

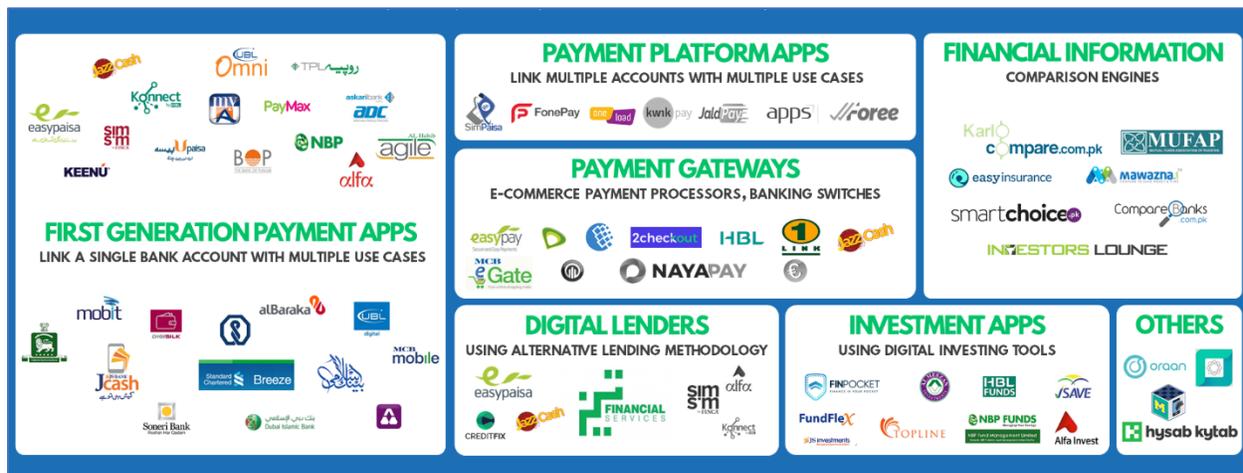
FinTech Association of Pakistan

FinTech Ecosystem

Fintech, the abbreviation for financial technology, is a broad category that refers to the innovative use of technology in the design and delivery of financial services and products. Its application serves numerous business segments such as lending, investment management, money transfers, raising money and payments. These developments are made possible by harnessing mobile technologies, big data and analytics to design products customized to consumer needs and preferences. The proliferation of fintechs has had a tremendous impact on changing the way companies interact with consumers. Pakistan has also witnessed this growing trend, with a dramatic increase in mobile broadband penetration over the past five years with internet penetration at 30%¹. According to an estimate, the digital finance potential of Pakistan stands at about \$36 Billion by 2025, providing a 7% boost to the GDP, creating 4 million new jobs and resulting in \$263 Billion new deposits².

In a mapping exercise, the following FinTech applications in Pakistan were identified and categorized in the following way. These categories include banks, MFBs, NBMFCs, private companies and start-ups.

FinTech Applications in Pakistan



In order to support the development of this burgeoning industry, it is therefore important to bring all relevant fintech stakeholders on to a unified platform to facilitate collaboration between all market participants and stakeholders in the FinTech ecosystem.

¹ Fintech in Pakistan. Ipsos. Source: <https://www.ipsos.com/en-pk/fintech-pakistan>

² A Brief Note on Digital Payment Systems in Pakistan. Medium: <https://medium.com/indrastra/a-brief-note-on-digital-payment-systems-in-pakistan-1959dd95a94c>

The FinTech Association of Pakistan (FAP) aims to provide an effective platform for all fintech stakeholders to engage on finding solutions to emerging issues in the fintech sector and to collaborate on promoting best FinTech practices in an open and transparent manner.

Membership Structure

Membership Type 1:

Core Members: This category of members will include the fintech organizations currently present in Pakistan which can broadly be categorized into five main types. These are digital payments, digital lending, digital savings, digital capital marker products and digital financial information.

- a) Digital Payments: Digital Payments involve payments that are conducted over the internet and mobile channels and thus include any payment that is sent online or through mobile computing and internet-enabled devices. Digital payment platforms provide a secure and direct method of completing transactions and are rapidly gaining momentum in the Pakistani market.

Digital Payment Providers in Pakistan



- b) **Digital Lending:** Digital lending is the process of offering all aspects of loan-taking through digital channels. Lending as a paper-based process takes day and involves a long-drawn process of customer investigation. With digital lending, the disruptive technology reduces the TAT from days to minutes while the incorporation of smart algorithms and the digital customer transaction history allows for smoother investigation of the customer. These platforms also provide an opportunity to underserved borrowers to develop a good credit history which can further help them in obtaining credit in the future.

Digital Lending Services in Pakistan



- c) **Digital Savings:** A digital savings account is a paperless, fast and secure way for opening an account on a digital platform. With the help of a digital savings account, the account holder can avail banking services like instant transfers, phone banking, SMS banking etc.

