



# The Role of the Innovation Ecosystem: Putting Singapore at the Centre of the Global Digital Economy

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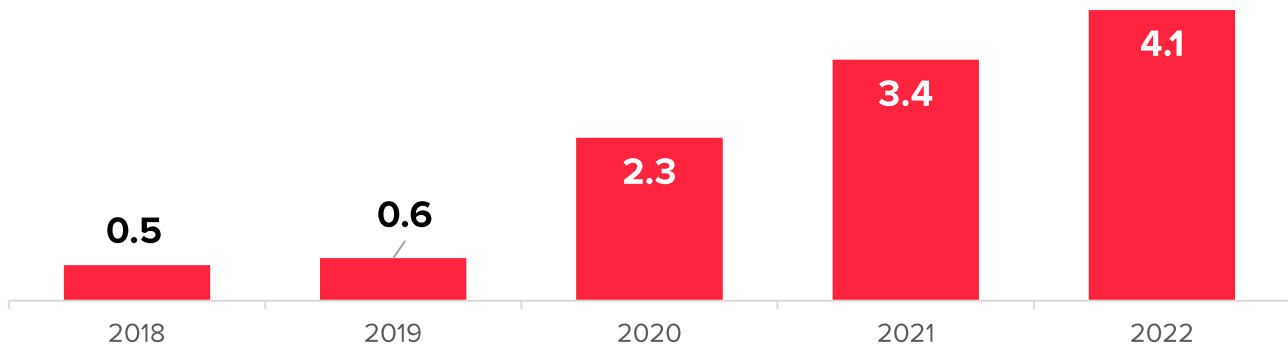
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## Executive Summary

The digital economy provides unique opportunities for startups, investors, governments, and businesses to become global leaders irrespective of traditional constraints such as size, starting point, and location. Singapore's FinTech market has grown significantly since MAS introduced the Financial Sector Technology and Innovation Scheme in 2015. Over the past 8 years, new regulations were created to encourage and protect FinTech innovation; tools were developed to make innovation easier; and partnerships were formed to attract innovators and investors to Singapore. This effort has led to real results, with FinTech investments hitting a three-year high of USD 4.1 billion in 2022, and more than 1,500 FinTechs making Singapore their home.

### SINGAPORE FINTECH FUNDING (USD BILLIONS)



Source: [KPMG](#)

However, [McKinsey predicts that global FinTech revenue will double to over USD 400 billion by 2028](#), showing that there's room for constant growth. It's a reminder that Singapore should keep fostering innovation and striving for global leadership in FinTech. **The FinTech ecosystem in Singapore aims to reach USD 10 billion in investments with over 3,000 FinTechs in the next 3 years.**

How is Singapore stacking up, and where do we need to improve? How can stakeholders redefine international growth? How can the government, regulator, and the financial institutions (FIs) make Singapore into a global benchmark for a thriving FinTech innovation ecosystem? These were some of the themes that emerged at an invitation-only roundtable at the Elevandi Insights hosted by HSBC and moderated by Ecosystem, in November 2023. The session saw representation from regulators, banks, investors, incubators, and FinTechs/digital economy players in Singapore, where they discussed how to build and strengthen an innovation ecosystem in the country. This report presents the key discussion points from the session.



## The Success Factors of an Innovation Ecosystem

Establishing a thriving innovation ecosystem requires a collaborative effort to enhance capabilities in five key areas. Singapore has demonstrated strength in all these areas, especially for FinTechs/digital economy players.

### 1. HUMAN CAPITAL

**A pool of skilled and creative individuals with diverse expertise.**

The government not only actively cultivates a talent pool, particularly in key emerging technologies but also collaborates with leading technology providers and academic institutions to ensure ongoing relevance in the dynamic technology sector. Singapore also benefits from convenient access to the STEM talent pool in pivotal markets such as India, China, and Southeast Asia.

### 2. FINANCIAL CAPITAL

**Access to adequate funding and financial resources.**

Singapore has a robust funding ecosystem, with an estimated 40% of Asian bond listings coming to Singapore, and with a presence of 1,200 fund managers. Additionally, the availability of venture capital (VC), private equity funds, angel investors, family offices and FIs focused on funding FinTechs/digital economy players contributes to a vibrant ecosystem.

### 3. REGULATORY FRAMEWORK

**Innovation-focused regulations that ensure compliance and security.**

MAS proactively supports innovation by providing the right guardrails, through the office of the Fintech and Innovation Group (FTIG) that is responsible for regulatory policies and development strategies for technology and innovation, to better manage risks, enhance efficiency, and strengthen competitiveness in the financial sector. The priority is forward-looking regulations to promote future innovations.

