

FINDEXABLE

فنتك السعودية
FintechSaudi

Fintech Saudi Arabia

READY FOR TAKE-OFF



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Interviewees



Abdulaziz Alsayyari

Founder and Board Member, Sukuk,
Saudi Arabia



Basem Alsallom

Founder and CEO, Sure Pay,
Saudi Arabia



Mansour Al-Harbi

CEO, Dawul,
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CEO, Forus,
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Omar Onsi

Founder and CEO, Nymcard,
United Arab Emirates



Reem Al-Harbi

General Manager - Saudi Arabia, Checkout.com,
Saudi Arabia



Yazeed Saleh Al-Demaigi

Deputy, Strategy & International Affairs, CMA,
Saudi Arabia



Ziad Al-Yousef

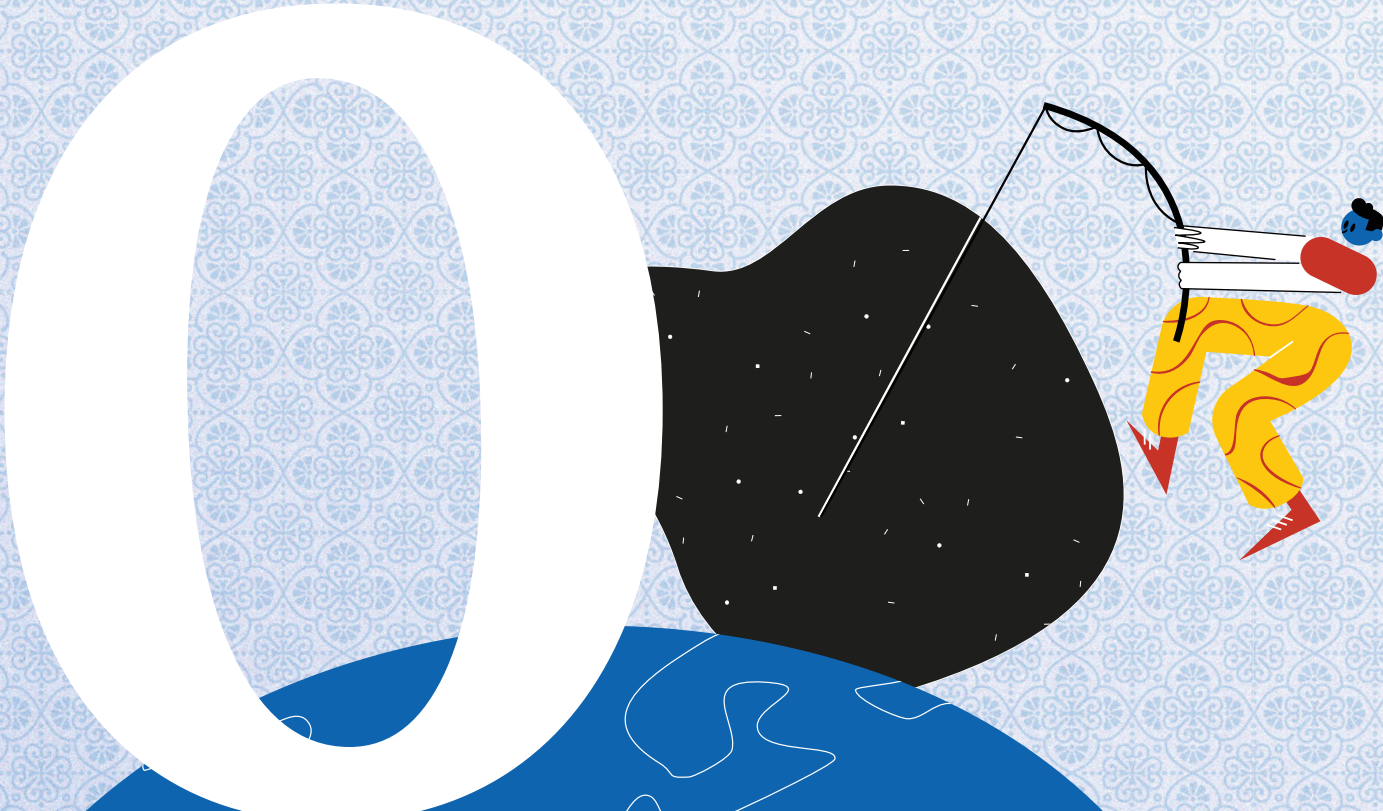
Deputy Governor for Development and Technology, SAMA,
Saudi Arabia

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Introduction



Building a global fintech hub

Saudi Arabia is one of the world's fastest-growing fintech hubs. And as the region's largest economy the potential to become a global reference point for fintech across the Middle East and North Africa is real. While venture investment in the sector is still at an early stage, since 2018 more than US\$1 billion has been invested in fintechs based in the Kingdom, with Western Union's investment in Stc Pay in November 2020 creating a scale payments player that has helped inspire fintech adoption and innovation across the ecosystem.

A pandemic and growing e-commerce adoption have contributed to the trend. In early 2022 Sequoia Capital invested

US\$33 million in Saudi Open Banking infrastructure provider Lean Technologies to help the firm expand across the region as the opportunity for open banking data grows.

Regulation and infrastructure is playing a role too. With a focus on payments infrastructure that enables real-time payments and the national payment provider Saudi Payments' focus on providing innovations that serve the needs of the wider economy - by making it easier for consumers use cashless payment channels or facilitating payments for the country's small businesses - the Kingdom has the foundations on which to build the region's leading innovation ecosystem.



MENA'S FINTECH NATIONS







Country	Global Rank	Change from 2020
United Arab Emirates	28	▲ 6
Saudi Arabia	65	new
Tunisia	68	new
Egypt	72	▼ -12
Lebanon	73	▼ -8
Jordan	75	new
Iran	81	new

MENA FINTECH HUBS

MENA Rank	City	Country
1	Dubai	United Arab Emirates
2	Riyadh	Saudi Arabia
3	Abu Dhabi	United Arab Emirates
4	Jeddah	Saudi Arabia
5	Manama	Bahrain
6	Tehran	Iran
7	Amman	Jordan
8	Beirut	Lebanon
9	Kuwait City	Kuwait



REGIONAL FINTECH ECOSYSTEMS: GULF COOPERATION COUNCIL

	 SAUDI ARABIA	 BAHRAIN	 KUWAIT	 OMAN	 QATAR	 UAE
Number of fintech companies ¹	82	100	28	5	105	400+
Internet access	98%	99%	99%	95%	99%	99%
Internet banking penetration	41%	30%	23%	14%	31%	59%
Regulatory readiness	HIGH	HIGH	HIGH	MEDIUM	MEDIUM	HIGH
Regulatory framework	<ul style="list-style-type: none"> • SAMA Open Banking policy • CMA Fintech Lab • Payment Services Law (2022) • SAMA Regulatory Sandbox (2019) • CMA Financial Technology Experimental Permit Instructions (2018) 	<ul style="list-style-type: none"> • Bahrain Open Banking Framework to define standards (Oct 2020) 	<ul style="list-style-type: none"> • Regulatory sandbox • Instructions for Regulating the Electronic Payment of Funds • Government has established a \$200 million fund for technology investments 	<ul style="list-style-type: none"> • CBO has simplified fintech regulation and provision of payment services issuing the National Payment System Law • Constitution of Fintech committee • Regulatory sandbox framework 	<ul style="list-style-type: none"> • Qatar Development Bank set up an incubator and an accelerator in 220 • Central Bank finalising regulatory sandbox and payment service provider license. • Still cautious of open banking 	<ul style="list-style-type: none"> • Sandboxes run by Central Bank of UAE, Abu Dhabi Global Markets, and the Dubai Financial Markets Authority • Licensing regime for Large-value Payment Systems and framework for loan-based crown funding
Ecosystem Initiatives	<ul style="list-style-type: none"> • Fintech Saudi • Saudi Payments • Vision 2030 • Saudi Data & Artificial Intelligence Authority • Project Aber 	<ul style="list-style-type: none"> • Bahrain Fintech Bay • Bahrain Economic Development Board 		<ul style="list-style-type: none"> • Oman Startup Hub • Oman Technology Fund • Oman Block Chain Society 	<ul style="list-style-type: none"> • Qatar Fintech Hub • The Qatar Financial Centre • QFC Licensing Platform • QDB Sector Development 	<ul style="list-style-type: none"> • DIFC Fintech Hive • UAE Fintech Office • Emirates Blockchain Strategy 2021 • National Innovation Strategy • MENA Fintech

¹ Source: findexable, Tracxn 2022

* January 2021



Saudi Arabia has the highest proportion of e-commerce customers and second-highest penetration of internet banking across the GCC.

