Rethink

RETHINK FINTECH

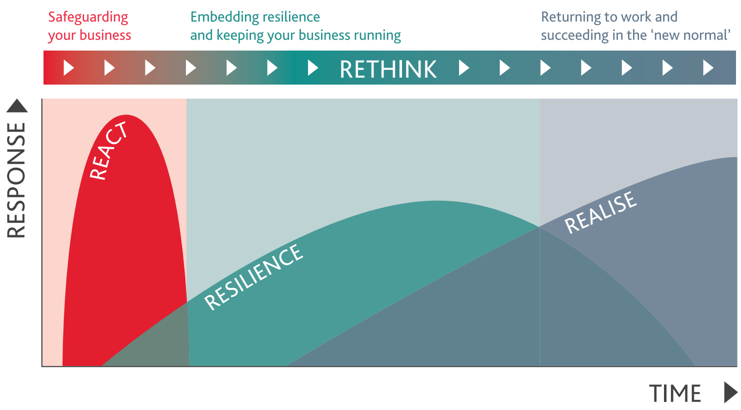
Crisis as an opportunity – Singapore

April 2021

BDO

INDEX PAGE

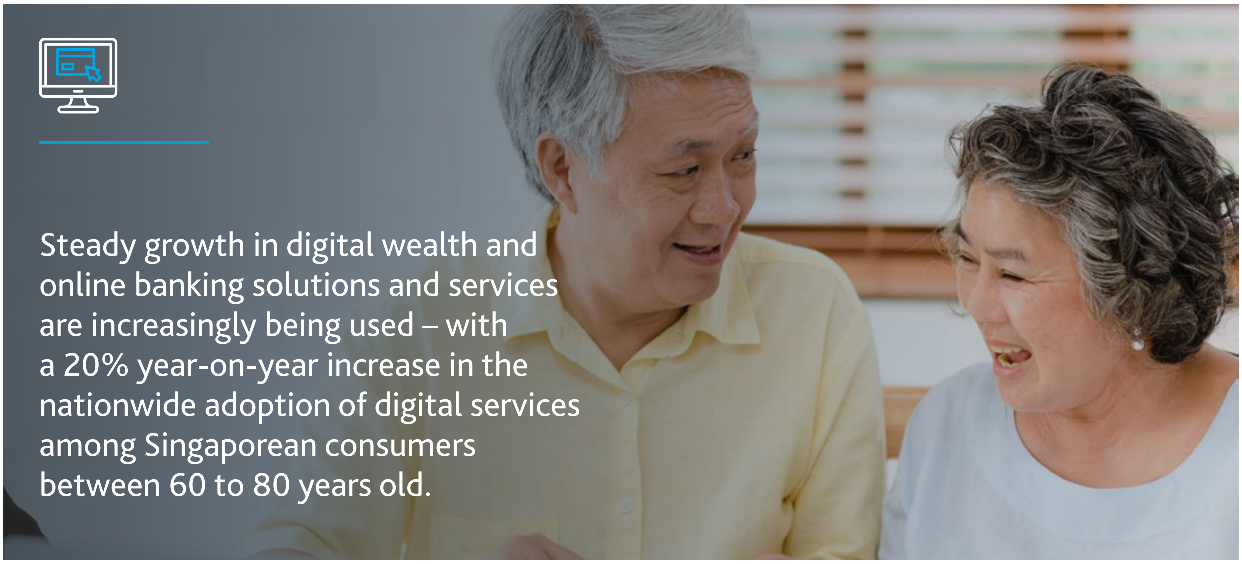
INTRODUCTION



Across South East Asia, Fintech adoption was the logical answer to a quarantined economy - supporting government aid responses, business operations and individuals in their ability to access banking, digital payments, and financing.

Despite socio-economic challenges, exacerbated by the pandemic, the appetite for Fintech has increased, even in older populations who historically have not been part of the demand.

While incumbents were focused on shifting to a remote workforce and pressured by legacy systems and processes, agile Fintechs were able to meet the immediate demands. Lockdowns and social distancing changed usual banking behaviours both by external forces - such as governments encouraging people to stay home - as well as heightened caution across all demographics. This has changed consumer expectations on how their banking should or could be delivered.



Steady growth in digital wealth and online banking solutions and services are increasingly being used – with a 20% year-on-year increase in the nationwide adoption of digital services among Singaporean consumers between 60 to 80 years old.

Singapore has found itself at the epicentre of Fintech in South East Asia thanks to a series of carefully executed strategic policies, enterprising founders, and a thriving digitally ready ecosystem. Though it is much smaller in size compared to its neighbours, Singapore, the Fintech nation, has grown into a formidable powerhouse – with nearly half of the Fintech firms in ASEAN calling Singapore their home.

In this report, we present a guide to the challenges and opportunities facing Fintechs in Singapore and provide an overview of the Blockchain and Cryptocurrency market. Our **BDO Rethink** model is designed to assist in navigating the disruption and succeeding in a new normal.

GABRIEL SEOW,
Partner – Financial Services Group,
BDO Singapore

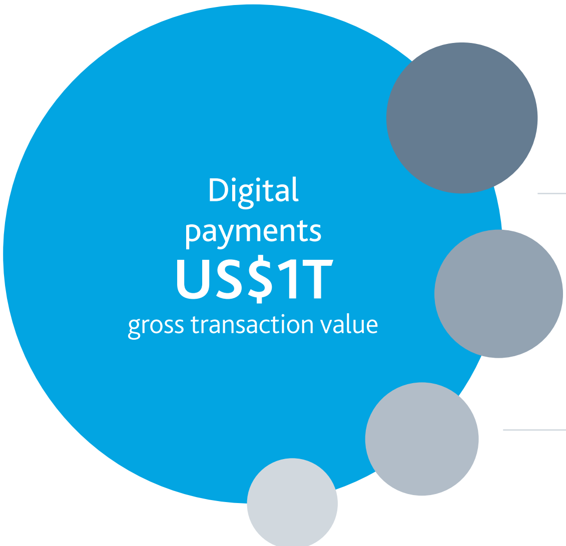
THE RISE OF FINTECH IN SOUTH EAST ASIA

2025

~US$38B

revenue in 2025

(~11% of total SEA FS revenue)



