



## "Fintech and Mongolia"

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Although the wave is not particularly been recognized yet in Mongolia, it is definitely coming sooner or later.

We will review the global trend of the Fintech and its implications to Mongolia.

What is happening through Fintech?

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Though Fintech, the ratio of cashless transactions are increasing very rapidly in the world. In US, the ratio was 41% in 2015. And Japan was 18%. But, it is remarkable to note that the ratio in China was 55%.

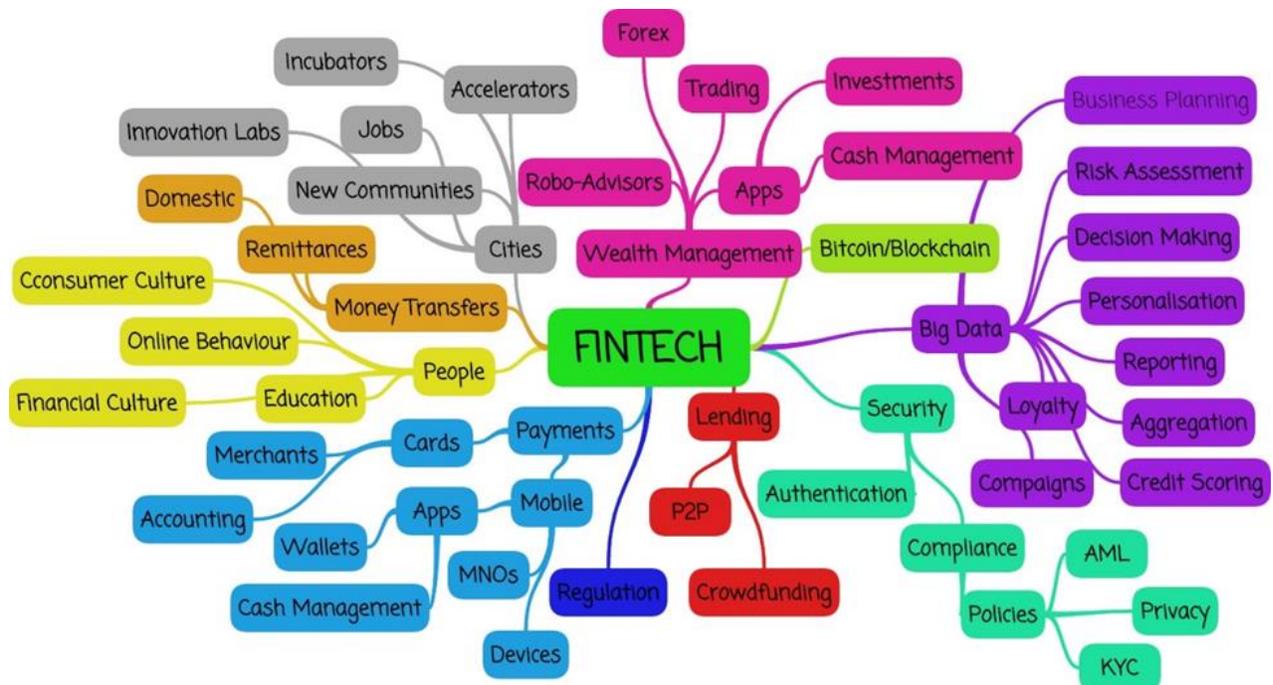
It is undoubtful that China is leading Fintech industry in that sense.

In a future, one of the leading consultants in the industry predicts that the market size of the payment through mobile in the globe will increase by three times in only three years from now on.

So, Fintech is definitely changing the financial industry.

Fintech is also creating the new way of doing business in the industry.

For instance, bit coin, electric receipt, tele-insurance and many more.....







With those new waves, in the developed countries, the investment to Fintech ventures have increased from 1.4 billion USD in 2011 to 14 Billion USD in 2016. The size has grown ten times bigger in just five years!

Many non-financial institutions have also joined to the industry. Remember that the size of the active users of “We Chat” is 870million and that of “Alipay” is 450 Million now.

Based on the waves, according to PWC’s Global Fintech Report 2016, it is believed that at least 33% of the jobs at the financial institutions now may be replaced by Fintech and about 10-40% of the operating profits may be lost in a future.

However, the change may be an opportunity as well.

According to Bank of American Merrill Lynch, the number of branches will be reduced by 23% and the number of employees will be slushed by 37%. But the number of mobile banking transactions will be increased by 94% in a near future. New ventures related to the industry have grown as you see below as well.



We expect the similar kind of trend will occur in Mongolia as well.  
 In addition, as Mongolia has such a vast land, it has not been easy for financial services to be provided in rural areas in the past.  
 But, financial coverage or financial inclusion to those remote areas will increase in a future.  
 So those will lead to another opportunity for financial service industry in Mongolia.  
 Therefore, Mongolia should be prepared for the new wave as well for plus and minus.  
 Now, what need to be done for Fintech to grow healthily?  
 We believe the followings should be kept in mind.

- The security of the electric transactions should be kept
- The identification should be easily recognized and not stolen by others
- The personal data should be properly kept and not to be taken by others
- The Government related service should be open to Fintech
- The understandings of the relevant agencies and regulatory bodies (BOM etc) to the new innovation
- Most importantly, the security is the key.
- The rules and laws for individuals and companies to be able to maintain and use the data should be restructured and newly created.



## Conclusion

Both Government and industry leaders should get together and work on regulatory tasks understanding the convergence of IT and financial industry and the trend of the Fintech market in the world

The discussions should be flexibly able to follow the important topics that are relevant to tackle the challenges in the industry

Following topics could be discussed in each meeting.

What kind of opportunities and challenges will arise through the rise of Fintech?

How Fintech could change the fund raising of the Mongolian companies?

How Fintech will impact to the savings of the banks? Will Fintech increase the option of the financial products?

How the risk management will change with the introduction of IOT, Big Data and AI?

Lastly we would like to mention to you that according to the Banking M&A Trends at KPMG, in 2017, they expect to see an increase in investment into enabling technology. Key areas of focus are security, fraud prevention, regulation management, compliance and risk management, data analytics, customer personalization and block chain.

Additionally, as old legacy platforms at banks continue to impact the bottom line, Fintech

Companies can provide enhanced processing operations. This is likely to accelerate collaboration between banks and Fintech companies in 2017. We believe through Fintech

Partnerships, banks are looking to create and adopt solutions to reduce risk and improve customer engagement.

We hope that the win-win relations between financial industry and Fintech industry will be materialized in Mongolia in a future.

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