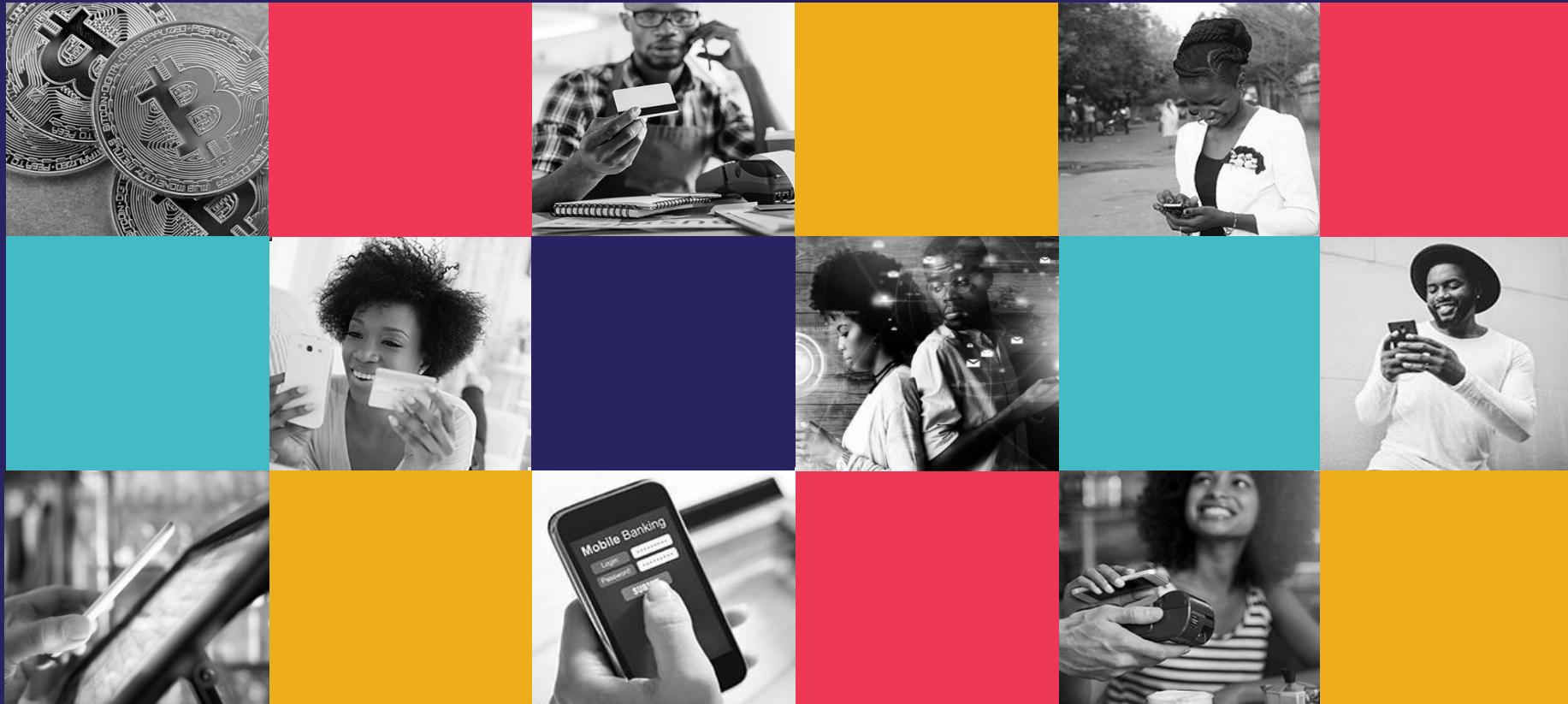


IFWVG

INTERGOVERNMENTAL FINTECH WORKING GROUP

FINTECH PLATFORMS

July 2021



Agenda

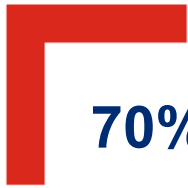


Introduction to Platforms

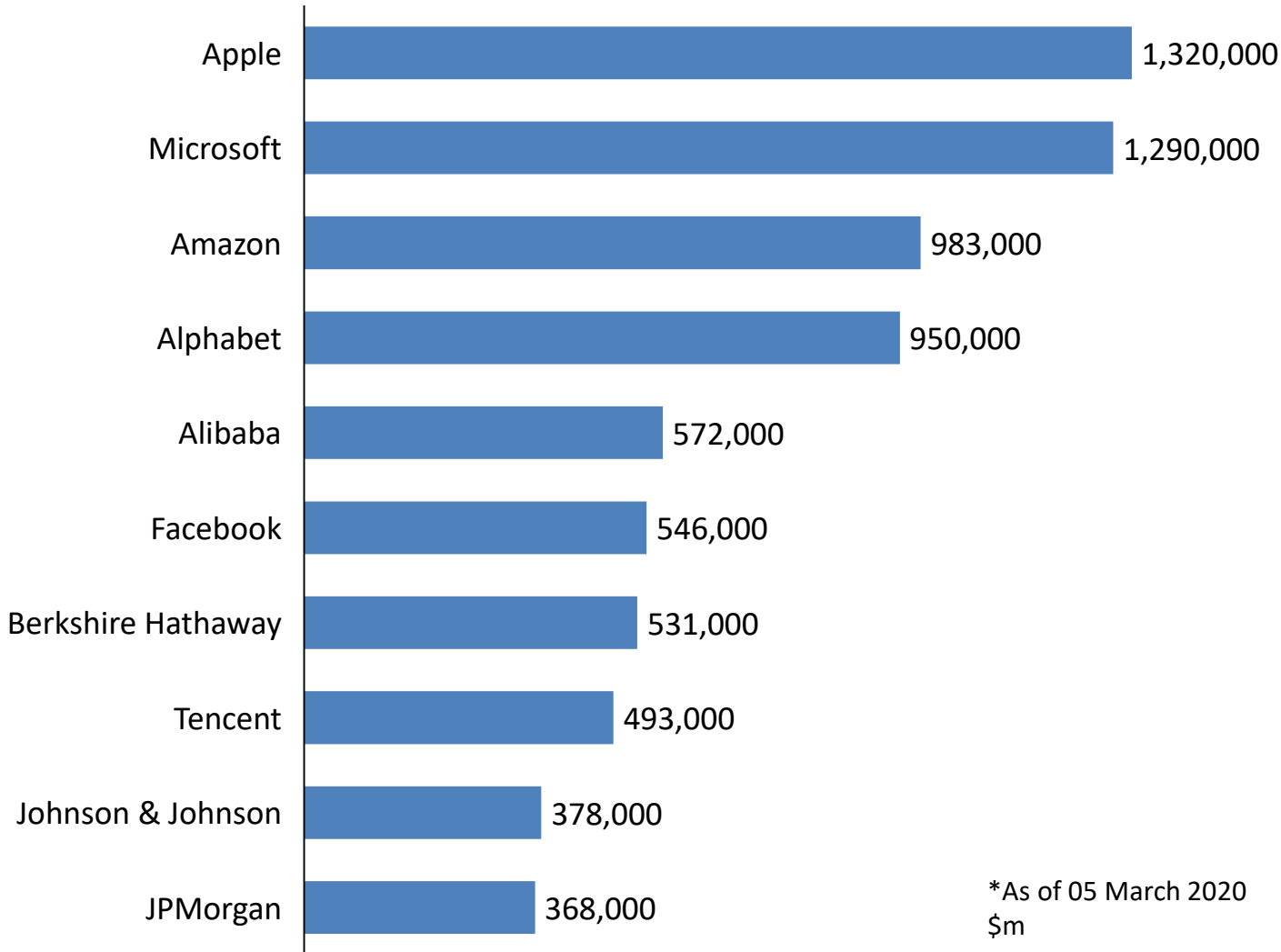
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70% of the World's 10 Largest Public Companies are Digital Platforms