Digital Savings Services in Pakistan



- d) **Digital Capital Market Products:** Many fintech disruptors are also creating new conceptions of investing and trading. This digital disruption is easing the process of buying and managing the best financial products. The capital markets industry, today, finds itself in a transitional period where it has the opportunity to leverage superior technology, data and design to make investments simple and convenient.

Digital Capital Market Products in Pakistan



- e) **Digital Information:** Digital information platforms provide a one-stop-shop for financial information of an entire market; these can include platforms providing information for making decision about personal finance, comprehensive overviews of credit cards, personal loans, auto loans, insurance etc. and powerful insights regarding the stock market and investment options.

Digital Information Platforms in Pakistan:



Membership Type 2:

Affiliates: This category of membership will include other interested parties such as

- a) Banks
- b) Independent Directors from other Financial Institutions and Technology Companies

Governance Structure

General Body Composition

All members from the Membership Type 1 and Type 2 i.e. affiliates will constitute the General Body. In addition, individuals and private companies interested in financial inclusion and fin-tech can also become part of the General Body.

In addition to the General Body, five (5) independent members from the global fin-tech community will be advisors and also include **6 patrons**, one each from The State Bank of Pakistan, Pakistan Telecommunications Authority, Federal Board of Revenue, Securities and Exchange Commission of Pakistan, NADRA along with the Head of Digital Pakistan Initiative.

Board Composition

The affairs of the Association shall be managed by the Board.

The Fintech Association of Pakistan (FAP) Board will be elected by members of the General Body for a period of three years and it will consist of 15 directors. Board composition will reflect the general body membership with **8 directors** from Membership Type 1 and **2 directors** from Banks (Membership Type 2a) and **5 independent directors** from other Financial Institutions and Tech Companies (Membership Type 2b).

Vision, Mission and Objectives

Vision

A fully digitized financial ecosystem in Pakistan.

Mission

Facilitate collaboration between stakeholders in the FinTech ecosystem to enhance scale, improve quality of services and achieve sustainability to promote the future of Pakistan's fintech industry.

Objectives

The FAP will pursue its mission through the following objectives;

- **Connect:** To be a **knowledge hub** for the FinTech industry in Pakistan to channel and disseminate effective and relevant information among stakeholders.
- **Catalyze:** To provide a platform for **incubation of ideas and innovation** to accelerate development of fintech companies.
- **Create:** To promote an **enabling environment** for FinTech organizations that helps successful integration and acceleration of Pakistan's fintech ecosystem.

- **Collaborate:** To develop **synergies** with peer entities, FinTech stakeholders, potential partners, as well as regulators.

Functions of the Association

I. Knowledge Management

To provide a virtual and physical knowledge exchange platform for fintech stakeholders through;

- Compiling research reports, policy papers and data analysis
- Promoting benchmarks and international best practices;
- Publishing industry information material and dissemination of the same;
- Collecting, analysing and disseminating information to various stakeholder groups.

II. Information Exchange and Idea Hub

To provide a virtual and physical information exchange and idea hub for fintech stakeholders through;

- Delivering regular content on our website - news about innovations, new startups or technologies
- Organizing innovation and educational events for fintechs and startups.

III. Enabling Environment

To promote an environment conducive to a thriving fintech ecosystem by;

- Facilitating interaction and dialogue of fintech organizations with policy makers to enable free and easy entry of fintech services into the market.
- Focus on creating and maintaining liaisons with private and public sector outfits to leverage expertise for various industry support infrastructure.
- Liaising with and facilitating donor investments.
- Propagate good practice and exchange of ideas at an international level and national level through exposure visits.
- Mechanisms to build linkages with universities that can be used to not only attract good HR to the sector but also raise understanding and interest amongst the academic community.
- International and national trainings to strengthen the human resource base of the industry.

IV. Networking Platform

To create a vibrant networking platform that encourages and enables collaboration between stakeholders: regulators, corporations, consumers, technology vendors, entrepreneurs, academia, donors and investors by;

- Holding events and roundtable discussions
- Representing the sector at domestic and international forums
- Building strategic partnerships with local and international stakeholders.
- Creating linkages with both bilateral and multi-lateral donors.

Management Structure

The Association is to have a flat structure, designed to allow the organization to be flexible and evolve with the needs of its members. The organizational structure will be lean and housed at PMN to minimize operational costs and gather experience of an established national-level association. The three (3) full-time management staff will include a General Manager, Fin-Tech Analyst and a Communications Analyst.

Oversight is to be provided by the Board of Directors.

Sustainability Strategy

The Association will be kept lean and will be housed at PMN to keep its cost structure low and benefit from an established national-level association.

On the revenue side, there will be three major sources of revenue;

1. Subscription / Membership fees – This will cover 1/4th of the total operational costs
2. Sponsorships – Annual Conference should be able to raise 50% of the operational costs
3. Research / Projects – This will cover 1/4th of the remaining operational costs

It is planned that post the completion of grants, the Association will aim to sustain its operational costs.