

The FinTech Revolution

The recent financial technology¹ boom is not only altering the face of the existing financial market through introduction of smart services and activities such as smart applications, cryptocurrencies, and block chain activities, but also rapidly shifting the financial market into a digitalized smart market.

The Fintech revolution served to revolutionize the concept of financial services delivery to customers and businesses, in turn affecting a substantial number of banking products. Consequently, banks are encouraged to undertake imminent (and, arguably, extreme) measures to implement fintech strategies in order to mitigate the financial loss expected to undercut major retail banking businesses in the upcoming years.

The Gulf region is encouraging development within the fintech revolution at a critical time when it proves essential that the region promotes and develops alternative sources of income. The adoption and implementation of a full fledged fintech environment, across the private and public sectors, not only leads to development of alternative income generating activities, but also standardizes and regularizes regional financial transactions. Such a result enables governments to closely monitor financials transaction, thereby also having the effect of enhancing KYC processes and procedures.

The United Arab Emirates leads the region in fintech revolution. The Abu Dhabi Global Market (ADGM)² has started to be recognized, arguably since 2016, as the GCC region's fintech capital. The ADGM approved and implemented fintech regulations intended to facilitate it attaining the status of the region's incubator for fintech business. Recently, the ADGM launched a flexible new commercial license for tech start-ups that serves to enable entrepreneurs to operate at a nominal cost.

Saudi Arabia's 2030 Vision contains elements that strongly support entrepreneurship and the enhancement / promotion of fintech services, taking a cue from the United Arab Emirates. On 10 January 2018, the Capital Markets Authority (CMA) issued the "Financial Technology Experimental Permit Instructions" issued by the Board of the Capital Market Authority³ and intended to enable successful applicants to test their Fintech solutions and benefit from the "FinTech ExPermit".

Along similar lines, Saudi Arabia recently approved its first two fintech licenses. The implementation was a result of the CMA's decision earlier this year to approve two fintech licenses for Scooper firm and Riyadh-based start-up Manafa Capital. The CMA also welcomed further fintech applications, focusing mainly on the Saudi market with national shareholding and expertise in an effort to assist entrepreneurs to obtain new venture funding which will, as result, create additional job

¹A modern technology competing with traditional financial methods in the delivery of financial services. Referred to recently in the 21st century as, FinTech.

²Is a broad-based international financial Centre (IFC) for local, regional and international institutions located in Abu Dhabi, United Arab Emirates.

³Resolution Number 1-4-2018 Dated 23/4/1439H Corresponding to 10/1/2018G Based on the Capital Market Law Issued by Royal Decree No M/30 dated 2/6/1424H.

opportunities in the Saudi market and place Saudi Arabia as a market leader in fintech across the GCC.

In line with Vision 2030, and amid Saudi Arabia's efforts to drive development in the fintech sector and as part of its plan to further diversify the economy, the Saudi Arabian Monetary Authority (SAMA) recently launched the Fintech Saudi initiative. The initiative focuses on promoting Saudi Arabia as a fintech hub for investors, companies, and banks in the rise of digital transactions.

In an effort to assist Saudi banks, SAMA signed a transaction with U.S.-based Ripple⁴ to assist banks with settling payments using blockchain⁵ software. It will be interesting to monitor, in the upcoming future, Sharia products that may be developed by blockchain products and the impact they will have on financial and legal regulations in the Saudi market.

Hammad & Al-Mehdar (in alliance with Simmons & Simmons) is pleased to have advised and structured Halalah Company⁶, a first of its kind Saudi digital payments platform company, launched on 14 November 2018, at AlRaida Digital City in Riyadh. Halalah, a Saudi Arabian achievement, successfully received a license from SAMA as part of the experimental permit initiative. Halalah is an online payment transfer mechanism that runs through smart phones applications targeting consumers and SME's to create an alternative to the existing payment mechanisms, aiming to provide users with a simple and instant experience.

We look forward to Fintech Saudi, which is expected in the upcoming period to implement a fintech awareness program. The program will no doubt label Saudi Arabia as a major fintech destination hub with an emerging fintech system. The result will not only boost investments in the fintech field, but will also serve to contribute positively towards increasing alternative income generating sources. It remains questionable, however, to what extent the existing Saudi regulations will be able to serve the needs of the rapidly developing fintech revolution.

Anas. H. Jeser

Hammad & Al - Mehdar

(in alliance with Simmons & Simmons)

Riyadh, Kingdom of Saudi Arabia

⁴ An American technology company which develops the Ripple payment protocol and exchange network. Originally named Opencoin and renamed Ripple Labs in 2015, the company was founded in 2012 and is based in San Francisco, California. (Source – Wikipedia)

⁵ A blockchain, originally block chain, is a growing list of records, called blocks, which are linked using cryptography. Each block contains a cryptographic hash of the previous block, a timestamp, and transaction data (generally represented as a merkle tree root hash). (Source – Wikipedia)

⁶ www.halalah.sa