*As of 05 March 2020
\$m

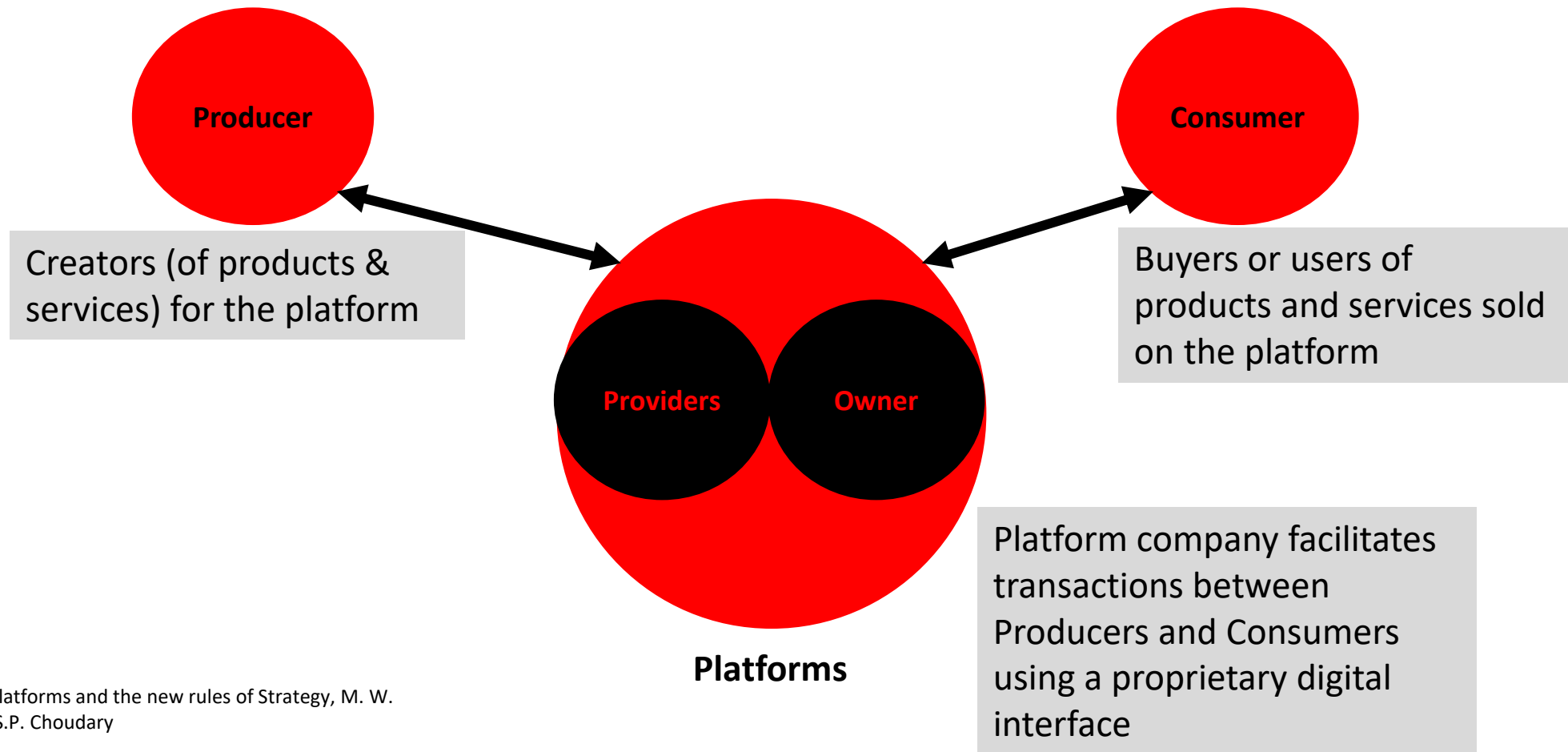
Emerging Fintech Platforms

stripe \$36bn	paytm \$16bn
Robinhood  \$11.2bn	ny bank \$10bn
Klarna. \$5.5bn	Revolut \$5.5bn



What is a Platform?

A digital platform is a technology-enabled business model that creates value by facilitating exchanges between producers and consumers



* Source: Pipelines, Platforms and the new rules of Strategy, M. W. Alstne, G. Parke and S.P. Choudary

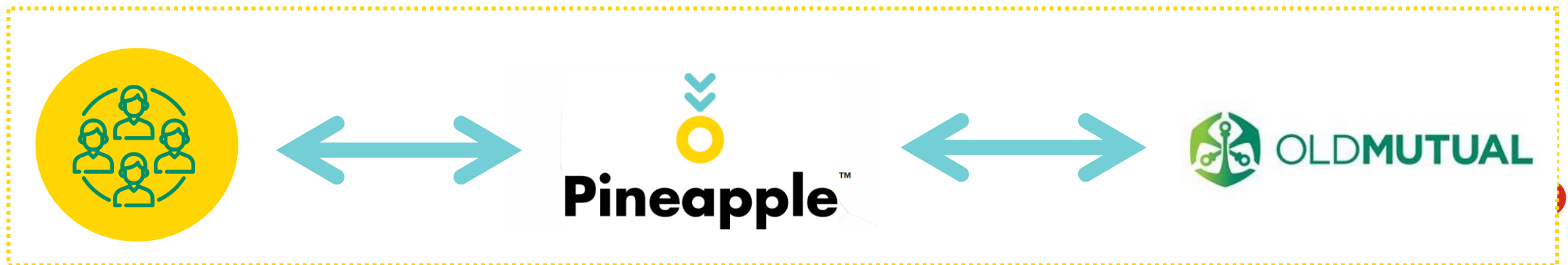
Defining Intermediation and Advice of Financial Products and Services.

Intermediation is the action performed by person on behalf of a client or product supplier where a client is offered to transact with a financial product supplier. With a view to

- deal, manage, administer, safe custody, maintain or servicing a financial product;
- collect funds payable by the client to a financial product supplier; and
- receiving, submit claims of client against a financial product supplier

Advice is any recommendation, guidance or proposal of financial nature, by any means or medium, to any consumer for a financial product, investment, loan, financial planning or results in any such purchase.

Intermediation



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Intermediation + Advice



There are 8 different types of platforms

Technology Platforms

