) lending. These efforts would surely facilitate banking sector businesses. However, the draft says the approval process would take 90 days or more, and Dr

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[9] Zalopay, a part of VNG Corporation, is one of the leading digital wallets in Viet Nam. The company provides mobile payment solutions to 14 million active users as of 2023. https://vn.linkedin.com/company/zalopay https://global.alipay.com/docs/ac/antomad/zalopay
[10] VNPay, the abbreviation for Viet Nam Payment Solution Joint Stock Company, offers electronic payment services to more than 40 banks in Viet Nam and others. https://vn.linkedin.com/company/vnpay
[11] VietQR is a payment standard that the Payment Corporation of Viet Nam (Napas) developed. It allows users to pay via QR code using their mobile phones. https://www.linkedin.com/pulse/vietqr-virtual-account-future-payments-vietnam-loi-nguyen
[12] The International Finance Corporation (IFC) is a member of the World Bank Group and one of the largest global development institutions focused exclusively on the private sector in developing economies. https://www.ifc.org/en/home

Pham feels that the period is quite long and needs a more streamlined process for innovation, especially low.

Mr Tetlow asked Atty Ong about the SEC's lessons learned from developing a sandbox and about any models in other economies that the SEC used as a reference. Atty Ong responded that defining a clear goal was helpful for evaluating and prioritizing which FinTech activities to be enrolled in the sandbox. In the Philippines case, the point of the sandbox is to receive a regulatory response for FinTech activities. The SEC used the sandboxes organized in the United Kingdom and Singapore as models for their own sandbox design.

Mr Tetlow then asked how policies from regulators can help FinTechs to provide MSMEs in rural communities with access to finance. Dr Pham responded that there are two steps that are important to move forward. In Viet Nam, people are struggling to make a living, and if they have enough money to top up their mobile phones with a 4G network, they can use an e-wallet or QR code payment. This first step is therefore providing economic development programs that make people's lives sustainable. After that, as the second step, the government can invest in technology that gives people access to the services. The data package with 4G network is VND90,000 (USD4) per month, which is still too expensive for some people in Viet Nam. Similarly, Atty Ong noted that infrastructure is a key challenge in the Philippines. To alleviate the issue, leaders have started crafting a digitalization roadmap to provide those in rural areas with access to the Internet.

Mr Tetlow asked Atty Ong about any policy considerations for improving the access to finance for women-owned businesses. Atty Ong responded that the SEC is championing gender empowerment and provides help in fulfilling their needs for financial literacy and financial access.

Mr Tetlow then asked Dr Pham about the regulators' responsibilities to promote knowledge and literacy. Dr Pham responded that the key challenge is funding. He suggested that the government of Viet Nam, universities, and APEC could collaborate to provide training programs and materials to share knowledge about FinTech, and then conduct a survey to ensure whether the people acquired useful knowledge.

An attendee from Malaysia's Ministry of Entrepreneur Development and Cooperatives asked the speakers whether MSMEs, especially micro businesses, are ready and motivated to adopt FinTech services (the attendee reckoned that many micro companies prefer to continue their traditional ways of business and that they may not be so interested in scaling up their businesses with improved access to finance). First, Atty Ong responded that micro businesses in the Philippines tend to use FinTech over traditional banks to raise capital, due to the high lending requirements from banks, and because they do not have IDs and a steady flow of income. Dr Pham noted that the situation in Viet Nam is similar, so micro firms are more likely to reach out to FinTech firms than traditional institutions. Dr Pham provided an example of QR code payments, which have become widespread after the COVID-19 pandemic. As a result, people in Viet Nam have gained easier access to credit.

Mr Tetlow closed the panel by asking about the speakers' recommendations for future APEC workshops on FinTech for MSMEs. Dr Pham responded that it is crucial to increase the financial literacy of MSMEs and individuals, especially in underserved areas. He also suggested APEC provide support for economies to develop their regulatory frameworks. It is because a clear regulatory framework helps FinTechs to test their products without wasting time. Atty Ong suggested APEC host an inter-economy forum that aims to share the experiences of regulatory sandboxes and capacity building efforts for MSMEs. This will allow regulators to share their experiences in helping MSMEs to achieve their financial goals, like public offerings, through technologies.

8.4.3.3 Closing Session

8.4.3.3.1 Workshop Summary and Closing Comments

At the end of the workshop, the workshop summary and closing comments were delivered by Mr NAKAMURA Takahiro, Project Manager at Washington CORE.

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[229] Note: Responses from some economies are excluded in this figure due to multiple organizations from the same economy providing different responses.

[230] These three economies and their plans were Hong Kong, China's Commercial Data Interchange (CDI, 2022), Malaysia's Digital Economy Blueprint (2021), and the Philippines' National Strategy for Financial Inclusion 2022-2028 (NSFI). Viet Nam's plan, Decision No. 149/QD-TTg: approving the comprehensive financial strategy up to 2025, with orientation to 2030, was approved in January 2020.

[231] For several questions, there were mixed results between organizations from the same economy about whether there were policies/strategies/standards in place. In these cases, only the 'yes' responses were selected, since some organizations were aware of specific programs.

[232] Responses from some economies are excluded in this figure due to multiple organizations from the same economy providing different responses.

[233] Responses from some economies are excluded in this figure due to multiple organizations from the same economy providing different responses.