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CENTRE OF EXCELLENCE

2024: THE REBIRTH OF GLOBAL FINTECH

April 2024

CONTRIBUTOR

 **ELEVANDI**

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About Elevandi

Elevandi, established by the Monetary Authority of Singapore, serves as a platform to facilitate an open dialogue between the public and private sectors, aimed at advancing FinTech in the digital economy. Working closely with governments, founders, investors, and corporate leaders, Elevandi focuses on driving collaboration, education, and the creation of new sources of value at both industry and national levels. Through various initiatives, Elevandi has brought together over 350,000 individuals to propel the growth of FinTech. These initiatives include events, closed-door roundtables, investor programs, educational initiatives, and research endeavours.

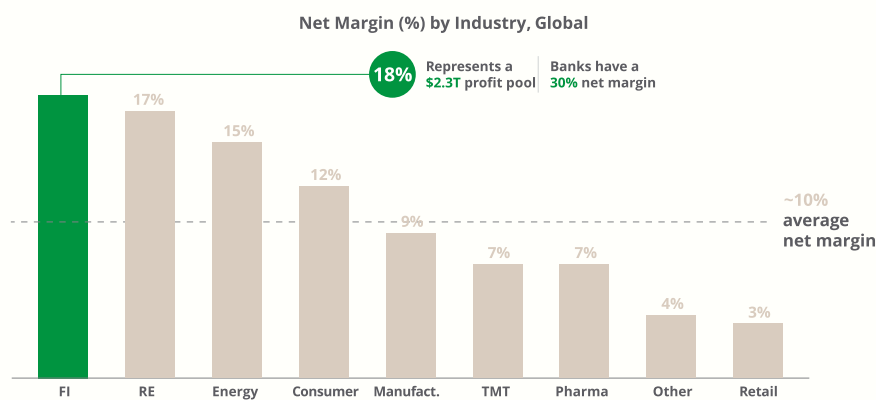
Elevandi's flagship product is the Singapore FinTech Festival, which runs alongside other prominent platforms such as the Japan FinTech Festival, Point Zero Forum, 3i Africa Summit, Inclusive FinTech Forum, Elevandi Insights Forum, The Capital Meets Policy Dialogue, The Founders Peak, and Green Shoots.

For further information, please visit <https://www.elevandi.io>.

The FinTech sector is undergoing a sea change from growth to profitability. 2023 was the year of rebalancing, characterised by reduced capital flows resembling pre-pandemic levels.

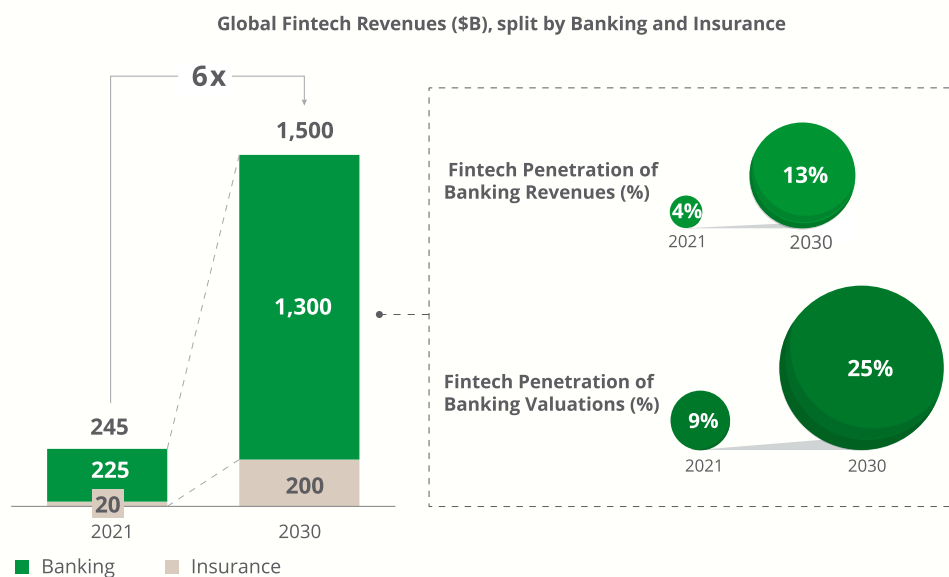
However, industry and sector fundamentals remain strong.