Amazon Web Services, Microsoft Azure, Salesforce, IBM-Red Hat



Computing Platforms

iOS, Android, Windows, macOS, Alexa, SmartThings



Utility Platforms

Google Search, Zenefits, Bing, Kayak, Tripping



Interaction Platforms

Facebook, Whatsapp, LinkedIn, weChat, Twitter



Marketplaces

Amazon, eBay, Alibaba, AirBnB



On-Demand Platforms

Uber, Munchery, Mr D, Amazon Home Services



Crowdsourcing Platforms

Youtube, TripAdvisor, Wikipedia, Yelp, Funding Circle, Lendix



Data Harvesting Platforms

Waze, Moovit, Google Maps, Nexar

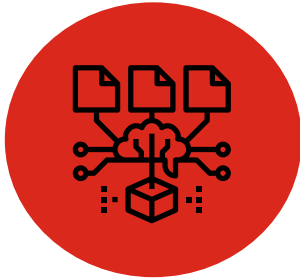


Leading Digital platforms typically have 6 key characteristics in common



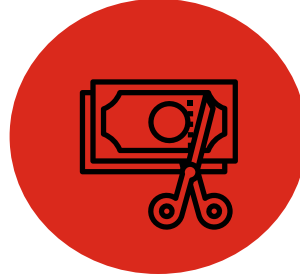
Artificial Intelligence

Computer systems able to perform tasks that traditionally have required human intelligence.



Data Analytics

The discovery, understanding, and communication of meaningful patterns in data. Opportunity.



Low Transaction Costs

Costs incurred during trading, the lower the costs the more transactions occur.



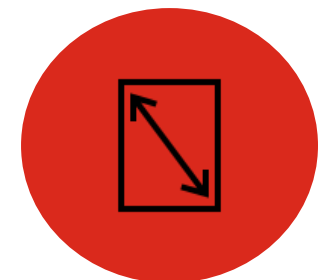
Openness/Access Control

Participating in the digital platform. Limited access can influence quality of the products, services and data offered.



Personalisation

Aim to understand customer and then dynamically and uniquely tailor experiences in a seamless manner across channels.

