

## The U.A.E.'s Fintech Sector

This report focuses on the U.A.E.'s financial technology, or fintech, sector. Fintech has undergone rapid growth in the U.A.E., making the country the largest fintech hub for startups in the MENA region. This short study outlines how this sector has flourished due to the visionary initiatives of financial free zones, supportive government policies, a private sector that is keen to partner with innovative fintech startups, and a young, tech savvy population both in the U.A.E. and the wider region that is eager to adopt the latest fintech innovations.

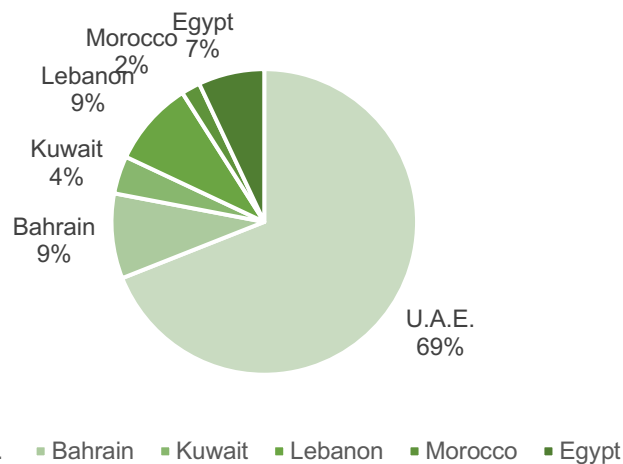
The U.A.E.'s embrace of technology is rooted in the U.A.E.'s National Vision 2021, which calls for the U.A.E. to become the economic and commercial capital for 2 billion people by “transitioning to a knowledge-based economy” and becoming “among the best in the world in entrepreneurship.” In keeping with the spirit of this Vision, the U.A.E. has appointed Ministers of Artificial Intelligence and Advanced Sciences; created tech-focused institutions such as Smart Dubai, Abu Dhabi Digital Authority, and the Dubai Future Foundation; and launched initiatives such as Hub71 and Area 2071 to support entrepreneurs in various technology-related verticals.

In October of 2019, the U.S.-U.A.E. Business Council led a trade mission for U.S companies focused on building partnerships with U.A.E. government and business entities in this vertical. The Business Council continues to work closely with key U.A.E. partners such as the Dubai International Financial Center, Abu Dhabi Global Markets, and various U.A.E. government regulators to increase and promote awareness of this critical sector. Much of the Business Council's understanding of this vertical and ability to assist member companies flows from these close relationships and enduring partnerships.

### *A Regional Fintech Hub*

Over the last five years, the U.A.E. has quickly established itself as the largest fintech hub for startups in the MENA region. A late 2019 report co-compiled by Abu Dhabi Global Market (ADGM) and Magnitt concluded that the U.A.E. hosts the greatest number (46%) of fintech startups in the MENA region. The report also found that the U.A.E. accounted for 47% of all fintech deals so far that year and 69% of all funding. A similar report by the Milken Institute with a slightly different methodology likewise concluded in late 2019 that the U.A.E. is home to a plurality (one third) of regional fintech startups.

Percentage (%) of total Fintech funding by country, 2019 - MENA region



*Financial Free Zones*

Two leading U.A.E. financial free zones, Abu Dhabi Global Market (ADGM) and Dubai International Financial Centre (DIFC), deserve much of the credit for the U.A.E.'s burgeoning fintech sector, as they both provide ideal ecosystems for fintech companies to flourish. DIFC has created a "FinTech Hive" with a dedicated \$100 million fund that gives companies access to accelerator programs, mentorship from leading financial institutions, and insurance partners. In 2018, DIFC and prominent U.S. consulting company Accenture signed an MOU to further foster innovation at the FinTech Hive and enable collaboration with Accenture's FinTech Innovation Labs throughout the world, including in New York. Other partners of DIFC's Fintech Hive include AWS, Careem, Cigna, EmiratesNBD, FAB, K&L Gates, MetLife, Microsoft, Standard Chartered, and Visa.



For its part, ADGM has created a RegLab fintech sandbox, a specially-tailored regulatory framework that provides a controlled environment for fintech participants to develop and test innovative fintech solutions. It is the first RegLab in the region and the world's second most active fintech sandbox. ADGM has also inked a partnership with Plug and Play for the Silicon Valley accelerator to open a new office in Abu Dhabi and bring some of its top startups along to work with local financial institutions. Plug and Play ADGM's accelerator programs focus on supporting MENA region ecosystems in three sectors: finance, travel & hospitality, and healthcare. Examples of startups that have flourished under this U.S.-U.A.E. partnership include Token and API Fortress.

## *Government Support*

At the same time that ADGM and DIFC have created environments in which fintech startups can flourish, U.A.E. government institutions and regulatory agencies have worked to create a similarly favorable environment. The Central Bank of the U.A.E. and the Securities and Commodities Authority (SCA), in particular, have been keen to support the U.A.E.'s burgeoning fintech industry. In late 2019, the Central Bank even established a dedicated fintech office to develop national regulations for financial technology firms, recognizing the sector is a key growth area for the country.

The U.A.E.'s fintech sector is also booming in part due to national level strategies revolving around blockchain technology and artificial intelligence (AI). In 2018, the U.A.E. government launched Emirates Blockchain Strategy 2021, which aims to shift 50% of government transactions to blockchain within three years. This includes e-payment services, presenting an opportunity for fintech firms to be involved.