Financial services is one of the most profitable sectors of the global economy



Source: Reimagining the Future of Finance, BCG and QED, May 2023

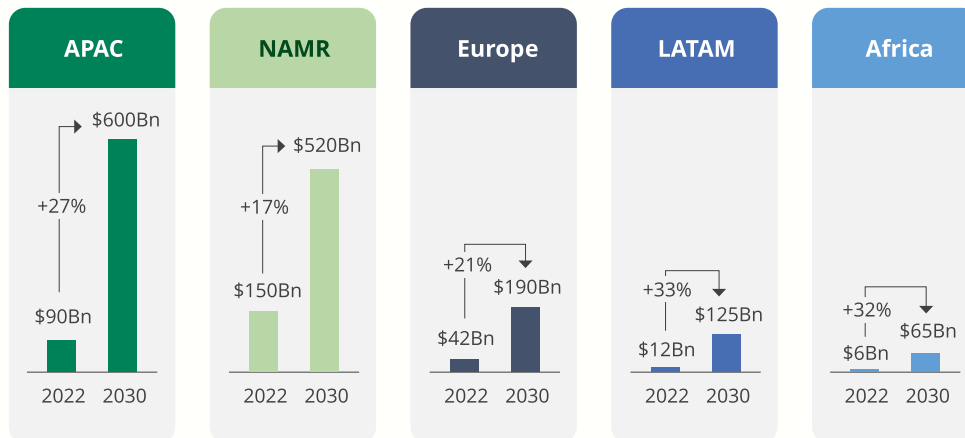
Annual FinTech revenues will grow six-fold to reach \$1.5 trillion by 2030, heavily skewed towards the banking segment



Source: Reimagining the Future of Finance, BCG and QED, May 2023

We see promising growth from global FinTech markets.

Asia-Pacific will be the largest FinTech market by 2030, and Latin America and Africa will be the fastest-growing regions



Source: The Second Wave Resilient, Inclusive, Exponential Fintechs, BCG, September 2023

By 2030, digital payments and lending will continue to remain the largest FinTech segments. However, neo-banking, insureTech and financial infrastructure will be the fastest growing segments.

Japan's stock market experienced a strong performance in 2023, exceeding expectations and outperforming many other developed markets. The Topix rose by 24% in local currency terms, while the Nikkei 225 climbed by c. 30% to hit levels not seen since 1989. These increases have put Japan among the best-performing stock markets globally.

Singapore also remains a top FinTech fundraising node globally.

Top 5 Country 2022	Capital Invested 2022 (US\$ B)	Number of Deals	Top 5 Country 2023	Capital Invested 2023 (US\$ B)	Number of Deals
United States	39.2	1,983	United States	24.2	1530
United Kingdom	12.5	547	United Kingdom	5.1	409
India	5.5	311	India	2.5	187
Singapore	4.0	229	Singapore	2.2	176
Germany	2.9	113	China	1.8	76

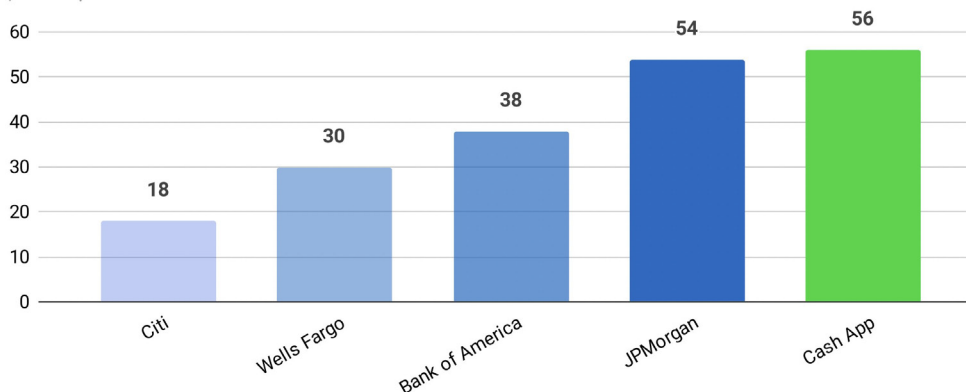
Source: Fintech Investment Landscape, Innovate Finance 2023