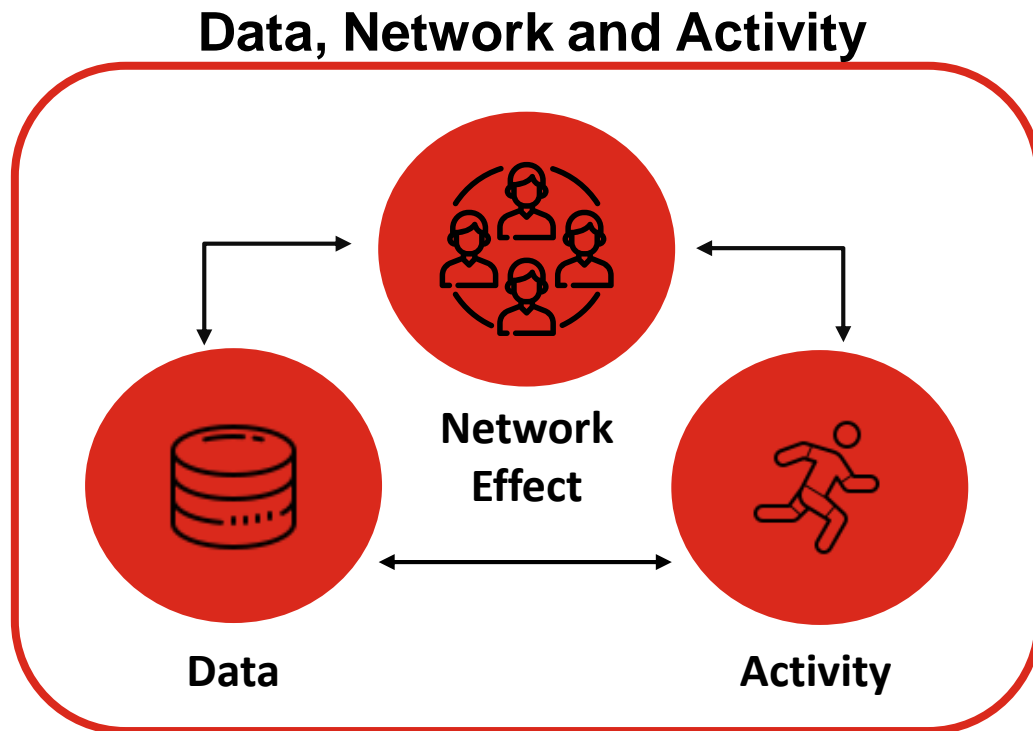


Scalability

Additional computing capacity not technical obstacle, respond extremely quickly and flexibly to additional demand.



Data, Network and Activity are key drivers of digital platforms



- Data, network effects and activity (“DNA”) constitute the key features of a digital platform business models. These three elements reinforce each other.
- Digital platform business models generates large quantities of data. The data is then utilised as input to create and offer a range of services that exploit the network effects generating further user activity. This activity generates further data, creating a loop.



Data plays a key role in driving platform user experience










Data

The source and type of data used in the DNA loop vary across digital platforms.

Types of Data Gathered

	Ad Clicks		Search Queries
	Browser		Time, Data
	Device		Email
	Face		IP Address
	ISP		Location
	Ad Name		OS
	Number		Profile