BUILDING AN ECOSYSTEM. RESPONSIBLY.

As consumer adoption and regulatory changes supporting fintech innovation have taken effect, compounded by digital take-up as a result of the pandemic, the fintech ecosystem has grown rapidly¹.

As the region's biggest economy there's also plenty of growth potential.

Saudi Arabia has the highest proportion of e-commerce customers in the region and the second-highest penetration of internet banking across the six members of the Gulf Cooperation Council (GCC). But while progress has been made in developing a thriving innovation ecosystem, there are challenges to address, as well as opportunities.

This report looks at what's been learnt so far, in Saudi Arabia and across the Gulf – to understand opportunities for growth, the priorities to help realise them and how the Kingdom can build an ecosystem that is both innovative and responsible.

Achieving this requires balancing competing objectives – to accelerate growth and adoption but not compromising consumer protection or creating

conditions for wider systemic risk.

Local payment fintechs are becoming viable competitors to incumbent banks, while crowdlending – a market that has grown nearly nine times since 2020 – are proof of unserved funding needs for small business. But how can regulators and innovators ensure needs are served and that the wider economy benefits from fintech innovation without causing unintended consequences?

“Having started out with payments solutions in 2017, we now have fintechs active across a range of subsectors, from lending and insurance through to personal financial management and Buy Now Pay Later (BNPL) players,” remarked Ziad Al-Yousef, Deputy Governor for Development and Technology at the country's central bank, SAMA.

Exploring Saudi Arabia's fintech ecosystem in the context of regional and global peers, the report defines the opportunity that exists for the Kingdom to become a global player – and the areas that must be addressed as a priority if Saudi Arabia is to reach this potential.

¹ Saudi Arabia experienced the most rapid growth across the region in fintech numbers and investment over the last two years, with company numbers up 37% and investment rising tenfold.

See Arab News: <https://www.arabnews.com/node/2000611/business-economy>

The Opportunities

Building a global hub

GROWTH

After a watershed 2020 and 2021, we look at how Saudi Arabia plans to continue this growth pattern in 2022 and beyond as well as the opportunities to establish a regional beacon for fintech innovation.

SECTOR CONVERGENCE

Companies in the Telecoms, Media and Technology industries and other sectors are now converging with fintech and providing real competition for the Kingdom's banks. We explore the implications of this move for the country's fintech sector.

CROSS-BORDER CONNECTIVITY

As a cluster of mostly smaller but wealthier economies, Gulf region fintechs are exploring internationalisation strategies at an early stage. This report examines them, looking at other regions and ecosystems for informative examples of best practice.

The Priorities

Planning for sustainable growth

TALENT

As fintech in Saudi Arabia grows, talent retention and attraction is becoming a key battleground. We look at the actions the country's fintech innovators are taking - and their suggestions to deepen talent pools and bridge the skills gap.

INFRASTRUCTURE While regulators have focused on building a modern payments infrastructure - we explore the steps taken by ecosystem partners to enable faster integrations, build and deepen partnerships and facilitate cross-border connectivity.

REGULATION This report looks at the regulatory innovations that have enabled the growth of fintech in Saudi Arabia over the last five years, and looks ahead to developments in open banking and opportunities for regulatory alignment with other GCC member states.

Ready for take-off

As digital payments adoption grows, fintech innovators across the GCC and Saudi Arabia are identifying gaps for deeper innovation.

MONO TO MULTI-LINE

Fintech in Saudi Arabia has followed a similar path to other ecosystems globally - where payments digitisation and supportive regulation have laid the foundations for adoption of digital financial services and enabled increasing fintech sector-deepening and sophistication.

Based on global ecosystem research, findexable estimates that in the early phase of adoption payment innovations account for between one and two thirds of the number of fintech firms, before declining as other segments develop.

The process of fintech sector deepening is well underway. E-commerce and fintech investment accounted for 48% of all venture capital invest-

ment in the Kingdom in 2021, according to Tellimer Research.

Payments fintechs make up around 35% of fintech firms in Saudi Arabia, while the number of data aggregation companies has more than doubled since 2018 to account for around one in five of the country's fintech population.

HORIZONTAL INTEGRATION

As digital payments have grown, innovations in adjacent areas including digital banking, data aggregation (for credit scoring and KYC), lending and investment management have taken off. Digital banks D360 and Saudi Digital Bank are examples of this second wave of Saudi fintech.

The opportunity and market growth is attracting attention from other global fintech firms. In April 2021, Checkout.com, the UK-headquartered fintech invested in Saudi BNPL provider Tamara².

² See bloomberg.com, "Checkout.com leads \$110 million round for Tamara":
<https://www.bloomberg.com/news/articles/2021-04-22/checkout-com-leads-110-million-round-for-saudi-fintech-tamara>

VENTURE FORWARD

Against this backdrop perhaps unsurprisingly, venture investment in Saudi fintech broke records in 2021, totalling US\$548³ million last year compared to US\$148 million in 2020 and a combined value of US\$361mn between 2017 and 2020.

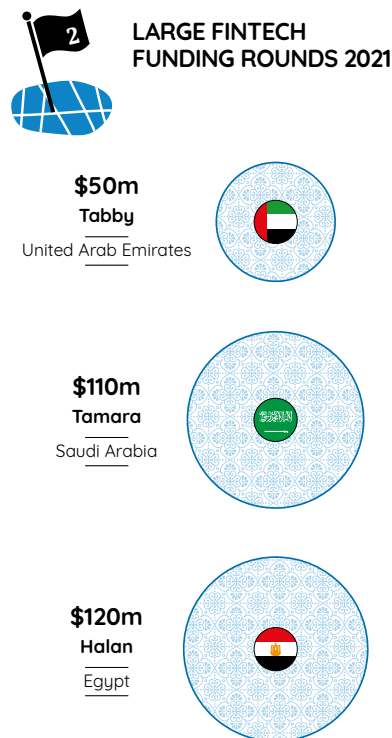
And while a handful of deals accounted for the majority of venture funding, similar to other regional markets, the number of venture deals struck grew by more than half to 139 in 2021 compared to 2020.

As Reem Al-Harbi Checkout.com's general manager for Saudi Arabia remarked, "Saudi's fintech ecosystem has never been as vibrant. From just ten fintech startups in 2018, there are now well over 150, spanning payments, currency exchange, lending banking and personal finance."