Singapore is a key gateway for global asset managers and investors with US\$3.65 trillion (S\$4.9 trillion) of assets under management (AUM)¹. Private Equity and Venture Capital accounts for S\$597 billion of AUM. There are about 1,100 Single Family Offices (SFOs) that were awarded tax incentives by The Monetary Authority of Singapore whom together managed about S\$90 billion as of 2021.²

FinTech has disrupted banking, with consumer demographics shifting towards FinTech and away from banks. Monzo, one of the earliest app-based challenger banks to emerge, is now the seventh largest bank in the UK. Digital-only FinTech apps including Monzo, Nubank, Starling and Cashapp are reaching unit economic profitability.

Cash App vs. Big Banks | Active Mobile Users

Q4 2023, million



Source: FinTech Brainfood, Simon Taylor, 17 Mar 2024

¹ MAS Asset Management Survey report 2022

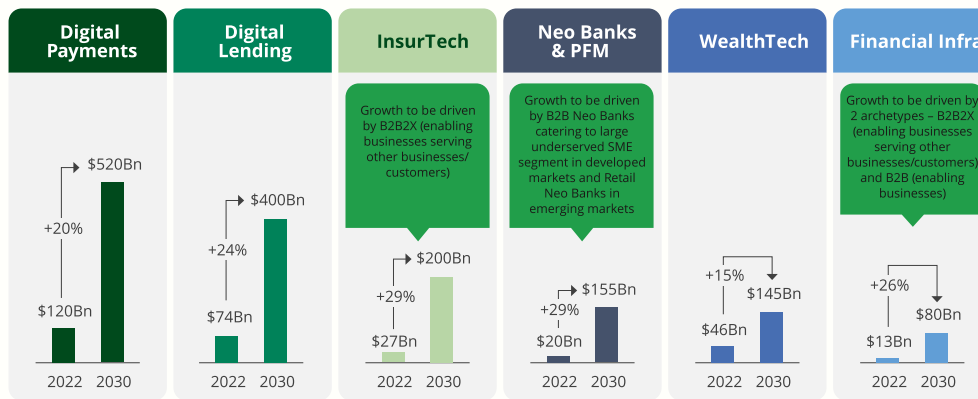
² Remarks by Mr Ravi Menon, Managing Director, MAS, at the MAS Annual Report and MAS Sustainability Report 2022/2023 Media Conference on 5 July 2023

Four trends with the potential to transform the global economy and financial system

1. The proliferation of cheaper and faster electronic payments from domestic to cross-border applications

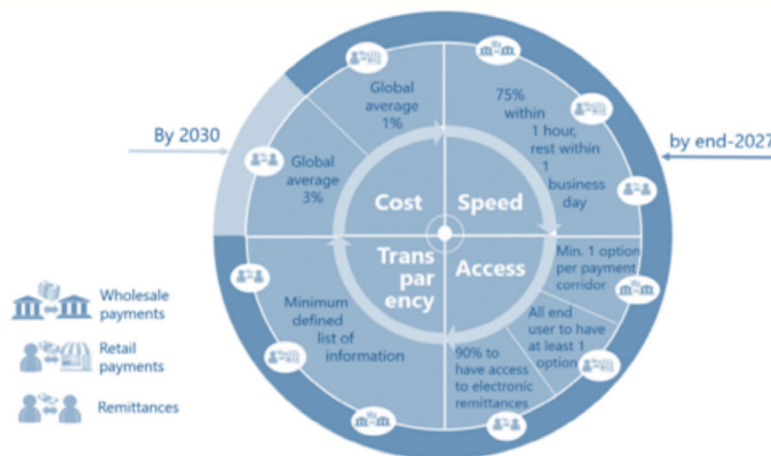
Payments will remain the largest FinTech segment in 2030

2022 & 2030 Global Fintech revenue by product segments (\$Bn)



Source: The Second Wave Resilient, Inclusive, Exponential Fintechs, BCG, September 2023

G20 Nations are motivated to make cross-border payments cheaper, faster, more transparent and accessible as part of the G20 Cross-border payments roadmap to 2027.

