

Touch'ngo *eWallet*

MALAYSIA FINTECH REPORT

2019



Comissioned By:



Produced By:



FOREWORD



VINCENT FONG, CHIEF EDITOR

The Malaysian fintech ecosystem has grown considerably since we started Fintech News Malaysia 2 years ago and we are optimistic that it's poised to grow even further.

The annual fintech report is our attempt at providing handy guide to anyone who's interested to learn more about Malaysia's fintech scene.

This year we're fortunate enough to receive the support of generous sponsors like Touch 'n Go eWallet, GHL, Jirnexu, pitchIN, MoneyMatch and DAX Ventures.

The sponsorship does not influence our editorial direction but it does enable us to spend more time to deep dive into our research. So if you enjoy this report, please show these lovely companies some support when the opportunity presents itself.

THE 2019 TOUCH 'N GO EWALLET MALAYSIAN FINTECH REPORT IS MADE POSSIBLE THANKS TO THE SUPPORT OF OUR GENEREOUS SPONSORS BELOW

THANK YOU!



FOREWORD



DANNY LEONG, GROUP CEO

the **ASEAN** payment people

The traditional financial institutions have always prioritized to serve the first tier customers, preventing more than a billion Asians to be part of the main financial stream and accessing the most basic financial services such as savings account and credit lines. These financial institutions have a certain cost structure to keep up with, thus understandably impose higher financial fees – unaffordable to the many less affluent.

Thus, the emergence of Fintech makes it the most exciting development of today and will very well be the solution to broaden the financial inclusion. Although rather at a relatively nascent stage in Malaysia, Fintech has nonetheless gained some serious traction and penetrated significantly into the financial ecosystem over the years. Fintech stands at an advantage with their appealing combo; low cost high tech financial services and strong grasp of consumer habits to tap into the unbanked segment.

Financial institutions see this development as a possible threat to the existing formal financial ecosystem, thus their businesses. Despite that, regulators continue to push for Fintech to be an indispensable part of the ecosystem, in order to generate a competitive landscape. The regulatory sandboxes conceived for example, is aspired to catalyze innovative Fintech developments, involving all players of the industry. Platforms such as this should be benefited to create more of a symbiotic relationship rather than of a competitive one, between financial institutions and Fintech companies, to co-exist and complement each other. At the end of the day, inadvertently this reassuring development will no doubt benefit consumers the most.

At GHL, we are ecstatic to be an essential part of this ecosystem, bringing to the table of our strongest value proposition - that our product offerings cater for all, especially to the financially underserved. We aim to maneuver main problems faced by SMEs and the unbanked households – that is to bridge the payment and credit gap. While the urban population is thrilled to ride on this Fintech wave, we perceive that the bigger challenge lays in upgrading the financial literacy among the suburban and rural crowds. We embrace that challenge and poise to play an important role in changing that stigma.

MALAYSIA AT A GLANCE



32.6 MILLION
POPULATION



95%
BANKED



52%
INSURED



76%
URBAN



75.9%
SMARTPHONE
PENETRATION



86%
INTERNET
PENETRATION



4.6 ATMS
PER 10,000
ADULTS



50.4%
MOBILE BANKING
PENETRATION



95.2%
ONLINE BANKING
PENETRATION



1.6
BRANCHES
PER 10,000
ADULTS



74%
DEBIT CARD
OWNERSHIP



21%
CREDIT CARD
OWNERSHIP



41%
HAVE
SAVINGS

Source: Individual Household Survey Report on ICT Usage and Access, Global Findex Report, World Bank, Bank Negara Malaysia





MOVING TOWARDS A CASHLESS FUTURE TOGETHER



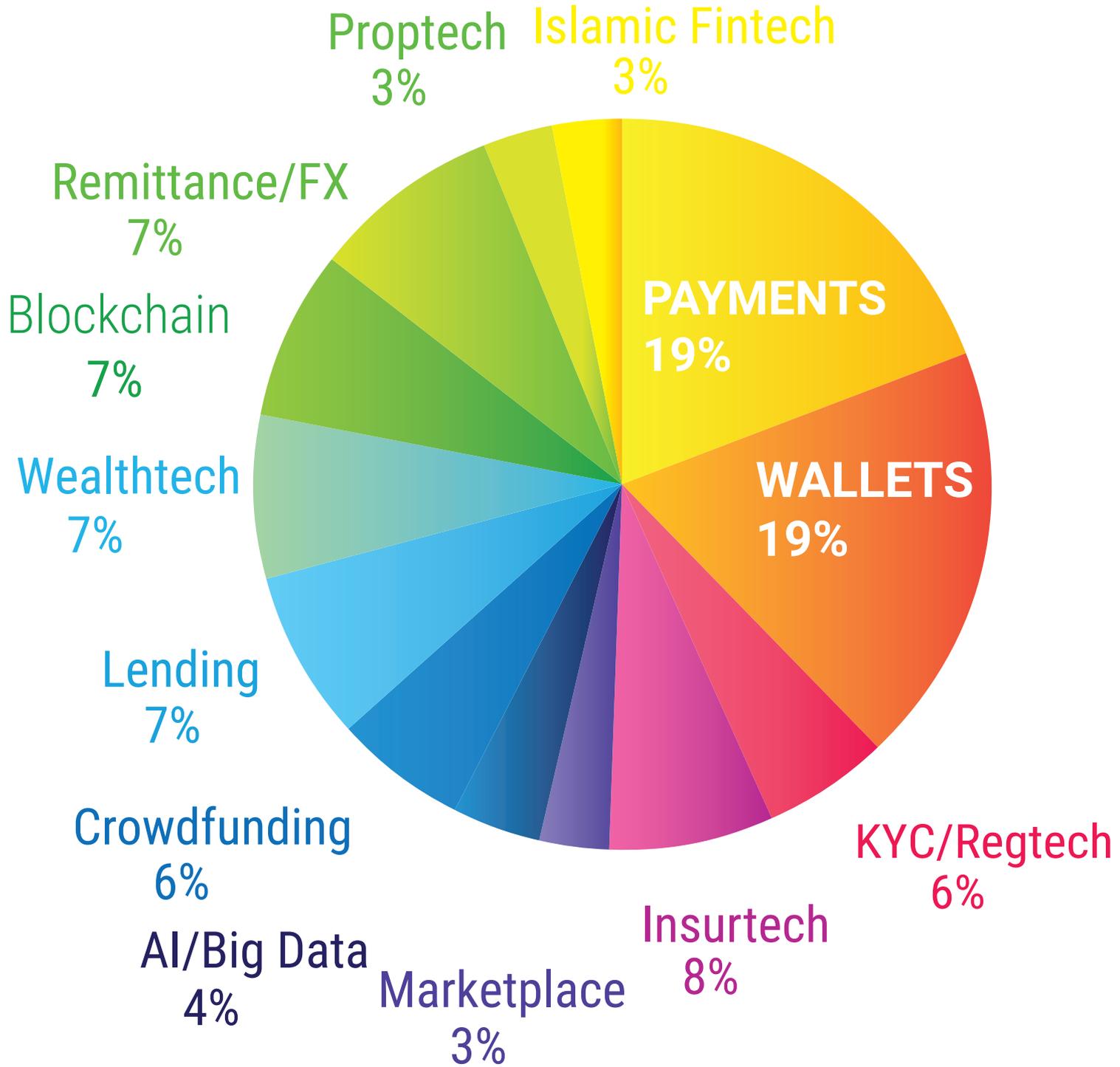
tngdigital.com.my



TNG Digital Sdn Bhd
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BREAKDOWN