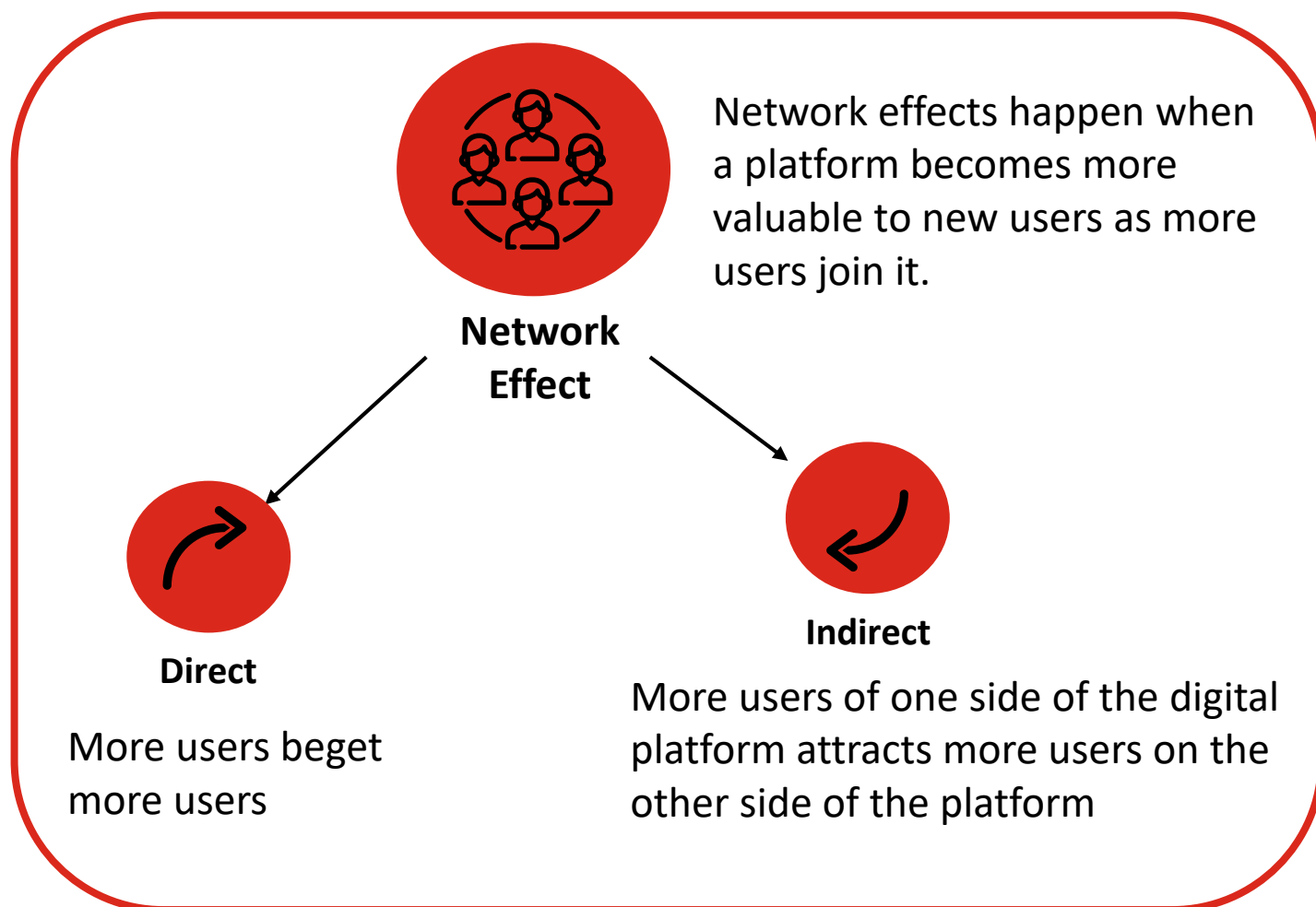
Method of Tracking

	Cookies
	Device Tracking Tech
	Double Click and AdSense
	Facial Recognition Tech
	Search Queries
	Profiles
	Third Parties

The largest data driven opportunity is the ability of a platform to capture value by creating new products and services, improving user experiences, managing risk and increasing productivity.



Network effect is key to platforms achieving scale



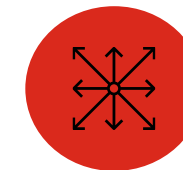
WWW

The Internet itself has become a facilitator for network effects.



Asset

Network effects are assets to digital platforms that do not sit on balanced sheets.



Size

The greater the network effect, the greater the market share and the higher the barrier to entry.



Copy

Technology can bring an initial advantage. However, over time this advantage decreases as the technology can easily be copied. A network of users of a digital platform cannot easily be copied like technology.



Digital platforms use various nudges and techniques to drive activity



Psychology

Psychology techniques to drive user activity



Reciprocity



Anticipation



FOMO (Fear Of Missing Out)



Community



Advocacy



Curiosity



Gamification

Gamification works on the principle of rewards by utilizing dopamine effects.



Badges



Rewards and Punishments



Events



User Activity Monitoring

UAM captures user actions, use of applications, windows opened, system commands executed, checkboxes clicked, text entered, URLs visited and nearly every other on-screen event.

Digital Platform monetise value in various ways



Subscription

- A customer pays a recurring price at regular intervals for limited or unlimited access to a product or service.



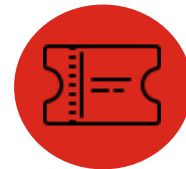
Transaction

- Users are charged for a successful transaction.



Data Monetisation

- **Direct:** Selling direct access to your data to third parties
- **Indirect:** optimization (save costs, avoid risk and streamline operations) data-driven business models (new business opportunities and customers)



Admission

- A fee for individual actions to place supply or demand.



Products and Services

- Digital Platform acts as a complementary actor on its own platform.



Arbitrage

- Digital platform acts as an intermediary of supply and demand by setting prices of good and services.



Freemium

- Membership model used to initially attract users who will then be enticed to pay for premium services

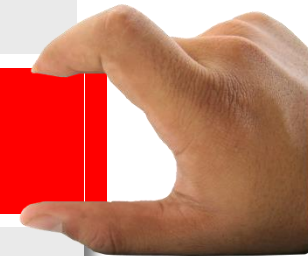
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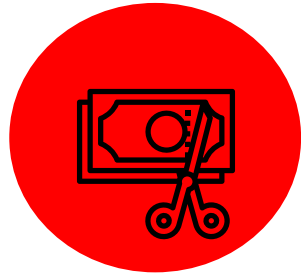


The top 5 Fintech digital platform use-cases



Investments

Investment-based crowdfunding are platforms that **enable Consumers/ businesses to invest directly in a variety of asset types from business projects to financial instruments**



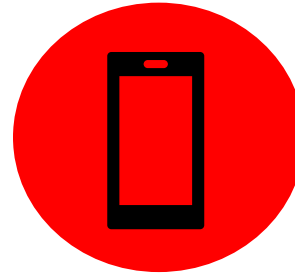
Alternative Lending

Loan-based crowdfunding/Peer-to-peer (P2P) Lending are platforms that **enable Consumers/ businesses to lend money directly to other consumers/ businesses and earn ROI via interest payments** capital repayments



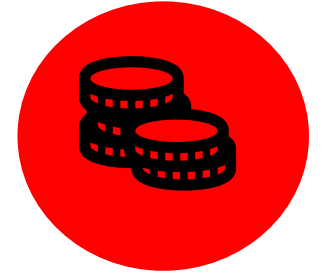
Insurtech

Crowd based insurance/Peer-to-peer(P2P) insurance **policyholders use these digital platforms to insure themselves by pooling funds in a network** to pay claims to other policyholders in their network.