**“Singapore is our most mature market, with a stable and transparent regulatory framework with a lot of support from regulators and a highly well-structured FinTech ecosystem.”**

ROUNDTABLE PARTICIPANT







#### 4. PARTNER ECOSYSTEM

**Network of strategic partnerships and collaborations to amplify the impact of innovation.**

Achieving scalable and sustainable growth in the FinTech sector requires access to essential resources, stakeholders, partners, and market opportunities. Singapore has emerged as a hub for FinTech development, through the support of key market players, including MAS, investors, FIs, ecommerce companies, and a robust FinTech community. The Singapore FinTech Association (SFA) is a community of over 800 corporate members that aims to create a vibrant FinTech hub in Singapore. The sector's workforce is over 18,000 strong. MAS regards growing the ecosystem as a common good that brings collective benefit to the network of FIs, FinTechs, investors, other stakeholders, and the economy.

#### 5. MARKET ACCESS

**Opportunity to connect with customers.**

While the Singapore market is relatively small, it provides a good reference point for innovators who succeed in the market, to diversify to others. Singapore FinTechs that do not have an expansion roadmap into other markets, limit their market opportunities drastically. While many aim to expand into other Southeast Asia markets, they have real opportunity to develop a global strategy. The digital economy intrinsically is not limited by geographical proximity, so Singapore FinTechs are equally capable of serving markets in the Middle East, Latin America, and Africa.

**“Our experience in the Singapore market has allowed us to scale in places like Indonesia, Thailand, and Vietnam where we structure the business based on our experience and R&D in Singapore. We have also shared experiences with regulators and advisory committees in other markets to shape their regulations.”**

ROUNDTABLE PARTICIPANT





## Opportunities for Enhancement

Participants at the roundtable highlighted some areas where the government, MAS, and the innovation ecosystem could further collaborate to enhance Singapore's FinTech ecosystem.

### 1. SKILLS

While numerous initiatives aim to equip fresh graduates with the necessary skills, there must be an equal emphasis on empowering mid-level employees who have experience in the industry, particularly in emerging technologies. One specific area requiring skills upgrade for employees is cultivating a more global perspective.

### 2. IDENTIFYING BLIND SPOTS

For tech-led innovators to succeed in the long term, they need to anticipate potential future market disruptors. The industry has witnessed the integration of AI, ESG, DLT, and now Generative AI into products, solutions, and narratives. Many innovators are wondering, "What is the next blind spot?" Early identification by the government and the ecosystem helps startups in navigating the future landscape by pivoting in the right direction.

### 3. SCALING BEYOND SINGAPORE

Growth path clearly lies in international partnerships – there is an opportunity for the government to collaborate with other countries to explore how FinTechs that have succeeded in Singapore can gain access to an expedited sandbox in other markets. Startups will gain significant advantages when the goal of establishing seamless market access and connectivity across ASEAN is achieved. Additionally, there is a need to balance the diverse regulatory requirements in ASEAN by establishing consistent and repeatable frameworks for data management, risk, and architecture. These frameworks should be scalable globally to cater to the diverse needs of all regulators.

### 4. FINTECHS FOR GOOD

Singapore is already establishing itself as an ESG FinTech hub, and the convergence of FinTech and ClimateTech will further solidify this position. Also, the introduction of a universal trusted credential (UTC) can promote greater financial inclusion in SMEs. By providing a data-driven, digitally enabled representation of creditworthiness, the UTC can promote better SME representation and promote overall economic growth.



## Strategic Allies: Maximising Support from FI Partners

FIs serve as crucial ecosystem partners for FinTechs. Despite their continuous support, certain gaps require more attention.

In fragmented financial markets like Indonesia and Vietnam, FinTechs can forge partnerships with leading banks, accessing broader support from non-banking ecosystem partners. However, in Singapore, where the financial sector is more consolidated, some FinTechs perceive barriers to collaboration, hindering them from receiving sufficient support, particularly in unique situations.

**“We received Participating FI status from Enterprise Singapore during the pandemic, but we required a bank guarantee to take advantage of the competitive rates and none of the banks would give us one – even with 100% cash collateral.”**

ROUNDTABLE PARTICIPANT

Many FinTechs have experienced extended sales cycles when selling to FIs in Singapore. This delay can be attributed to risk aversion within the sector, a reluctance to partner with external innovators, and the complexity faced when navigating traditional FIs.







