Introduction

Dear Reader,

We are pleased to present to you the second Fintech Saudi Annual Report providing an overview of the progress of the fintech industry in Saudi Arabia over the last year.

Despite the challenges of COIVD-19 in the first half of this year, 2019 / 2020 has been a pivotal period for the fintech industry in Saudi Arabia. Significant progress has been made in payments with the launch of Apple Pay, establishment of Saudi Payments and the release of the payments regulation; SAMA and CMA have continued to issue regulatory testing licenses and develop regulations to support fintech activities; Fintech Saudi has launched a number of initiatives to support the fintech industry including the Fintech Ecosystem Directory and Fintech Jobs Portal to support fintech companies, the Fintech Regulatory Assessment Tool to provide greater regulation clarity and the Fintech Data & Research Initiative to support data driven innovation in fintech.

This year, the Fintech Saudi Annual Report has a number of sections including an overview of the fintech industry by KPMG, key highlights from the last year, interviews with SAMA Regulatory Sandbox and CMA Fintech Lab teams, the key points from Financial Services Development Program and an overview of fintechs in the Kingdom by MAGNiTT.

We are seeing the emergence of a thriving fintech ecosystem and going forward we expect 2020 / 21 to be another significant period for the fintech industry with the launch of the Fintech Saudi Hub in King Abdullah Financial District, new regulations on fintech activities and expanded initiatives to support the fintech industry. As the fintech industry in the Kingdom develops, Fintech Saudi’s role will grow in parallel so that we continue to support the industry to progress and focus on initiatives to accelerate fintech industry growth in Saudi Arabia.

We would like to thank all our Partners for their continued support in developing the fintech industry. We look forward to continuing to work with all our stakeholders to transform Saudi Arabia to an innovative fintech hub with a thriving and responsible fintech ecosystem.

Kind Regards,

Nejoud Al Mulaik | Director, Fintech Saudi
The financial technology industry encompasses technology-enabled firms offering financial services, as well as entities providing technology services directly to financial institutions. Fintech companies employ technology to support financial transactions among businesses and consumers. Technological advances, changing demand for financial products, competition in financial services and regulator support are all driving a new wave of fintech startups and investments that have drawn attention to the industry in recent years. To understand the dynamics in the fintech market of Saudi Arabia today, and to track its developments going forward, we have presented our views on the following key areas.

Overview of the fintech industry

The fintech industry in the Kingdom is growing at a rapid rate. Between 2017 and 2019, the value of fintech transactions increased at a rate of over 18% each year, reaching over USD 20 billion in 2019. Payments account for two-thirds of the market and almost 98% of the userbase. It is followed by personal finance which comprise over 30% of the fintech transaction values. The number of payments made through SADAD has increased by a CAGR of 11% between 2016-19 to reach 270 million transactions in 2019. The value of these transactions has grown by a CAGR of 24% in the corresponding period to reach SAR 445 billion. The number of smart phone payment transactions in Saudi Arabia increased by 352% to 19.7 million in April 2020, compared to 4.4 million in April 2019.

The fintech market in Saudi Arabia is expected to reach transaction values of over USD 33 billion by 2023. Payments are likely to continue to lead the market share followed by personal finance. Online insurance sales account for a relatively small proportion of the market in Saudi Arabia. However, with new regulations on insurance aggregation coming in force, the insurtech sector is poised for higher growth in Saudi Arabia.

There is an active community of banks, universities, corporates, government agencies and investors working for the development of the fintech sector in Saudi Arabia. From e-wallets to lending and insurance aggregation to investing, the services of fintechs have redefined the way in
which businesses and consumers carry out routine transactions. The increasing adoption of these trends bodes well for Saudi Arabia, especially in the post-Covid world where physical contact is likely to be minimized for financial transactions. Going forward, there is a keen interest from fintechs to use more technology innovation in their solutions. Fintechs in Saudi Arabia are interested in utilizing Application Program Interface (API), machine learning, artificial intelligence and blockchain technologies.