And in 2019, the U.A.E. government began implementing its National Artificial Intelligence Strategy 2031. This strategy, which is led by the U.A.E. Minister of State for Artificial Intelligence, seeks to invest in the latest AI technologies and tools to enhance U.A.E. government performance and efficiency. Given the myriad applications of AI to fintech, this is bound to be yet another catalyst for the sector.

## *Private Sector Partnerships*

Another boon for the U.A.E.'s fintech sector is the considerable appetite among leading U.A.E. banks and their U.A.E.-based American banking and financial services counterparts to embrace the latest fintech innovations. Prominent Emirati banks such as Abu Dhabi Commercial Bank (ADCB), First Abu Dhabi Bank (FAB), and Emirates NBD are increasingly focusing on digital payments and mobile banking, which may translate into more partnership opportunities for fintech companies.



We have already seen tangible examples of such partnerships. For instance, ADCB announced a partnership with Plug and Play and ADGM to join Plug and Play's global ecosystem, leveraging the platform to support its comprehensive digital transformation strategy. Meanwhile, Dubai-based Emirates NBD and DIFC FinTech Hive formed a partnership to certify fintech startups who have successfully used Emirates NBD's Application Programming Interface Sandbox to create and demonstrate working innovative financial solutions. In addition, in 2018, FAB and Abu Dhabi Digital Authority (formerly ADSSSA) collaborated to launch Abu Dhabi Government Digital Payment platform (ADPay) to facilitate simplified digital payment for customers and investors in the U.A.E.

Like their U.A.E. banking counterparts, a wide range of prominent U.S. financial service companies have embraced the U.A.E.'s FinTech space:

- Amex: In 2019, Amex launched a corporate accelerator where Fintech startups are challenged to find solutions to issues the credit card giant is facing and win a chance to become one of the firm's suppliers.



- Citi: In 2019, Citi held its first MENA Fintech Challenge, which offers the region's Fintech community the opportunity to put their ideas into practice and come up with innovative solutions around identified problem statements.



- Mastercard: In 2018, Mastercard launched its first Start Path Summit in Dubai. The event brought together fintech startups spanning AI, big data, e-commerce, security, financial inclusion, and payments, pitching their innovative solutions in financial services and commerce at the summit.



- MetLife & PayPal: Recently, MetLife Foundation, PayPal, and Village Capital selected early-stage ventures for the Finance Forward: MENA 2019 accelerator program, which is part of a multi-year global initiative supporting over 100 entrepreneurs with nine accelerators across four continents.



- Visa: Visa is passionate about fintech and has been a longstanding partner in the local fintech scene. Visa partnered with two local fintech accelerators in the U.A.E. from inception - the DIFC Fintech Hive and Startupbootcamp with whom they are actively involved with and provide mentoring and consultation services. Since 2019, Visa has also been expanding its global Fintech Fast Track program to allow both new and established fintechs to issue digital payments solutions by leveraging the speed, security, reliability and global reach of the Visa network. The program enables rapid onboarding of fintechs and provides them turnkey solutions that are transforming how consumers and businesses manage money, invest, receive loans,

and send and receive money worldwide. Visa's Everywhere Initiative has also been running since 2016, a global competition that challenges fintechs and startups with locally specific problems for a chance to win up to \$50,000 and support to launch a program with Visa.



### Case Study - Boloro Global Limited



Major U.S. corporations are not the only American companies to recognize the opportunities in the U.A.E. fintech sector. Boloro, a U.S. fintech startup, is an example of a smaller yet pioneering U.S. company that has seized these opportunities. The company licenses its multi-factor and multi-channel authentication and payment service platform that is compatible with all mobile phones, making it ideal for identity verification and transaction validation, including online banking, digital payments, and eCommerce. The process is immediate, user-friendly, secure and fraud-free, and available for white label licensing and local or cloud-based hosting. After participating in the U.S.-U.A.E. Business Council's 2019 fintech mission, Boloro has actively sought to bring its pioneering technologies to the U.A.E. market.

### *Tech-Savvy Youth*

A final driver of the U.A.E.'s fintech sector is a large, young, tech-savvy potential customer base not just in the U.A.E. but in the wider MENA region. The U.A.E. already boasts very high ICT adoption rates, and the U.A.E. has high mobile telephone usage with many people having more than one mobile device. Moreover, and according to U.S. management consulting company McKinsey, the mobile payments sector in the U.A.E. is set to grow by 30% a year. This pattern is also apparent in the wider region as the mobile payment industry in the Middle East and Africa is expected to record a compound annual growth rate of 17.8% to reach \$434.5 billion by 2025.

### *Looking Ahead*

Because of all of the above factors, the U.A.E.'s fintech sector will likely continue to thrive for the foreseeable future. Given the expertise of U.S. companies in this field, opportunities for partnership will further expand and be an important aspect of the U.S.-U.A.E. economic relationship. The Business Council is proud to have supported the growth of bilateral relations in this sector to date. Fintech will be an important plank of the Council's programming for years to come. As always, the Business Council stands ready to help companies better understand the U.A.E.'s financial and fintech sectors so as to make informed decisions in pursuit of their long-term business objectives.