

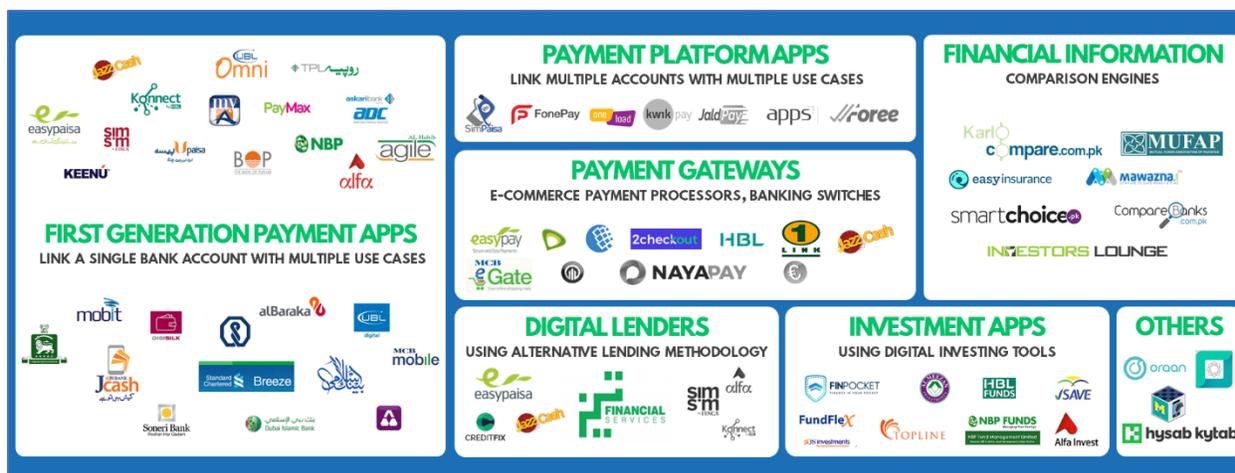
# Pakistan FinTech Network

## FinTech Ecosystem

Fintech, the abbreviation for financial technology, is a broad category that refers to the innovative use of technology in the design and delivery of financial services and products. Its application serves numerous business segments such as lending, investment management, money transfers, raising money and payments. These developments are made possible by harnessing mobile technologies, big data and analytics to design products customized to consumer needs and preferences. The proliferation of fintechs has had a tremendous impact on changing the way companies interact with consumers. Pakistan has also witnessed this growing trend, with a dramatic increase in mobile broadband penetration over the past five years with internet penetration at 30%<sup>1</sup>. According to an estimate, the digital finance potential of Pakistan stands at about \$36 Billion by 2025, providing a 7% boost to the GDP, creating 4 million new jobs and resulting in \$263 Billion new deposits<sup>2</sup>.

In a mapping exercise, the following FinTech applications in Pakistan were identified and categorized in the following way. These categories include banks, MFBs, NBMFCs, private companies and start-ups.

## FinTech Applications in Pakistan



In order to support the development of this burgeoning industry, it is therefore important to bring all relevant fintech stakeholders on to a unified platform to facilitate collaboration between all market participants and stakeholders in the FinTech ecosystem.

<sup>1</sup> Fintech in Pakistan. Ipsos. Source: <https://www.ipsos.com/en-pk/fintech-pakistan>

<sup>2</sup> A Brief Note on Digital Payment Systems in Pakistan. Medium: <https://medium.com/indrastra/a-brief-note-on-digital-payment-systems-in-pakistan-1959dd95a94c>

The Pakistan FinTech Network (PFN) aims to provide an effective platform for all fintech stakeholders to engage on finding solutions to emerging issues in the fintech sector and to collaborate on promoting best FinTech practices in an open and transparent manner.

## Membership Structure

### Membership Type 1:

Core Members: This category of members will include the fintech organizations currently present in Pakistan which can broadly be categorized into five main types. These are digital payments, digital lending, digital savings, digital capital marker products and digital financial information. The members will give an annual membership fees amounting to Rs 50,000.

- a) **Digital Payments:** Digital Payments involve payments that are conducted over the internet and mobile channels and thus include any payment that is sent online or through mobile computing and internet-enabled devices. Digital payment platforms provide a secure and direct method of completing transactions and are rapidly gaining momentum in the Pakistani market.

### Digital Payment Providers in Pakistan



- b) **Digital Lending:** Digital lending is the process of offering all aspects of loan-taking through digital channels. Lending as a paper-based process takes day and involves a long-drawn process of customer investigation. With digital lending, the disruptive technology reduces the TAT from days to minutes while the incorporation of smart algorithms and the digital customer transaction history allows for smoother investigation of the customer. These platforms also provide an opportunity to underserved borrowers to develop a good credit history which can further help them in obtaining credit in the future.

#### Digital Lending Services in Pakistan



- c) **Digital Savings:** A digital savings account is a paperless, fast and secure way for opening an account on a digital platform. With the help of a digital savings account, the account holder can avail banking services like instant transfers, phone banking, SMS banking etc.

#### Digital Savings Services in Pakistan



- d) **Digital Capital Market Products:** Many fintech disruptors are also creating new conceptions of investing and trading. This digital disruption is easing the process of buying and managing the best financial products. The capital markets industry, today, finds itself in a transitional period where it has the opportunity to leverage superior technology, data and design to make investments simple and convenient.

#### Digital Capital Market Products in Pakistan



- e) **Digital Information:** Digital information platforms provide a one-stop-shop for financial information of an entire market; these can include platforms providing information for making decision about personal finance, comprehensive overviews of credit cards, personal loans, auto loans, insurance etc. and powerful insights regarding the stock market and investment options.