US$110B	**Digital lending**	loan book
US$75B	**Digital investment**	assets under management
US$28B	**Digital remittance**	total flow
US$8B	**Digital insurance**	gross written premiums

14%
of industry experts believe established FS institutions are **well-prepared** for **digital innovation**

53%
of industry experts believe FS disruption will more likely come from **consumer tech platforms** than from pure-play **fintechs**

44%
of industry experts believe **regulators will support** FS innovation

Image source: https://www.bain.com/globalassets/noindex/2019/bain-report-fulfilling-its-promise.pdf

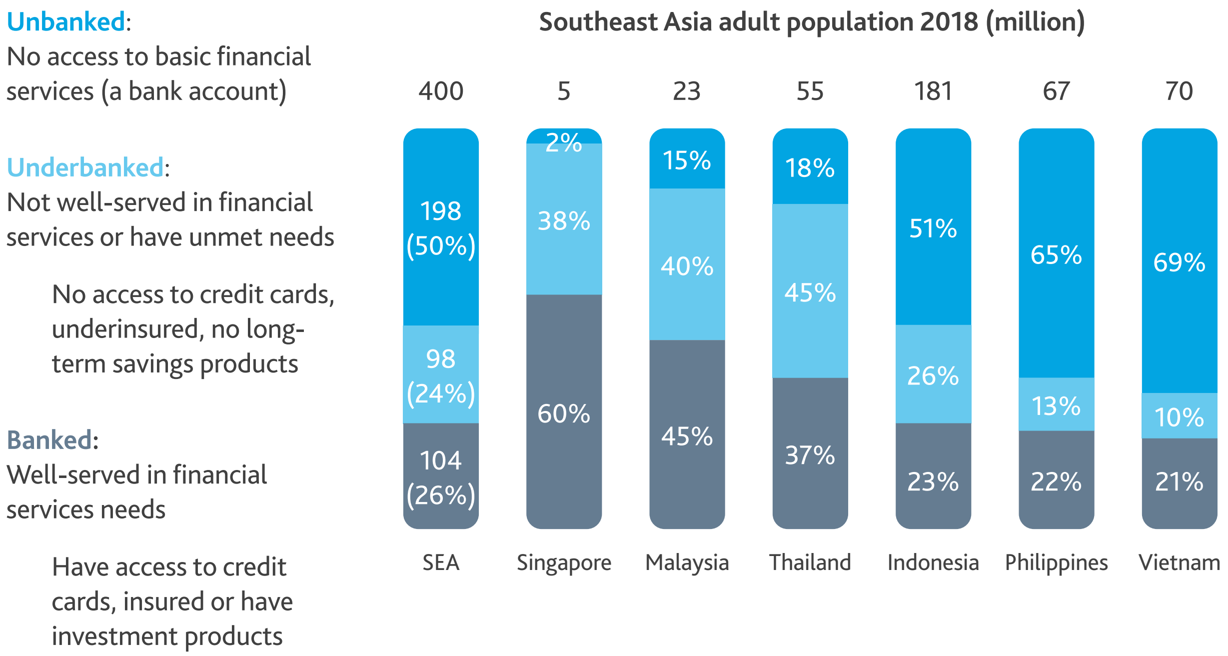
Before COVID-19, the South East Asian market was at varying degrees of maturity in adopting Fintech across the region. Indonesia, Malaysia, and Singapore were well-established, with Singapore representing 43% of Fintech in South East Asia and all were recognised as major Fintech hubs globally. Their demand was being driven by the young, professional workforce and an expanding middle class as well as supportive regulatory frameworks, including accelerator programmes and innovation hubs. There were also emerging hubs in Kuala Lumpur, Saigon, Hanoi, and Bangkok.

While digital financial services were expected to generate US$38 billion (S$51.8 billion) in annual revenue within the region's six largest markets (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) by 2025, the full potential was expected to increase to US$60 billion with the right regulatory support, financial market infrastructure development and scaled investments.

The emerging market – that is the un(der)banked segment - alongside rapid internet adoption has the biggest potential and is the true growth engine for companies dealing with financial services. This emerging market segment comprises of an estimated 98 million adults across the six countries in the ASEAN. Furthermore, over the last five years internet use has exploded, with more than 360 million users looking to digitise their everyday tasks. This is an increase of 100 million from four years ago. Within the Fintech space, there's been rapid growth in digital payments and digital banks, and more recently, start-ups offering alternative lending.

The adoption of digital banking channels by the unbanked or underbanked population across South East Asia is growing, particularly as the use of mobile phones is proliferate.

A study conducted by Google, Temasek and Bain & Company[1] found that consumer technology platforms are better positioned to serve the un(der)banked segment compared to established financial services players. Since they offer a range of digital financial services such as payments, remittance, lending, insurance and investments, these platforms can provide the convenience, value and access that the un(der)banked need. A challenge of converting the un(der)banked economy, are its trust issues with large banking institutions. As regulatory conditions improve, it is expected that this segment will be more receptive to banking, especially where seamless offerings through digital can enhance prospects.



Source: Google, Temasek and Bain & Company. Fulfilling its promise. The future of South East Asia's digital financial services. 2019.

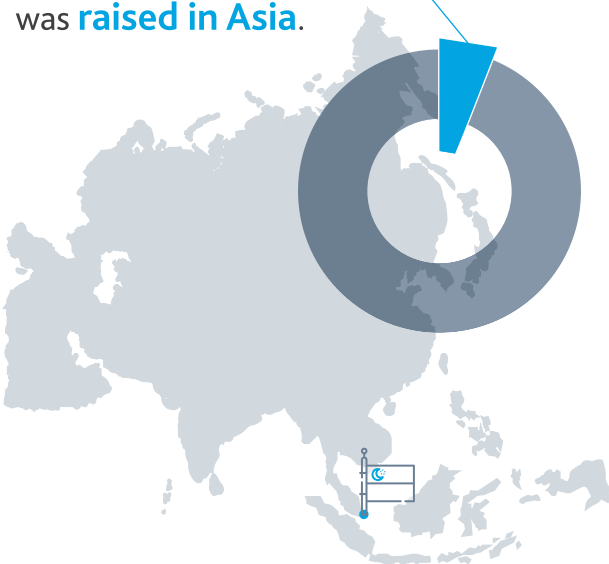
[1] Google, Temasek and Bain & Company. Fulfilling its promise. The future of South East Asia's digital financial services. 2019.