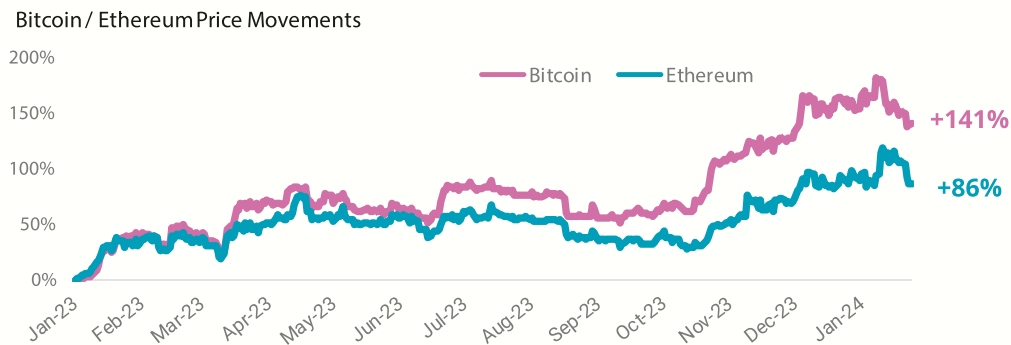


Source: Lammer, T. T Rice (2022): The G20 cross-border payments programme: A global effort. Journal of Payments Strategy & Systems Vol. 16. No. 3 2022. pp. 1-12

2. The use of distributed ledgers and tokenisation to potentially create a more efficient financial architecture

Digital Assets, Digital Money and Digital Infrastructure will be given a lift.

Over the last few months of 2023, the market experienced a turnaround with digital asset prices increasing, including Bitcoin ending the year up more than 150% (as momentum began to build around the potential regulatory approval of spot Bitcoin ETFs in the US).



Source: The FinTech Journey Continues, FT Partners, January 2024

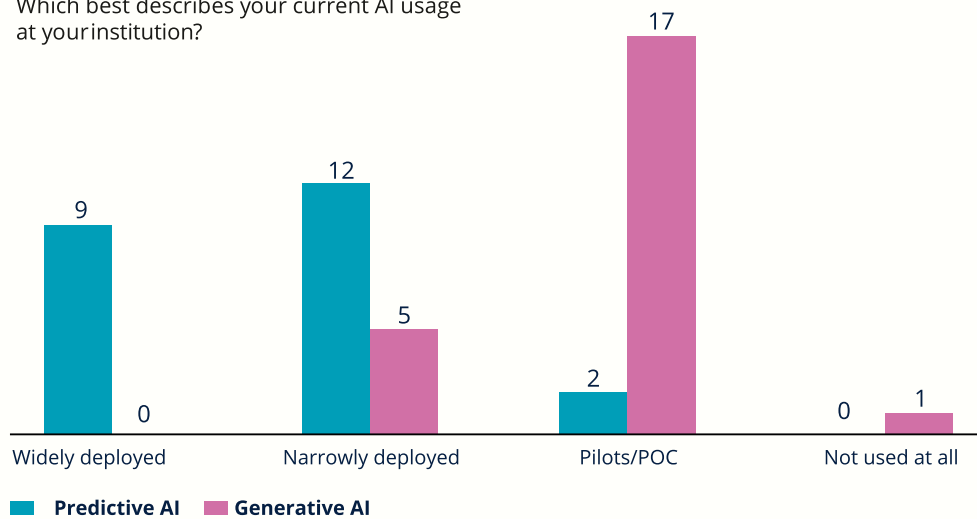
Governments are continuing to invest in CBDC development, with nearly every G20 country having made significant progress and invested new resources in CBDC projects over the past six months. 19 of the G20 countries are now in an advanced stage of CBDC development and of these, 9 countries are already in pilot.