FINTECH PLAYERS IN MALAYSIA



MALAYSIA FINTECH MAP 2019

TOTAL: 198



PAYMENTS (40)



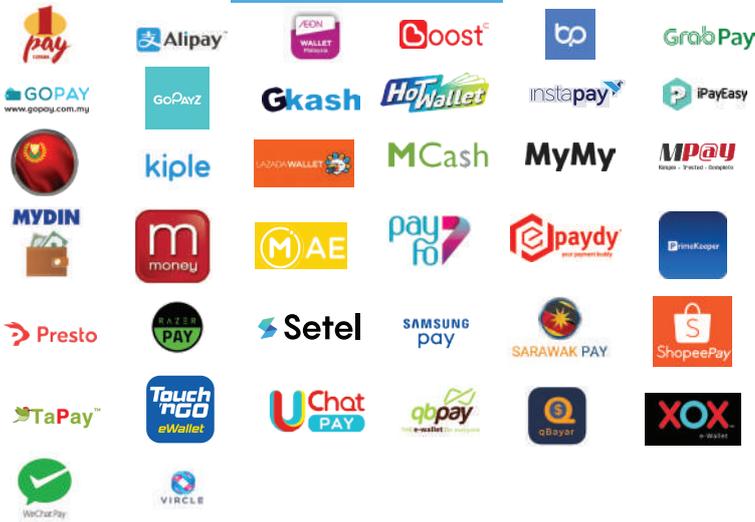
CROWDFUNDING (12)



LENDING (15)



WALLETS (38)



WEALTHTECH (15)



KYC/REGTECH (11)



BLOCKCHAIN/CRYPTO (15)



INSURTECH (16)



REMITTANCE/FX (17)



MARKETPLACE (6)



PROPTECH (6)



AI/DATA (8)



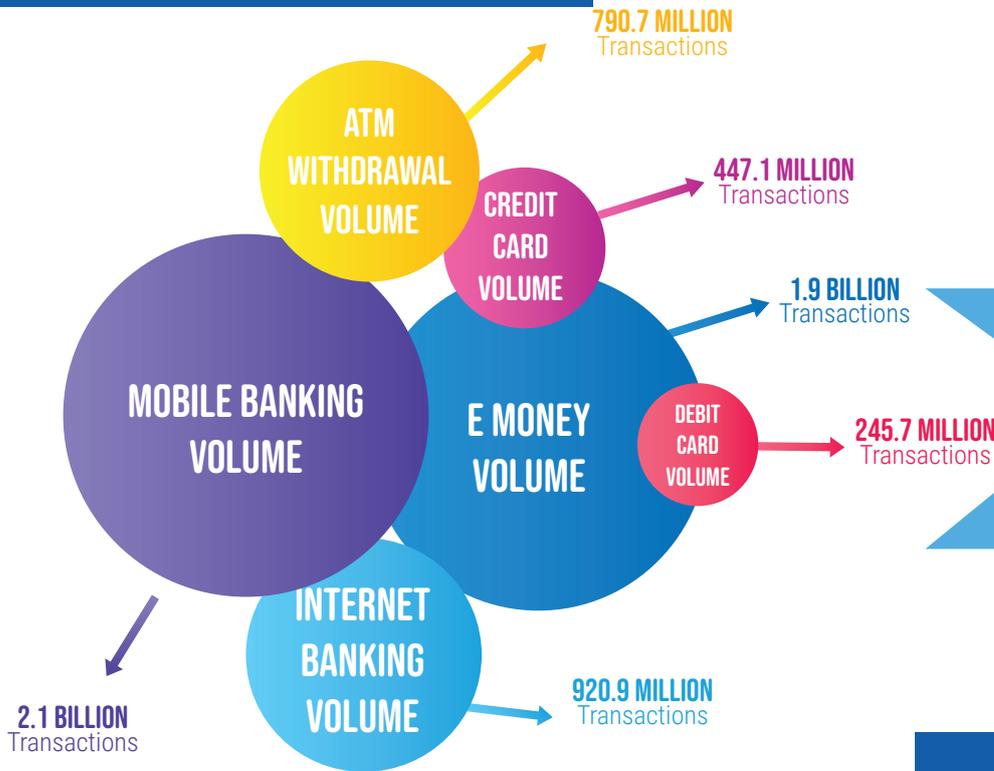
ISLAMIC FINTECH (6)



*Some companies may appear in more than 1 category to better reflect the nature of their business but they still count as one towards the total

