INTERNATIONAL TRADE ADMINISTRATION

2016 Top Markets Report Financial Technology
Country Case Study

Singapore

Singapore is a city-state with one of the highest per capita income levels in the world and has the highest smartphone penetration rate (80 percent) in Asia. It is the most developed country in the Association of Southeast Asian Nations (ASEAN) and serves as Southeast Asia's leading financial center with 117 foreign banks in Singapore and five global banks headquartered in the region. Known for its transparent and well-run regulatory system and effective collaboration between the government, private sector and key constituents, Singapore has established itself as a leading FinTech center.

Payments Rank	Overall Rank
31	20

Lead Financial Center for ASEAN

Singapore's highly developed financial and regulatory system, as well as the ease of doing business in the country, allows it to play a leading role in the ASEAN region. Currently the ASEAN Financial Integration Framework sets out a framework to create a more integrated financial region by 2020, which would complement Singapore's role as a global financial center. Singapore is currently ranked fourth on the GFCI. Within ASEAN, the city-state is far ahead of other ASEAN cities, such as Kuala Lumpur (#45), Bangkok (#48) and Manila (#55).

In January 2015, the ASEAN countries' central banks adopted principles for product transparency and disclosure on cross-border trade settlements. These principles will ensure that customers have clear, timely accessible data and information for cross-border transactions and will promote the use of local ASEAN currencies.

The ASEAN Financial Integration Framework (AFIF), envisages a more integrated financial region by 2020. Each ASEAN member country will be able to designate local bank(s) as a Qualified ASEAN Bank (QAB) to expand and operate within the region. Key subjects include the removal of restrictions to the intra-ASEAN provision of financial services between member firms, and the increase of capacity and infrastructure to develop and integrate ASEAN capital markets. This will liberalize the flow of capital across the ASEAN region and harmonize payments and settlements systems for FinTech companies. U.S. FinTech firms could use Singapore as a launching pad for the whole of Southeast Asia particularly ASEAN countries.

Payments Infrastructure

The payment ecosystem in Singapore is one of the best and strongest in the world due to close and effective collaboration between government entities, such as the Monetary Authority of Singapore (MAS), private players and telecommunications companies. Singapore

Figure 1: Singapore at a Glance

Source: See methodology, 2017

GDP	Population	Consumption	Fin. Assets	Smartphone	Broadband
$309 bill.	6 mill	38.4 % of GDP	924 % of GDP	80.0%	31.8%

enjoys a high mobile penetration rate of approximately 1.5 phones per person.[1] Singapore is also one of the leading nations in the world in terms of smartphone adoption with 80 percent of its inhabitants using smartphones.[2]

Singapore's FinTech ecosystem is a good example of how a strong private sector payments industry develops through high mobile usage, proper technology infrastructure and support by conducive government regulations. These factors will also help drive the next wave of payment innovation.

Subsector: Payments

The non-cash payments market in Singapore reached 3.8 billion transactions in 2013, the majority of which (80 percent) were prepaid as e-payments or e-money.[3] The establishment of the Contactless e-Purse Application (CEPAS) by the Government of Singapore in 2009 was a driving force in increasing e-money usage as it created a nationwide standard for a micro-payment platform that acts as a conduit for multiple stakeholders from financial institutions to retail e-commerce and end-users.

Subsector: Marketplace-lending

Singapore's marketplace-lending is still underdeveloped compared to other markets considered as its peers on the GFCI due to its small size of only 5.5 million people. There have been a variety of different crowd-lending companies established in Singapore with mixed success. Some crowdfunding platforms, such as Crowdo, are using Singapore as a base for all of ASEAN and have already successfully launched in Malaysia and Indonesia.

Though Singapore's crowd-lending market is small, SMEs and financing for SMEs are a very important priority for the ASEAN economies of Indonesia, Malaysia, Philippines, Singapore and Thailand. These countries' SMEs contribute between 30 to 60 percent of the countries' GDP and employ between 60 to 90 percent of their respective workforces. With the exception of Thailand, SME loan volumes in these countries are less than 60 percent of their GDP contribution and constitute less than 20 percent of total loans. This presents a significant opportunity for FinTech companies to target lending and crowd-lending applications.[4]

Demographic Section

Singapore enjoys a demographic that is likely to use FinTech and innovative payment services. Singapore, with 33.9 percent of the population between the age of 20 and 44 in comparison to 31.5 percent for G7 countries, exhibits a higher proportion of the younger population group that is more likely to use FinTech products.[5][6]

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[1] "Statistics on Telecom Services for 2015" iDA Singapore. (January – June 2015)
[2] "Asia's mobile first world" Google Asia Pacific Blog (October 28, 2014)
[3] "World Payments Report 2015" by Capgemini and The Royal Bank of Scotland
[4] "Digital Banking for SMES" Deloitte Consulting, Mohit Mehrotra. (2015)
[5] "Population in Brief 2015" National Population and Talent Division of the Singapore Department of Statistics. (September, 2015)
[6] Consumers and Mobile Financial Services 2015, Board of Governors of the Federal Reserve System, (March 2015)

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