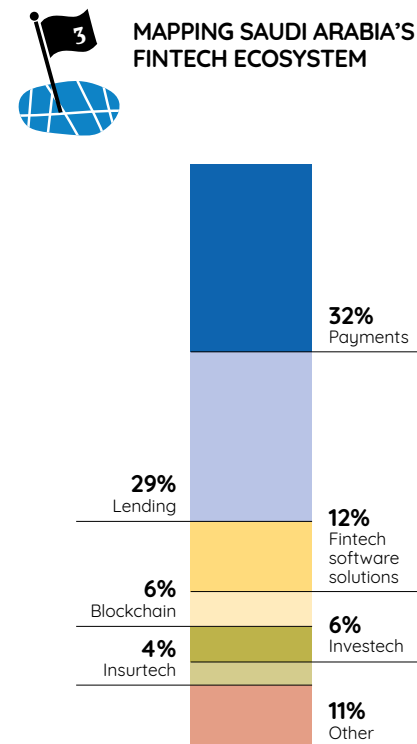
NO INNOVATION WITHOUT REGULATION

As fintech ecosystems develop, the role of

³ See Magnitt Consulting, "Saudi Arabia Venture Capital Investment 2021": <https://magnitt.com/research/2021-saudi-arabia-venture-capital-report-en-50794>



Source: Dubai Chamber, 2022



Source: Tellimer 2021

regulators - in enabling competition at the same time as protecting consumers - takes on renewed significance.

The Saudi Central Bank (SAMA) and regulator the Capital Market Authority (CMA) have recently issued permits for the creation of robo-advisors for personal investing in 2019, and announced new regulations for insurance aggregators in 2020 and new crowdlending regulations in 2021.

The new rules are timely. “We’re seeing very rapid growth in segments like debt instruments and equity crowdlending as more is invested through crowdfunding platforms, with very high levels of growth since 2019” says Yazeed Saleh Al-Demaigi, Deputy, Strategy & International Affairs at the CMA.



Saudi’s fintech ecosystem has never been as vibrant. From just ten fintech startups in 2018, there’s now an ecosystem, spanning payments, currency exchange, lending, banking and personal finance.

Reem Al-Harbi, General Manager Saudi Arabia, Checkout.com

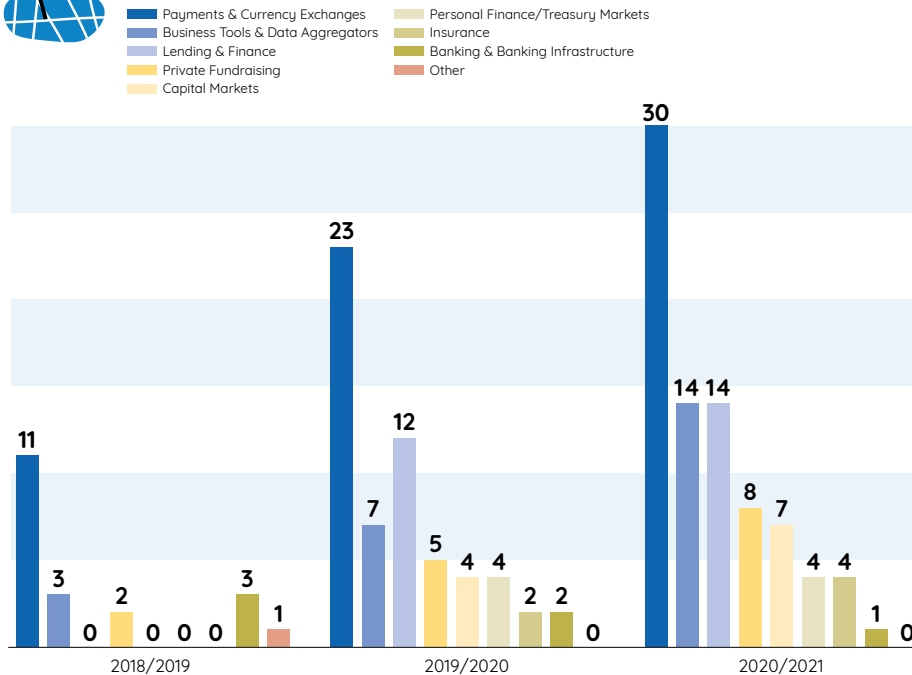
Expect more to come in 2022. New open banking regulations to be introduced later in 2022 can be expected to ignite the development of fintech in the Kingdom. “The development of digital and open banking is going to be a catalyst for fintech in the region, because as SMEs go digital in their banking, they will obtain more options for financing their business expansion which will expedite the growth of activities”, says Abdulaziz Alsayyari, Founder and Board Member at Sukuk Capital.

As fintech in Saudi Arabia grows, all participants will need to rise to the opportunity of building a future-ready marketplace. Achieving this will do more to attract the investors needed to build locally-scaled leaders.



GROWTH OF SAUDI HQ'D FINTECHS BY SEGMENT

Active fintechs by segment, 2018-2021



Source: Fintech Saudi, EMW



WE'RE SEEING VERY RAPID GROWTH IN SEGMENTS LIKE DEBT INSTRUMENTS AND EQUITY CROWDFUNDING. INVESTMENT IN CROWDFUNDING FIRMS HAS ACCELERATED AS THE MARKET HAS GROWN OVER 300% SINCE 2019.

Yazeed Saleh Al-Demaigi, Deputy,
Strategy & International Affairs,
Capital Market Authority

Pathways and priorities



Key Highlights

- As other successful global fintech hubs demonstrate, enabling fintechs to scale across borders is vital to building a thriving fintech ecosystem in-country
- While many of the building-blocks, from investment to infrastructure, are in place, more can be done to help fintechs scale in Saudi Arabia
- Outside the GCC itself, regional fintechs see the Levant and North Africa as key regions for expansion

Success at scale: Building category winners

As consumer and investor appetite for fintech services grows across the GCC, regulatory innovation and cooperation are playing an important role in the development of the region's ecosystems. What's more, fintechs – whether they're based in Saudi Arabia or other Gulf states – will need to keep a keen eye on expansion opportunities outside their home markets as they scale.

Payment gateway Paytabs has successfully expanded to Lebanon, the UAE, Bahrain and Jordan, among other markets while Riyadh based Hyperpay has expanded across the Gulf and into Egypt and Jordan.

At present, a lack of harmo-

nised regulation is hampering firms' expansion plans, as Omar Onsi, CEO and Founder of Nymcard, notes: "Regulatory equivalence between the Gulf states is vital. If we can solve regulatory fragmentation, then I believe a lot more can happen. We will see a lot more fintechs launching and expanding across multiple markets. But we need to have more uniformity when it comes to regulation across the markets of the Gulf."

As examples of best practice, Saudi Arabia and other GCC markets can look to markets such as Singapore, which has grown rapidly to become a global hub for fintech. (see case study below.)



The ability to navigate country-by-country in the GCC is critical to gaining competitive advantage. To succeed in this complex and fragmented landscape, fintechs need to be close to the communities they serve.

Reem Al-Harbi, General Manager Saudi Arabia, Checkout.com

CROSSING BORDERS

Lack of a common rulebook is not stopping the region's founders exploring opportunities however. Beyond the Gulf, fintechs in Saudi Arabia such as Paytabs and Hyper-Pay are looking to the Levant and North Africa – markets with large, youthful popu-

lations, and high mobile phone penetration rates.

And while per capita incomes are lower, they represent a larger market with a population of around 180 million collectively – over three times the population of the countries of the GCC combined.







MENA - MONEY TO BE MADE

“Looking beyond 2022, we have a keen interest in looking at Egypt and other North African markets. Those markets look very interesting to us,” says Nosaibah Al-Rajhi, CEO of peer-to-peer lending platform Forus.