Super-Apps

Superapps serve as a one-stop shop for consumers to buy and business to sell, by aggregating a variety of services onto their platforms from e-commerce to utilities to transportation etc. These services are **underpinned by financial services such as payments, lending and insurance.**

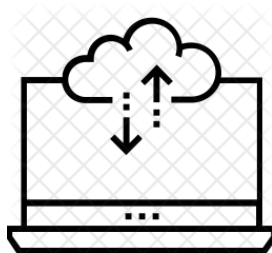


Mobile Money

Mobile money platforms **provide a means for customers to deposit money for later usage, transfer funds to recipients, and pay for services** offered by accredited merchants. While payments is the starting point, increasingly these platforms are offering lending and insurance while building a merchant ecosystem similar to super-apps

Additionally, we are also seeing incumbents adopt two distinct Platform-based Business models

Banking as a Platform (BaaP)

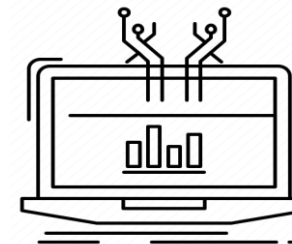


What it is: banks integrating services from third party fintechs, in order to offer their customers a broader range of financial services.

How it works: fintech services are fully integrated into the bank's app/webpage user interface via API.

- **Customer Experience:** Owned by the bank
- **Primary Channel:** Mobile or Web
- **Product ownership:** Owned by the bank or Third Party (depends on use case)
- **Customer Onboarding:** Shared between banks and Third Party (depending on use case)
- **Customer Service:** Provided by banks and supported by Third Party

Banking as a Service (BaaS)



What it is: licensed banks enable other businesses to integrate banking services directly into their own products.

How it works: the business' frontend is connected to the BaaS provider via API, allowing the business to offer banking services themselves in their own apps and websites.

- **Customer Experience:** Owned by third party
- **Primary Channel:** Developers portal
- **Product ownership:** Owned by Bank
- **Customer Onboarding:** Shared between banks and Third Party (depending on use case)
- **Customer Service:** Provided by Third Parties and supported by Banks

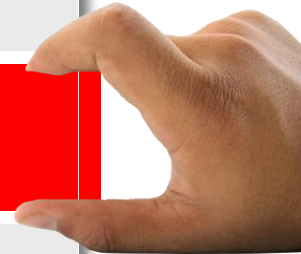
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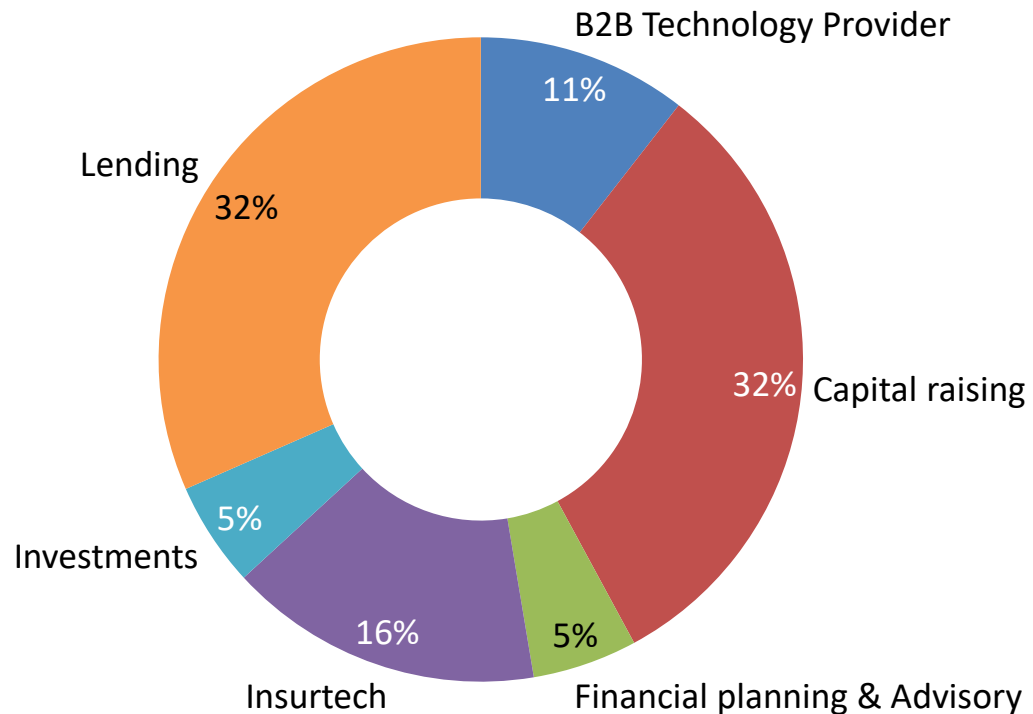
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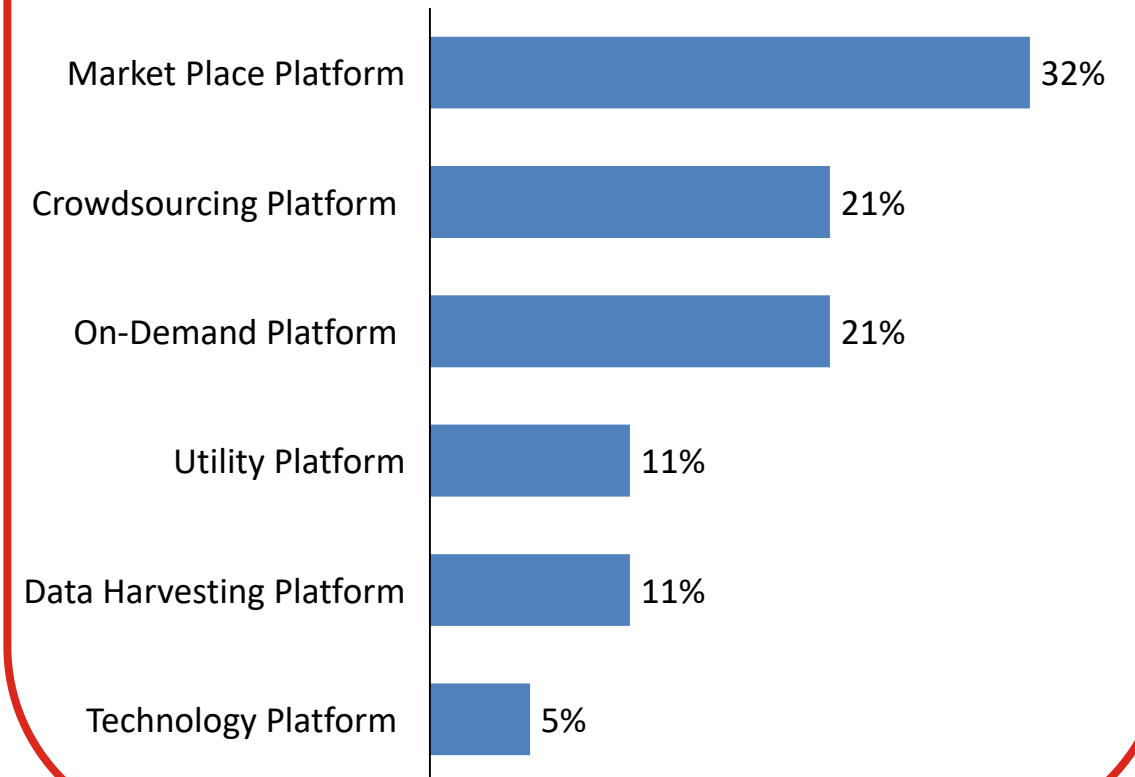