TRANSACTION VOLUME

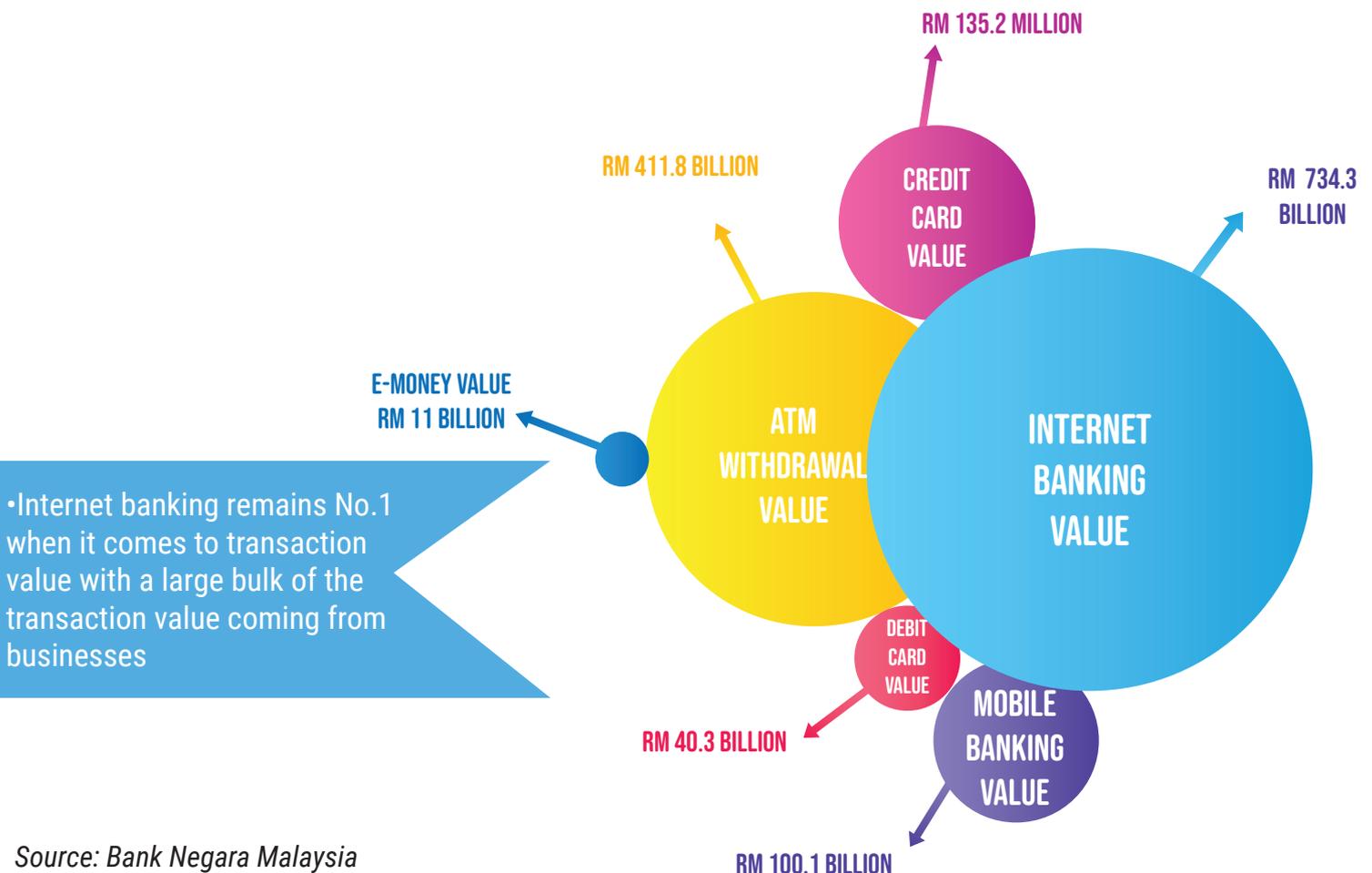
2018



• Mobile banking transactions surpasses e-money as the highest transaction volume compared to the previous year

TRANSACTION VALUE

2018

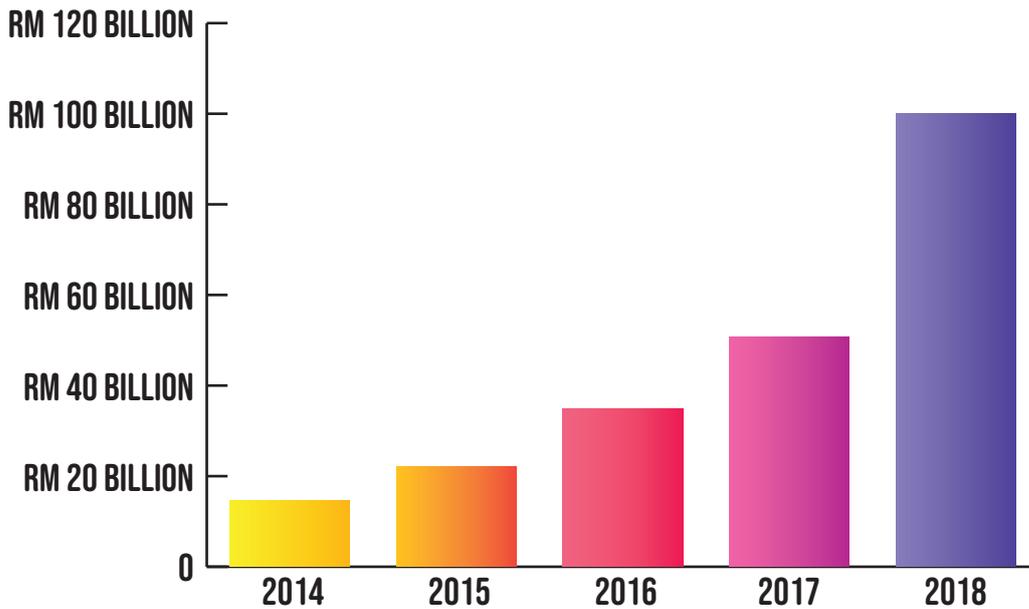


• Internet banking remains No.1 when it comes to transaction value with a large bulk of the transaction value coming from businesses

MOBILE BANKING TRANSACTION VALUE

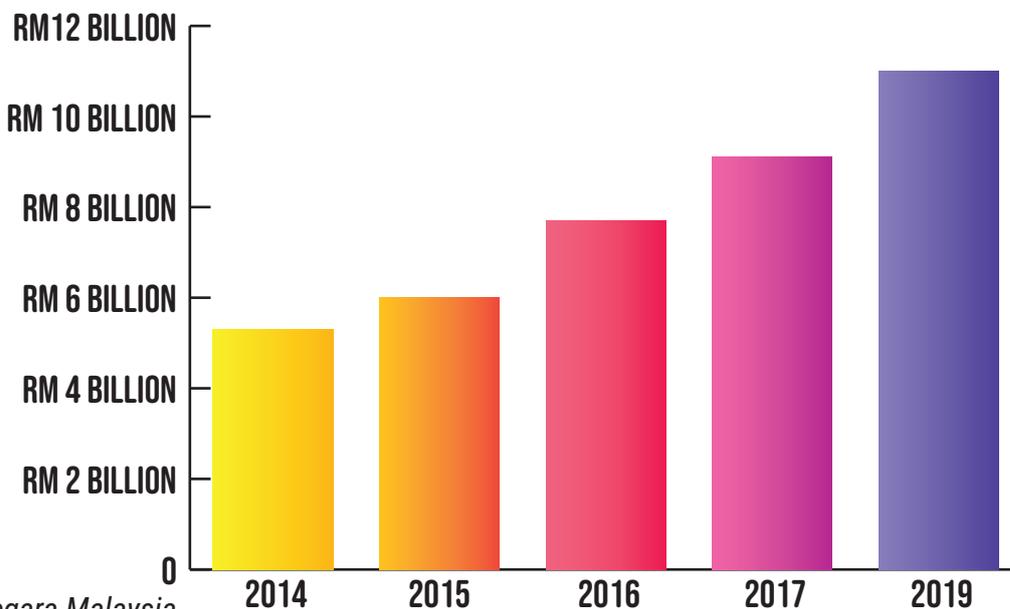
2014-2018

Mobile banking transaction value has grown more than sevenfold in this past 5 years while e-Money transaction value has doubled in the same period indicating a Malaysian population that are increasingly comfortable with using adopting technology in financial services.



E-MONEY TRANSACTION VALUE

2014-2018



Source: Bank Negara Malaysia

Payment solutions provider behind renowned payment schemes across ASEAN.

Leading the cashless wave, GHL powers everything you pay using your cards or mobile phone from shopping to transport to food.



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HOW ARE BANKS RESPONDING TO FINTECH IN 2019



DOMENIC FUDA, CEO & GROUP MD



"We no longer view digitalization as initiatives; across retail and business banking as well as in human resource, talent and sustainability areas, raising our customers, employees and stakeholders' digital engagement has simply become "business-as-usual" for the Bank. "

Major Initiatives in 2019

- Introduction of e-Token eToken with Biometric Recognition for Businesses
- Piloting a Collaboration with WeChat to launch WeEat



JAMBUGESVARAR, ACTING CHIEF DIGITAL OFFICER **RHB** ♦

"RHB has always viewed the Fintech world as an opportunity to collaborate. As such, we have always worked closely with various fintechs ranging from P2P financing, aggregators, accounting solution providers and various others. "

Major Initiatives in 2019

- Launched Dynamic Credit Card CVV Code
- Launched New Mobile Banking App



MICHAEL FOONG, GROUP CHIEF STRATEGY OFFICER

"As we continuously embrace new technologies in today's digitalised environment, it is crucial that banks and fintech players continuously find ways to collaborate in championing sustainable growth."