Existing government policies and regulations for the fintech industry

Fintech companies are changing the financial landscape globally and in Saudi Arabia. They are increasing competition and driving innovation for traditional banks, insurers and asset managers. The rise of fintech activity is also spurring regulatory change. Regulatory bodies in countries around the world are investigating and implementing banking policy modifications in order to attract established fintech players and encourage the growth of local fintechs. In order to help transform Saudi Arabia into a smart financial hub, SAMA launched its regulatory sandbox environment in 2018 that allows local and international financial technology firms to test new digital solutions they intend to launch in the Kingdom. Services and products currently being tested or have been successfully tested include e-wallets, peer-to-peer (P2P) transfers, lending and direct international transfers. There are currently 26 applicants that are undergoing sandbox testing with SAMA.3

In January 2020, SAMA launched the regulations governing the provision of payment services in Saudi Arabia. The proposed regulations would allow payment service providers or licensed banks to offer payment services and electronic money issuance. The regulations are aimed at establishing a supervisory and oversight framework that ensures the safety and efficiency of transactions in the payments sector. Additionally, SAMA announced the issuance of the first license for an Electronic Wallet Company and the first license for a Payment Services Company in January 2020,3 after the successful completion of their testing in the regulatory sandbox environment.

In February 2020, SAMA has also issued rules governing insurance aggregation activities.3 These rules are aligned with the Kingdom’s Vision 2030 to support entrepreneurship and the enhancement of the insurance industry in Saudi Arabia.

SAMA is also collaborating with the UAE Central Bank to develop fintech solutions for cross-border settlements, including a digital currency project.

Besides SAMA, Saudi Arabia’s Capital Market Authority (CMA) has also committed to supporting fintech innovation in the capital market. CMA has launched the Fintech Lab, which also provides innovators an opportunity to test their innovative fintech products, services and business models related to the capital markets within specified parameters and timeframes. Companies can apply for the Financial Technology Experimental Permit in order to participate in the Fintech Lab. Currently, there are 10 companies undergoing tests with CMA’s Fintech Lab in the areas of equity crowdfunding, robo advisory, sukuk fractionalization, and use of distributed ledger technology to arrange and offer custody services.4

The role of industry stakeholders - incubators, accelerators, academia and universities

Incubators and accelerators specialize in providing funding to early stage businesses and
provide mentorship, office space and training to help the business grow faster. Incubators tend to help start-ups over a longer period. Accelerators are structured 3 – 6 months programs that help start-ups to accelerate their business.

**The fintech sector in Saudi Arabia is largely driven by young, first generation entrepreneurs who are competing with the largest financial institutions** in an extremely tough and price-conscious market. Therefore, the role of incubators, accelerators and sponsored innovation labs is critical not only for funding, mentorship and peer connections but also for exposure to the financial industry and the development of soft skills. Saudi Arabia has more than 40 business incubators and several accelerator programmes, many of which have some form of government affiliation. In July 2019, Monsha’at and NCB developed an accelerator program to target idea-stage fintech start-ups in the MENA region.

Building a robust fintech ecosystem where start-up firms engage in external partnerships with universities and research institutions will be a key enabler for growth and innovation in the fintech sector. For a successful and innovative ecosystem, academic bodies need to build entrepreneurial mindshare in the country’s young technical talent. Accordingly, some Saudi academia and research institutions are setting up funds and incubators and launching programmes for the development of the fintech sector.

An example is the collaboration between KAUST and SABB to launch the Taqadam Accelerator Program for young entrepreneurs. Over the course of the program, accepted startups and aspiring entrepreneurs bring their ideas to market through mentoring and training in topics such as ideation, product design, marketing and fundraising. Accepted teams receive zero-equity grant funding, get the opportunity to build a network, and have access to co-working and lab facilities. KAUST and SABB also host the STEAM Innovation Challenges, a competition for senior students in all universities to work as teams and create or innovate an idea or solution.

Another successful example is the Badir program, created by KACST. The program aims at supporting business enterprises based on technology and development of entrepreneurship in the technological field. Two disruptive fintech startups that have come out of Badir Program’s cohort are Tammwel and Qoyod. Qoyod sells cloud-based accounting software to startups and SMEs using a SaaS subscription model. Tammwel is an online platform that helps loan seekers to compare providers in terms of interest rate and credit score in order to help them get the best financial solution.

