



# Egypt FinTech LANDSCAPE REPORT

2021

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## ABBREVIATIONS & ACRONYMS



<b>AI</b>	• Artificial Intelligence
<b>B2B</b>	• Business-to-Business
<b>B2B2C</b>	• Business-to-Business-to-Consumer
<b>B2C</b>	• Business-to-Consumer
<b>CBE</b>	• Central Bank of Egypt
<b>DFS</b>	• Digital Financial Services
<b>FinTech</b>	• Financial Technology
<b>FRA</b>	• Financial Regulatory Authority
<b>HR</b>	• Human Resources
<b>MENA Region</b>	• Middle East & North Africa Region
<b>MNOs</b>	• Mobile Network Operators
<b>MLCU</b>	• Money Laundry & Terrorist Financing Combating Unit
<b>MSME</b>	• Micro, Small & Medium Enterprises
<b>MVP</b>	• Minimum Viable Product
<b>NPC</b>	• National Payment Council
<b>NTRA</b>	• National Telecommunication Regulatory Authority
<b>RegTech</b>	• Regulations Technology
<b>ROSCA</b>	• Rotating Credit & Savings Association
<b>SME</b>	• Small & Medium Enterprises
<b>VC</b>	• Venture Capital

## TOWARDS DIGITAL & LESS CASH ECONOMY



It's evident that in this new era, technology is not a choice, but a fundamental and integral part of all industries. More specifically, the world has come to accept that technology is on the verge of becoming the ultimate enabler for financial services and progressively resulting in a more efficient and innovative way of doing finance and leading to greater financial inclusion.

Accordingly, the Arab Republic of Egypt has taken major steps towards digital transformation in order to move towards a digital less-cash economy, representing unprecedented opportunities. As such, the digital transformation and innovation agendas are guided by various national-level policy frameworks and numerous initiatives of the Arab Republic of Egypt, including the following:

- Egypt's national vision 2030: a national agenda launched in February 2016 reflecting Egypt's long-term strategic plan to achieve sustainable development principles and objectives in all areas.
- Egypt's less cash transformation framework: one of the outcomes of the National Payment Council (NPC) established in February 2017, **headed by His Excellency, Mr. President Abd El Fattah El Sisi**, under the presidential decree No. 89.

And in light of Covid19 pandemic, the fast spread of new and transformative technologies is accelerating in an exponential way. Covid19 has imposed a new normal on world countries, leading to major shifts in their strategies to enable efficient collaboration within organizations, better customer engagement, innovation and productivity. However, Egypt's resilient efforts towards promoting digital transformation and becoming a less-cash society since 2017 have already paved the way to not only combat the unprecedented challenges faced by the pandemic, but also accelerated the pace of digitization across all industries and more precisely the financial technology industry.

## INTRODUCTION



Over the past few years, FinTech has become a major force that is disrupting and transforming financial services on a global scale. And in line with the country's National Vision for 2030, CBE recognizes the importance of FinTech to support the modernization of Egypt's financial sector. CBE acknowledges that embracing innovation is critical to transforming Egypt's banking and financial landscape, promoting financial inclusion and further establishing the Egyptian financial services sector as a leader in MENA and Africa regions.

For this purpose, CBE developed a national Fintech & Innovation strategy in March 2019, **under the governance of Mr. Tarek Amer, Governor of Central Bank of Egypt**, with a vision to "become a globally recognized Fintech hub in the Arab world and Africa, home to next generation financial services, talent and innovative development".

The past few years have seen significant changes in the FinTech landscape in Egypt; new Egyptian FinTech companies are on the rise. Egypt is seen as a potential landscape for FinTechs and new startups creation, as well as a magnet for FinTech investments. That being said, Egypt is now among the top 4 active African countries in the FinTech Industry, when it comes to concentration of FinTech startups as well as total FinTech investments in the continent.<sup>1</sup> On the other hand, Egypt is positioned as the second country in MENA region in terms of FinTech funding deals and amounts.<sup>2</sup>

This report provides a comprehensive overview of the Egyptian FinTech landscape evolution over the last few years and highlights CBE's efforts towards its FinTech strategy implementation roadmap. It also highlights the changing needs of the FinTech sector, with a goal to serve as a catalyst for future innovation, potential collaboration and policy development. Key statistics in this report share insights about demographics, investments, talents and skills, business models, startups growth, gender diversity and regulations.