Survey findings revealed several characteristics underpinning South Africa's Fintech platforms (1/2)

Variety of Fintech platform segments surveyed:
Lending and Capital raising platforms were most prevalent



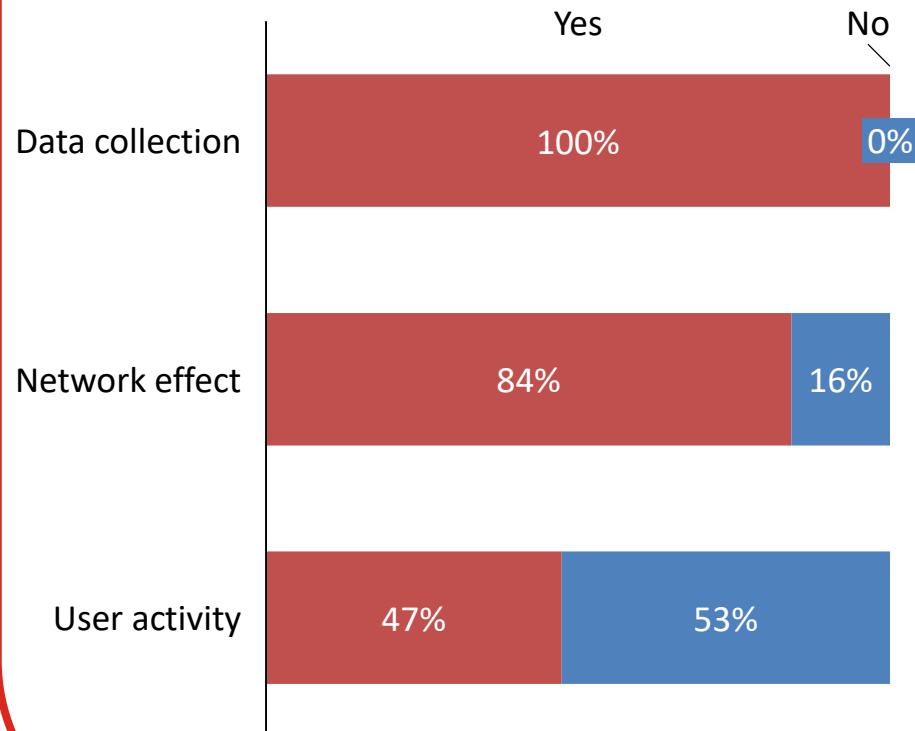
Types of platforms surveyed:
Marketplace, crowdsourcing, and platforms are the most prevalent types of Fintech platforms



Survey findings revealed several characteristics underpinning South Africa's Fintech platforms (2/2)

