

inBrief



The Future is Fintech

By Shahram Safai, Suditi Surana and Mohammad Nawash
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What is Fintech?

The term fintech refers to the technologising of the financial industry. Fintech has become ever more recognized in the past few years, especially amidst COVID-19 in which demand for cashless payments and quick transactions have increased. Fintech exists in our daily lives from online banking to blockchain and to cryptocurrencies.

Start-up Fintech companies in the UAE

Dubai is one of the top ten fintech hubs in the world making it an ideal place for fintech companies, particularly start-ups. The Dubai International Financial Centre (DIFC) has stated that in the Middle East and North Africa alone, fintech start-ups raised over \$100 million.

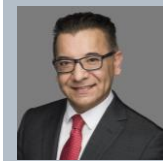
Additionally, free zones within the UAE are offering incentives to encourage fintech companies to set up. The DIFC, for example, has done this by offering a dedicated commercial license specifically developed for the industry with appealing schemes and licensing advantages.

Investments in Fintech

As well as being a great start-up opportunity, this developing industry is also highly appealing for venture capitalists and investors with a strategic interest in technology, finance and the financial industry. The global fintech market alone is estimated at \$5 trillion and there are around 41 venture capitalist backed fintech companies worth a combined \$154.1 billion.

Although fintech is a relatively new concept, it has quickly influenced well-established and traditional businesses such as banks, mortgage brokers, insurance companies, accountancy, and real estate firms.

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Future of Fintech

The latest venture for fintech is the insurance industry. Many fintech companies have been partnering with traditional insurance companies to disrupt the traditional insurance model. One example is the development of InsurTech which aims to completely automate the insurance process.

Legal considerations of Fintech

Fintech, as a financial service, is mainly regulated through a UAE onshore regulatory framework, but there are also regulations within the DIFC and the Abu Dhabi Global Market. The Securities and Commodities Authority (SCA) and Central Bank are key UAE onshore financial regulators - the SCA has approved a fintech draft resolution which introduces a regulatory framework to pilot fintech licenses and allows license holders to operate in a 'sandbox' environment. In 2020-2021, the Central Bank has issued various regulations governing the fintech space, particularly relating to retail and large value payment systems, payment services and card schemes and stored value facilities. These regulations were issued with a one year transition period allowing businesses to align their activities in accordance with the applicable requirements.

Despite the appeal of fintech, there have also been concerns regarding cybersecurity (such as data protection and safeguarding personal financial information).

Conclusion

Fintech appears to be the natural evolution of certain financial services including banking. Setting up and operating a fintech company requires business savvy and compliance with applicable laws and regulations. Afridi & Angell has been and continues to provide innovative and informed legal advice to fintech companies in their financings/capital raises, operations, growth, acquisitions and sales. We provide a comprehensive legal offering in the financial technology space and have in-depth experience in related issues, regulations and industry agreements. ■

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