3. Rise in responsible adoption of Generative AI: Data, Chips, Governance

AI adoption in financial services is growing, with predictive AI systems already deployed across many functions, and further growth expected in conjunction with the adoption of generative AI.

Oliver Wyman survey results on AI usage in financial services

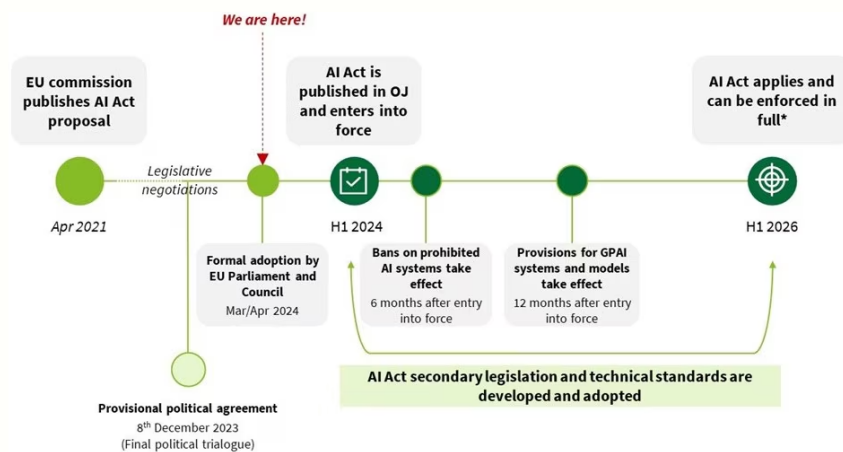
Which best describes your current AI usage at your institution?



Note: Widely deployed (five or more functions), Narrowly deployed (fewer than five functions), Pilots/POC (proof of concept) does not correspond to functions as it is in the conceptualisation/planning phase

Source: The Impact of AI In Financial Services, Oliver Wyman, 2023

As AI fast becomes an inescapable force in financial services, regulators and policy makers are naturally taking notice.



* Longer timeline (36 months) to apply for high-risk systems in Annex II – i.e. those used a safety product or a component of a safety product in certain industries (e.g. machinery, toys, medical devices) or in industries subject to harmonised EU law (e.g. boats, motor vehicles, rail, aircraft, etc). These industries are not covered in this article.

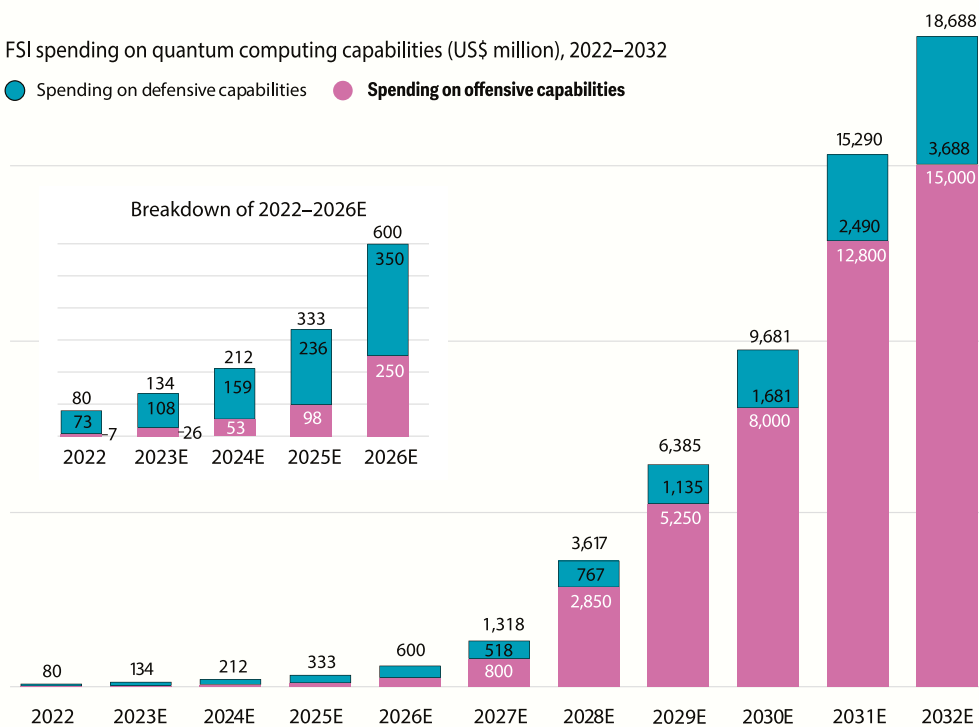
Source: The EU AI Act: the finish line is in sight, Deloitte, 13 Mar 2024