FINTECH IN SINGAPORE IN TIMES OF COVID-19

Heralded as Asia's tech capital, Singapore has around 500 Fintech start-ups, headed up by a strong presence across payments and the peer-to-peer lending sectors.

Singapore was already a strong believer in digital going into the COVID-19 pandemic. Singapore has been acknowledged as the No.1 nation in terms of digital readiness, having invested to develop the city state as a paragon for technological innovation and initiatives and as a hub for technology companies to set up operations for years. Singapore has also been nimble in adapting its regulatory environment to foster innovation and initiatives. Such a progressive attitude has delivered benefits to not only its own citizens but also abroad. Some of Singapore's homegrown companies are today venturing overseas to export their know-how and expertise in a way that will have a wider benefit across societies.

Fintech investment in Singapore reached **US$346 million** in **2020**, representing **6.2%** of all that was **raised in Asia**.



As a result of the COVID-19 pandemic, around the world GDP forecasts dropped significantly. While in 2019 the ASEAN countries were experiencing thriving economic conditions, all ASEAN countries have felt a recessional impact in their markets.
The economic rebound, however, will be different across jurisdictions, with some feeling residual impacts for some time. Market insights highlight that the six largest ASEAN economies (Indonesia, Singapore, Malaysia, Thailand, Philippines, and Vietnam) are expected to record positive growth next year. But other than Vietnam, the return to 2019 levels of GDP is likely to take time. The IMF projects that Indonesia and Malaysia will return to 2019 GDP levels in 2021 but it will take until 2022 for Singapore, Thailand, and the Philippines.

In 2020, however, whilst the overall economy in Singapore contracted by 5.8%, the information & communications, finance & insurance, and professional services sectors remained stable, showing the resilience of the financial sector during this pandemic.

PRIVATE AND PUBLIC SECTOR COLLABORATION

The Singapore Fintech industry does not exist in a vacuum, but is supported by government, non-for-profit organisations, and private enterprises.

The Monetary Authority of Singapore (MAS) set up the MAS Fintech development unit in 2017 to co-ordinate and promote the growth of Fintech within the region.

The Singapore Fintech Association (SFA) was set up in 2016 and currently boasts 450 members. SFA has 50 MOUs with associations and government bodies around the world, which allows members to leverage SFA's domestic network of 860+ Fintech companies and industry partners and a global network in more than 40 countries.

IRENE KHOO,
Partner, BDO Singapore, Vice-President (Communications) of The Association of Small & Medium Enterprises in Singapore

> *"With up to 80% fall in revenue, businesses must rethink their model, continue to transform and reinvent to move in a new direction. COVID-19 has been the biggest motivator of change with no further inhibitors. SMEs now see that they must transform or be left behind. Companies are not just improving their business capabilities. They are altering their business models by making them more "low-touch" with less physical contact. Digitalisation has also sped up collaboration between different stakeholders. SMEs want speed. They do not have time to experiment. SMEs are benefiting from the fact that the public and private sectors have joined forces to drive the digital transformation across the business community in Singapore, promote the adoption of digital technologies and position them to seize opportunities in the digital economy over the next three years."*

Despite the COVID-19 pandemic, the SFA held the Singapore Fintech festival, a global platform for the Fintech community, over a period of 5 days in December 2020. The festival drew 60,000 participants from over 160 countries and facilitated several international cooperation initiatives benefiting Singapore's Fintech industry.

In April 2020, the SFA and Razer Fintech, Razer Inc's financial technology arm, announced a US$50 million COVID-19 Support Fund where Razer will leverage its business arms, Razer Fintech and Razer Gold, and corporate ventures arm, zVentures, to support business partners and help them overcome the negative impact brought about by COVID-19.

In May 2020, the MAS, SFA and AMTD Foundation (AMTD) established a S$6 million MAS-SFA-AMTD Fintech Solidarity Grant to support Singapore-based Fintech companies amid the challenging business climate. The Grant will help Fintechs manage their cashflow better, support them in generating new businesses, and provide greater support to pursue growth strategies.

REGULATORY ENVIRONMENT

In Singapore, regulators and industry bodies are driving several initiatives aimed at boosting the Fintech sector, growing the Financial Services sector, and helping recover from the effects of COVID-19.

GABRIEL SEOW,
Partner – Financial Services Group, BDO Singapore

> *The recent initiatives from the MAS demonstrates the willingness of the Singapore government to not only support the start-ups in this difficult environment, but also shows its forward thinking in establishing the right playing field for the next Industrial Revolution.*

Launched in January 2020, the Payment Services Act (PSA) provides a more conducive environment for innovation in payment services, whilst ensuring that the risk that spans across the payment ecosystem is well managed. It streamlines the regulation of payment services into a single legislation. The framework establishes the right platform within the payment ecosystem to allow the MAS to effectively regulate systematically important payment services and to establish the right licensing regime for retail payment services provided to customers and merchants.

Given the development and growth within the digital payment space, the licence regime encompasses a wider range of payment activities, including domestic money transfers, merchant acquisition and the purchase and sale of digital payment tokens. As such, a payment service provider needs to only hold one licence, based on the specific licence class (money-changing, standard payment institution or major payment institution), and obtains approval based on the specific type of payment activities the entity provides.

The PSA requires the licensee to strengthen its controls surrounding the safeguarding of customer and merchant monies, controls preventing money laundering and terrorism financing and controls related to technology and cybersecurity.

