

International Coordination Council of Banking
Associations in the CIS, Central and Eastern
Europe (International Banking Council)



REGULATION AND DEVELOPMENT OF FINANCIAL TECHNOLOGIES: PROBLEMS, RISKS, SECURITY



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THE DIGITAL ECONOMY IN RUSSIA AND GLOBALLY

THE LEVEL OF THE DIGITAL ECONOMY DEVELOPMENT IS LOWER THAN IN LEADING COUNTRIES

3.9%

Russia's share
of the digital
economy in GDP

This is less than in the USA,
China and European Union

0.5%

Share of digital
goods and services
exports in the structure
of Russia's GDP

2.5%
in Western
Europe

2.9%
in India

5.8%
in China

Russia is
39th

in terms of economy digitization

THE GOVERNMENT PLANS TO TRIPLE THE VOLUME OF THE DIGITAL ECONOMY BY 2025

8% – 10%

Share of the digital economy in GDP by 2025

₽1,08T

will be spent on the National program
«The Digital Economy of the Russian Federation» by 2024

The digital economy will be able to provide

from 19% to 34%

of GDP growth by 2025

THE DIGITAL ECONOMY IN RUSSIA AND GLOBALLY

**FINTECH IS THE DRIVER OF RUSSIA'S
DIGITALIZATION**

THE BANKING SECTOR

is the technological leader
in digital transformation
in Russia

Russia has been included in the top 5 countries in the field
of digital banking in the EMEA region in 2018

FinTech

ensures public and business digital
economy inclusion

Russia had a 43% FinTech adoption rate for metropolises in 2017,
and was ranked 3rd globally

THE ADOPTION OF FINANCIAL SERVICES AND TECHNOLOGIES IN RUSSIA

75%

of population is covered
by financial services

55%

share of cashless payments
in the national economy

2

average number of bank
cards per person

20%

credit card ownership

40%

of Russians made purchases
or payments online

45%

of banking clients use mobile
or online banking

77%

annual growth of P2P-
transfers (₽19T)