### The role of incumbents

The Banking, Financial Services and Insurance (BFSI) community is witnessing significant impact with the advent of the fintech sector. However, the incumbents are now viewing fintech as an enabler rather than a disrupter. Large banks are tapping into the start-up ecosystem to incubate and create alliances on a variety of platforms such as wallets, payments, investment intermediation, online client acquisition etc. They are not only developing platforms for such start-ups to thrive, but are also beginning to invest in such platforms. To address the multi-faceted impact of a strengthening fintech industry, BFSI incumbents are adopting a three-pronged strategy:

- **Investment driven:** The BFSI sector is gearing for both acquisitions and funding-based routes to increase its presence in the emerging fintech space. For example, Riyad Bank has launched SAR 100 million program for fintech start-ups that provides funds for capital injections and research and development.

- **Partnership driven:** Partnerships by fintech product firms (in point-of-sale hardware,
e-wallets, credit deals and social lending) with banks with a synchronized go-to-market strategy are addressing the immediate demand of digital-age consumers. For example,

- Banque Saudi Fransi partnered with fintech Hala to offer their customers the convenience of a digital wallet on their phones.
- Al Rajhi Bank has signed treasury and capital markets tech specialist Murex for its flagship MX.3 framebox platform. This platform will handle all the activities of its treasury business that will enhance its capabilities, increase efficiency and improve customer service.

**Market driven**: To counter a steady challenge by venture backed fintech firms, many incumbents are augmenting their value chain with competing offerings and leveraging their own distribution and client base. For example,

- Alinma Bank launched (AlinmaPay), which is a digital wallet that enables local and international money transfer, withdraw cash, pay bills and many other services.
- Saudi British Bank (SABB) has launched a real-time cross-border transfer service based on the Ripple blockchain network. The technology will allow customers to gain access to faster, safer and more transparent cross-border payments.

Before Covid-19, the 2020s were already being framed as the decade for digital bank transformation. Financial institutions are competing to deliver innovation including seamless, hyper-personalised user experiences. The challenges and disruption caused by Covid-19 and changes in consumer behaviour to consider new tools and technologies has accelerated this focus and **digital transformation has become the top priority for banks to sustain their business** and reduce overheads. This is expected to drive further collaboration between banks and fintechs as banks looks to fintech service providers to support them with their digital transformation activities.

In conclusion, there has been remarkable progress in the fintech ecosystem in the past few years in Saudi Arabia. An important catalyst for these developments is the conducive environment that has been created by the financial sector regulators. New regulations will attract fintech investment in the country and accelerate its usage. Moreover, the close collaboration between incumbents and universities, academia, various incubators and accelerators has created a range of fruitful partnerships that will lead to a thriving fintech ecosystem and accelerate the pace of innovation and investment in Saudi fintech ecosystem.

The immediate impact of the Covid-19 pandemic consisted of a slowdown in funding and a drop in the establishment of new fintech firms. However, as the broader economy shifts from ‘respond’ to ‘restart’, new opportunities may be created for fintechs with unique assets and skillsets. As digital transformation has gained traction in this period, the industry is expected to have accelerated growth, launching innovative and varied services and solutions in the medium to long term.
Pillars of a Fintech Ecosystem

**Universities and Research Institutions**

- KAUST launched the Taqadam Accelerator Program for young entrepreneurs, providing grant funding, mentoring and training in topics such as ideation, product design, marketing and fundraising.

- The Badir program by KACST provides mentoring and training in topics such as ideation, product design, marketing and fundraising.

**Start-ups**

At present, there are 155 fintechs registered with Fintech Saudi. The fintech sector in Saudi Arabia is largely driven by young, first generation entrepreneurs who are now competing with the largest financial institutions.

**Users**

The transaction value of fintech transactions have increased at a rate of 18.4% in two years, reaching USD 20.2 billion in 2019. Over 22 million users have benefited from fintech services, 98% out of which have used digital payment solutions.

