

## FinTech Initiatives in the UAE

**Charilaos Mertzanis**

Abu Dhabi University

[charilaos.mertzanis@adu.ac.ae](mailto:charilaos.mertzanis@adu.ac.ae)



## ❖ THE TRENDS 1

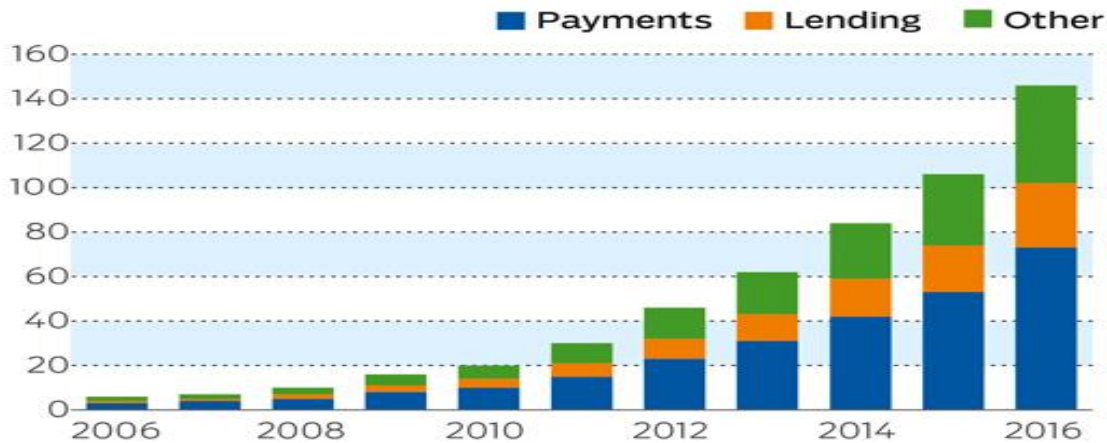
- The UAE has taken a **lead** in FinTech investments & banking technology adoption in the GCC and the MENA regions
- An IIF study of the MENA region found that FinTech can significantly **lower funding costs of SMEs, extend financial services to unbanked people, and reduce costs of remittances.**
- The **financing gap** for MENA SMEs is estimated at around **\$138 billion**, equivalent to **26%** of consolidated GDP.
- E&Y's GCC FinTech Play survey finds only **42%** of banks were **familiar** with the FinTech industry, while **93% doubted** that FinTech players could disrupt their business in the short term.
- In the same survey, **86%** of GCC banks estimated that no more than **15%** of banking business could be **lost to FinTech** in the next 5 years, believing (a) fund transfer and (b) brokerage services to be the main business lines most likely to be disrupted.



## ❖ THE TRENDS 2

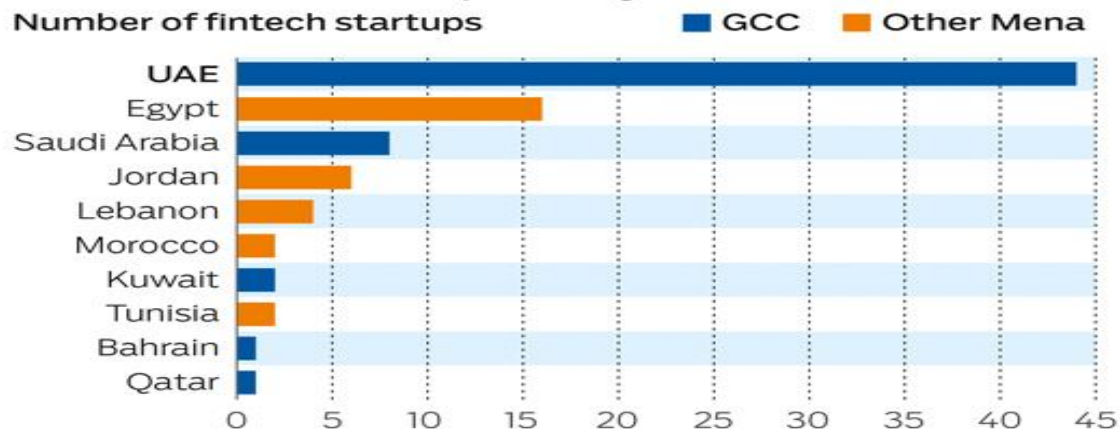
### ***Fintech investments in region on the rise***