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<sup>1</sup> [https://issuu.com/fintechtimes/docs/the\\_fintech\\_times\\_fintech-middle\\_east-africa\\_2021\\_](https://issuu.com/fintechtimes/docs/the_fintech_times_fintech-middle_east-africa_2021_)  
<sup>2</sup> <https://magnitt.com/research/q3-2021-evm-fintech-venture-investment-report-50784>

## SCOPE & METHODOLOGY



There is currently limited comprehensive literature, and reports on Egypt's FinTech scene. Indeed, it is deemed paramount to maintain an up-to-date understanding of Egypt FinTech landscape. Therefore, FinTech Egypt developed a centralized repository of information for local FinTech startups to have a full-fledged understanding of their capabilities and needs as well as identify areas of potential collaboration and partnership among FinTech ecosystem stakeholders.

This landscape report 2021 edition was implemented through a combination of conducted surveys and interviews with 112 FinTech and FinTech-enabled startups, and 18 of ecosystem stakeholders including; investors, accelerators and ecosystem enablers. As such, the data gathering is non-exhaustive of all FinTech landscape in Egypt, but rather focused on startups as main stakeholders, and hence doesn't include the big Payment Service Providers (PSP) players, Big Techs, other FinTech & FinTech-enabled startups, and financial incumbents. Moving forward, CBE aims to publish updates inclusive of all ecosystem stakeholders as a benchmark to Egypt's FinTech landscape.

If you have any inquiries or want to be represented in our upcoming reports, please feel free to contact us on [info@fintech-egypt.com](mailto:info@fintech-egypt.com)

# EGYPT AT A GLANCE

Within the Middle East and Africa (MEA) region, Egypt is considered the largest country in population and the third-largest in Africa. The Egyptian FinTech landscape, like others around the world, is ripe for disruption:



**POPULATION**  
**105<sup>(3)</sup>** Million

**3rd<sup>(4)</sup>**  
MOST POPULOUS country in **AFRICA**

**MOST POPULOUS country in MENA**  
**23%** of MENA population<sup>(5)</sup>

**43%** living in urban areas<sup>(6)</sup>

## Business friendly environment

**95.95%**  
Mobile Subscriptions<sup>(7)</sup>

**57.3%**  
Mobile internet users<sup>(8)</sup>

**24.7**  
Median Age<sup>(9)</sup>

**50%+**  
Financially included Adults (+16Y)<sup>(10)</sup>

## Investments & Funding

**4th<sup>(11)</sup>** AFRICAN TOP COUNTRY in FinTech investments

**2nd IN MENA REGION**

in # of FinTech deals<sup>(12)</sup>  
23% of FinTech deals in MENA countries

in share of FinTech funding<sup>(13)</sup>  
21% of funding amounts in MENA countries

## Talents



**71.2%**  
overall literacy<sup>(14)</sup>



**3.4M**  
students enrolled in universities<sup>(15)</sup>

## Ease of doing business



**114/190**

countries in Ease of Doing Business  
128 in 2017 to 114 in 2020<sup>(16)</sup>



**Among 42 countries**  
who implemented Regulatory Reforms<sup>(17)</sup>

In four key areas that improved ranking: Starting a business, Tax payments, Protections for minority investors & Improvement in reliability of electricity supply.

**90/190**

Speed of starting a new business<sup>(18)</sup>

**Around 12 days**

needed to start a new business  
Compared to 19.7 average of MENA region countries<sup>(19)</sup>

3 <https://www.worldometers.info/world-population/egypt-population/>

4 <https://www.worldometers.info/population/countries-in-africa-by-population/>

5 <https://worldpopulationreview.com/country-rankings/mena-countries>

6 <https://www.statista.com/statistics/1229861/urban-population-of-egypt-by-governorate/>

7 <https://datareportal.com/reports/digital-2021-egypt?rq=egypt>

8 <https://datareportal.com/reports/digital-2021-egypt?rq=egypt>

9 [https://micit.gov.eg/upcont/documents/publications\\_1592021000.ict\\_indicators\\_quarterly\\_bulletin\\_q22021.pdf](https://micit.gov.eg/upcont/documents/publications_1592021000.ict_indicators_quarterly_bulletin_q22021.pdf)

10 Central Bank of Egypt, June 2021

11 [https://cdn-website.partechpartners.com/media/documents/2021-02\\_Partech\\_Africa\\_2020\\_Africa\\_Tech\\_VC\\_Report.pdf](https://cdn-website.partechpartners.com/media/documents/2021-02_Partech_Africa_2020_Africa_Tech_VC_Report.pdf)