## Action Plan for Banks Shaping FinTech Success Stories

The banking community should concentrate on four key areas to accomplish the objectives of attaining USD 10 billion in investments and doubling the number of FinTech startups in the next three years.

### **PERSONALISING BANKING FOR FINTECHS**

FinTechs often encounter challenges when navigating the traditional banking system. One major hurdle is the stringent eligibility criteria imposed by banks, making it difficult for startups without a robust financial history to access essential financial services. The complex and time-consuming application processes further hamper their ability to swiftly secure loans or lines of credit. Banks need to work on improving flexibility and making traditional banking more personalised to support the unique and dynamic financial needs of startup business models.

### **IMPROVING CAPITAL ACCESS**

FinTechs face distinct challenges at various growth stages, from Seed to Series X, when it comes to raising capital. Securing initial funding can be challenging due to the inherent risk associated with unproven business models. As startups progress through subsequent stages, they need larger funding amounts and investor expectations intensify. Banks can play a crucial role in alleviating these challenges by offering tailored financial products and services. In the initial stages, banks can provide accessible business accounts, financial education, and small-scale loans. As startups advance, banks can assist in managing complex financial structures, offering lines of credit, and facilitating larger-scale financing through partnerships or specialised programs. Beyond direct capital access to FinTechs, banks continue to assist liquidity providers.

### **PROVIDING COLLABORATION OPPORTUNITIES**

A collaborative approach will accelerate innovation in the financial sector and ensure that the industry is able to negotiate the evolving landscape of digital finance and open banking. Banks can support FinTechs by fostering collaboration and offering strategic partnerships. They can also play a pivotal role in providing FinTechs with greater access to essential banking infrastructure, including APIs and payment systems for underbanked and unbanked customers. This access empowers FinTechs to enhance their services and extend the reach of financial services to a broader customer base. Banks can also provide guidance on navigating regulatory challenges, ensuring FinTechs adhere to industry standards of governance. The collaboration should include mentorship programs, sharing financial expertise, and providing investment opportunities.

### **SUPPORTING GLOBAL EXPANSION**

Navigating a new market comes with its own challenges. Banks play a pivotal role in supporting FinTechs as they scale to global markets. By providing tailored financial solutions, such as international payment services, foreign exchange management, and cross-border transaction facilitation, banks can empower startups to navigate the complexities of global expansion. Offering flexible financing options, including lines of credit and trade finance, allows startups to manage working capital efficiently.



## Conclusion

Singapore has established itself as a prominent global FinTech hub, and to maintain this position, it is crucial to facilitate regular dialogues among key stakeholders. This session exemplified the significance of such dialogues, showcasing the commitment to fostering collaboration between government agencies like MAS, ecosystem partners like SFA, FIs like HSBC, investors, and FinTechs. There is a shared interest in enhancing collaboration, and FIs are actively seeking ongoing conversations with the startup community, with a commitment to assessing progress through regular evaluations. This approach underscores the dedication to sustained collaboration and the continued growth of the FinTech ecosystem in Singapore.







## About Ecosystem

Ecosystem is a Digital Research and Advisory Company with its global headquarters in Singapore. We bring together tech buyers, tech vendors and analysts onto one integrated platform to enable the best decision-making in the evolving digital economy. Ecosystem has moved away from the highly inefficient business models of traditional research firms and instead focuses on research democratisation, with an emphasis on accessibility, transparency, and autonomy. Ecosystem's broad portfolio of advisory services is provided by a team of Analysts from a variety of backgrounds that include career analysts, CIOs and business leaders, and domain experts with decades of experience in their field. Visit [ecosystem.io](https://ecosystem.io)

## About The Hongkong and Shanghai Banking Corporation Limited

HSBC Holdings plc, the parent company of [HSBC](https://www.hsbc.com), is headquartered in London. HSBC serves customers worldwide from offices in 62 countries and territories. With assets of \$3,021bn at 30 September 2023, HSBC is one of the world's largest banking and financial services organisations.

## About Elevandi Insights

As a prelude to The Singapore FinTech Festival, Elevandi Insights convenes regulators, policymakers, industry leaders, and investors for leadership dialogues and exclusive networking. The new Elevandi Insights brings together cornerstone platforms – The Capital Meets Policy Dialogue and Public-Private Roundtables – under Chatham House Rules to foster meaningful collaborations, drive tangible outcomes, and offer deeper insights.

*This report is based on the conversations during a roundtable at the Elevandi Insights hosted by HSBC and moderated by Ecosystem. It is also based on the analyst's subject matter expertise in the area of coverage, in addition to specific research based on interactions with technology buyers and technology vendors, industry events, and secondary research.*



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