**Technology Firms**

Rapid proliferation and acceptance of applications based on blockchain technology, APIs, machine learning and behavioural science has provided opportunities for tech vendors.

**Government and Regulators**

- SAMA launched regulatory sandbox environment that allows fintech to test new digital solutions and also released draft regulation governing the provision of payment services.

- CMA launched Fintech Lab, which also provides innovators an opportunity to test their innovative fintech products, services and business models related to capital market within specified parameters and timeframes.

**Investors**

Fintechs in Saudi are mostly supported by government sponsored programmes and entities. They are beginning to attract the attention of foreign venture capitalists with the Saudi government opening the market. Saudi fintech startups have raised $23 million over the last 5 years.

**Financial Institutions and Incumbents**

Most of the banks in Saudi Arabia have initiated fintech programs to foster innovation and have entered into partnerships with fintechs and technology vendors to provide fintech services.

**Accelerators and Incubators**

Role of incubators is critical for not just funding, mentorship and peer connections but also exposure to the financial industry and the development of soft skills. Saudi Arabia has more than 40 business incubators and several accelerator programs, half of which have some form of government affiliation.
Attributes of a Successful Fintech Hub

**Entrepreneurial and innovative mindset**
Entrepreneurs infuse the right spirit and culture to drive growth of innovative start-ups. The metrics used to measure it includes entrepreneurship, innovation and sophistication, openness and attitude towards globalization.

**Government programmes and incentives**
Government sets the platform for smooth operations of start-ups with their favourable policies and tax incentives specific to the fintech sector.

**Regulatory support**
State efficiency and a supportive legislative framework encourages the establishment of start-up firms in a nation. This is measured through indices such as regulatory compliance, flexibility and adaptability of the legal system etc.

**Technology readiness**
Technological skills and infrastructure form the foundation of fintech. Index used to measure this includes IT skills index, percentage of qualified technology workforce, cybersecurity levels and internet penetration in the nation.

**Funding**
Availability of venture capitalists and other investors interested in investing in risky start-up firms are imperative to induce capital in the sector.

**Business environment**
The ease of doing business index, country competitive index, number of days and procedures to start a business help in creating a conducive business environment.
Key Fintech Highlights