At first sight, the low level of engage-



REGIONAL FINTECH ECOSYSTEMS: MIDDLE EAST & NORTH AFRICA

	 EGYPT	 LIBYA	 JORDAN	 LEBANON	 MOROCCO	 TUNISIA
Number of fintech companies ²	70	-	28	40	-	26
Mobile connections/penetration (of total population)*	93%	201%	78%	67%	1385%	117%
Internet penetration*	57%	22%	67%	78%	84%	67%
Banked Population	33%	66%	33%	53%	29%	65%
Population	102m	6.9m	10.2m	6.8m	36.9m	11.8m

Source: findexable, 2022

ment with the formal banking sector in countries like Egypt and Morocco may look like a barrier to entry: but there's widespread evidence of the role fintech can play in creating demand where there was none – and drive financial inclusion in the process.

Fintechs in Saudi Arabia and the GCC have a similar opportunity to drive inclusion not just among local consumers, but in North Africa, the Levant and beyond where firms like Egypt's Fawry have already proven the potential to be tapped with the right proposition.

Not that success will be easy. Regulations aside, Gulf head-quartered companies will need to find the agility and build a scalable culture that can adapt to local markets: "We need to acknowledge the unique

culture and values of these markets and recognise the depth of local talent. Fintechs should show a willingness to adapt solutions to the needs of consumers in this region" as Basem Alsallom, Founder and CEO of Sure Pay remarked. But getting it right would see the creation of more fintech scale successes across the region.



We need to acknowledge the unique culture and values of these markets and recognise the depth of local talent. Fintechs should show a willingness to adapt solutions to the needs of consumers in this region.

Basem Alsallom, Founder and CEO,
Sure Pay



SCALING HUB ASIA: MAKING FINTECH MATTER

BUILDING ECOSYSTEMS THAT MAKE A DIFFERENCE

Fintech that delivers impact is increasingly a priority for governments and ecosystem builders - and investors. And with MENA among the regions with the highest proportion of unbanked citizens globally, this leaves ample opportunity to use digital financial services to reduce financial exclusion and contribute to economic development.

In South East Asia, the fintech impact story is being told in two forms. In countries like Vietnam and Thailand⁴, - countries with historically low rates of financial inclusion, com-

panies such as Grab and MoMo paved the way in driving financial inclusion. Since 2015, e-wallets have risen from nowhere to a point where 59% of Vietnamese consumers use them today.

While in Singapore - a smaller country with 5.7 million inhabitants but much higher per capita incomes than neighbouring countries - the Monetary Authority of Singapore has taken a pro-innovation stance by allocating US\$25 million to accelerate adoption of new technologies in finance and launching API Exchanged, the world's first cross-border open architecture platform that enables developers to collaborate and innovate world-wide.

Singapore was the first ASEAN country to provide regulatory guidance on authentication and security issues for API developers, and has linked its instant payment network with those of Thailand and Malaysia to boost economic growth across the region.

The impact that this focus on fintech has had on the wider economy is evident with the city home to around 1,400 fintechs, ranked as Asia's leading fintech hub, and the fourth largest hub world-wide in 2021⁵ in the Global Fintech Rankings

⁴ Asia Pacific Regional Fintech Rankings 2022, by findexable

⁵ Global Fintech Rankings 2021, findexable.com

Exploring opportunities



Key Highlights

- Businesses across the spectrum are exploring opportunities to embed financial services into their products using technology to tap unserved needs.
- This section explores how fintechs are accelerating adoption and using technology to meet unserved needs

Exploring synergies

As fintech adoption has grown, companies in sectors from real estate, retail to tourism and telecommunications are developing fintech solutions.

Indeed, the degree of convergence between non-financial sectors appears to be more widespread than elsewhere in the Gulf. The country's fintechs are identifying competition from different sectors, including telecoms to media companies (11%), banks (26%) and other fintech companies (21%)⁶.

Supporting convergence between sectors lays the groundwork for building a

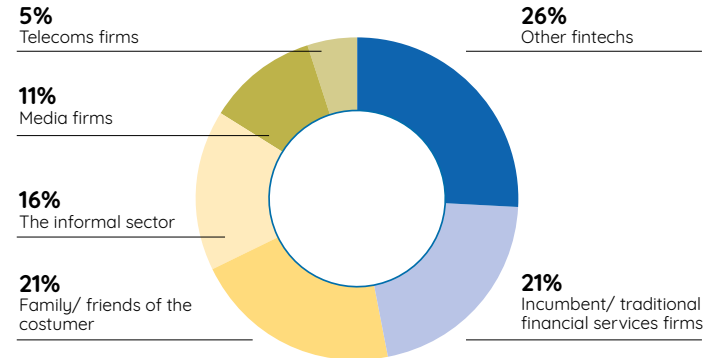
more integrated ecosystem in years to come - supporting the development of more seamless experiences for users and creating new synergies with the potential for complementary innovations.

The biggest example of this to date is payment system Stc Pay. Launched and originally funded by Stc, the Saudi Arabian state telecommunications company, the fintech began life as a digital wallet, and was granted a banking license in 2021.

The firm claims around 5 million users making it the largest digital wallet in the MENA



MAIN COMPETITORS OF SAUDI FINTECHS



Source: Tellimer 2022

⁶ See Tellimer Research, "The Ultimate Guide to Saudi fintech": <https://tellimer.com/article/the-ultimate-guide-to-saudi-arabia-fintech>

region and highlights the shift in acceptance among consumers for new payment channels and the transformation of the country's financial services industry.

But there are others. In June 2021, Artar (Abdul Rahman Saad Al-Rashed and Sons Company), a Saudi holding company with interests in investment management, real estate and construction, was granted a license to create Saudi Digital Bank with a capital of \$400 million.

FINANCE EVERYWHERE

Point of sale finance, or Buy Now Pay Later 'embedded' fintech, has boomed in Saudi Arabia

DRIVING COMPETITION

Stc Pay has emerged as a giant among fintech services in the region, claiming up to 5 million users, making it the largest mobile wallet in the MENA region.

At launch in 2018, Stc Pay was conceived as a digital wallet to enable peer-to-peer and merchant payments in-store or online. The wallet proved so popular the company launched a bill payments service and, subsequently, cross-border money transfers in partnership with Western Union, as well as a bill-splitting service (Quattah).

Funded and launched by telecom operator Stc, the firm made headlines in 2020 when Western Union announced it was investing \$200 million in the business, valuing the company at \$1.3 billion and technically making it the Kingdom's first unicorn and the third in the Gulf⁷ as a whole.

⁷ Menabytes, 20 November 2020 <https://www.menabytes.com/stc-pay-western-union-investment/>

⁸ Menabytes, 23 June 2021: "Saudi Arabia grants digital banking license": <https://www.menabytes.com/saudi-digital-banking-license/>

In June 2021 the Saudi government announced⁸ Stc had been given a license to convert Stc Pay into a digital bank - one of the first in the Kingdom to see Saudi and Western investors collaborating to build a cross-sector fintech solution.

As Mansour Al-Harbi, CEO of Missaan Fintech puts it, "the significance of Stc Pay is that telcos are now providing real competition to the banks in fintech. Banks are now seeing telecoms companies as a threat, and they're responding by innovating through the SAMA sandbox."

While Stc Pay does not qualify as a startup, the scale of the firm's success, which has become a serious competitor to banks, especially among expatriates living in Saudi Arabia, is a symbol of how financial services in the country and the wider region is transforming.





Telcos are now providing real competition for banks. In response, banks are innovating new fintech services.

Mansour Al-Harbi,
Missaan Fintech

as firms from other sectors have started to offer fintech products, and interest continues to grow in combining finance with other functions such as ordering, inventory management and delivery. As a result, the BNPL sector grew by more than 80% in 2021⁹.