In Singapore, adopting the PSA is a challenge for companies, given the requirements for the application for the licence - especially for Fintech companies this was previously not required - notwithstanding the current COVID-19 situation. The adoption requires a review of their current policies and procedures, particularly those surrounding Anti-Money Laundering (AML) and Know your customer (KYC) as well as technology and cyber-security.

DIGITAL BANK LICENSING

The MAS issued two digital full bank (DFB) licences and two digital wholesale bank (DWB) licences on 4th December 2020. The Central Bank announced on 18th June 2020 that 14 of the 21 digital bank applications had met the eligibility criteria required and would progress to the next stage of assessment.

Applicants	Licence	Industries	Competitive Characteristics
Grab, Singtel	DFB	Ride-sharing, Telco, Financial Services	• Rich consumer data • Access to digital-first consumers • Local tech giants
RAZER FINTECH, ShengSiong, LinkSure, FWD Insurance, Insignia Ventures Partners, CARRO	DFB	Retail, Gaming Mobile Internet, Financial Services, Automotive Marketplace	• Rich data on consumer lifestyles • Access to digital-first consumers • Strong brand loyalty among Razer users
Enigma Group, BlockchainWorx, 2359, Crypt	DFB	Blockchain, Digital Security, Financial Services, App Development	• UK-linked Enigma Group • Targeting SMEs and digital workforce
sea	DFB	E-commerce, Gaming, Financial Services	• Shopee, the largest e-commerce in Southeast Asia • Rich consumer data • Access to digital-first consumers
MSIG, V3 Group, ez-link, Heliconia, Far East Organization, Singapore Business Federation	DFB	Lifestyles, Transport, Real Estate, Financial Services	• Combined strengths of established Singaporean companies • Access to SMEs and underserved consumers
matchmove, Singapura Finance	DFB	Financial Services	• Rich consumer data on digital payments • Established financial institution since 1950
盛業資本, PhillipCapital, Advance.AI	DWB	Financial Services	• Access to underserved SMEs • Backed by Temasek's Pavilion Capital • Lending experience in China
AMTD, SPgroup, funding societies, xiaomi	DWB	Consumer Tech, Utilities, Financial Services	• Holds digital bank license in Hong Kong • Rich consumer data • AMTD's strong partnerships with fintech
ARIVAL	DWB	Financial Services	• Focus on underbanked SMEs • Back by Life.SREDA
JF 即富, China Jianyin Investment Group	DWB	Financial Services	• Chinese-dominated consortium • Uses technologies including blockchain and AI
Greenland 绿地控股, MinIPO	DWB	Real Estate, Financial Services	• Investment arm of Chinese real-estate giant • Leverage its Chinese financing experience
ZALL 卓尔, GeTS, Marubeni	DWB	E-Commerce Trade	• Leverage Zall's digital bank, Z-Bank in China • Comprise of Chinese, Japanese and Singaporean B2B trade capabilities
蚂蚁金服 Ant Financial	DWB	Financial Services	• Major stake in popular e-commerce, Lazada • Digital bank licensee in Hong Kong • Experience operating digital bank in China, MyBank
iFAST, 亿联银行	DWB	Financial Services	• Singapore's premier financial advisor platform partners with Chinese digital bank • Rich financial resources and experience in the Chinese market
ByteDance, TikTok	DWB	Social Video Sharing	• Reportedly tie-up with the Lee business family • Known for its strength in AI

Source: Singapore Fintech Report 2021. Fintech News Singapore.

SUB-SECTOR OVERVIEW: BLOCKCHAIN AND CRYPTO

TIM AMAN,
Partner - National Leader of Financial Services at BDO Australia and Global Fintech Leader

Singapore has been heralded as a global leader in Fintech and like many other Fintech-driven nations, the government's focus reveals they are depending on Fintechs for their economic recovery. This presents an overwhelming opportunity for Fintechs to realise their disruptive potential – particularly in the Crypto space, where they are embarking on new territory – by taking advantage of a supportive ecosystem to develop and win on a global scale.

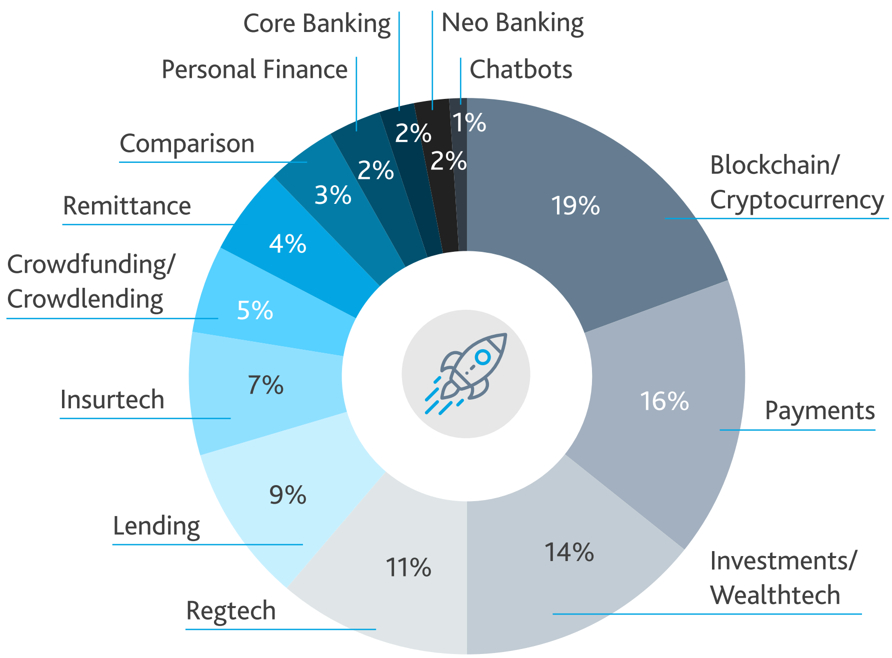
When the global pandemic struck, demand for contactless transactions rose significantly. Many industries were cornered into accelerating their digital transformation to augment their business processes and keep up with new challenges. This led to an increase in demand for tech solutions, one of them being Blockchain technology.