4. Exploration of quantum applications in financial services

The financial services industry's spending on quantum computing is expected to rise significantly

FSI spending on quantum computing capabilities (US\$ million), 2022–2032

● Spending on defensive capabilities ● Spending on offensive capabilities



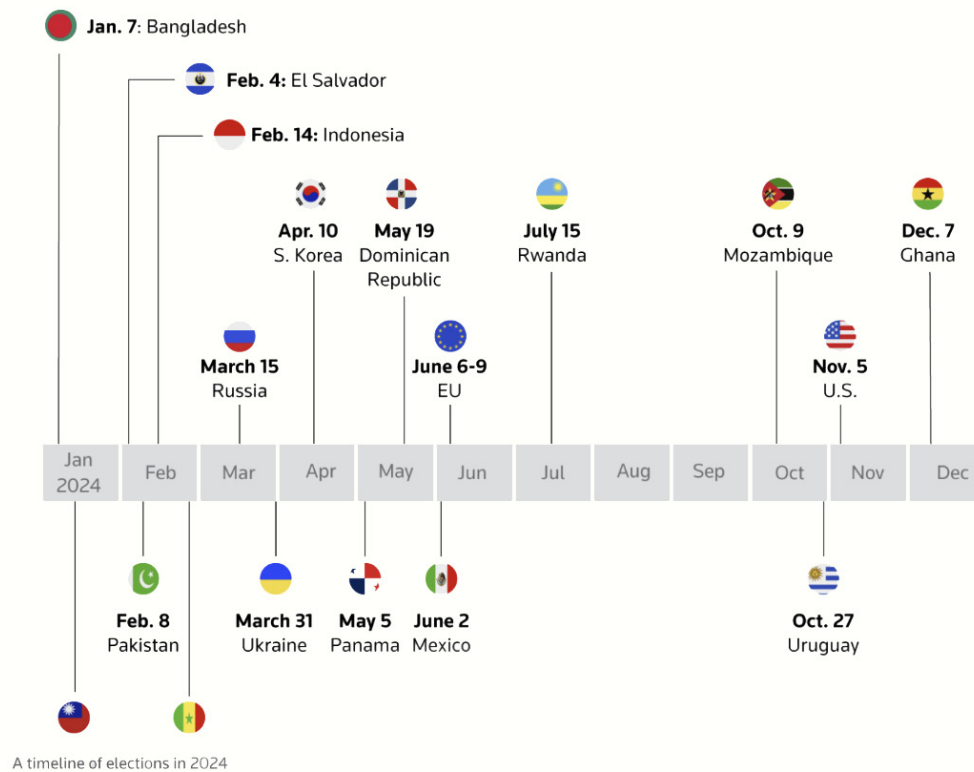
Source: 2023 FSI Predictions, Deloitte Insights, 2023

Macro forces shaping global FinTech in 2024

An election-packed 2024 could swing world markets. 60% of world's GDP that is going into elections, involving 7 of the 10 largest countries that make up half of the world's population.

Top of mind for businesses globally would be how to navigate macroeconomic and geopolitical forces of 2024 and beyond.

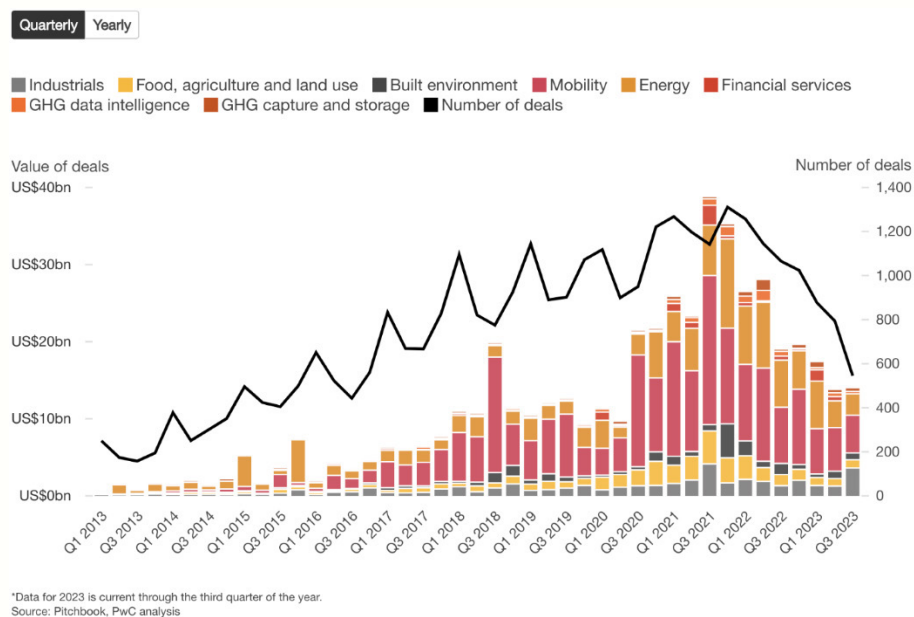
Over two dozen economies are scheduled to hold general elections in 2024



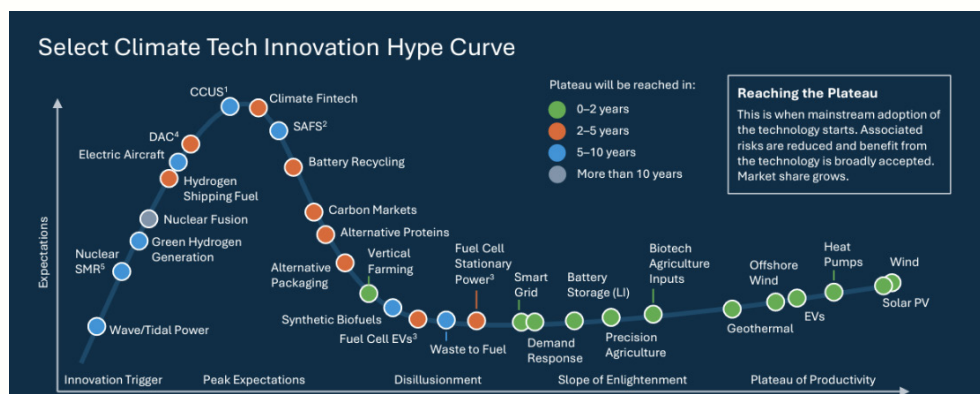
Source: Reuters.com, January 2024

The case for sustainability and greater capital support and adoption of Climate Tech solutions

The need for climate tech continues to rise, but equity investment in start-ups is not keeping pace. 2023 was the hottest year on record, with global temperatures close to the 1.5°C limit. However, equity investment in start-ups has declined for a second year amid tough conditions in private markets.



Despite this, Climate Tech is at an inflection point where mainstream adoption of the technology starts. The science and systems enabling renewable energy sources like wind and solar have reached stable, high productivity levels. The cost of solar has fallen 80% in the last decade, while the efficiency of wind turbines has doubled. Renewable power is often cheaper than conventional sources.



Source: The Future of Climate Tech, Silicon Valley Bank, June 2023

Electric cars have also recently passed the tipping point to mass adoption in 31 countries, signalling the start of mass adoption, after which technological preferences rapidly flip³.

³<https://www.bloomberg.com/news/articles/2024-03-28/electric-cars-pass-adoption-tipping-point-in-31-countries>