Bolstered by the growth, leading Saudi domestic player **Tamara** has partnered or secured investments from major global players including a \$100m investment from checkout.com.

In October 2021, Dubai-based BNPL platform **tabby** went into partnership with **Styli**, a Saudi Arabia-based online fashion and beauty platform, to offer the firm's 600,000 consumers with flexible payment methods on the Styli platform¹⁰.

In response, SAMA has issued regulatory guidelines for BNPL players.

BLOCKCHAIN, AI AND BIG DATA

One of the biggest areas of investor interest in the Kingdom - outside payments and lending¹¹ currently is blockchain - a path followed by neighbouring UAE.

One in ten fintechs in the Kingdom are looking to incorporate blockchain into their solutions in the near to medium term.

As Basem Alsallom, Founder and CEO of Sure Pay, puts it: "Blockchain is going to be the next big thing in the region - from plans for digital currencies through to the adoption of blockchain by a wide range of fintechs."

While there's lots of potential, some progress has been made already. In 2018, SAMA signed an agreement with Ripple, a crypto and blockchain payments firm, to help local banks improve their payments infrastructure. The agreement included

⁹ PYMNTS, 4 November 2021: "BNPL highly needed in MENA": <https://www.pymnts.com/buy-now-pay-later/2021/bnpl-was-highly-needed-across-mena-where-banks-now-play-catch-up-with-fintechs/>

¹⁰ See researchandmarkets.com, "Saudi Arabia's BNPL market", cited on Berkshire Hathaway website 4 February 2022

¹¹ See Tellimer.com, "Saudi Arabian fintech" 4 February 2022: <https://tellimer.com/article/the-ultimate-guide-to-saudi-arabia-fintech>

a pilot program to enable Saudi banks to use Ripple's 'xCurrent' software solution to settle payments sent into and out of the country instantly.

SUPPORTING SMES

Where consumers are using new channels to make payments, the country's businesses are migrating to new platforms to fund themselves.

Over the last two years crowd-lending in Saudi Arabia has accelerated dramatically. As a segment, it's one of the largest after payments, with a January 2022 statement from monsha'at¹², Saudi Arabia's Authority for SMEs, recording a nearly nine times increase in the number of SMEs securing funding through online platforms including

Tamweel, the Saudi funding gateway. "Demand for SME lending has been exponential, indicating a significant appetite for financing among SMEs in the Kingdom," said a statement by the body.

The country now hosts a cluster of competitors in the sector. Including locally based Forus, Raqmyah and Lendo as well as Beehive headquartered in the UAE with their success attributed to fully online application and approval processes that leverage data and analytics to improve credit scoring and reduce time for approvals.

THE NEXT WAVE?

Artificial intelligence is increasingly being applied to customer behaviour, using predictive anal-

LENDO - IMPROVING ACCESS



Founded in 2019 as a Sharia-compliant lending marketplace, Lendo helps SMEs with their immediate cash requirements to cover expansion and ongoing operations. At the end of Q1 2021, Lendo announced a Series A investment of \$7.2 million from a consortium led by Derayah Ventures.

Lendo's application and approval processes are carried out entirely online, making this a digital-first operation that can respond within three days to requests for financing. To date, Lendo has financed more than SAR 60m of operations for SMEs and returned profits of SAR 3m to investors.

¹² See Arab News, January 13, 2022: "Monsha'at sees 884% increase in Saudi SME borrowing"
<https://www.arabnews.com/node/2003701/business-economy>

ysis techniques to anticipate future product needs and inform product development or to improve operational efficiency and customer engagement.

At the end of 2020, the Saudi government announced plans to invest \$20 billion into AI solutions as part of Vision 2030: these plans are now bearing fruit in terms of investech start-ups such as Deyrah Smart using AI to anticipate investor's needs based on their income, portfolio structure and investing history.

Deyrah Smart launched a complete robo-investing service led by AI, the success of which may be seen in the fact that operating income grew by

more than 100% between 2019 and 2020¹³.

Alongside this, the government set up SDAIA, the Saudi Data and Artificial Intelligence Authority, to unlock the value of data as a national asset through a national data and AI strategy that harmonizes data policies, data analytics and insights capabilities, and encourages continuous data and AI innovations.

¹³ See Deyrah Smart financial statements: <https://web.deyrah.com/wp-content/uploads/2021/03/English-FS-DFC-2020.pdf>

ABER – ANALYSING BLOCKCHAIN EFFECTIVENESS

Following its use of blockchain to inject SAR 50 billion into Saudi Arabia's banking system in June 2020, SAMA announced the completion of Project Aber, a collaborative project with the Central Bank of the UAE, in June 2021.

Project Aber's goal was to understand and analyse the maturity of distributed ledger technology – the underpinning technology of blockchains. Set up to explore cross-border payment solutions through a single dual-issued digital currency between the two markets, Aber was a success, with SAMA commenting that it had paved the way for innovative blockchain solutions to be developed across the GCC

Priorities for a future-fit ecosystem



Key Highlights

- Saudi Arabia is forging ahead with contactless transactions and instant payments which is helping to drive fintech adoption
- Foundations for an integrated GCC cross border fintech ecosystem have been laid with fintechs from outside the Kingdom operating in Saudi Arabia
- Open banking to accelerate growth across fintech subsectors.

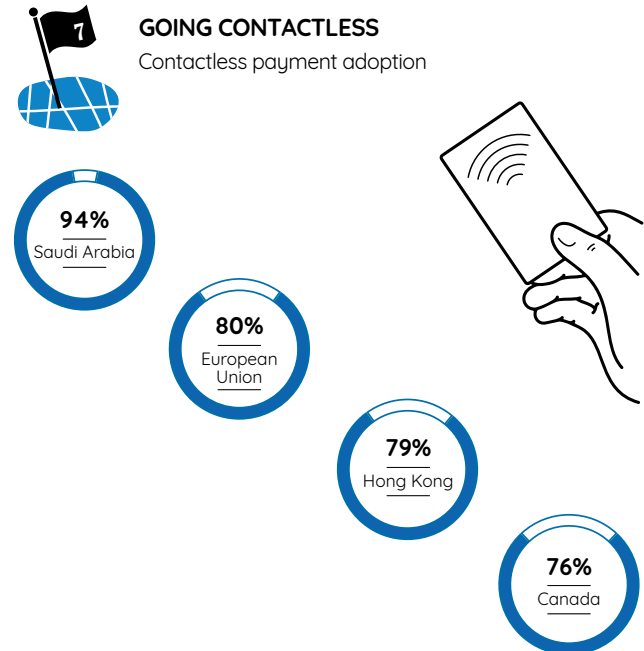
Priorities for a future-fit ecosystem

As the fintech community in Saudi Arabia and the GCC grows and adoption rises, so does the need for regulation that enables innovation without compromising consumer protections. As Reem Al-Harbi, General Manager Saudi Arabia, Checkout.com notes: “Growth of fintech in KSA is being driven by a combination of the Government’s Vision 2030 initiatives – including its goal for 70% of transactions to be cashless by the end of this decade – and the increasing adoption of fintech solutions and eCommerce by the population. This combination of factors is creating major opportunities for digital-first businesses.”

As long ago as 2016, SAMA introduced infrastructure to enable contactless payments in the Kingdom. Driven partly by a mandate to grow electronic payments to 70% of the economy by 2025, and then later by the COVID-19 pandemic, in early 2022, SAMA¹⁴ announced that Saudi Arabia had achieved the highest level of contactless payment in the Middle East and North Africa, at 94% - higher than in the European Union EU (80%), Canada (76%) or Hong Kong (79%).