Major Initiatives in 2019

- Launched Dynamic Credit Card CVV Code
- Launched New Mobile Banking App



DATO' CHANG KAT KIAM, DEPUTY CEO



"We can expect digitalisation will continue to be top on the agenda of the banking industry. Banks are expected to continue leverage on financial technology to reinvigorate financial services to create greater value for the stakeholders, and to promote a more inclusive financial system to reach all segments of the community."

Major Initiatives in 2019

- First to Adopt DuitNow's Universal Payments QR
- Launched New Mobile Banking App



EFFENDY, CEO, GROUP VENTURES & PARTNERSHIPS

"Clearly there is now going to be new competitors in town. It's happening in Hong Kong, soon in Singapore and I'm sure Malaysia is next. I think these new players are not just new competitors in banking as we know it, but I do believe they will bring added capabilities to off-takers of financial services."

Major Initiatives in 2019

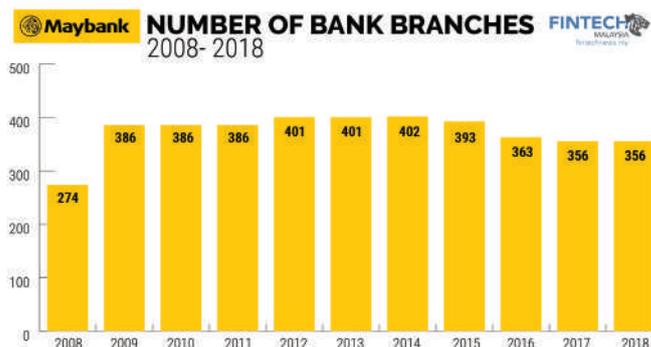
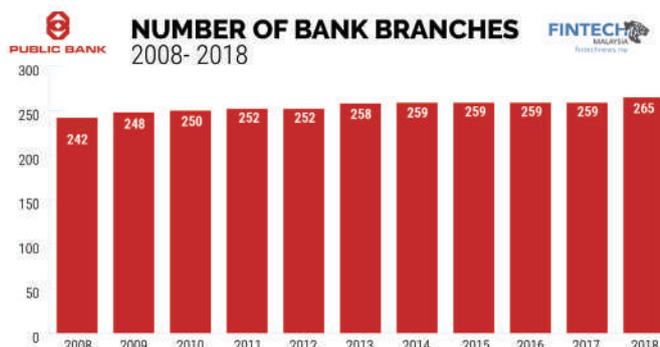
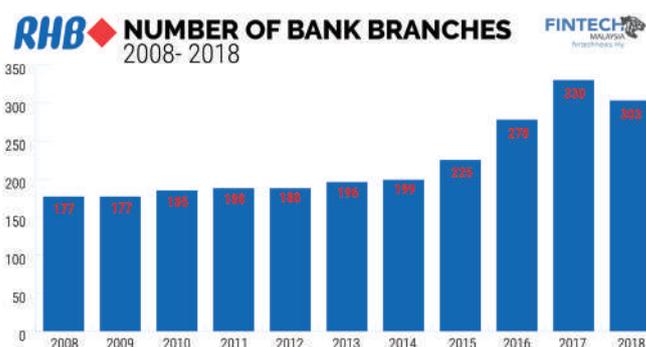
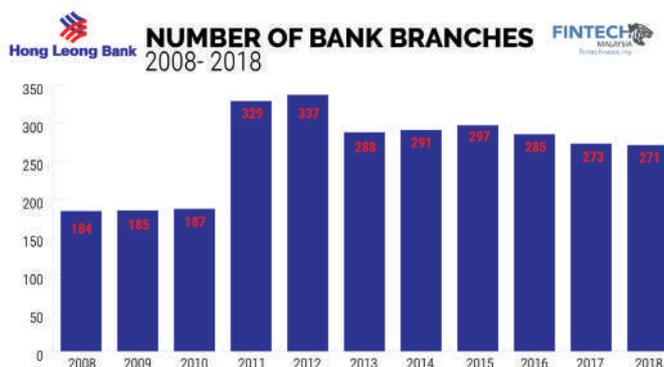
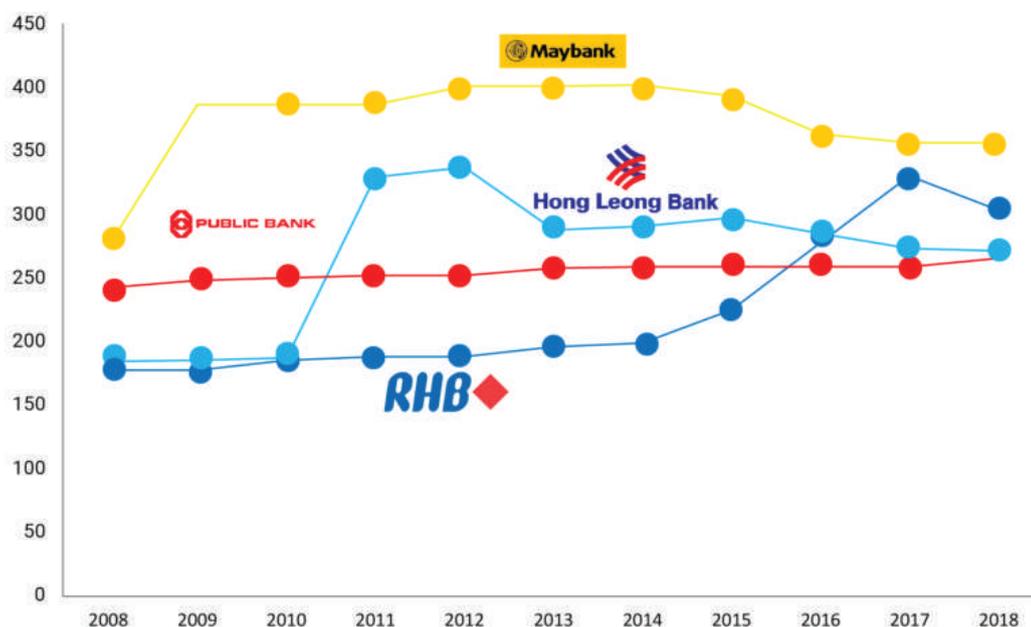
- Securing 500k customers in Philippines in 6 months with their digital only bank
- Teaming up with Axiata to offer financing solutions 70,000 SMEs

NUMBER OF BANK BRANCHES

2008-2018

Despite Malaysian's increased level of comfort with mobile financial services, Malaysia's top banks still has more bank branches today than they do 10 years ago. However, we are seeing signs of branch rationalisation with all the top banks with the exception of Public Bank.

Public Bank remains to be the only bank that has be actively adding to its branch network.



*Data extracted from annual reports of each bank. CIMB is excluded from the chart due to incomplete data sets

Jirnexu

Malaysia's Full Stack FinTech Leader

- Established in 2011, Jirnexu owns and operates online financial comparison sites in Malaysia (RinggitPlus) and Indonesia (KreditGoGo).
- Reach 2m consumers monthly with a database of over 800,000 customers.
- Developed the proprietary XpressApply service for banks, which increased conversions by 250%, reduced processing time, and increased HR productivity by 300%.
- Approved by Bank Negara Malaysia's Regulatory Sandbox as a Digital Insurance Broker.
- Raised USD27m in total funding from these blue-chip investors:



RinggitPlus.com

DUIT THE EASY WAY

RinggitPlus is the brainchild of Jirnexu. It is the #1 financial comparison site in Malaysia, leading the market in traffic, transactions, and contracts with banks and insurers. RinggitPlus generated an annualised USD2.4bn in GMV¹ and USD300m in GTV².