Recent advancements in Blockchain technology, such as cross-chain, backend-as-a-service (BaaS), and privacy-preserving data computation will further facilitate the secure flow of information between different systems and applications. These advances will enable a wider range of partnerships to take place across industries, countries, and regions, strengthening mutual trust while reducing costs for all parties involved.

More governments and businesses in South East Asia are becoming more open to Blockchain adoption. Singapore has been building its ecosystem to draw innovators and investment from those intending to take advantage of ASEAN's rapid rise through the ranks of the global economy.

Singapore is a global Blockchain leader, ranking fourth in the world.

Source: The Singapore Blockchain Ecosystem Report 2020



Source: Singapore Fintech Report 2021. Fintech News Singapore.

Out of the 430 Fintech start-ups identified in Singapore, 19% operate in the Blockchain and Cryptocurrency vertical, making it the biggest segment, ahead of Payments (16%), Investments and Wealthtech (14%), and Regtech (11%).

2020 marked the end of Project Ubin, a five-year government-initiated project; a journey of practical experimentation with Blockchain technology to understand how it could be applied to payments and settlements and to develop simpler-to- use and more efficient alternatives to today's systems based on digital tokens issued by the Central Bank. Through Project Ubin MAS was exploring the use of wholesale Central Bank Digital Currency (CBDC) in making cross-border payments more efficient. In the most recent iteration of Project Ubin, MAS collaborated with JP Morgan and state-backed conglomerate Temasek to use CBDC in multi-currency transactions.[2]

Singapore Blockchain Innovation Programme

In December 2020, Singapore launched the S$12 million Singapore Blockchain Innovation Programme (SBIP) which aims to accelerate the development and adoption of blockchain technology. The programme will engage close to 75 companies to conceptualise 17 Blockchain related projects within the next three years in sectors starting with trade and logistics.[3]

[2] Read more about Project Ubin here: https://consensys.net/blockchain-use-cases/finance/project-ubin/
[3] Read more about the Singapore Blockchain Innovation Programme here: https://sbip.sg/

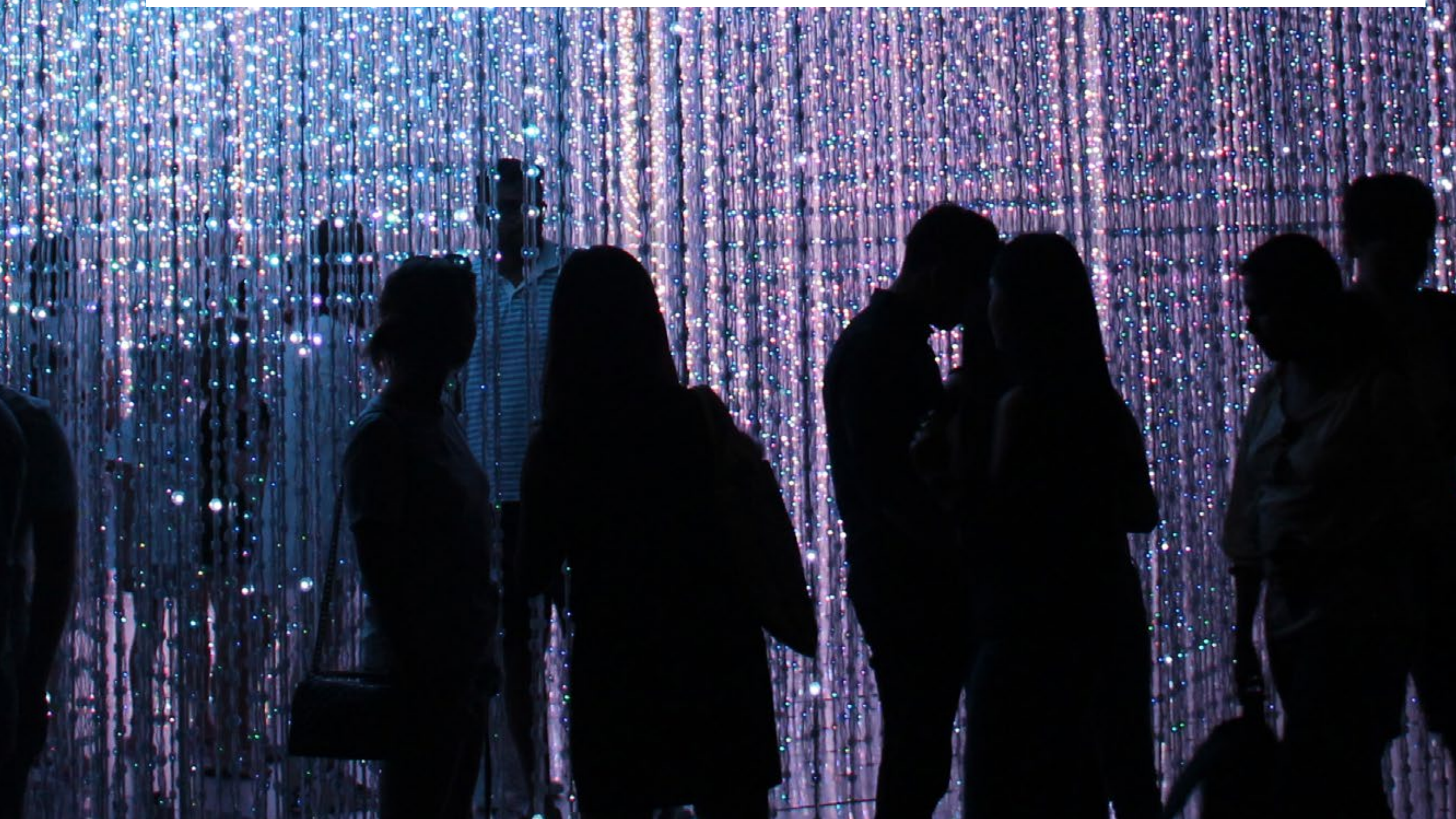
Local Crypto and Blockchain players

In addition to global Cryptocurrency and Blockchain players setting up in Singapore, local players are also building a strong presence.