12 FinTech Venture Investment Report Q3 2021 - MagniTT

13 FinTech Venture Investment Report Q3 2021 - MagniTT

14 <https://datareportal.com/reports/digital-2021-egypt?rq=egypt>

15 <https://www.statista.com/statistics/1193251/number-of-students-in-higher-education-in-egypt/>

16 <https://www.doingbusiness.org/content/dam/doibusiness/country/e/egypt/EGY.pdf>

17 <https://enterprise.press/stories/2019/10/27/egypt-rises-six-spots-to-114th-in-world-banks-ease-of-doing-business-report/#:~:text=The%20country's%20score%20rose%20to,report%20compared%20to%20last%20year>

18 <https://www.doingbusiness.org/content/dam/doibusiness/country/e/egypt/EGY.pdf>

19 <https://www.doingbusiness.org/content/dam/doibusiness/country/e/egypt/EGY.pdf>



This map is based on surveys done on 112 FinTech & FinTech-enabled Startups as well as 18 of Ecosystem Enablers and thus non-exhaustive of the total Egyptian FinTech Ecosystem Stakeholders.

**FINTECH EGYPT MAP 2021**  
NON-EXHAUSTIVE  
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# FINANCIAL TECHNOLOGY SECTOR OVERVIEW

## A. Establishment of National Payment Council (NPC)

CBE believed that the first step towards transformation to a digital economy is about developing the banking sector technology, which has evolved rapidly in a way that enhances the competitive edge of financial services. The delivery of banking services through digital interoperable channels continues to make the banking experience reliable, faster and more convenient especially to young adults.

Accordingly, few years ago, CBE took the very first steps to modernize the financial sector, not only to appeal to the youth, but also to transform Egypt into a digital economy to achieve its strategic goals of financial inclusion and stimulation of the use of electronic means and channels of payment. CBE took on the mission of Egypt's digital banking evolution to match the speed of adoption of new innovations and to fulfill youth aspirations for faster and more efficient alternatives to the traditional banking and financial services.

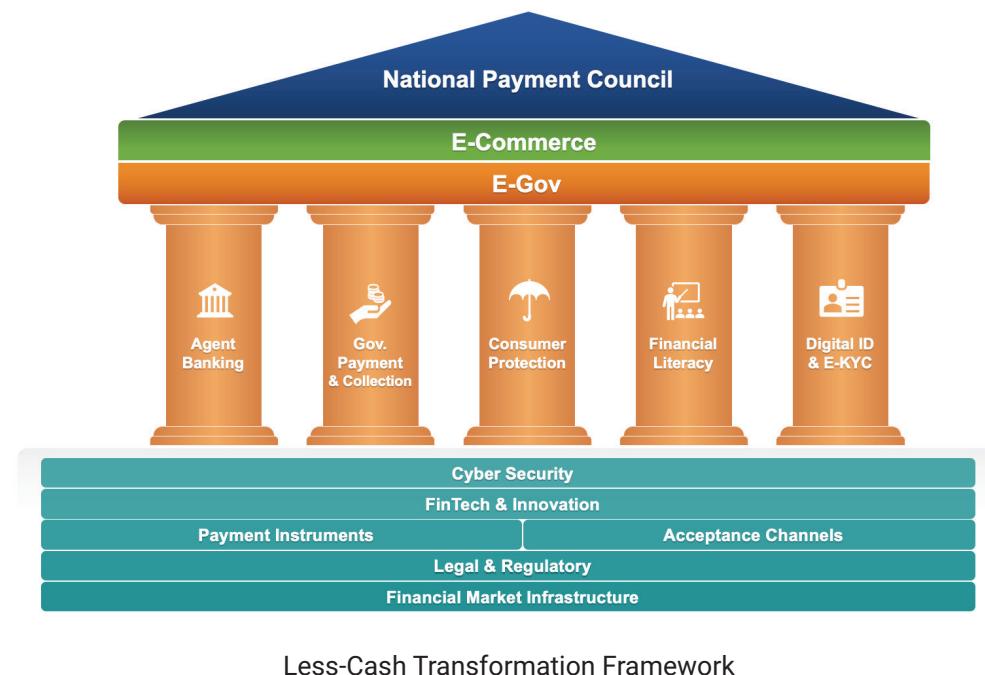
The mission was not easy, as bringing the plan alive and achieving the goals of digital transformation could only be achieved through nation-wide efforts, which necessitated establishing the National Payment Council (NPC) in February 2017, headed by His Excellency, Mr. President Abd El Fattah El Sisi, under the Presidential Decree No. 89.