**FINTECH REGULATORY ASSESSMENT TOOL**

**FINTECH INTERNSHIP 19**

**FIRST EVER GCC FINTECH SUMMIT**

**FINTECH TOUR 19**

**LAUNCH OF FINTECH FOUNDERS NETWORK**

**FINTECH INTERNSHIP 20**

**FINTECH ACCESS DATABASE**

**FINTECH DATA & RESEARCH INITIATIVE**

**FINTECH ACCESS GUIDE VERSION 2.0**

**EXECUTIVE COURSE FOR FINTECH IN COLLABORATION WITH SMU**

**FINTECH JOBS PORTAL**

**ROBO-ADVISORY PERMITS**

**THE RULES GOVERNING MICROFINANCE COMPANIES RELEASED**

**PAYMENT REGULATIONS RELEASED**

**INSURANCE AGGREGATION ACTIVITIES RULES RELEASED**

**DIGITAL ONLY BANK GUIDELINES RELEASED**

**REGULATION FOR FINANCE AGGREGATORS RELEASED**

**REGULATORY SANDBOX TESTING LICENSES AWARDED**

**FINTECH LAB EXPERIMENTAL PERMITS FOR MICRO SUKUK ISSUANCE**

**BLOCKCHAIN USED FOR MONEY TRANSFER BY SAMA**

**DEBT CROWDFUNDING CONSULTATION ANNOUNCED**

**FINTECH LAB EXPERIMENTAL PERMITS FOR DISTRIBUTED LEDGER TECHNOLOGY (DLT)**

**LAUNCH OF APPLE PAY**

**MONSHAAT AND NCB ACCELERATOR**

**LAUNCH OF RIYAD BANK FINTECH FUND**

**SAUDI PAYMENTS COMPANY ESTABLISHED**

**LAUNCH OF LIV (ENDB) IN SAUDI ARABIA**

**WAXED ARAMCO LAUNCHES BUSINESS INCUBATION**

**LAUNCH OF ATLIQ PROGRAM**

**INCLUSIVE50 COMPETITION LAUNCHES**

**KFPUM MASTER’S PROGRAMS IN FINTECH RELATED AREAS**

**Source: Fintech Saudi**
What would you say is the operational strategy for the Regulatory Sandbox?

The Regulatory Sandbox has two key objectives. The first is to support the development of innovation in the financial services sector. The second is to fast-track services and products that support fulfilling unmet needs in priority areas of financial services for the Kingdom (e.g. bringing in more Point of Sales (POS) innovation in order to contribute to a target for all retailers to have POS capabilities).

The Sandbox has a structured selection process. Applications for a Sandbox cohort will open at intervals throughout the year. Out of the applications received, those that meet the criteria set will be invited for an interview out of which the final candidates for the cohort are chosen. Once the applicants have received a testing permission, their activities will be evaluated and maybe used to develop new regulations related to the activity. Once the regulations for an activity are issued or close to being issued, the Sandbox will not accept any other applicants related to that activity. This is also the main reason why many very good applicants that apply for the Sandbox may not be invited for an interview. In the last cohort, 60% of the applications that were received were related to payment regulations that had been released and were therefore eligible to apply directly for a payment services provider license.

What Makes a Good Sandbox Application Standout?

At a minimum, the Sandbox application needs to meet the Sandbox eligibility criteria set out in the Regulatory Sandbox Framework. This includes providing genuine innovation, providing benefits to the consumer, alignment with Saudi Vision 2030, having a clear exit plan and readiness for testing. Readiness for testing is a key criterion as we receive a lot of good applications that are not ready for testing. It is important for applicants to understand that the Sandbox is a live testing environment with real customers and therefore their solution needs to be ready for testing with
customers to be considered for the Sandbox. Having a clear exit plan is also very important. Applicants should be able to demonstrate how they will be able to protect consumers and transition them if the applicant needs to cease activities and exit the Sandbox.

It is also important that the applicant demonstrates clear risk management. The applicant will be conducting a regulated activity in financial services with live customers and therefore at the very minimum the application should include in their application information on their compliance with local cybersecurity regulations, how risk management processes related to data, systems and processes and consumer protection will be implemented and how Anti-Money Launderings (AML) and Know Your Client (KYC) requirements will be met. We will take into account both the content of the application and the quality of the team and their respective consultants in executing the risk management strategy.

Finally we are looking for applicants that are focused, organized and to the point. We welcome applications from entrepreneurs that are focused, dedicated to their solution, organized in their presentation and have a well thought out and structured business plan.

We see a lot of young Saudis that are very smart, passionate about fintech and willing to take a risk in opening a business in a complex and regulated sector. We are also pleased to see how the applications have developed over the last year both in terms of maturity and sophistication. The applicants’ understanding of fintech has improved and they are looking at local market needs and developing increasingly sophisticated solutions to meet those needs. We hope that this will continue.

The Sandbox has supported SAMA to better understand fintech activities and their impact in the local market before the regulations for the respective activities are developed. The Regulatory Sandbox means that SAMA can take a more progressive approach in understanding the risks and value of different fintech activities and then develop regulation that supports the development of responsible innovation in the Kingdom or adapt existing regulations to accommodate innovation that is taking place.

The biggest impact of the Sandbox to date has been in the development of the Payments regulations that was released in January 2020. The Sandbox initially accepted a number of applicants involved in payment innovation in order to evaluate their activities and this contributed to the drafting of the Payment Law and the Payment Services Provider Regulation.

Going forward, what do you think the future of the Sandbox will be? What types of activities would you like to see applying to the Sandbox in the future?

The Sandbox is currently testing innovative activities related to debt crowdfunding, micro-lending, and digital savings. The cohorts for these activities are being evaluated and the results will contribute towards developing the

The biggest takeaway from the experience so far is how much exciting innovation we are seeing in the local market from very talented people.
appropriate regulation for these activities. Going forward, we expect the Sandbox to continue to play a key role in supporting the development of regulation for innovative fintech activities in the Kingdom. As we see progression in areas such as big data, blockchain, artificial intelligence, open banking etc. and the convergence between financial services and other sectors such as retail, hospitality and telecoms, we expect to see an acceleration in innovation in the financial services sector and the Sandbox will continue to play an important role in providing a testing environment for such innovation.