2.5 million

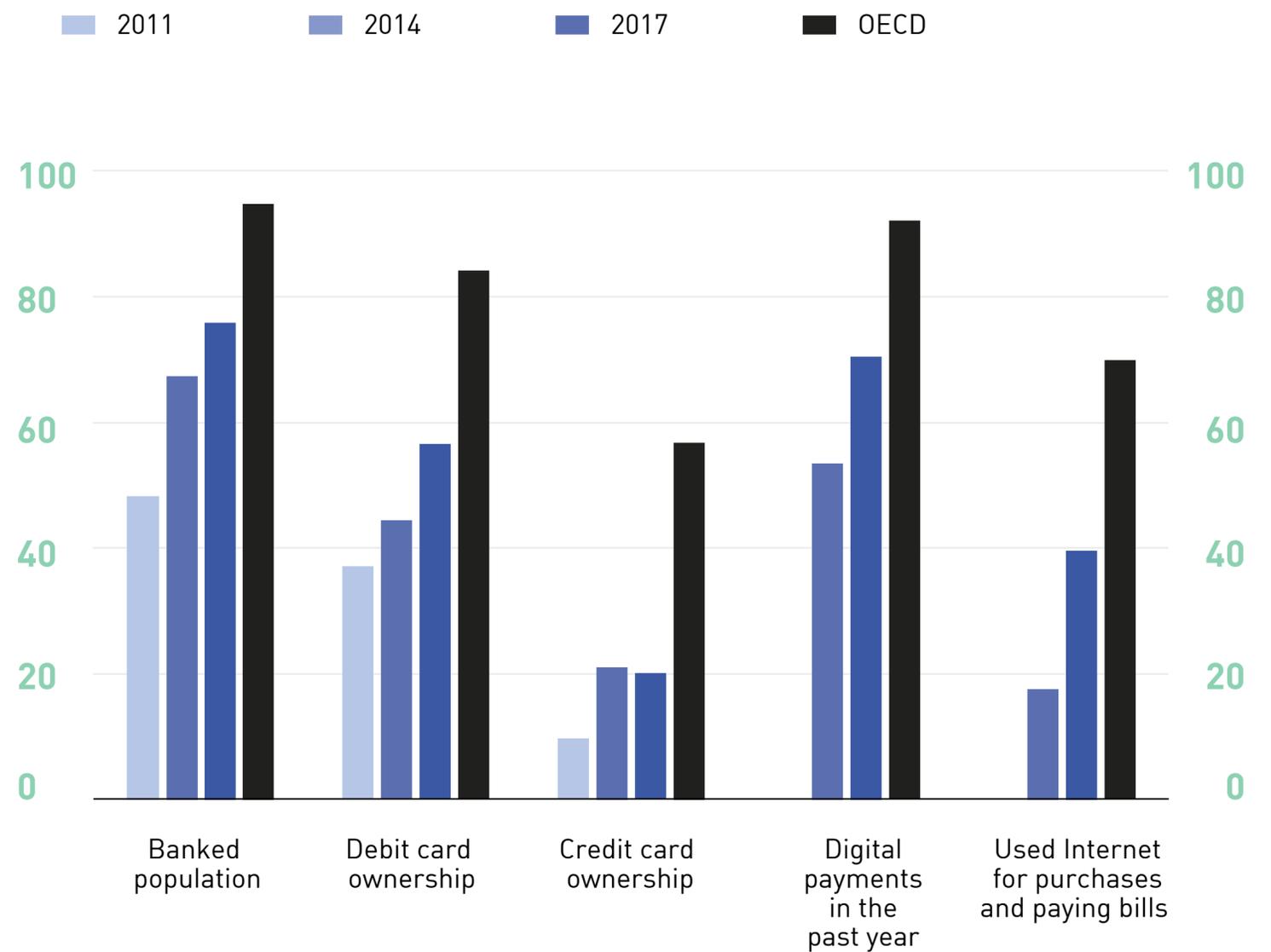
number of POS terminals
in Russia



THE ADOPTION OF FINANCIAL SERVICES AND TECHNOLOGIES IN RUSSIA

The maturity level of the financial services market is low but the growth rate of financial technologies penetration is high

ACCESS TO FINANCIAL SERVICES, POPULATION AGES 15 AND ABOVE



FINANCIAL TECHNOLOGIES DEVELOPMENT IN RUSSIA

KEY DRIVERS OF FINTECH DEVELOPMENT

- ➔ The level of internet penetration and mobile device usage is growing

87 M Russians use Internet

67 M mobile internet users

- ➔ Rising financial services availability and adoption

- ➔ Growing customer demand for fast, personalized, high-quality financial services

- ➔ Growing number of social media users (there will be 88M users by 2025)

- ➔ E-commerce development, including m-commerce (30% annual growth)

- ➔ End-to-end technologies development within the National program «The Digital Economy of the Russian Federation»

