

# Asia Looks To KYC Harmony As Fractured Regs Tame Payment Tigers

20TH MAR 2019 | WRITTEN BY: JACOB ATKINS IN SINGAPORE

**A partnership between India and Singapore to open up cross-border data flows and digital customer due diligence could serve as the foundation of a pan-Asian digital identity check system, the Monetary Authority of Singapore's (MAS) fintech chief said on Tuesday.**

Digital payment firms have mushroomed amid Asia's mix of rigid legacy banks, patchy financial inclusion and high mobile phone penetration, but those with international ambitions have chafed against the regulatory and market fragmentation in a region home to roughly half the world's population.

Sopnendu Mohanty, chief fintech officer at MAS, said the work being done by his authority and counterparts in India on digital identities and know your customer (KYC) checks could be expanded to other markets in Asia and serve as the basis for customer onboarding across jurisdictions.

"My best case is in two to three years, Asia will see identity become a national infrastructure, Asia will see e-KYC as a core infrastructure and Asia will see some kind of data portability happening," Mohanty told the Money 20/20 conference in Singapore.

The ex-Citibank banker spoke of creating a pan-Asian "stack" that would allow cross-border connectivity between banks and fintechs, initially for KYC checks.

He said the inspiration for Singapore's move in that direction was the equivalent Indian stack, which he said demonstrates that such systems should be a public good.

"For us in Singapore, we caught onto that and we started exploring within the financial sector," he said, adding that the city-state and India "will definitely come together".

He said the pan-Asia stack "should be open-source; it should have an ability to collaborate with different countries, different standards and different ways of giving solutions".

---

**"Is there a future in which an Indian citizen will open a bank account in Singapore, and the bank in Singapore can call on an API from Aadhaar and get the details to open a bank account?" asked Sopnendu Mohanty, chief fintech officer at the Monetary Authority of Singapore.**

---

"Because as sectors are connected, we've got to find a greater common good across different jurisdictions, and that's the genesis of thinking about a pan-Asia stack, as a way of connecting different financial sectors from different markets to a common rail.

"Is there a future in which an Indian citizen will open a bank account in Singapore, and the bank in Singapore can call on an API from Aadhaar [India's digital identity] and get the details to open a bank account?"

Mohanty also reacted positively when asked if the development of a regulatory stack was also on the table, saying it was something regulators have discussed.

Danielle Szetho, an advisory board member of the Emerging Payments Association Asia (EPAA) and former FinTech Australia chief, said a long road remained ahead "to bring industry, regulators and policymakers onto the same page, and take further steps toward having a common basic set of principles so regulation may be harmonised across a number of vital areas".

"It's great to see regulators are seeking to share more with each other toward this goal, but industry must also play its part."

## A Regulatory Archipelago

Uneven regulations around licensing and data privacy trouble payments firms looking at expansion in Asia, as well as those growing in the emerging economies in the region.

A survey of industry professionals by the EPAA "indicated that over 60 percent of respondents saw data sharing and privacy as the biggest challenge facing their business", Szetho told PaymentsCompliance.

"However in some markets, data sharing regulation was only recently established to govern peer-to-peer mobile payments or lending in the absence of traditional banking networks, while in others there is almost no regulation over data privacy for cultural or political reasons," she said.

Many of those companies with pan-Asian ambitions are following the model pioneered by the Chinese payments giants, in which legacy banks and card providers are leapfrogged by guarangutan "super apps" that combine payments, e-commerce, credit, messaging and ride-sharing.

Many have visions of financial empires stretching across the Association of South East Asian Nations (ASEAN) region, and are only now emerging from the shadows cast by the Chinese duopoly of Tencent and Ant Financial.

Tony Fernandes, founder of low-cost aviation juggernaut AirAsia, told Money 20/20 that he wants to build an ASEAN-wide payments platform through his remittance and money transfer arm BigPay.

Singaporean ride-hailing start-up Grab rapidly expanded the footprint of its financial services component across south east Asia during 2018. It will soon include point of sale terminals, micro-loans and buy-now-pay-later products.

But Grab's experience also highlighted the disparate regulatory regimes in the region. It had to secure six separate e-money licences across the jurisdictions it is targeting, and chose in some cases to buddy up with a local partner rather than attempt it alone.

"It was really hard work getting access to six e-money licences," Grab Financial chief operating officer Reuben Lai said in response to a question from PaymentsCompliance. "It was a very long process."

Asked how much the effort cost the company, Lai said: "Really for us it was about the human capital cost, really just the cost of doing all the paperwork and working directly with the regulators in order to piece it together."

Outside Singapore, Grab is currently offering some financial services through partners while the company begins further licence applications for credit and insurance.

Grab, which acquired Uber's south east Asian operations in 2018 and was valued in January at \$10bn, faces stiff competition in giant markets such as Indonesia from the likes of Go-Jek, another ride-hailing service that has quickly evolved into a financial services player.

Whether China's Ant or Tencent will begin to throw their vast resources at trying to secure organic footholds in the southeastern reaches of Asia is an open question.

Aside from a handful of investments in existing financial services businesses, both have so far hewed growth under their own brands close to the flows of Chinese tourists.

Tencent executive Wendy Sun, speaking at the conference in Singapore on Tuesday about the company's growth outside China, gave no hint of a change in strategy despite a push into Malaysia, which has a large ethnically Chinese minority.

## TOPICS

Filter: Payments Regulation

Financial Inclusion

Personal Data

Data Transfers

AML/KYC

Financial Regulation

Licensing

Competition & Innovation

Technology

## GEOGRAPHY

Singapore

India

Indonesia

Asia Pacific

## SECTORS

Banking

Central Banks

Cross-Border Payments & Remittances

E-Money/Prepaid

Fintech

**CONTENT**

Insights & Analysis

---