Probably the best known is **Litecoin**, one of the largest Cryptocurrencies in the world in terms of market capitalisation. Its headquarters and non-profit arm, the Litecoin Foundation, is in Singapore.

ICHX is funded by the Singapore Exchange amongst other investors to create a capital market platform which allows capital fundraising using security token offerings (STOs).

Xfers launched XSGD in October 2020, which is a Singapore Dollar backed stablecoin, issued on a 1:1 basis with the equivalent Singapore dollar that is held and safeguarded in segregated accounts with a licensed financial institution. In January 2021, the company reached the S$10 million transaction milestone.



Most of the developed world has adopted a positive regulatory stance towards Bitcoin and Crypto including Asian countries like Singapore which have started working on regulating Cryptocurrencies.

Singapore offers a balanced regulatory and legal environment for Cryptocurrencies. Singapore's financial regulatory body - the Monetary Authority of Singapore (MAS) - believes in regulating the Cryptocurrency ecosystem to monitor any risks associated with Crypto activities while also ensuring that it doesn't stifle innovation. In 2020, the Payment Service Act (PSA) came into effect, requiring Cryptocurrency businesses to obtain a licence from MAS to comply with Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT) regulations.

Cryptocurrencies – Challenges and Opportunities

Challenges

Banking	Some banks decline opening bank accounts to companies that have touch points with Cryptocurrency.
Increased regulatory powers with MAS	High penalties for a breach in technology risk management requirements might cause concern for Crypto businesses looking for a more flexible penalty regime.
Regulation of overseas Crypto firms	Virtual asset service providers will have to ensure that their overseas operations meet the same regulatory standards as their Singapore operations.

Opportunities

Crypto-friendly attitude	Flexible regulatory conditions offer an environment for big Crypto businesses from countries like Australia, Japan, and China to set up in Singapore to facilitate growth and innovation.
Regulatory clarity and certainty	Regulatory changes brought by MAS, especially the licensing regime under the PSA, makes Singapore attractive for large foreign Crypto businesses.
Increased consumer confidence in licensed Crypto operators	Licensing regime under the PSA will help increase consumer confidence in the Crypto businesses operating in Singapore.
Improved access to banking services	The new licensing regime under the PSA will facilitate easier access to traditional banking services for Crypto businesses
New AML/CFT provisions reduce risk of financial crimes	The AML/CFT provisions under the PSA reduces the risk of financial crimes; The Code of Practice released by the Association of Cryptocurrency Enterprises and Start-ups promotes best practices, including Know-Your-Customer, to help Crypto businesses comply with the new regulatory framework.

Adapted from Ikigai Law, Singapore: Cryptocurrency Regulation In Singapore: Challenges And Opportunities Ahead, November 2020

Tax regulation

The main topic for the near future is the tax regulation of Cryptocurrencies. Crypto taxes are not yet widespread. They have begun appearing in some countries as those markets mature and governments see their revenue raising potential outweighing previous Crypto uncertainties.

The introduction of mandatory user identification through "know your customer" (KYC) procedures, the development of protocols that allow tracking transactions, and the adoption of legislation on digital assets, clearly indicates that things are changing, and doing so faster than some might expect.

Monitoring tools are being actively developed, along with governments exchanging information on the owners of Cryptocurrencies, and their transactions. Therefore, in 2021, the world is likely to face the first bitcoin tax evasion lawsuits.

The introduction of Crypto taxes will increase the attractiveness of jurisdictions that will resist this practice and allow users to legally minimise the costs of owning digital assets. "Offshore Crypto havens" will develop more actively. This role will most likely be played by countries where IT and the financial market are both well developed, such as in Singapore.[4]

Tax on digital tokens

The Inland Revenue Authority of Singapore ("IRAS") released an E-Tax Guide on 17th April 2020 regarding the income tax treatment of digital tokens.

The IRAS' E-Tax Guide seeks to provide clarity around the treatment of digital tokens and their tax implications. As expected, there is no deviation from traditional approaches and the fundamental tax principles are still largely preserved.

Read more in the BDO Singapore tax alert:

[4] Alex Axelrod, Aximetria and Pay Reverse

BDO RETHINK – ASSISTING FINTECHS DURING AND AFTER THE CRISIS

Over the past year, the economic landscape has changed rapidly as a result of the pandemic. In response, BDO developed the RETHINK model as a practical guide to help companies assess potential risks and issues. This three-phased approach creates the optimal foundation to develop their business through each phase – **REACT**, **RESILIENCE**, **REALISE**.

Most Fintech businesses will have successfully moved past the **REACT** phase – which focused on the immediate needs of supply chain, health and safety, operations and sustainability to safeguard their businesses. With employees safe, cash flow secured, and funding runway in place, they should have turned their minds to building **RESILIENCE** in the longer term.

Building resilience requires a focus on mitigating risk, financials, operations, regulations and compliance, and people. The emphasis for Fintechs in this phase is building out and solidifying business models; raising more capital or consolidating with incumbents; increasing the speed of digital transformation and creating the foundation for work in 'the new normal' that prioritises risks, ensures compliance and focuses on people.

While recessional impacts and its threats will be felt across the globe for some time, it also creates new opportunities - particularly for Fintech companies - to realise their potential. During the **RESILIENCE** phase, Fintechs should be laying the groundwork to make a transition into the **REALISE** phase.

In the **REALISE** phase, Fintechs must take advantage of the opportunities from changed economies, societies, and professional and personal lives. This will, among other things, involve securing capital for growth, technological innovation, and continuous adaptation of business models. It will also mean taking advantage of global regulatory conditions such as Open Banking that will allow Fintechs to thrive.

Sensible business decision-making during the resilience phase will be key to future benefits and rewards in the **REALISE** phase. At this phase, it's time for Fintechs to capitalise on their activities and realise their economic and disruptive potential, by grasping future growth opportunities, scaling up, and finally, planning a successful exit.