NO FINTECH IS AN ISLAND

Partnerships are important too. In 2021, SAMA announced a partnership with IBM and Mastercard



¹⁴ See Arab News, 19 October 2021: “Saudi Arabia is leading the way in contactless payments”: <https://www.arabnews.com/node/1951196>

Source: SAMA, Saudi Arabia

Icon: Noun Project



Since 2019, the Saudi regulator has been moving at speed. I think all fintechs are looking forward to the open banking and open finance regulations coming into effect later this year.

Nosaibiah Al-Rajhi, CEO,
Forus

to enable instant payments in the country via a system called Sarie. Sarie allows consumers to send and receive money in real-time using a wide range of services and transfer options.

Customers can make instant transactions of up to SAR 20,000 (USD 5,300) between Saudi banks via Sarie. The system also enables instant transfers between individuals of up to SAR 2,500 (\$660) using mobile phone numbers, e-mail addresses or IBAN numbers.

But innovation needs company in the form of regulatory enablement.

And as consumers and businesses switch from branch-led banking to online digital finance enabled by fintech, regulators in Saudi Arabia are looking at how to update rules to drive the innovation ecosystem.

PASSPORTING: ENABLING GROWTH AND COMPETITION

A deal with Bahrain to lower transaction costs by treating cross-border debit card transactions between the two countries as domestic transactions is the first indication of how the regional mood is shifting.

It's still early but the concept of passporting rules (see box, Passport Europe, below) – where financial services licences granted in one market permit a company to do business across the GCC – could enable regional fintech activity and accelerate cross border activity and help build a more integrated regional financial marketplace across the region.

The lack of passporting rules is not stopping cross border activity however.

Some fintechs are already in



Coming to the kingdom - UAE fintechs in KSA

tabby*

tabby is a leading buy-now-pay-later (BNPL) firm based in the UAE and also operating in Saudi Arabia

b **beehive**

a peer-to-peer lending platform that has also received regulatory approval to operate in KSA



PASSPORT EUROPE

The European Union is the world's leading example of how effective passporting of financial services licensing can be. For more than thirty years, the EU has worked to develop regulatory equivalence, with the goal of allowing any licensed financial institution from one state to set up branches and do business in other states.

Today, the 27-member bloc's passporting regime covers most major areas of financial services making cross-border transactions and investments easier, allowing consumers to benefit from services offered in other states, and firms to do business across borders without the need for multiple licences.

The pace of change accelerated after the 2008 global financial crisis, and today more than 500 companies from a wide range of sectors, including asset management, banking, insurance and investing, are passported to do business across the bloc.

multiple Gulf markets. Beehive and Tabby from the UAE are licensed to do business in Saudi Arabia. And open banking data fintech Lean has offices in the UAE, Egypt and the UK.

The CMA's Yazeed Al-Demaigi confirms that Saudi Arabia and its GCC partners are exploring opportunities to align rules between Gulf states: "In coordination with our GCC partners in the capital market authorities, we're looking at the potential of a passporting system, which would contribute to boosting the fintech ecosystem in the region."

KEY TO THE KINGDOM

The advent of open banking in Saudi Arabia in 2022 could prove pivotal for the country - with far reaching implications across the Gulf.

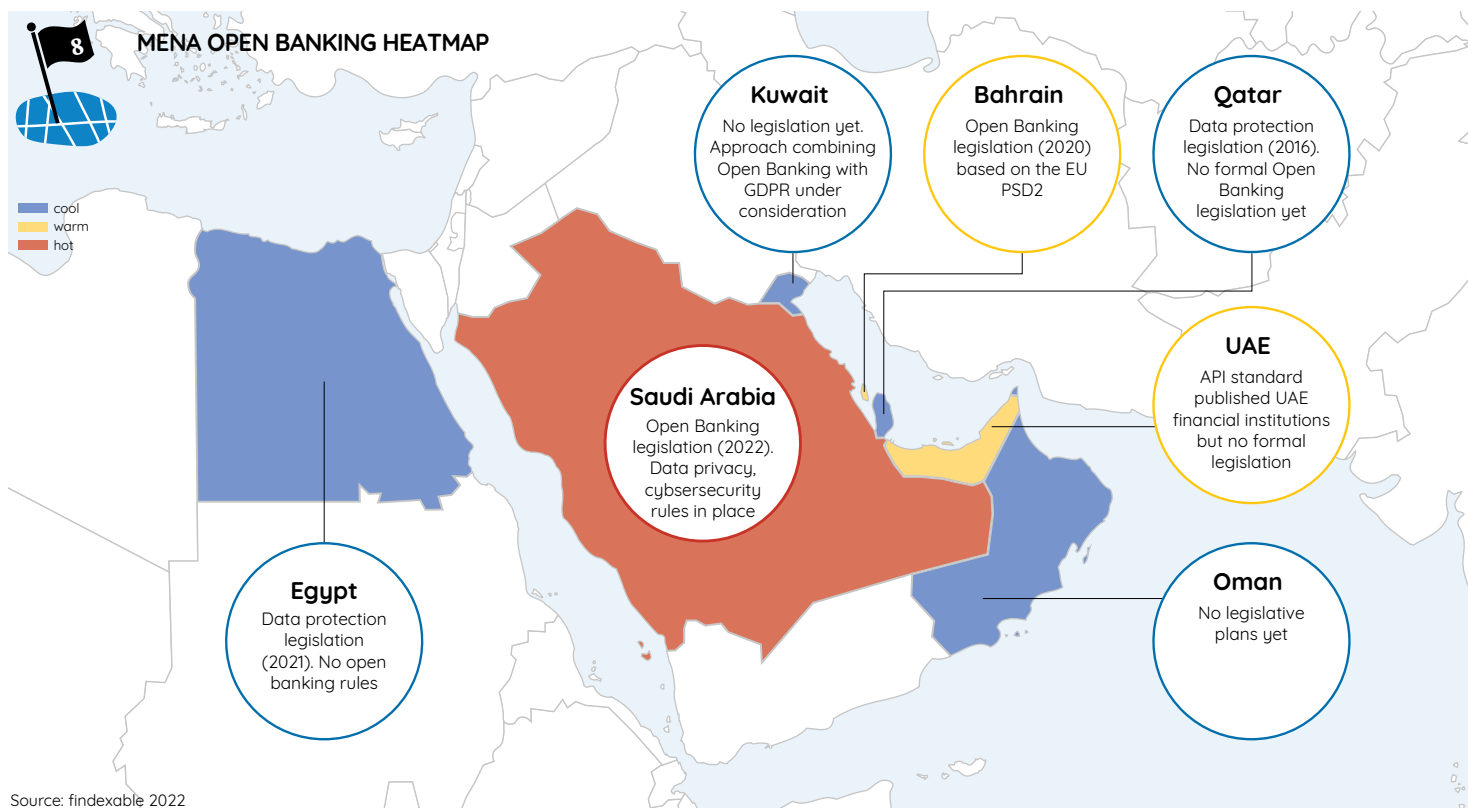
In December 2021, SAMA announced the launch of open banking legislation set to go live later in 2022. By requiring banks to expose

their systems and data to third parties with customer consent, fintech innovators can use that data to build new products and services - lowering barriers to entry for startups and supporting increased competition and innovation.

More than any other measure, open banking can help level the playing field between traditional banks and financial services firms on the one hand, and the Saudi fintech sector on the other. Enabling a greater diversity of fintech innovation and the potential for more scale successes in the process.

While progress to open banking has been slow in some markets, others like the UK (see box below) are succeeding at pace.

SAMA's Deputy Governor for Development and Technology, Ziad Al-Yousef, believes the Kingdom is ideally placed for a rapid transition to an open banking environment.