BARRIERS TO FINTECH DEVELOPMENT

- ⊗ The level of financial literacy among Russians is low

- ⊗ Digital divide and lack of adequate infrastructure outside of large cities

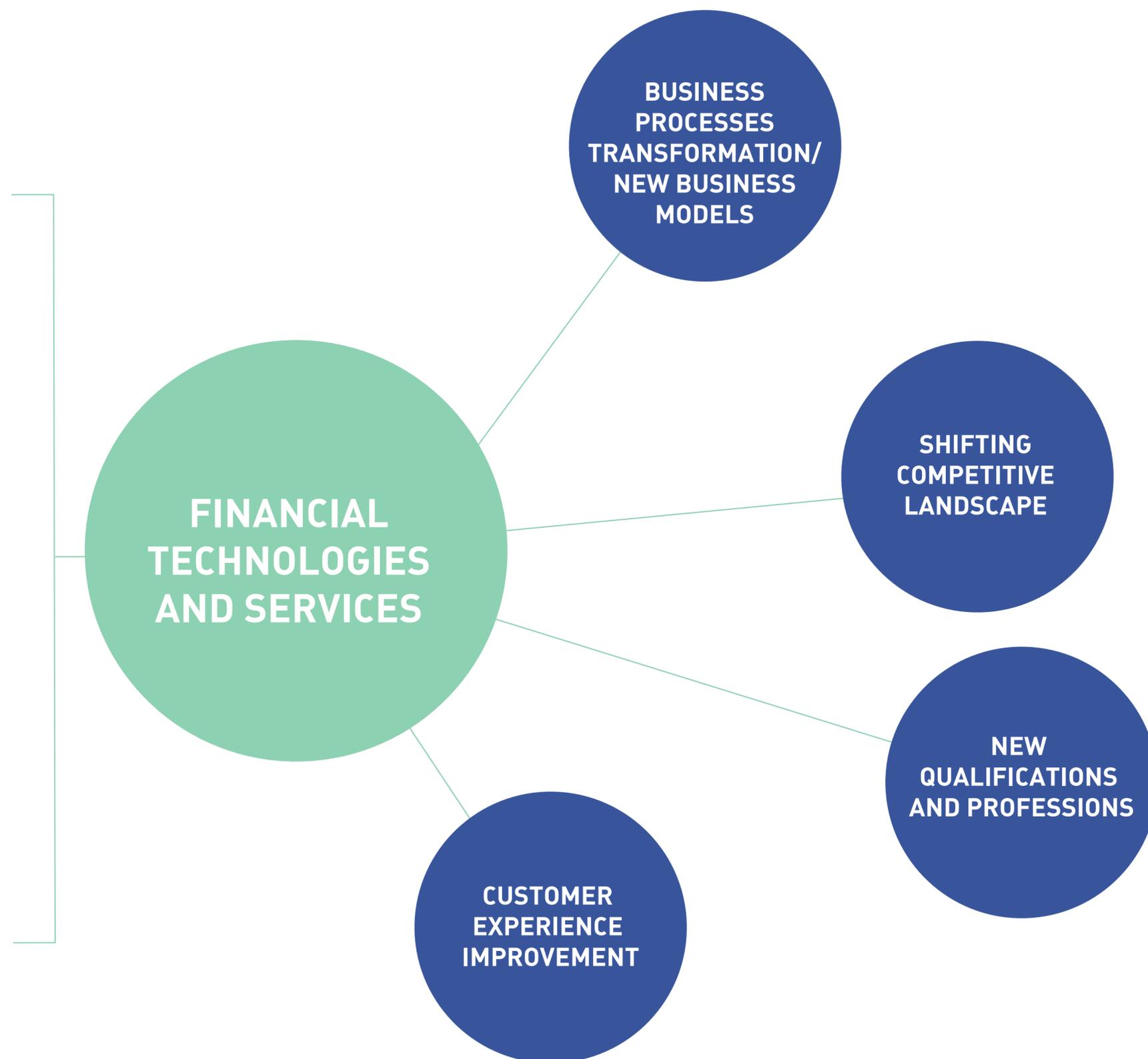
- ⊗ Low level of public confidence in financial technologies (including P2P lending, crowdfunding)