Let's collaborate

If you have questions or want to work with us, we'd love to hear from you.

General Inquiries | hello@jirnexu.com

Sales Inquiries | sales@jirnexu.com

☎ +603 9212 3128 📠 +603 7932 2522 🌐 jirnexu.com

 Prominent Marketplace of The Year,
Malaysia Fintech Awards 2018

1 GMV (Gross Merchandise Value): Calculated based on loan value applied for by consumers and sum assured or annual premium inquired for insurance products.

2 GTV (Gross Transaction Value): Calculated based on disbursed loan value and transacted sum assured or annual premium for insurance products.



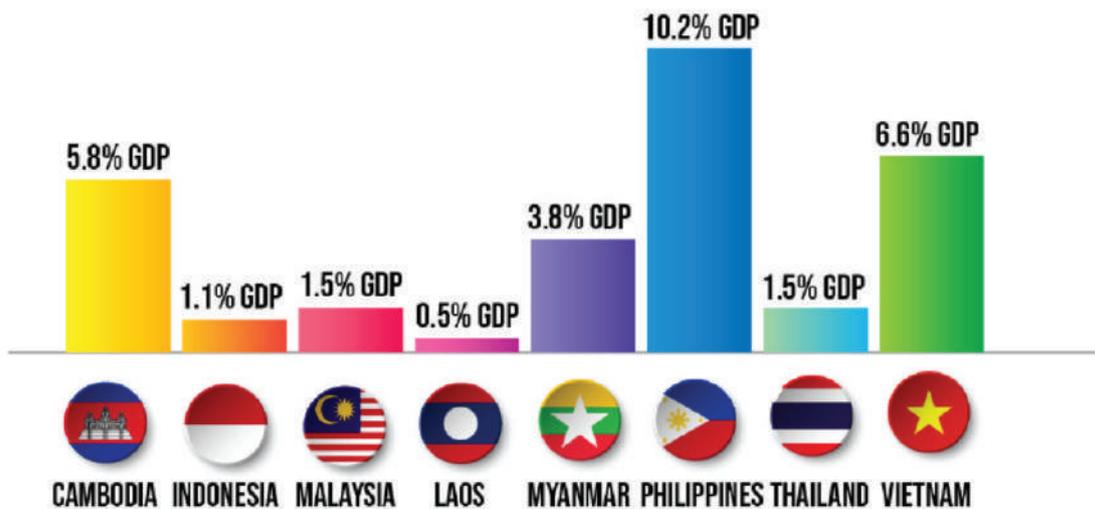
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POWER YOUR GLOBAL PAYMENT NETWORK WITH OUR APIs

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REMITTANCE CONTRIBUTION TO GDP

Though not as significant as some of its ASEAN neighbours, inward remittance still represents a sizeable contribution to Malaysia's GDP.

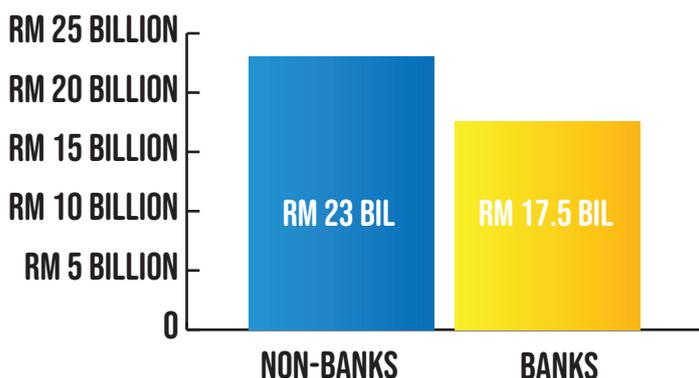


Source: Knomad

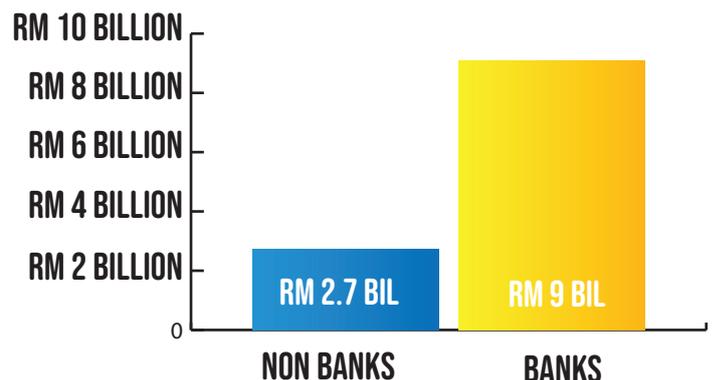
REMITTANCE OUTWARDS & INWARDS 2018

The money services business segment within Malaysia is a very well-served space with non-banks significantly outpacing banks as the preferred method of sending money internationally. With the introduction of eKYC guidelines it is anticipated that there will be an increase in remittance using non-bank channels.

OUTWARD REMITTANCE



INWARD REMITTANCE



Source: Bank Negara Malaysia

E-WALLET RANKING BY MONTHLY ACTIVE USERS



This chart is extracted from a study that was conducted by iPrice and AppAnnie.

While the study points to GrabPay as the leader in this space, it's worth noting that the data includes users who may be using the app without necessarily using GrabPay as a payment option, which will likely skew the ranking in Grab's favour.

Boost had a headstart in the e-wallet race, securing a sizeable amount of customers with attractive cashback deals. While Touch n' Go eWallet quickly rose through the ranks despite having a rocky start.

Fave though technically not an e-wallet, remains a popular option for Malaysians.