**Fintech startups in Mena**



### **UAE has the most developed ecosystem**

**Number of fintech startups**





## ❖ THE TRENDS 3

- Despite growing e-commerce transactions in MENA, **cash payments are still high**, while the **number of mobile money providers falls behind** that of other regions.
- UAE, Jordan, and Lebanon are among the **few countries with crowdfunding platforms** that target SMEs.
- A Standard & Poor's report shows that **FinTech will disrupt the retail banking business** in the GCC while the overall impact on balance sheet and bank ratings will be minimal.
- S&P analysts believe that the main FinTech **impact** will be on **money transfer** and **foreign-currency exchange business**. This would push some banks to **adjust their operations through increased digitalisation**, branch network reduction, and staff rationalisation.



## ❖ THE POLICY 1

- In October 2017, the UAE Government launched ‘**UAE Strategy for Artificial Intelligence (AI)**’. This marks the post-mobile government phase, which will rely on various future services, sectors and infrastructure projects.
- The strategy is first of its kind in the region and aims to:
  - boost **government performance** at all levels;
  - use an integrated **smart digital system** that can overcome challenges and provide quick efficient solutions;
  - make the UAE the first in the **AI investment field** in various sectors
  - create new **vital markets** with high value added.



## ❖ THE POLICY 2

- The stated government strategy will focus on and transform the following sectors of activity:
  - **transport** – to reduce accidents and cut operational costs
  - **health** – to minimise chronic and dangerous diseases
  - **space** – to help conduct accurate experiments, reduce costly mistakes
  - **renewable energy** – to manage facilities
  - **water** – to conduct analysis and studies to provide water sources
  - **technology** – to increase productivity and help with general spending
  - **education** – to cut costs and enhance desire for competitive education
  - **environment** – to increase forestation rate
  - **traffic** – to reduce accidents and traffic jams and draw more effective traffic policies.





## ❖ THE POLICY 3

- The **AI strategy** will be implemented along **five areas of intervention**:
  - the formation of the UAE AI Council;
  - the carrying out of specialized workshops, programs, initiatives and field visits to government bodies;
  - the developing of capabilities and skills of all staff operating in the field of technology and organise training courses for gov officials;
  - the provision of all services via AI and the full integration of AI into medical and security services; and
  - the launching of leadership strategy and issue a government law on the safe use of AI.



## ❖ THE ACADEMIC RESPONSE

- Secondary and tertiary educational institutions have responded **immediately**. This is the result of both:
  - a) their need to attract students in a highly competitive environment;
  - b) respond to and take advantage of new government policy regarding the provision of funding and support grants
- Within 1 year, **all major universities have rushed to offer new BBA/MBA programs in AI/FinTech**, of various standings
- My university is launching the following programs next Fall:
  - A BBA concentration in FinTech (7 new courses)
  - A BBA concentration on digital marketing (3 new courses)
  - An MSc in FinTech (3 new courses);
  - An MSc in AI for Business Management (3 new courses)





## ❖ THE REGULATORY RESPONSE

- The Securities & Commodities Authority (SCA) has launched a new FinTech initiative, with the following goals:
  - a) To **open communication channels with innovators** in the financial industry, especially in FinTech, and understand their needs;
  - b) To create an appropriate **regulatory environment for the development of services and products through modern innovation**;
  - c) To provide **regulatory support and advice to FinTech** companies while protecting investors; and
  - d) To keep pace with and respond to the **latest developments** in FinTech
- The key idea is: “*To create an electronic platform/portal that serves as a regulatory sandbox and brings together FinTech companies, companies that offer innovative financial services, financial institutions, and telecommunications and internet companies to test and launch modern technological initiatives in the securities sector.*”