- ⊗ The rise of cyber threats

- ⊗ Lack of legislative regulation for mainstream adoption

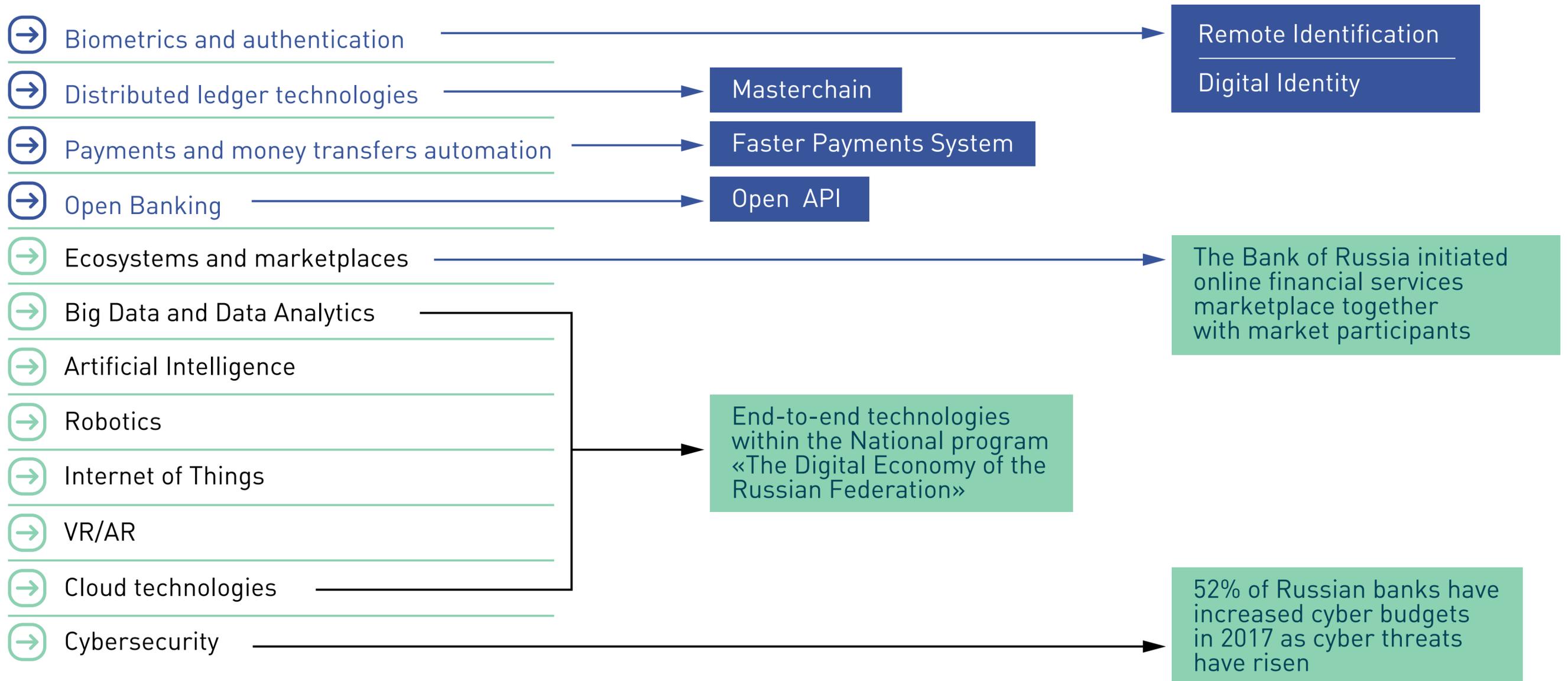
MAJOR TRENDS IN FINTECH DEVELOPMENT

- Biometrics and authentication
- Distributed ledger technologies
- Payments and money transfers automation
- Open Banking
- Ecosystems and marketplaces
- Big Data and Data Analytics
- Artificial Intelligence
- Robotics
- Internet of Things
- VR/AR
- Cloud technologies
- Cybersecurity