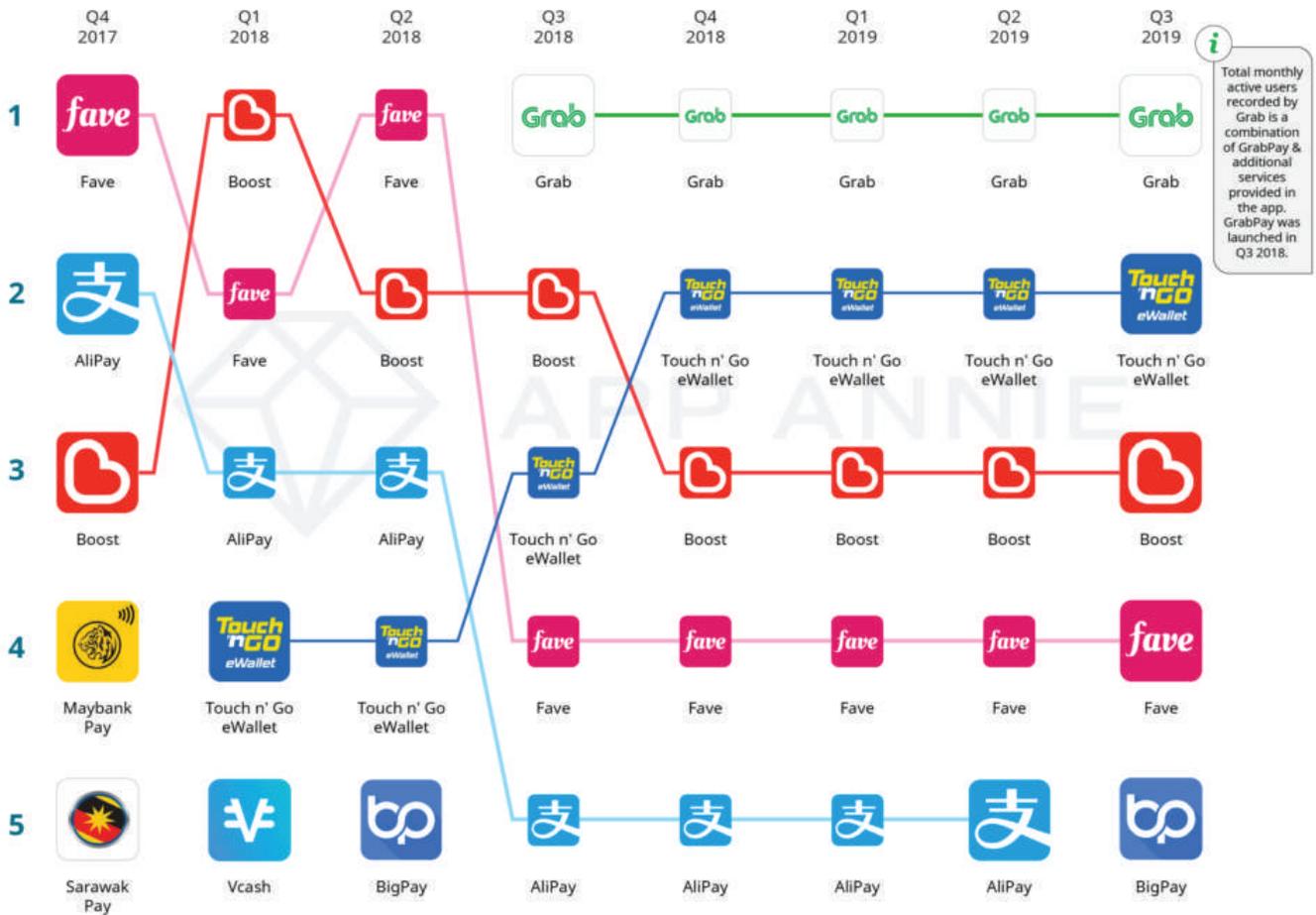


Image Credit: iPrice Group: <https://iprice.my/trends/insights/best-ewallet-malaysia/>

***Methodology:** Mobile E-Wallet apps were identified by iPrice and App Annie from multiple categories on the iOS App Store and Google Play where wallet functions are offered, including but not limited to Finance, Travel, Food and Drink and Lifestyle. Our analysis is limited to open and semi-closed mobile e-wallets or e-payments applications. All e-wallets or e-payment apps chosen for this study acts as a digital wallet, assisting users make payments via QR code, card based and/or bank transactions via the app in exchange for in-store goods or services. For a fair comparison between the apps, this research excludes pre-installed apps, telecommunications-based, rewards, customer loyalty, messaging, money transfer and other closed-loop e-wallet/e-payment applications. Closed loop e-wallets/e-payments are exclusive issuance by a company for its customers to be used at merchant's store.



APP ANNIE

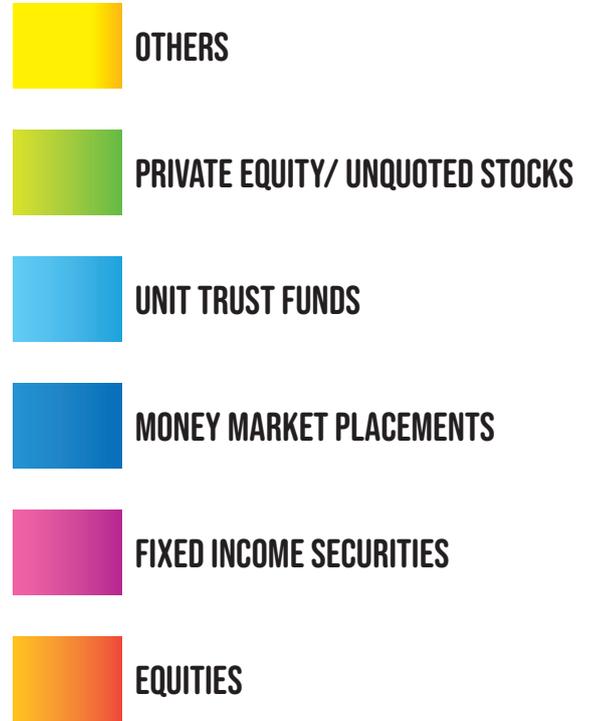
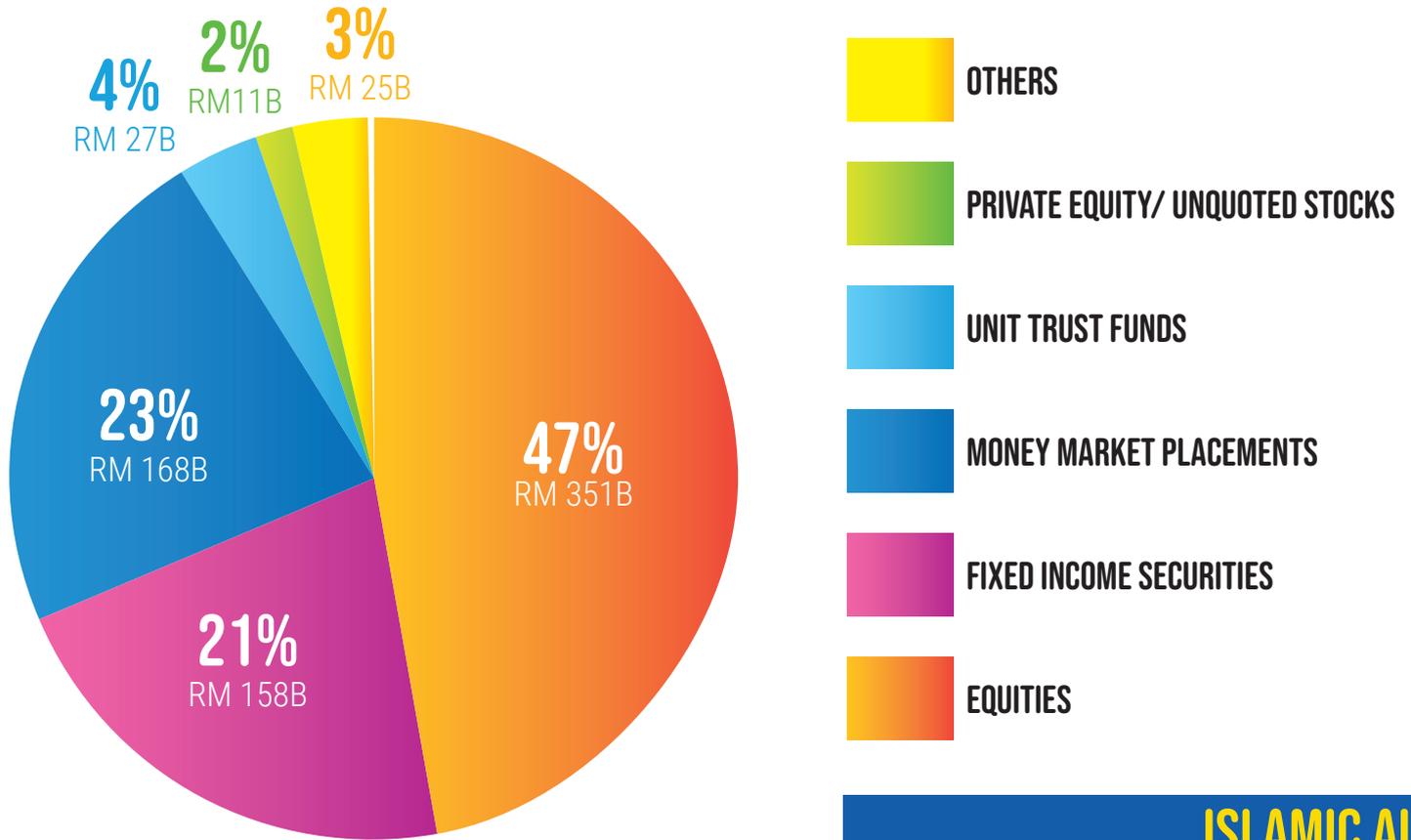