The Sandbox is open to any applicant developing innovative activities in the financial sector that is not covered by existing regulations. In particular, we are interested in seeing applications that support the development of the areas highlighted by Vision 2030 and the Financial Services Development Program. This includes applications that seek to solve local needs and gaps that we have in the Kingdom, support underserved customer segments and drive innovation in the areas of financial services that are ripe for disruption such as insurance, personal and business financial management and regtech.

We would also encourage applications from men and women with a diverse range of skills and backgrounds. Diversity helps contribute to looking at problems in different ways and therefore can help create more innovative solutions.
Regulator Point of View

Interview with CMA FinTech Lab

In December 2017, the Capital Markets Authority (CMA) launched the CMA FinTech Lab to support the development of fintech innovation in the Kingdom. The CMA’s objective is to support fintech innovation in the capital markets by providing a simplified regulatory framework that is conducive for fintech companies in the Kingdom of Saudi Arabia. For this year’s Fintech Saudi Annual Report, we asked the FinTech Lab team how the regulatory testing environment works, why they have chosen particular activities, and their views on the future of the capital markets in Saudi Arabia.

Please Introduce the Capital Markets and Why it is Important to Support Innovation in the Capital Markets

Capital markets involve a broad range of activities related to marketplaces where buyers and sellers engage in trading financial securities such as bonds, stocks, etc. Fintech activity in the capital market is related to the use of new and disruptive technology and business models to improve capital markets activities such as reducing the cost of accessing the capital markets, improving the speed of activities, providing a more personalised service, and increasing security.

The capital markets play a key role in the development of the Saudi economy. It is important to support innovation in the capital markets so that they continue to play a key role in the Kingdom and contribute to the realization of Vision 2030.

How Does the Fintech Lab Operate? What Role Does it Play in Supporting Innovation in the Capital Markets?

The FinTech Lab provides a regulatory testing environment for fintech companies to test their innovative fintech business models, products, and services related to the capital market within specified parameters and timeframes. Fintech companies are eligible to apply to the FinTech Lab if they develop products or services in the securities business (the scope of the Capital Market Authority); promote fintech innovation, promote significant growth in the capital markets, and are at a sufficiently advanced stage of development to mount a live test. The FinTech Lab is open to all applicants including international fintech firms as long as they establish a commercial presence in the Kingdom.

Fintech companies that meet the eligibility criteria can apply to enter the FinTech Lab as per the requirements in the Financial Technology Experimental Permit Instructions and, if successful, they will receive a Financial Technology Experimental Permit that enables them to test their solution with live customers for a maximum of 2 years.
The FinTech Lab supports the acceleration of fintech activity in the capital markets by enabling fintech companies that are not currently regulated in the Kingdom to begin operations in a testing environment whilst the regulators develop the associated regulations for the activity.

What Activities Are Currently Being Tested in the Fintech Lab and Why are they being Tested?

The FinTech Lab is currently testing equity crowdfunding, micro sukuk issuance, robo-advisory, and the use of distributed ledger technology to arrange and offer custody services. These activities can make a significant contribution to advancing the capital markets, contribute to the development of the Kingdom’s economy, and the realization of Vision 2030 and the Financial Sector Development Program.

In particular, the activities selected support greater financial inclusion for SMEs and individuals. For example, a key target of Vision 2030 is to increase the contribution of the SME sector to the economy, which requires SMEs to have greater access to funding to be able to grow. Historically, the capital markets focused on large corporates. However, Vision 2030 has driven new initiatives in the capital markets such as the testing of fintech activities such as equity crowdfunding and micro sukuk issuance further opens the capital markets to smaller companies to help them raise capital.

Another key target of Vision 2030 is to increase the rate of household savings. Historically, retail investors have found it too challenging or costly to invest in the capital markets and have therefore been underserved. Robo-advisors reduce the cost and simplify the process giving individuals an option to invest in the capital markets and therefore encourage them to save more.