MAJOR TRENDS IN FINTECH DEVELOPMENT

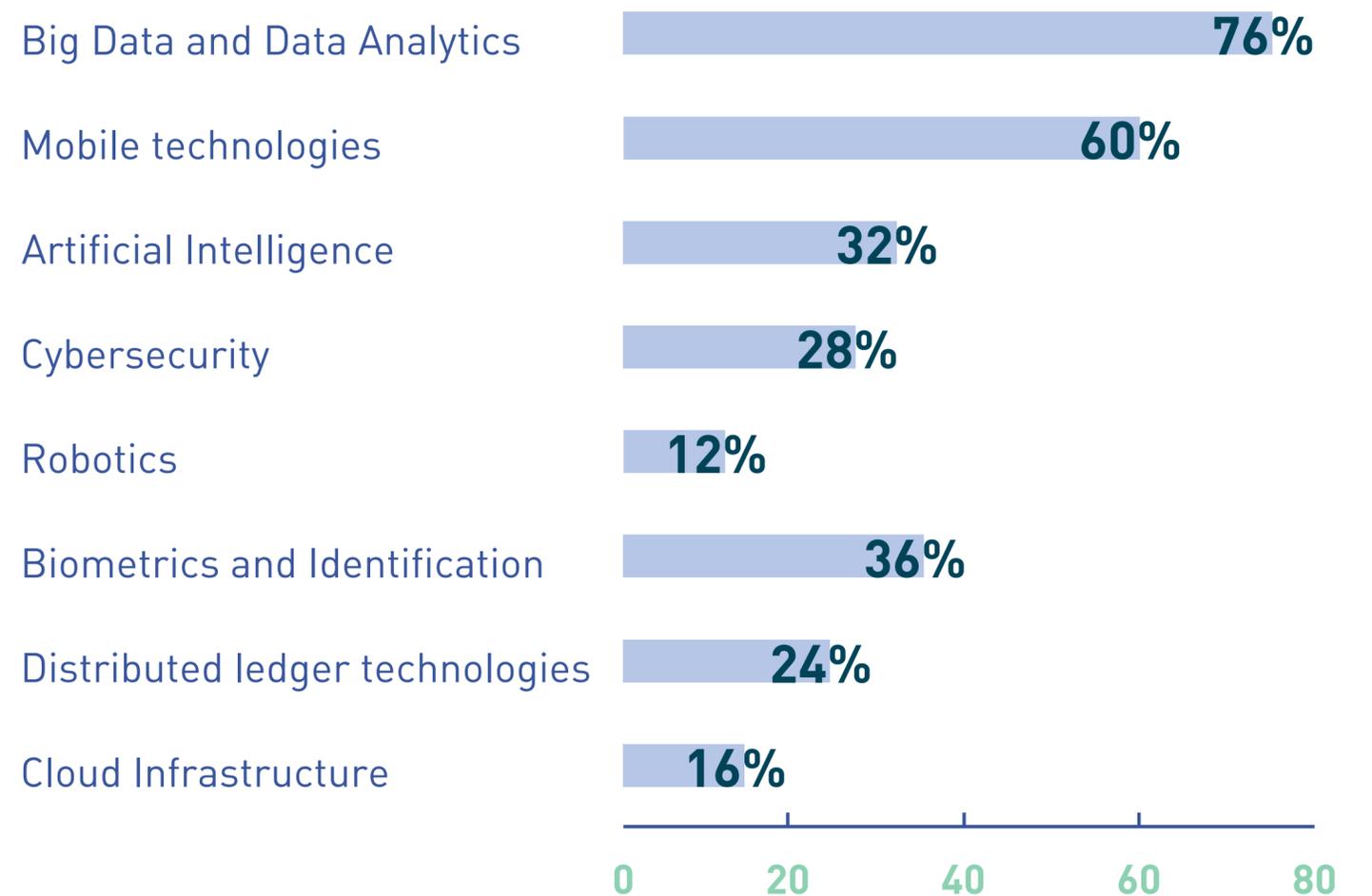
AFT IS DESIGNING AND IMPLEMENTING NEW TECHNOLOGICAL SOLUTIONS IN THE FIELD OF FINANCIAL TECHNOLOGIES TO SUPPORT THE DEVELOPMENT OF THE RUSSIAN FINANCIAL MARKET AND ENSURE EASY ACCESS TO DIGITAL FINANCIAL SERVICES



