

# Growing the fintech community

Nxt Bnk KL aspires to play a facilitator's role in linking entrepreneurs with regulators, banks and investors



by Najihah S

**THE** banking industry is slowly but surely shifting its conventional methods to a more nimble platform termed "fintech" or financial technology. Often defined as computer, mobile

and application technology that is being used in the financial sector, transactions have migrated to the mobile platform. With just a click, you are able to deposit money, pay bills and even send invoices. And it is all paperless.

Malaysia, too, has seen a significant increase in the number of fintech companies and Nxt Bnk KL, an advocate of this movement, is making its presence felt.

Nxt Bnk KL is the Kuala Lumpur City chapter of Nxt Bnk, a global and independent community driving change for the better in financial services. Its aim is to build an open and collaborative fintech community and improve financial services through design, innovation and entrepreneurship. To-date, Nxt Bnk has engaged more than 10,000 market leaders, policymakers, investors, bankers and fintech entrepreneurs globally.

Nxt Bnk KL is led by



Jason Lee, Lee Yen Ming and Wilson Beh, who are all professionals in the banking industry. They share a vision to create a connected fintech community and aspire to play a facilitator's role in connecting such entrepreneurs with regulators, banks and investors. The chapter also seeks to provide a collaborative platform among fintech enthusiasts and gain insights into consumer needs on fintech.

Beh tells **FocusM**: "Fintech in Malaysia is at its infancy stage, hence we aspire to educate and bring awareness to people about fintech."

"We believe fintech will disrupt the banking system, enabled by technologies such as the internet, increased penetration of smartphone usage, data storage on a big scale, and

Beh is always on the lookout for new trends in fintech



Casual networking sessions done by Nxt Bnk KL is a great way to gather new ideas



developments of sophisticated algorithms and authentication techniques."

On why fintech has grown immensely, Beh says: "Fintech has two unique selling points - the better usage of data, and frictionless customer experience."

"The success of many tech companies such as Airbnb and Uber is attributed to the additional values mentioned which are not provided by conventional businesses. It is the same for banking."

Nxt Bnk observes that consumers are looking for something quicker, more convenient and simpler to perform daily financial routines. They see fintech as both an enabler and accelerator reaching out to those who ask for more from financial services providers.

## Banks face growing competition from fintech companies

Asked about how fintech has changed the banking industry, Beh says: "Banks are facing growing competition from fintech companies. However, these companies are not about to replace traditional banks."

"There are a number of verticals in the fintech sector such as payment, insurance, wealth management, investment, P2P [peer-to-peer] lending, equity crowdfunding and security enhancement."

He also feels that large banks will somehow still be the first option for those applying for loans as evident in the steady demand. "The upstarts are still tiny: Lending Club, a New York-listed P2P platform, has arranged US\$9 bil [RM39.6 bil] in loans through its marketplace. However, it is still small compared to the total credit card debt in the US which amounts to around US\$900 bil," he adds.

Confident that banks will maintain their dominant stature, Beh says: "To quote *The Economist*, no fintech product comes close to matching the security and convenience of a current account at a bank."

Nevertheless, the influence of fintech is expected to grow in the coming years. A report by Accenture says fintech ventures have tripled from around US\$4.05 bil in 2013 to nearly US\$12.2 bil in 2014. During the same period, investments in Asia-Pacific fintech ventures have also more than tripled, from US\$245 mil in 2013 to US\$767 mil in 2014.

Meanwhile, a statistics portal, Statista reported that the total investment in fintech globally last year hit US\$6.8 bil and predicts that investors in North America will spend US\$20 bil on fintech by next year.

When it comes to regulations, Beh says regulators in Malaysia are cognisant of the technological advancement from the fintech evolution and are progressive in crafting the necessary regulations. For instance, Bank Negara Malaysia recently introduced the Life Insurance and Takaful Family framework (Life) in which technology will play an important role in the conventional insurance industry.

Nxt Bnk also applauds the Securities Commission of Malaysia (SC) for rolling out the Equity Crowdfunding framework last year. SC will also introduce the P2P framework sometime in the first quarter of this year.

## Alternative funding solutions

The introduction of P2P lending, equity crowdfunding, and invoice financing (factoring) will benefit SMEs that are looking for alternative funding solutions.