The open banking framework is going to be a big step as it compels banks to open their APIs and share customer data. The regulator is doing what it should, which is to make the ecosystem fit for the future.

Basem Alsallom, Founder and CEO, Sure Pay

“Going with a Regulatory-led approach to create the Open Banking ecosystem in the Kingdom, we’ll be among the top leading countries to make Open Banking a reality through the continues collaboration between the different market participants including Banks and fintechs. Following our new regulatory announcements, we’re seeing banks come round to the idea of collaborating with fintechs, changing operating models to become more agile, and focusing on customer experience and user journey aspects. Our goal with Open Banking legislation is to create a level playing field for all to build more innovative products and services.”



SAUDI ARABIA: OPEN ADVANTAGES

A step ahead of regional peers in the Middle East on open banking, Saudi Arabia is well positioned to realise the benefits the new rules can bring.

In particular data-sharing can help fast track embedded finance – embedding financial services in products from other industries, and offering them seamlessly on a single platform.

It’s an area rich in opportunity. Embedded finance in Saudi Arabia is expected to grow by 39% this year to reach US\$3.7 billion by January 2023¹⁵ and to US\$11 billion by the end of the decade.

Checkout.com’s tie-up with BNPL player Tabby is one such example, where customers are given the option to pay in instalments at checkout.

¹⁵ See Research and Markets, “Embedded Finance in Saudi Arabia”, 1 March 2022: <https://www.researchandmarkets.com/reports/5547720/saudi-arabia-embedded-finance-business-and>



SCALING HUB UK: MAKING OPEN BANKING WORK

Following a review by the UK Competition and Markets Authority to increase banking competition the UK's open banking legislation was launched in January 2018, one year before the EU's open banking framework came into force. The move has been a success. By the second half of 2021, 119 firms had launched open banking propositions live in the UK market, with 13 of these launched between October and December 2021.

The speed with which open banking is growing in the UK can be seen in the number of products available. In less than four years, the number

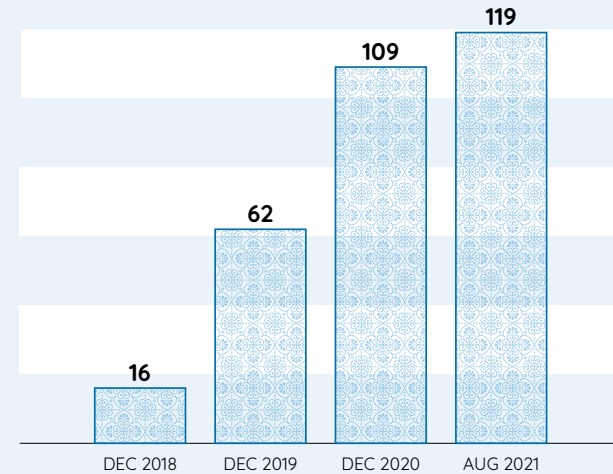
of open banking products has grown seven times, while successful API calls (requests for banks to share information with third party providers such as fintechs) are up 83% over the last six months, indicating a sharp increase in the number of customers using open banking services.

In a separate estimate, the UK's Open Banking Implementation Entity said that close to one in ten digital consumers and businesses used open banking in Q3 2021, around one third higher than the end of 2020.



RAPID GROWTH IN UK OPEN BANKING

Number of live to market open-banking-enabled-products and services



Source: UK OBIE



Scaling the innovation mindset

Key Highlights

- Fintechs are positive about the regulatory approach to fintech and the local investment climate.
- Despite this an entrepreneurial mindset – to solve, technical, operational and administrative issues – is needed for firms to succeed
- Fintech leaders prioritising talent and improving infrastructure to scale fintech regionally

Scaling the innovation mindset



I would say bank/fintech partnerships have been very positive. Banks are enabling fintechs to access their customer channels, while fintech is replacing legacy bank systems, especially as banks digitalize.

Abdulaziz Al-Sayyari, Founder and Board Member, Sukuk Capital

Even in the best climate, setting up a winning fintech is no simple task. Seven out of ten fintech start-ups fail at a global level, whether through bad timing, lack of investment, poor management or other issues¹⁶.

Fintech leaders interviewed in Saudi Arabia for this report were overwhelmingly positive both about the investment climate and developing regulatory regime for fintech in the Kingdom: where they had encountered issues, these firms had used their relationships and creativity to overcome them.

INVESTORS RAMPING UP

Venture capital investment in the country reflects that positivity¹⁷. Private equity investment in the country's startups more than quadrupled in Q3 2021, compared with the

same period a year earlier.

While still small compared to other regions, startups attracted \$205 million in 34 funding deals, most of which were concentrated in the Kingdom's fintech sector. As the graphic below shows, Saudi Arabia attracted almost half (\$47m) of the funding received by startups across the region in May 2021.

Nymcard's Omar Onsi confirms this trend: "US venture capital players and others are now taking notice of the Middle East and North Africa region. Within the region, more money is becoming available led by wealth funds like PIF, Mubadala, ADQ and OTF Jasoor in Oman"

INFRASTRUCTURE: RAPID PROGRESS

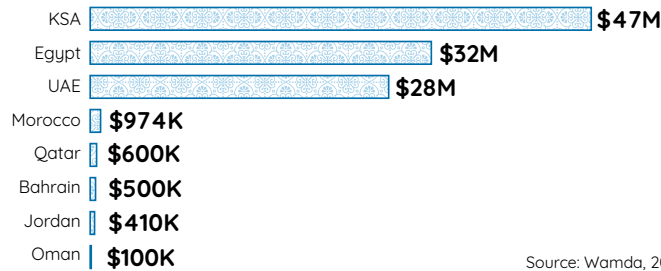
The mood for investing is shifting. And the removal of previous obstacles such as mobile

¹⁶ See CB Insights, 3 August 2021, "Why Start-ups fail" - <https://www.cbinsights.com/research/startup-failure-reasons-top/>

¹⁷ See data from Magnitt Consulting: <https://magnitt.com/research/2021-saudi-arabia-venture-capital-report-en-50794>

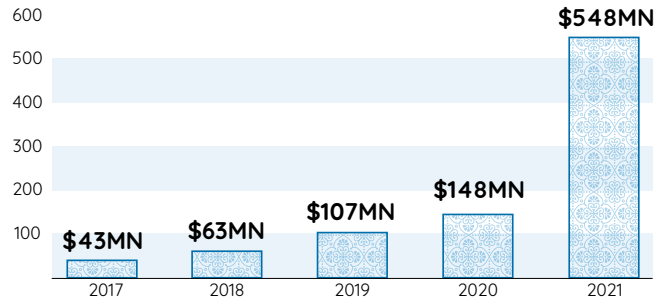


SAUDI LEADS REGIONAL VENTURE INVESTMENT



Source: Wamda, 2021

MOMENTUM IN SAUDI ARABIA'S TECH ECOSYSTEM



Source: xxxx

device penetration and internet access are also helping.

As Dawul CEO Mansour Al-Harbi says, "Across the board, things are improving fast. If I go back to my first venture in 2012, I had to shut the business down because not enough people were connected and internet/data download speeds were poor. Now it's feasible to launch products, and I'd rate the infrastructure in major markets such as Jeddah and Riyadh as A+."

PARTNERSHIPS

Where challenges exist, the fintech innovators interviewed for this report are finding solutions through partnerships.

Checkout.com's Saudi General Manager, Reem Al-Harbi, says her firm was able to meet the needs of Saudi consumers

for more cross-border shopping opportunities by partnering with international card networks.