TECHNOLOGICAL AREAS FOR INVESTMENT IN RUSSIA

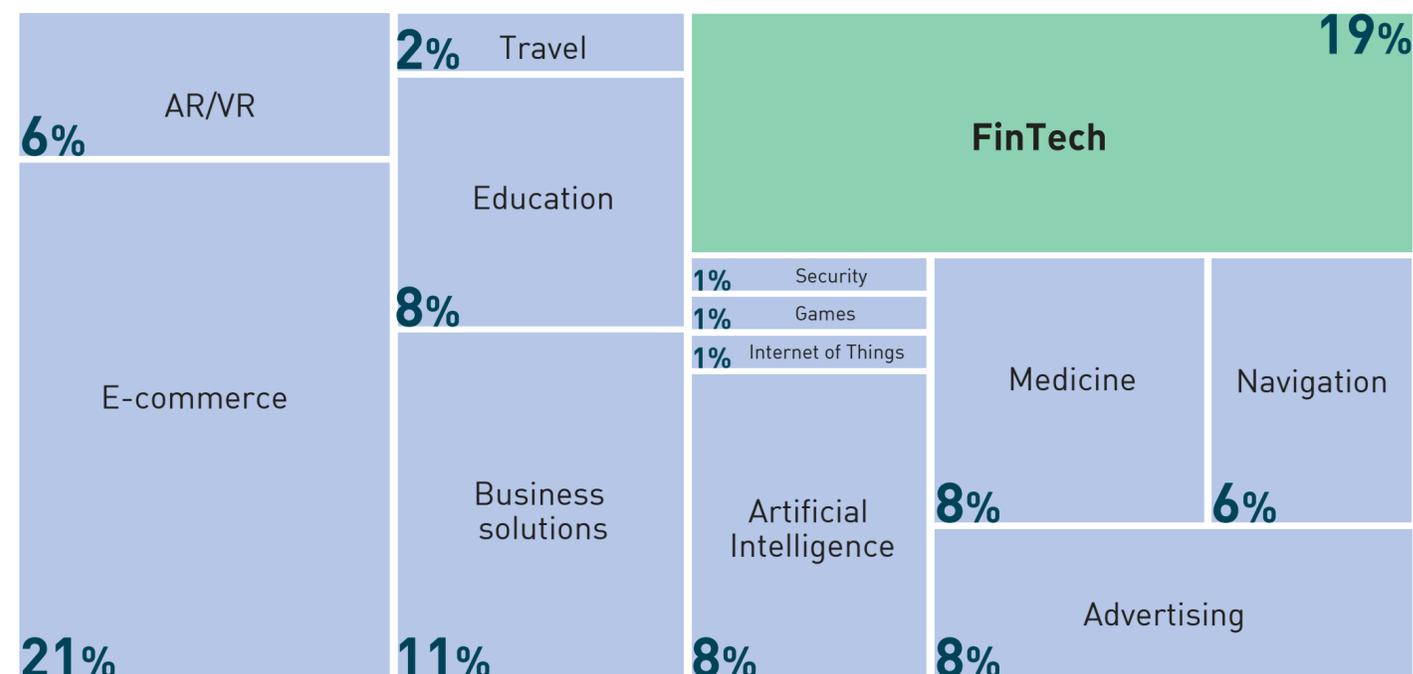
According to a survey of FinTech executives, the most attractive technological areas for investment in 2017 were the following:

TECHNOLOGICAL AREAS FOR INVESTMENT IN RUSSIA



SPECIFIC FEATURES OF FINTECH DEVELOPMENT IN RUSSIA

RUSSIAN VENTURE INVESTMENT MARKET IN 2017



\$30.8 M

were invested in FinTech in Russia in 2017

\$20 M

were invested in services that allow payments for goods and services in installments (Russian startups «Revo Technologies» and «Sourcedata») by venture capital funds «Baring Vostok» and «Vostok Emerging Finance (VEF)»

DOUBLED ANNUAL GROWTH OF AN AVERAGE DEAL SIZE \$1,7 M TO \$3,4 M



SPECIFIC FEATURES OF FINTECH DEVELOPMENT IN RUSSIA



Major banks drive fintech innovation. FinTech companies have low disruptive potential



Some of the global disruptive FinTech segments are absent or developing



Lack of legislative regulation

• online (P2P) lending, digital wealth management, InsurTech



Flexible policy of the Bank of Russia



The need to train FinTech professionals and bolster the talent pool



90% of \$75M

investments in FinTech were made by leading banks in 2011–2016



REGULATORY SANDBOX

was launched in 2018 to mitigate legal barriers



EDUCATIONAL PROGRAMS

«Financial Technologies and Data Analysis» (HSE)

FinTech School
(Financial university)

«Technological entrepreneurship and innovative business development» (MIPT)



FORECAST OF FINTECH GROWTH IN RUSSIA TO 2035

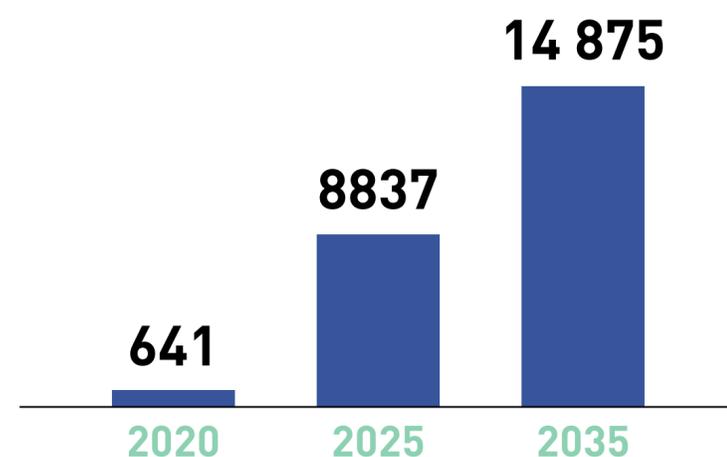
47.2%

of financial services will be provided using FinTech products and services by 2035