Beh says Malaysia is "fortunate to have a securities regulator that is proactive and supportive of the fintech movement."

"It was a proud moment when Malaysia became the first Southeast Asian country to announce an Equity Crowdfunding framework in June last year and it was encouraging to see the SC making fintech a key theme of the World Capital Markets Symposium in September," he says.

It was also during the symposium that SC chairman Datuk Ranjit Singh stated: "As a regulator, I strongly believe that we could play a facilitative role in a number of ways - be it by assisting businesses in navigating the regulatory environment, sponsoring accelerator programmes or strengthening the venture capital and private equity ecosystem to provide much-needed financing for fintech entrepreneurs."

Nxt Bnk KL is enthusiastic about working together with the local fintech community to create even more events and content to promote the growth and awareness of fintech. It organised the

Fintech Semi-Final competition on Dec 21 when 10 fintech start-ups pitched their products to a live audience and four industry expert judges.

The winner, Curren\$eek, will represent Malaysia at the Fintech Finals 2016 in Hong Kong on Jan 25-26.

Curren\$eek is a mobile app that helps travellers find and negotiate currency exchange rates from banks and currency exchange outlets. "We launched Curren\$eek in April 2015 and have been steadily gaining hundreds of users ever since," says its co-founder Amir Haghbin.

On the challenges of being a fintech start-up, he says: "Attracting great people to be involved and getting funds is a challenge."

He also mentions that expansion is an uphill climb now that it has aspirations to delve deeper, including working with highly-regulated banks and money changers.

More start-ups are finding their way into the fintech loop and one of them is The Red Bricks (TRB). Its founder Quek Wee Siong is adamant that his company should be involved in fintech not only because it is relevant in this day and age, but it is also instrumental in changing people's behaviour. "Managing finances is a daily necessity and fintech plays a very important role," he adds.

Nxt Bnk believes fintech companies should be driven by the understanding of the financial sector and being aware of the gaps and opportunities in the industry.

An attribute that Nxt Bnk sees as very helpful is the ability to come up with disruptive ideas and innovations. As such, start-ups must also embrace the digital age by coping up with trends and learn

## Banks hedge their bets on fintech

**NOT** wanting to be left out of financial technology (fintech) transformation, local banks have established their own fintech teams which also collaborate with start-ups and SMEs to bring the benefits of fintech to customers.

Maybank became the first to aggressively promote this by organising a special programme for startups called Maybank-Fintech last year. Said to be one of its kind in Southeast Asia, the programme lends support to startups in generating ideas for the fintech sphere.

Maybank Group chief strategy officer Michael Foong said then there was increasing openness among venture capital firms and banks in this region to listen to these startups and support them, given that these companies themselves stand to benefit should the startups succeed with their projects.

"We want to be a central member of

the purchasing habits of the new type of digital-savvy customers.

The future looks bright for the fintech sector. In terms of the ability to innovate, fintech companies are arguably comparable with others in the region, says PricewaterhouseCoopers' executive director with the technology consulting practice Ng Wai Heng. **FOCUSM**

the fintech community in the region, to help grow and support entrepreneurs, by providing them with an avenue to connect directly with the financial industry. Ultimately, we not only want the bank to gain from these innovations, but also for the Asean region to benefit from the economic and social impact of such technological advance" said Foong.

Apart from Maybank, several other banks such as CIMB and RHB are making their presence felt in this area. Both RHB and CIMB partnered with Singaporean Startupbootcamp to have a good fintech footprint in the Southeast Asian region.

Backing from the government can also make the fintech community grow to its full potential. Multimedia Development Corp (MDeC) is one government agency that is seen to be putting a lot of effort to encourage the growth of fintechs. MDeC has collaborated on the ideation of fintech solutions with CIMB to start an incubation programme called Innochallenge.

Other agencies such as Agensi Inovasi Malaysia (AIM) and PlatCOM Ventures Sdn Bhd are also actively involved in guiding start-ups in fintech. In fact, one of fintech The Red Brick's products called "MHub", a B2B platform, secured funding from both agencies.



The Red Bricks, with Quek (centre), Jason Ding (left) and Joshua Ong on board, finds inspiration in companies like Uber and Airbnb