ASSETS UNDER MANAGEMENT STATISTICS



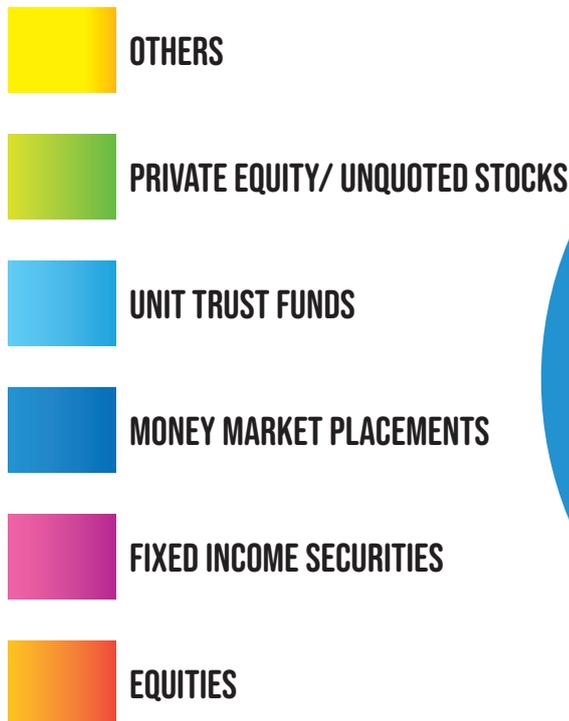
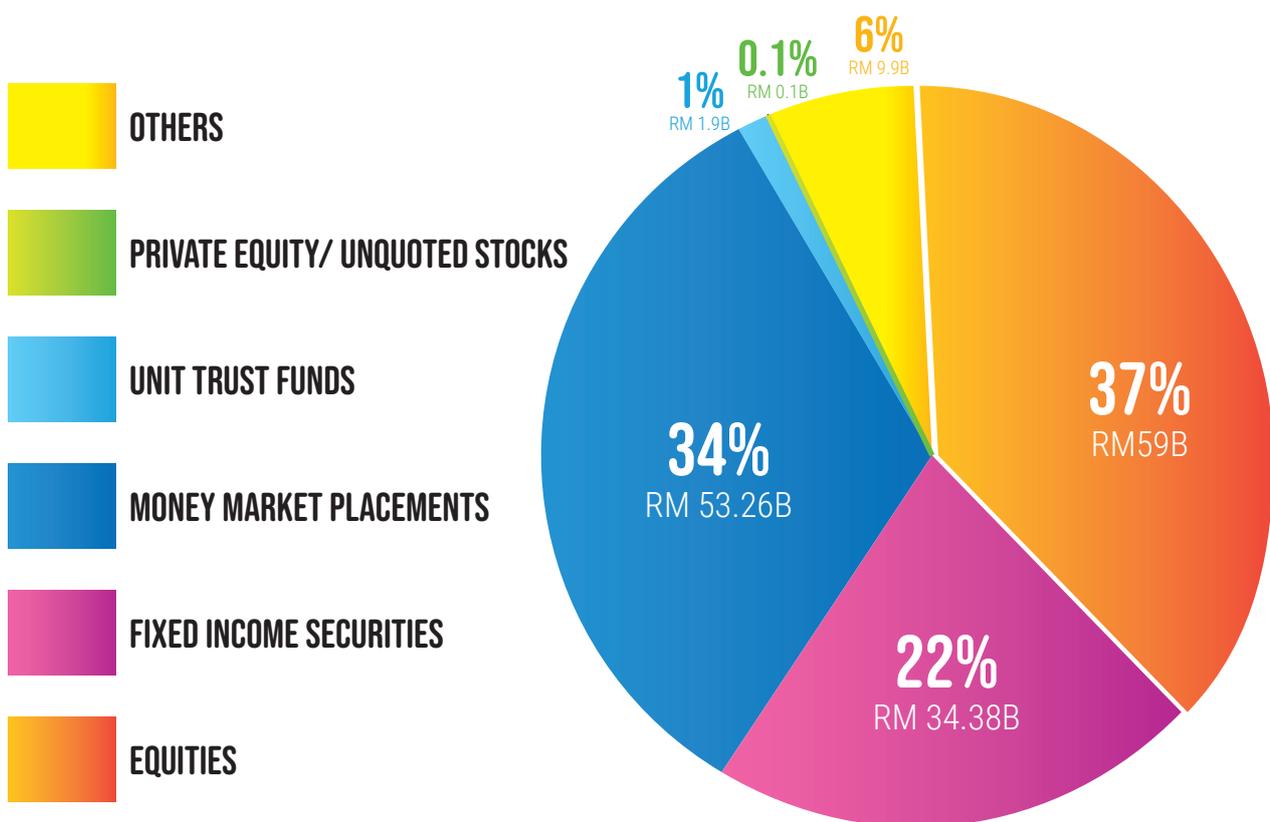
CONVENTIONAL AUM

2018



ISLAMIC AUM

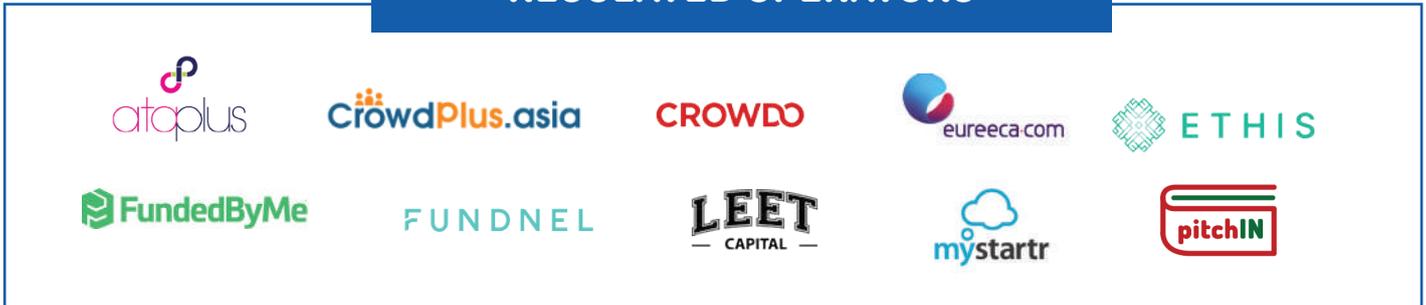
2018



EQUITY CROWDFUNDING

AS OF SEPT 2019

REGULATED OPERATORS



Data compiled by Fintech News Malaysia in 2018 indicates that PitchIN leads the market with 75% market share of total funds raised through Equity Crowdfunding