Despite the pandemic constraining efforts for Fintechs to scale globally, BDO is well-positioned to help. With offices all over the world, we work collaboratively and provide the assurance of boots on the ground so you can harness the opportunities that await. At BDO, our Global Fintech team understand the intricacies of varying jurisdictions to get the best results for you - whether it's understanding the complex regulatory environment, listing on the local stock exchange, or getting you in touch with a broader network.

REACT – STEP BY STEP PLAN

In the short term, the economic impact and fallout of COVID-19 make conditions difficult for Fintechs, with the priority being on cash flow and solvency. Safeguarding business is critical for Fintechs, who must consider belt tightening and cost saving measures into the medium term and seek out relevant stimulus and grants. The four key areas of focus should be sustainability, operations, supply chain and health and safety.

STEP 1 - Build your "new world" cash flow forecast

Build a 12 month cash flow forecast - 3 months (weekly) and then 9 months (monthly) taking into account your "new world" – build in revenue impacts but retain committed expenses as is for now – understand if you are cash flow positive. If not – understand your cash burn and your runway before existing reserves are exhausted.

STEP 2 – If you have a cash deficiency now or coming up – identify measures to reduce costs or increase revenue

Identify discretionary or non business critical expenditure to eliminate immediately. Identify overheads to defer, adjust or remove (e.g. rent, equipment leases, employee costs). Identify capital outflows to defer or adjust (e.g. dividends, bank loan repayments, capex).

STEP 3 - Engage with key stakeholders regarding potential standstill arrangements

This will be critical – you need to engage with key creditors such as landlords, ATO and suppliers, explain your situation and attempt to negotiate stand still arrangements where possible. An independent report from your accountant or financial advisor on your financial position will bring credibility and assist negotiations.

STEP 4 – Conduct due diligence on other capital sources

Consider collateral and equity available to support finance. Engage with your existing financiers - bring them into the "tent". Consider equity sources – do existing shareholders have capacity? Are there logical buyers of your equity you can approach? Do you have assets that are non-core to realise in short time to generate cash?

STEP 5 - Consider government support available

Identify the measures in the federal government's stimulus packages and state government support programs that are available. Identify how they impact cash flow and apply where relevant.

STEP 6 – Develop a 90 day "business rescue" plan

Develop a 90 day action plan incorporating steps above. Include:

- Implementation of the cash flow measures identified (i.e. apply to financier for funds, negotiate with creditors for standstills.
- Engagement with key stakeholders such as employees, financiers, landlords, customers and suppliers and remaining creditors to ensure they understand your position to continue business.

STEP 7 – Update your cash flow forecast

Recast your cash flow forecast in-line with your 90 day plan. Forecast for 90 days initially on weekly basis – be sure you can remain cash flow positive. When you are confident you can manage through the next 90 days – extend your forecast for a further 9 months (taking into account timeframes of stand stills agreed) to determine how long your "runway" is now… understand the point where you exhaust cash reserves and which you cannot go past (if within the next 12 months).

STEP 8 – Implement the plan and monitor regularly

Start engaging with relevant stakeholders to put your plan into action. Monitor progress regularly (weekly to begin with) and keep updating the cash flow forecast weekly to monitor the length of your runway. Be conscious of when your cash reserves are exhausted so you do not continue to incur expenditure past that point.

Support package relevant to Singaporean Fintech companies:

MAS has announced a S$125 million support package to sustain and strengthen capabilities in the financial services and Fintech sectors. The package comprises of enhanced support for workforce training and manpower costs to encourage financial institutions and Fintech firms to make use of the downtime in business activity to train and deepen the capabilities of their employees. The package covers:

a. New Training Allowance Grant ("TAG"), where financial institutions regulated by the MAS can receive training allowance from accredited courses.

b. Financial Associate Management Scheme ("FAMS"), a salary grant for eligible Singapore Citizens who are fresh graduates and hired under a structured talent development programme.

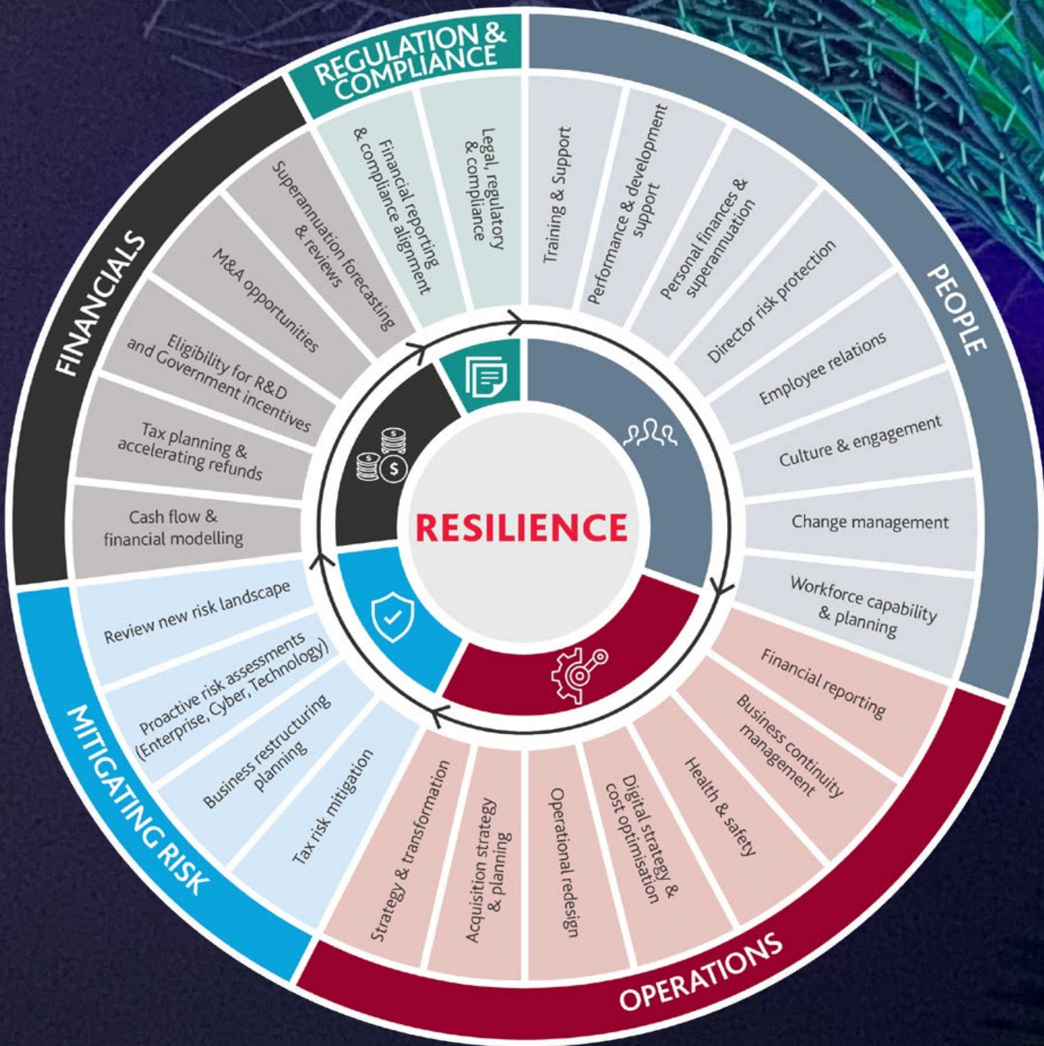
c. New Digital Acceleration Grant ("DAG") to support digitalisation in smaller financial institutions and Fintech firms with no more than 200 employees.