96.3%

of all transactions in Russia will be performed using innovative services for making payments and remittances

FORECAST OF TRANSACTION VOLUME USING FINTECH SERVICES FOR PAYMENTS AND MONEY TRANSFERS IN RUSSIA, \$BILLION

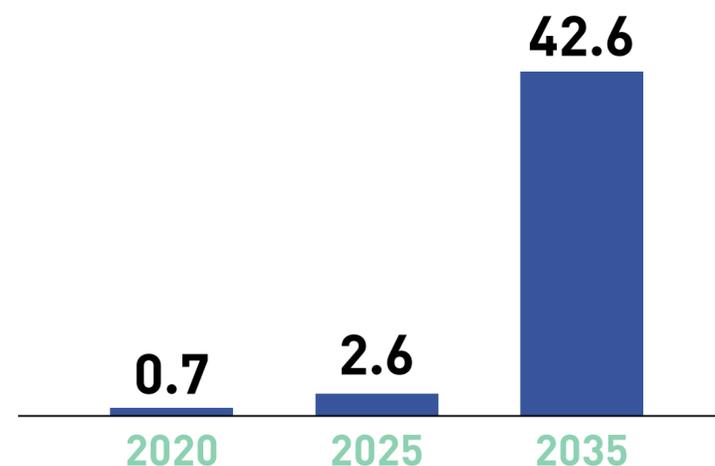


SOURCES: EXPERTS' OPINION, EY ANALYSIS, STATISTA BCG

46.1%

of assets will be managed using innovative services for investments and capital management

FORECAST OF FUNDS UNDER THE MANAGEMENT OF INNOVATIVE SERVICES FOR WEALTH MANAGEMENT IN RUSSIA, \$BILLION

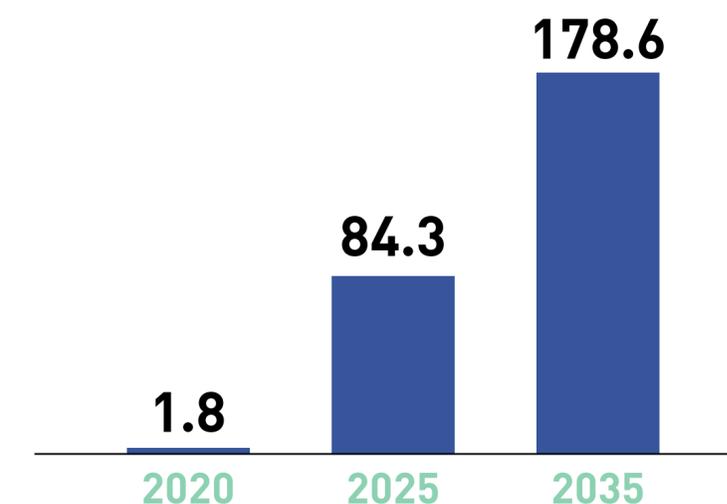


SOURCES: EXPERTS' OPINION, EY ANALYSIS

36.7%

of financing will be provided using innovative financing services

FORECAST OF FINANCING WITH THE USE OF FINTECH SERVICES IN RUSSIA, \$BILLION



SOURCES: EXPERTS' OPINION, EY ANALYSIS, CAMBRIDGE CENTRE FOR ALTERNATIVE FINANCE

A night cityscape with a network overlay. The background shows a dense urban environment with illuminated buildings and a complex highway interchange. Overlaid on this are two network diagrams consisting of interconnected nodes and lines, one in the top right and one in the bottom left, both rendered in a light blue/cyan color. The text 'THANK YOU FOR ATTENTION' is centered in the middle of the image in a bold, white, sans-serif font.

**THANK YOU
FOR ATTENTION**