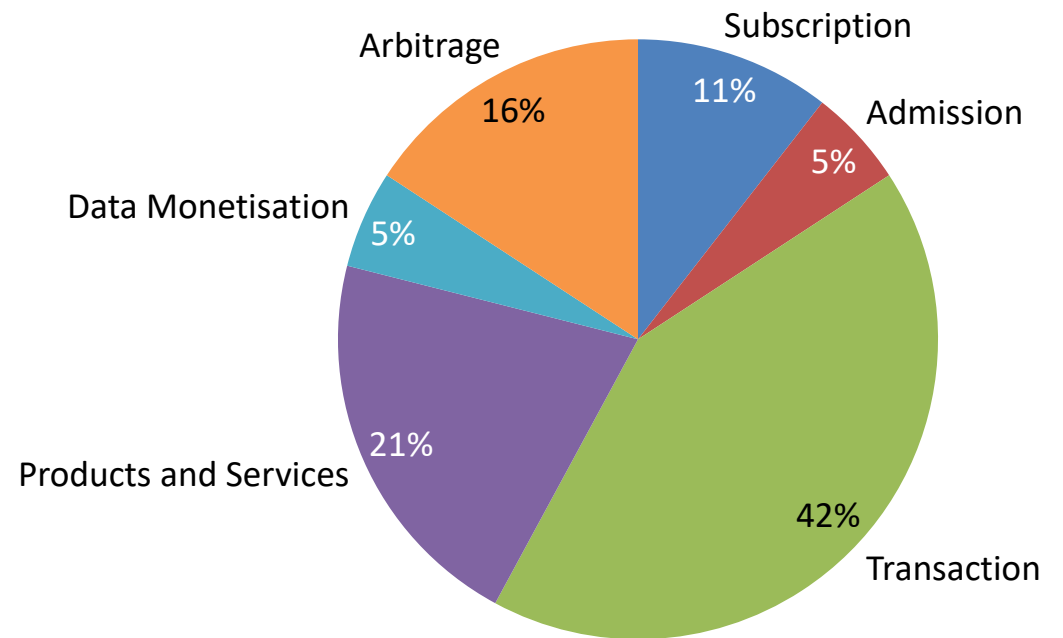
Importance of Data, Network, and User Activity:

Data is being collected by all of the digital platforms



Revenue Models:

Transaction fee income model is the most common revenue source



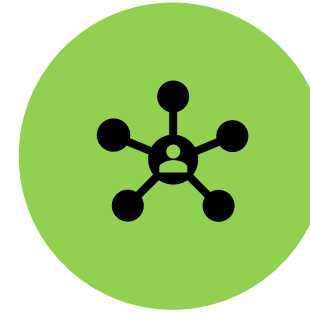
Survey findings revealed several notable benefits delivered by Fintech platforms



Financial Inclusion



Personalisation



**Customer Experience/
Convenience**



Affordability



**Partnerships and
Ecosystem orchestration**



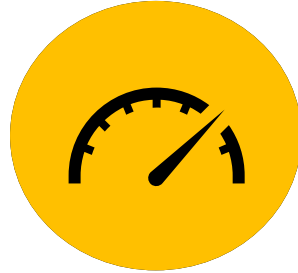
Scalability



Survey findings also uncovered several emergent risks stemming from Fintech platforms



Data Protection & Privacy



Data Ethics, "Blackbox algorithms"



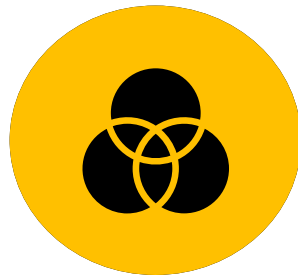
Insufficient Customer Education



**Lack of Transparency/
Informed Consent**



Misleading Products



Anti-Competitive Practices



**Cybersecurity, AML/
CFT**



Cross Border



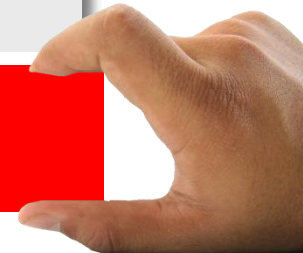
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Research findings revealed six regulatory implications



Consumer Education

Given the complexity of some of Digital platforms products, regulators to unpack/outline **guidelines for ensuring consumers are adequately informed** in order to make informed choices.



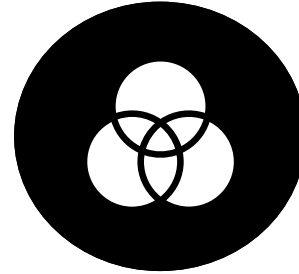
Consumer Protection

Regulators to outline regulatory **mechanisms for customer protection and resolving disputes**, that will ensure customers are treated fairly/safe guarded against unfair practices



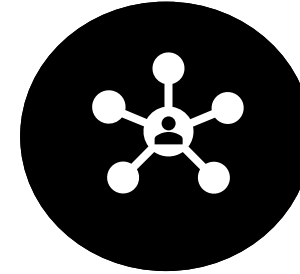
Data Protection

Owing to the large amount of data gathered by Fintech digital platforms and the increased risk of Data breaches, privacy abuses, and data misuse, regulators to outline a **Data Liability Framework** for Fintech Platforms (building on POPIA)



Anticompetitive practices

In order to prevent customers from being locked into Fintech digital platforms services, Regulators to further outline regulatory that **enable customers to easily opt out of services**



Conflict of interest

Regulators to outline a **conflict of interest framework** that outlines mechanisms for identifying and mitigating against conflicts, and consequences of non compliance



Cross Border, Cyber Security, AML/CFT

Owing to Fintech Platforms being borderless, increasing the risk for cyber security, AML/CFT, regulators to explore approaches to mitigate against these risks