RESILIENCE – WHAT'S NEXT

In the short to medium term, many Singaporean Fintech companies are going to need to restructure their organisation, strategy, and financial setup. Any company in early-stage growth mode – be it Fintech or otherwise – will find the likely economic downturn following in the wake of COVID-19 challenging to navigate.

For Fintechs, their resilience will be typified on how well they can attract capital at each of the Rethink phases. Some will be looking at mergers and acquisitions to stay afloat and carve out revenue streams.

The Resilience Wheel



REALISE – PIVOTING AND PURSUING PROSPECTS

There is no way of getting around the fact that not all Singaporean Fintech companies will make it through the current crisis. However, many will – and will find themselves in an excellent position to thrive.

In the wake of COVID-19, Singaporean Fintech companies may take advantage of the established ecosystem that supports it and its cross-border relations – such as with Australia to find new opportunities for growth.

To succeed in the REALISE phase, Fintechs must:

- Respond to shifts in consumer behaviour and new market conditions
- Find avenues of collaboration to create synergies
- Undertake technological transformation
- Manage expansion and costs
- Seek expert advice

Although COVID-19 has slowed the world economy, it's important to remember that neither it, nor technological development have stopped. New areas for Fintech solutions keep on appearing, for example, in the shape of Internet of Things (IoT) – enabled contactless payments, which could well be in high demand through smart city-scapes within a few years.

We are likely to see big changes in consumer behaviour due to COVID-19. For example, an increased push toward end-to-end digital solutions, as COVID-19 has both customers and incumbents focused on areas such as digital transformation, contactless payments, and online financial services.

That goes for both end-users and financial institutions. Fintechs are often the originators of such solutions and will likely be sought after by large-scale incumbents who, through partnerships or M&A, will look to combine Fintech companies' flexible, digital solutions with their capital, distribution access, and compliance infrastructure. Fintechs may want to seek out collaboration with incumbents such as traditional lenders who are safe guarded through their other investments, but also identify the need to expand their Fintech options.

EXTERNAL AUDIT

- Agreed Upon Procedures
- Audit Of Financial Statements
- Controls Reports

INTERNAL AUDIT & FORENSIC SERVICES

- Secondments
- Outsource
- AML/ CFT
- Forensic Services
- Specialist Technical Support

INDEPENDENT EXPERT REPORTS

- Regulatory Audit Reports

EXTENDED ASSURANCE

- Non-financial Reporting Review
- Risk Framework Review
- Risk And Compliance Outsourcing

TAX ADVICE

- Tax Compliance
- Transfer Pricing

RISK CULTURE ASSESSMENTS

- Risk Culture Assessment
- Conduct Framework Review

TECHNOLOGY ADVISORY

- Cyber Security
- IT Transformation
- Data Quality Support

BDO IN SINGAPORE

BDO is one of the world's leading accountancy and advisory organisations, with clients of all types and sizes, in every sector. As a result of our client partnership approach, our teams develop strong insight into their client's business, enabling them to find innovative ways to help clients maximise their growth opportunities, improve processes and avoid pitfalls.

BDO LLP in Singapore is part of the international BDO network of independent member firms. It has over 500 partners, directors, and staff.

For over 40 years, we have helped local and international businesses grow by providing the highest quality tax, audit and assurance, financial and advisory services. Our global reach means that we can service our clients wherever in the world they are based and that we can assemble the best group of subject matter experts from across our firms to work together and find the right solu¬tion for each client.

BDO Singapore is ready to assist Fintech companies, financial incumbents and businesses throughout all stages of the journey: from dealing with the initial fallout to managing the long-term growth and opportunities that we are likely to see in coming years.

We combine knowledge of the market and banking system with an understanding of the digital transformation. Our team helps financial institutions, including Fintech companies, embrace the regulations stipulated by the Monetary Authority of Singapore, in areas such as internal and external Auditing, Risk & Compliance, Technology Risk Management, Cyber-Security, AML and others.

For more information about our services at BDO LLP in Singapore, visit https://www.bdo.com.sg

CONTACTS

TIM AMAN

Global Fintech Leader

Tim.aman@bdo.com.au

https://www.linkedin.com/in/timaman/

+61 404 042 615

CHRISTINE NEBEL

Global Financial Services – Business Development

Christine.nebel@bdo.global

https://www.linkedin.com/in/christinenebel/

Visit our Global Financial Services sites: