What It Takes to Create a Leading Fintech Hub

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There is no doubt in my mind that Singapore is emerging as a key fintech hub not just for Asia, but for the world. The fintech startup scene here is tremendously vibrant, and its momentum continues to build.

Dozens of Singaporean fintech startups, many of them with an international outlook, have raised $656 million in this first quarter alone. The country is also now home to leading global players such as Revolut, Grabpay and M-Daq, as well as hundreds of other aspiring fintech startups.

So how did this all happen, what does it mean for the fintech industry in Singapore and what can other countries learn from Singapore's approach to fintech innovation?

A fertile fintech environment

To begin with, Singapore has shown immense forethought with the government's growth initiatives through funding and regulatory measures. Whether it be government-supported incubators, regulating innovation or cutting red tape, Singapore has cultivated an environment ideal for fintech growth, taking Europe and North America head-on in the fintech scene.

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Singapore has been steadily strengthening the regulatory framework to attract greater interest from startups, investors

and venture capitalists. The Monetary Authority of Singapore (MAS) has been carefully updating its regulations to catch up with the fast-evolving industry.

The latest enhancement of the Payment Services Act in 2019 is key evidence of the attention and the speed of the regulator to introduce clear regulations to govern fintech players that are involved in payment services, digital payments, token dealing and exchanges. This was a big factor for more fintech companies choosing Singapore as their base in Asia.

The new regulations aim to provide clear legal clarity for fintech-related companies, in addition to outlining their responsibilities and requirements. This was a welcome step as many large financial institutions had been wary of dealing with them due to a lack of regulatory guidelines. Singapore's authorities have also taken the initiative to develop new sets of regulations that would be unique from other countries.

Singapore has also made it incredibly simple to create a startup, costing only $315 and taking just 15 minutes to register a new company. In August of 2020, there was $250 million invested for the Financial Sector Technology and Innovation (FSTI) scheme, designed to promote the fintech sector.

To really punctuate MAS's intent, they even built a 100,000 square foot fintech innovation hub, designed to foster experimentation in the field. In addition, MAS on an annual basis hosts the largest Fintech festival in the world in Singapore, called the Singapore Fintech Festival.

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A large sandbox for experimentation

Before fintech was a proven disruptor, operating and launching

new products in the market for a fintech company in Singapore was a long and laborious procedure. MAS has since accommodated the shifting tides in finance by cutting through the outmoded red tape. The creation of the regulatory sandbox in 2016 allowed fintech startups to experiment in a controlled environment, allowing for unprecedented innovation.

Companies that have been through the regulatory sandbox and then become registered are more likely to thrive, largely because they have had experience within the sandbox before fully going to market with their services. This is a world-leading environment for fintech companies to not only innovate, but flourish on a global scale.

This industry-wide disruption has done nothing to harm the traditional financial institutions either; it is no longer a threatening upstart, but rather a helpful facilitator for the financial sector as a whole. From a wider viewpoint, fintech companies help increase transparency and efficiency for all financial services.

This expansive sandbox, within a fertile environment of government support, provides the perfect conditions for something of a fintech garden of Eden in the region. Singapore has consistently shown itself to be up to pace with regional and global trends in fintech, and their continued willingness to help the sector can only lead to it being a global leader in the industry. Even if you are not directly involved in the sector, expect fintech to have some considerable impact on your business in the very near future.

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