"We've built a payment platform with direct integrations to all major global payments networks, including card schemes, digital wallets and alternative payment methods. This worldwide connectivity makes us a key enabler of the surge in cross-border shopping and money movement. The opportunity for fintechs operating in Saudi Arabia in these areas will only get bigger over time," remarks Ms Al-Harbi.

TACKLING TALENT

As the ecosystem expands, so is the need for talent, both local and international.

40% of fintech start-ups in the country¹⁸ cite hiring qual-



There's a great deal of collaboration taking place within the fintech ecosystem, and between fintechs and banks. As regulation and digitization continue, the nature of partnerships between fintechs and financial institutions will also evolve.

Reem Al-Harbi, General Manager
Saudi Arabia, Checkout.com

ified talent as the main obstacle, despite significant pull factors such as a wealthy population, world-class infrastructure and a supportive regulator.

In response, Fintech Saudi has launched a number of talent initiatives, including internships to enable young talent to experience working with fintechs in the Kingdom, an annual fintech tour to foster networking and hiring opportunities, a careers fair and mentoring and coaching sessions for executives looking to develop their careers in fintech.

Some fintech leaders are also finding answers in partnerships with the government, the education sector and banks. They're also looking at examples elsewhere in the region, pointing to initiatives like the free coding academy set up by the Dubai Financial Services Authority.

Omar Onsi says, "programming talent is getting tough to find. Simply put, competition between global companies for the best

coders out there is at its peak. Governments should be encouraging better coding schools like the free school for coding in the UAE. That will encourage more of the local talent, while also creating incentives to attract international talent to come to Saudi."

Sometimes, though, there's no substitute for grit, determination and the will to succeed.

As the CMA's Yazeed Al-Demaigi says: "Generally speaking, fintech companies are facing a challenge to attract and retain competencies as the FinTech industry requires expertise who have exposure to multi-skills such as Finance, technology and compliance as well as competencies of agility and innovation.

"For this reason, CMA in partnership with SAMA has established Fintech Saudi to be responsible for developing the FinTech ecosystem in which it has partnered with educational institutes, VCs, FinTech and Financial institutions and others with a purpose of

¹⁸ See Wamda, 10 June 2021, "Can Saudi Arabia become the region's fintech front-runner?" <https://www.wamda.com/2021/06/saudi-arabia-regions-fintech-frontrunner>

providing the necessary support for flourishing the Fintech ecosystem.”

These key ingredients for success are mentioned by entrepreneurs themselves, or as Mansour Al-Harbi puts it: “First of all, we proved our concept and secured investment. Then we identified opportunities to internationalise our offering. Finally, we’re moving into a rapid growth phase of fast increases in revenue and profitability.”

CONCLUSIONS

Supporting growth with lasting impact.

The report finds that fintech in Saudi Arabia and the wider Gulf region is entering a new phase characterised by greater breadth of innovation and increased investor interest, underpinned by a forward-looking consensus among local regulators that should enable innovation to flourish.

Building an ecosystem that responds to the twin challenges of enabling regulation that supports innovation and



SCALING HUBS 4: TORONTO ATTRACTING FINTECH TALENT

With some of the world’s largest and most powerful fintech clusters located just 50km to the South, Canada’s financial capital is no stranger to the challenge of attracting talent.

Despite boasting the headquarters of five of the world’s largest banks, great centres for programming talent in the Kitchener/Waterloo technology corridor and major fintechs such as RIM technologies, Shopify and others, Toronto still found itself losing ground in the fight to retain fintech talent faced with competition from US centres such as Silicon Valley and New York.

In response, in 2018, the Governments of Canada and Ontario, working in partnership with Canada’s leading banks

and universities, launched the Toronto Financial Services Alliance (now Toronto Finance International) with the remit of attracting talented individuals and investment capital to the region. Initiatives such as the Toronto Homecoming, which encourages talented Canadians working internationally to return home, and seminar series advising entrepreneurs on how to locate in Toronto, are bearing fruit.

Now ranked as North America’s third largest technology hub and North America’s second largest financial centre, Toronto continues to build its reputation as a hub for fintech innovation, and was ranked in the global top 30 fintech centres globally by findexable in 2020 and 2021.

19 Levy, S. (June 15, 2019). Scoring Tech Talent in North America 2019 – Spencer Levy Power Lunch, 15th July, 2019
<https://www.cbre.us/research-and-reports/Scoring-Tech-Talent-in-North-America-2019>

20 See findexable, The Global Fintech Index 2021: <https://findexable.com/gfi-live/>

growth without compromising consumer protections is no easy challenge.

Growth in key areas of lending to SMEs and payment technologies are evidence of market momentum that will contribute to economic growth and provide lasting impact.

Suppressing it could put other opportunities for ecosystem innovation at risk. But, if left unchecked, the room for unintended consequences also grows. To achieve this balance, this report highlights the following priorities to support responsible, lasting growth and the opportunities for innovators and investors as momentum builds:

The Priorities

REGULATION: The flexible and dynamic regulatory regime in Saudi Arabia has proven attractive to investors and entrepreneurs. In the future, Saudi Arabia will look to work with partners across the GCC and wider Middle East to align rules.

GROWTH: Blockchain, AI and Big Data and lending for SMEs are key areas of focus for fintech in Saudi Arabia. Open Banking legislation and regulatory alignment would enable growth in these segments.

TALENT: Attracting talent is key to establishing a global fintech hub. As a result, Saudi Arabia can build on existing talent initiatives established by Fintech Saudi and other bodies, recognising talented entrepreneurs as a vital part of any fintech ecosystem.

The Opportunities

INVESTMENT: Through strong investment flows, great talent and flexible regulation, Saudi Arabia can establish the conditions for fintech to flourish. Government, regulators and entrepreneurs must collaborate to enable these fintechs to grow internationally.

CONVERGENCE: As adoption grows, interest is growing in adjacent sectors such as telecoms, media and technology. Fintech products and approaches by companies in these sectors as well as traditional banks will stimulate further growth in fintech.

ECOSYSTEM: In common with other high-growth markets, an initial focus on payments has expanded to include embedded finance, BNPL, insurtech and crowdfunding, among other sectors. Going forward, the Kingdom will encourage a growing diversity of sectors in fintech, as well as more investment from sectors converging with fintech, as well as banks already operating in the country.

About us





Fintech's global database

Findexable's Global Fintech Index is the global database of fintech innovation.

As a company, findexable maps, tracks, and benchmarks the world's private market fintech firms. And as passionate advocates for fintech - and its potential to accelerate digitalisation - we're on a mission to enable the success of private market fintech firms, no matter their location:

- So investors can find them
- Institutions can buy from them
- And fintech firms can benchmark themselves against peers

WHAT DO WE DO?

Help you define your market

Benchmark fintech companies & markets

Promote innovation. Identify opportunity

Check out the **Global Fintech Index** and put yourself on the map!
findexable.com



Building the Saudi Fintech Ecosystem

Fintech Saudi is an initiative that was launched by the **Saudi Central Bank in collaboration with the Capital Market Authority** in April 2018 to act as a catalyst for the development of the financial services technology (fintech) industry in Saudi Arabia.

Our ambition is to transform Saudi Arabia into an innovative fintech hub with a thriving and responsible fintech ecosystem.

WE DEVELOP

Supporting the development of the infrastructure required by the fintech industry

WE SUPPORT

Supporting fintech entrepreneurs at every stage of their development

WE BUILD CAPABILITIES

Building the skills and knowledge required for the growth of the fintech activity
fintechsaudi.com



Findexable produces the world's first real-time fintech index providing insight on fintech activity globally through real-time data gathering and proprietary algorithms to track, rank and benchmark fintech companies in 250+ cities across 80 countries.
<https://findexable.com>

To find out more about our research and what we do contact us

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