#### Digital Information Platforms in Pakistan:



## **Membership Type 2:**

Affiliates: This category of membership will include other interested parties such as

- a) Banks
- b) Independent Directors from other Financial Institutions and Technology Companies

The members will give an annual membership fees amounting to Rs 500,000.

## **Governance Structure**

### **General Body Composition**

All members from the Membership Type 1 and Type 2 i.e. affiliates will constitute the General Body. In addition, individuals and private companies interested in financial inclusion and fin-tech can also become part of the General Body.

In addition to the General Body, five (5) independent members from the global fin-tech community will be advisors and also include **6 patrons**, one each from The State Bank of Pakistan, Pakistan Telecommunications Authority, Federal Board of Revenue, Securities and Exchange Commission of Pakistan, NADRA along with the Head of Digital Pakistan Initiative.

### **Board Composition**

The affairs of the Network shall be managed by the Board.

The Pakistan FinTech Network (PFN) Board will be elected by members of the General Body for a period of three years and it will consist of 15 directors. Board composition will comprise of **5 directors** from Membership Type 1 and **5 directors** from Banks (Membership Type 2a) and **5 independent directors** from other Financial Institutions and Tech Companies (Membership Type 2b).

## **Vision, Mission and Objectives**

### **Vision**

A fully digitized financial ecosystem in Pakistan.

### **Mission**

Facilitate collaboration between stakeholders in the FinTech ecosystem to enhance scale, improve quality of services and achieve sustainability to promote the future of Pakistan's fintech industry.

### **Objectives**

The PFN will pursue its mission through the following objectives;

- **Connect:** To be a **knowledge hub** for the FinTech industry in Pakistan to channel and disseminate effective and relevant information among stakeholders.
- **Catalyze:** To provide a platform for **incubation of ideas and innovation** to accelerate development of fintech companies.
- **Create:** To promote an **enabling environment** for FinTech organizations that helps successful integration and acceleration of Pakistan's fintech ecosystem.
- **Collaborate:** To develop **synergies** with peer entities, FinTech stakeholders, potential partners, as well as regulators.

## Functions of the Network

### I. Knowledge Management

To provide a virtual and physical knowledge exchange platform for fintech stakeholders through;

- Compiling research reports, policy papers and data analysis
- Promoting benchmarks and international best practices;
- Publishing industry information material and dissemination of the same;
- Collecting, analysing and disseminating information to various stakeholder groups.

### II. Information Exchange and Idea Hub

To provide a virtual and physical information exchange and idea hub for fintech stakeholders through;

- Delivering regular content on our website - news about innovations, new startups or technologies
- Organizing innovation and educational events for fintechs and startups.

### III. Enabling Environment

To promote an environment conducive to a thriving fintech ecosystem by;

- Facilitating interaction and dialogue of fintech organizations with policy makers to enable free and easy entry of fintech services into the market.
- Focus on creating and maintaining liaisons with private and public sector outfits to leverage expertise for various industry support infrastructure.
- Liaising with and facilitating donor investments.
- Propagate good practice and exchange of ideas at an international level and national level through exposure visits.

- Mechanisms to build linkages with universities that can be used to not only attract good HR to the sector but also raise understanding and interest amongst the academic community.
- International and national trainings to strengthen the human resource base of the industry.

#### IV. Networking Platform

To create a vibrant networking platform that encourages and enables collaboration between stakeholders: regulators, corporations, consumers, technology vendors, entrepreneurs, academia, donors and investors by;

- Holding events and roundtable discussions
- Representing the sector at domestic and international forums
- Building strategic partnerships with local and international stakeholders.
- Creating linkages with both bilateral and multi-lateral donors.

#### Management Structure

The Network is to have a flat structure, designed to allow the organization to be flexible and evolve with the needs of its members. The organizational structure will be lean with three (3) full-time management staff will include a CEO, Research Analyst and a Communications Analyst.

Oversight is to be provided by the Board of Directors.

#### Activities to be performed

The Network will undertake the process of identifying core members and affiliates during the first year. The specific activities including and following that are outlined below:

- i) **A) Member On-Boarding and Orientation**
  - Developing a strategic member onboarding plan.
  - Identifying fintechs, banks and independent partners and stakeholders from financial institutions and technology companies to become members of the Network.
  - Reaching out to these practitioners and stakeholders, meeting and liaising with them and onboarding them as members of the General Body.
  - Election of the Board by the General Body
  - Orientation meeting with all members highlighting the Network's mission, [governance policies](#), [accountability practices](#), roles and responsibilities and other key policies.
- ii) **Developing a Strategic Plan**
  - The Network will develop a strategic plan with a financial sustainability strategy under the guidance of the Board and General Body; highlighting the activities, proposed outcomes and reporting guidelines.

- The strategic plan will also include an effective communication, marketing and branding strategy for the Network.

**iii) Developing a National Fintech Roadmap**

- A Steering Committee, having representation from the Network membership, policy makers, regulators, other financial institutions and academics can be constituted to provide stewardship and guidance to the development of a Fintech Strategy – to serve as a blueprint for fintech industry development.
- Designing and finalizing the scope of the strategy - draft vision statement and goals and the main outcomes in preparing and implementing the national strategy
- Drafting an outline of the National Strategy, its main outcomes in preparing and implementing it.
- Periodic meetings to review of the progress.
- Review and dissemination of the Strategy.

**iv) Dialogues and Workshops**

- Engage with the wider fintech community on promoting the industry through a series of dialogues (2) involving all stakeholders.
- Organize 2 webinars/workshops with international representation and global perspectives on the fintech industry and financial services.
- Identify potential engagement platforms to widen outreach.

**v) Knowledge Management Function**

- Under the research wing, during the first year 1 research study and 1 policy paper will be completed – specific research activities will be identified and initiated with fintechs and financial institutions
- Relationships will be built with academia, research institutes and international & local donors.