



MEDIA STATEMENT

INTERGOVERNMENTAL FINTECH WORKING GROUP PUBLISHES RESEARCH ON THE FINTECH START-UP SECTOR

Today the Intergovernmental Fintech Working Group (IFWG) published its first Fintech Landscaping Report.

Fintech is technology-enabled financial innovation which can lead to new business models, applications, processes and products, and is transforming the financial services sector globally. Fintech has the potential to reduce costs and frictions, increase efficiency and competition, narrow information asymmetry, as well as broaden access and be an enabler for financial inclusion.

The aim of the research was to have a clearer understanding of the fintech market to enable policymakers and regulators to better manage risk and enable innovation. This balance between innovation and risk is critical to enable fintech to deliver on growth and access.

The report captures data obtained in 2019 in respect of all active fintechs founded in the past 11 years that have a physical presence serving South African consumers.

The report focuses on over 200 South African-based small, start-up, agile and independent fintech businesses that support and challenge innovation in the financial sector. The data reveals that the largest and most mature of these segments is payments, with 68 entities actively operating within this segment. This is aligned with international fintech trends, where payment solutions dominate the fintech landscape.

Through the research, the market size of each segment was estimated and international trends and fintech business models were used to determine the potential growth per segment. A sample group of fintech entrepreneurs were interviewed to understand their journey, challenges and perceptions of the regulatory environment. Financial services regulation in South Africa was also reviewed. The research report contains recommendations in support of the fintech sector.

As a result of this project, 2020 will see the IFWG introduce an online portal consisting of a Fintech Innovation Hub and a fintech database. The Fintech Innovation Hub will include a Regulatory Guidance Unit, a Regulatory Sandbox and



an Innovation Accelerator component.

The Regulatory Guidance Unit will provide information and clarity regarding financial services regulation. The Regulatory Sandbox will offer regulatory relief, within the existing legislative framework, to test innovative products and services. The Innovation Accelerator will explore innovation that can improve the regulatory environment or improve customer experience and access.

Fintech players will, via the online portal, be able to apply to participate in the Fintech Innovation Hub as well as review their information. The planned launch date for the portal is the first quarter of 2020.

Notes to the editor

The Intergovernmental Fintech Working Group (IFWG) was established in 2016 with the objective to create a forum for regulators to gain deeper insights into fintech innovation in order to regulate and foster responsible innovation to help ensure the continued efficient functioning of financial markets and financial stability, and the safeguarding of customers' interests. Founder members of the IFWG are the Financial Intelligence Centre, the Financial Sector Conduct Authority, the National Treasury and the South African Reserve Bank. Since its establishment, membership of the IFWG has grown to include the National Credit Regulator and South African Revenue Service.

Issued by: Intergovernmental Fintech Working Group

Date : 22 January 2020