70
SUCCESSFUL
CAMPAIGNS

RM65 M
RAISED

40%
BELOW AGE 35

P2P FINANCING

AS OF SEPT 2019

REGULATED OPERATORS



Data compiled by Fintech News Malaysia in 2018 indicates that Funding Societies leads the market with 51% market share of total funds raised through P2P Lending

6222
SUCCESSFUL
CAMPAIGNS

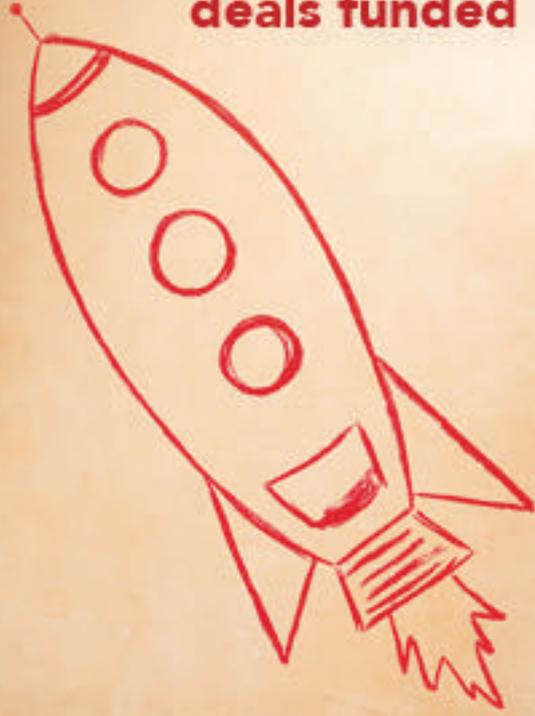
RM 521 M
RAISED

55%
BELOW AGE 35

42
deals funded

RM45
million raised

75%
market share



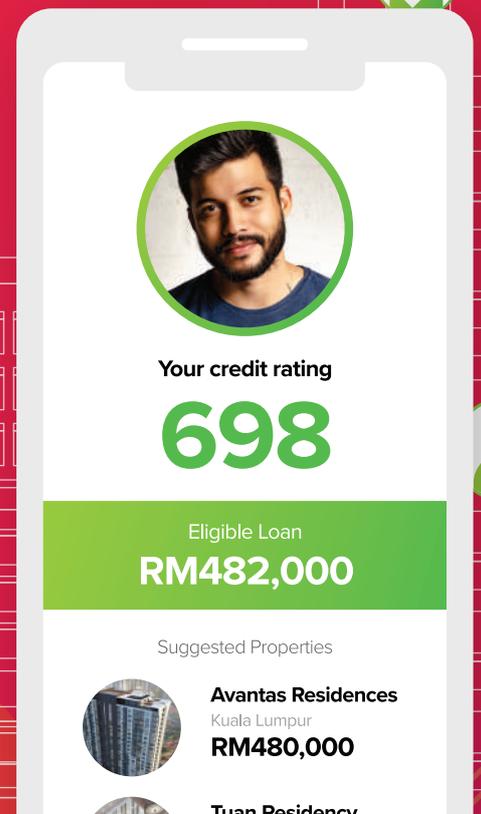
Whether you're planning to raise funds or looking to invest in the next big thing, you really should talk to pitchIN, Malaysia's No. 1 Equity Crowdfunding Platform.



www.equity.pitchin.my
equity@pitchin.my

DAXVENTURE

Enabling businesses to empower consumers by integrating fintech and proptech.



KEY HAPPENINGS

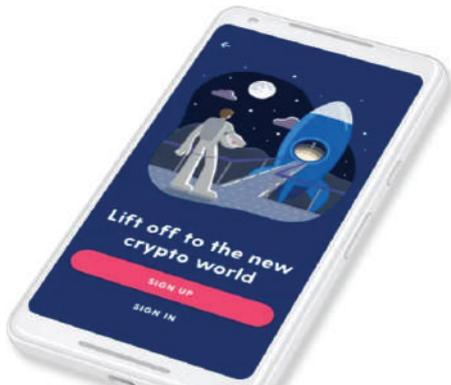
SHAPING MALAYSIA'S FINTECH IN 2019



SOFT SPACE POWERS THE WORLD'S FIRST TAP-ON PHONE PAYMENT SOLUTION



MONEYMATCH BECOMES THE FIRST TO GRADUATE BNM'S FINTECH SANDBOX



LUNO

SECURITIES COMMISSION APPROVES LUNO AS THE FIRST CRYPTO EXCHANGE IN MALAYSIA



HSBC SUCCESSFULLY PILOTS MALAYSIA'S FIRST LETTER OF CREDIT TRANSACTION ON THE BLOCKCHAIN



PUBLIC BANK GrabPay

PUBLIC BANK & GRABPAY SIGNS ON TO BE THE FIRST TO ADOPT MALAYSIA UNIFIED PAYMENTS QR

GLOBAL PLAYERS

ENTERING MALAYSIA FINTECH ARENA IN 2019



stripe

STRIPE LAUNCHES IN MALAYSIA (OCT)



**WAHED INVEST LAUNCHES MALAYSIA
FIRST ISLAMIC ROBO-ADVISOR (OCT)**



TransferWise

TRANSFERWISE LAUNCHES IN MALAYSIA (NOV)

**RAIZ INVEST OPENS UP WAITLIST FOR MALAYSIANS
SET TO LAUNCH SOON IN 2019**



KEY REGULATORY MILESTONE IN 2019



OPEN API

Bank Negara Malaysia Issues Policy Document for Open API

CRYPTO EXCHANGE

Securities Commission Malaysia issues guidelines for crypto exchanges. 22 Companies applied, 20 opted to cease operation.

Luno was the first be granted full approval, while Sinegy and Tokenize received conditional approval.

ICO/DIGITAL ASSETS

Securities Commission and Bank Negara Working to Bring ICOs Under Securities Law

PROPERTY CROWDFUNDING

Securities Commission Malaysia issued guidelines for property crowdfunding.

FundMyHome was the first and the only one to be approved for the time being.

VIRTUAL BANKING

Bank Negara Governor Nor Shamsiah announces that Malaysia will be issuing virtual banking licenses. Exposure draft to be issued by 2019 and full framework expected early 2020

E-KYC

Bank Negara introduces e-KYC guidelines for money changers, following similar guidelines for remittance business. No official announcement on industry wide eKYC guidelines



FINTECH

NEWS NETWORK

Switzerland, Singapore, Hong Kong,
Middle East, Malaysia

If we've missed you out in our fintech map or if you'd like to speak to us for media enquiries/advertising kindly reach out to:



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