How do You Think Fintech Innovation Will Shape the Future of the Capital Markets in the Kingdom?

We are witnessing a substantial development in the capital markets of Saudi Arabia. The Tadawual All Share Index is now one of the largest markets globally in terms of market capitalization, and last year we witnessed the listing of Saudi Aramco, the largest IPO in history, which attracted 2.6m retail investors, many of which invested into the stock market for the first time. We are also seeing a number of emerging technologies such as blockchain, artificial intelligence, and open APIs.

We therefore expect fintech innovations in the capital markets to accelerate in the coming years and given the growing importance of the Saudi capital markets globally, this will positively affect the entire economy in the Kingdom. Fintech innovation will drive improvements in all aspects of the capital markets including easing the accessibility to investors and companies, reducing cost of conducting business through automation and improving overall information security and data governance. The FinTech Lab will continue to play a key role in ensuring that fintech firms that want to drive innovation in the capital markets are able to do so.
Spotlight on FSDP Targets

**SME Finance**
- Launch of Lending Gate platform through Monshaat
- Monshaat and Social Development Bank collaborate to provide Indirect Lending. This has resulted in:
  - **40%** decrease in average cost of finance for SMEs
- **SAR 14.2B** lent by 18 Companies to 1,169 different companies

**Payments**
- Establish Saudi Payments Company
- Launch Real Time Payments
- Regulations for Payments Service Providers
- Esal Platform (Payment Invoices) wins best technology innovation award

**Cashless Society**
- Launch of Apple Pay via Mada
- **439,000** POS Devices (end of 2019)
- **36%** Ave Retail Digital Payments for 2019 (exceeding FSDP Target)

**Capital Markets**
- Saudi Aramco listing as the most valuable IPO
- Launch of Edaa paying agent service
- Saudi Stock market a full MSCI member
- Completion of first merger between listed companies (SABB and Alawwal Bank)

**eKYC Experiment**
- Successful testing of remote account opening with digital KYC
- **12** Banks
- **66,000** Successful Operational Trials

**Market Competitiveness**
- **62** World Bank ranking in 2020 compared to 92 in 2019
- **36** Latest world economic forum ranking

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Source: FSDP Report
Fintech Startups by Development Stage

The majority of Fintechs in Saudi Arabia are looking to scale their business, with 18% operating already. Between 2018 and 2020, the number of active Fintechs in Saudi Arabia has grown by a CAGR of 147%.

Number of Active Fintech Startups in Saudi Arabia

Active startups include operating startups and startups with a testing license.

Breakdown of Fintech Saudi’s Fintech Database

- **IDEA**: 36% Developing Minimum Viable Product (MVP)
- **PRE-COMMERCIAL**: 26% MVP developed, but not yet launched
- **TESTING LICENSE**: 20% Testing the product in a dedicated Sandbox or Fintech Lab
- **OPERATING**: 18% Launched, initial customers acquired
Active Fintechs by Industry Vertical

Saudi Arabia counts 60 local and international Fintech startups that are active in a variety of industry verticals such as payments, lending, personal finance, insurance, and more.

Payments & Currency Exchange
- geidea
- ITS
- LazyWall
- codelab
- foodics
- iPay
- Skyband
- mowden
- PayTala
- Pay2
- iPay
- SIC
- Nefal
- Nefal
- LePay
- PayNear
- PayNear
- Swr
- Sure
- Tetra
- PayNear
- Network
- HALA
- BrightWare

Lending & Finance
- Fokus
- Funding Sqaure
- Lendo
- Nefal
- Nefal
- Saleem
- Tamam
- Tamam
- Tamam
- Tameed

Private Fundraising
- Ala
- Bulhaoor
- Amanah
- Scooper

Capital Markets
- Mudaraba
- Wahed
- Wethaq

Banking & Banking Infrastructure
- Ateion
- Smartsream

Insurance
- ICare
- Btanini

Business Tools & Information Provision
- Wosul
- DirectFN
- E-Promoter
- E-Promoter
- FlexPay
- Gharbi
- Qoyoc
- RasMal

Personal Finance & Treasury Management

Fintech Saudi Map

The Fintech Map Will Be Updated Quarterly.

Source: Fintech Saudi Database
Magnitt: The View From Fintechs
Funding

Saudi Fintechs That Have Raised Funding in May 2019 - July 2020

Deals and total funding of Saudi Fintechs has already surpassed 2019 in 2020 YTD.

<table>
<thead>
<tr>
<th>STARTUP NAME</th>
<th>FUNDING AMOUNT</th>
<th>FUNDING STAGE</th>
<th>SELECT INVESTORS</th>
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<tr>
<td>1</td>
<td>SAR 13.1M</td>
<td>Seed</td>
<td>GFC, global ventures, Outliers, Shorooq</td>
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<tr>
<td>2</td>
<td>SAR 4.0M</td>
<td>Series A</td>
<td></td>
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<tr>
<td>3</td>
<td>SAR 3.0M</td>
<td>Pre-Seed</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>SAR 2.1M</td>
<td>Seed</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>SAR 0.2M</td>
<td>Pre-Seed</td>
<td>Magnitt, SOU</td>
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</table>

Saudi Fintech startups that raised an undisclosed funding amount:

- Lean (Seed)
- Lendo (Pre-Seed)
- Siskal (Pre-Seed)
- Wethaq (Pre-Series A)
- RasMal (Seed)
- Lean (Pre-Seed)

Fintech Startup Deals (#) by Funding Stage

While the majority of Fintech deals in Saudi Arabia are still at the Early Stage, Series A and Series B deals have seen an increase in recent years.

SAUDI ARABIA

- **84%** EARLY STAGE
- **6%** SERIES A
- **6%** SERIES B

15 Fintechs signed MoUs and commercial agreements in the past year
Characteristics

Industry Verticals

Payments & Currency Exchange is the most common industry vertical among Saudi Fintech startups, followed by Lending & Finance and Business Tools.

- Payments & Currency Exchange: 41%
- Lending & Finance: 18%
- Business Tools: 12%
- Private Fundraising: 10%
- Personal Finance & Treasury Management: 7%
- Banking & Banking Infrastructure: 4%
- Capital Markets: 3%
- Others: 3%

Headquarters

Most Fintech startups are headquartered in Riyadh, with other cities also showing an increase in activity.

- Riyadh: 82%
- Jeddah: 12%
- Khobar: 2%
- Makkah: 2%
- Jazan: 2%

11% of active Fintechs are international

Source: Fintech Saudi Database and Magnitt Analysis
Challenges, COVID-19 & Opportunities

Biggest Challenges for Saudi Fintechs

Fintech startups do not worry as much as their international counterparts about funding, but regulation, talent, and customer access do pose the biggest challenges.

- **TALENT AND RECRUITMENT**: 40%
- **REGULATION**: 37%
- **ACCESS TO CUSTOMERS / CUSTOMER TESTING**: 28%

**COVID-19 Impact**
- 64% of revenue-generating Fintechs saw a drop in revenues or suspended operations
- 22% of Fintechs had to let go of employees due to COVID-19

Opportunities for Saudi Fintech Startups

The presence of challenges also paves the way for opportunities in the Saudi Fintech space, with the sector being boosted in a variety of ways, including Vision 2030 initiatives and goals, online payments, and e-commerce adoption.

**Saudi Arabia**
- Aims to reach 70% in e-payments by 2030 as part of the Vision 2030 development plan
- The Kingdom already reached 36.2% of e-payments in 2019, ahead of its goal of 28% for 2020
- Aims for 80% of its adult citizens to have a bank account by 2020, as part of the FSDP
- Aims for Saudi Arabia's e-commerce market size, providing opportunities in digital payments, SME finance, and business tools
- Aims for Saudi Arabia's remittance market size, making the Kingdom the second largest remittance market worldwide

**Saudi Arabia's E-commerce**
- Market size: SAR 28.8B
- Population: 30.0B

Source: Fintech Saudi COVID-19 Survey and Magnitt Analysis | Magnitt: The View From Fintechs