**The National Payment Council has defined its objectives, reflecting the state's commitment towards the desired transformation, as follows:**

- Develop a secure, efficient, and effective national payment system, and its oversight framework, and reduce the risks associated with its operation.
- Progress towards financial inclusion, with more citizens from the formal and informal sectors enrolled in the banking system.
- Protect the rights of the payment systems and consumers of payment services.
- Reduce the cost of fund transfers.
- Achieve a competitive payment services market and oversee the existing entities in the market.

## B. Egypt's Less Cash Framework

CBE developed a methodology for action, built on integrated efforts, which was realized through the less-cash transformation framework, encouraging citizens to pay digitally for their products and services instead of using cash, which facilitated the efficient transfer of funds and contributed to increasing government receipts and state resources, thus supporting the national economy. It was clear that all digitization efforts that maximize government resources were critical. The less cash framework, that was structured by CBE to advance Egypt's less cash efforts, was based on 9 major pillars:



## C. Central Bank of Egypt's Fintech & Innovation Strategy:

Fintech & Innovation being one of the key enablers to less-cash transformation framework and as part of CBE's role as a catalyst for change and supporter of the FinTech industry, CBE developed its Fintech & Innovation strategy on March 2019 to promote Egypt's FinTech ecosystem based on the aspirations of the National vision, CBE and market participants as well as consumers, with a vision "to become a globally recognized Fintech hub in the Arab world and Africa, home to next generation financial services, talent and innovative development."

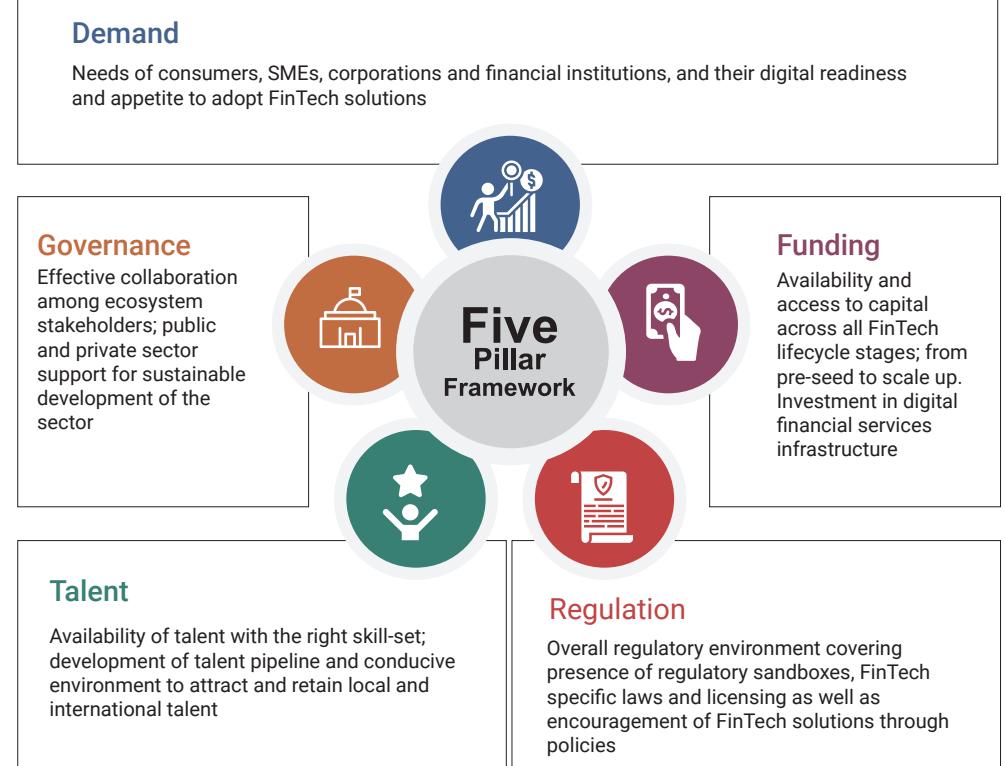
With its Fintech & Innovation strategy, Egypt aims at driving locally-relevant innovation to foster the adoption of digital financial solutions, and ultimately improve financial inclusion.

Egypt's Fintech strategy framework is rooted in the national vision 2030 agenda and builds on CBE's vision. It also encompasses the aspirations of market participants and aims at addressing the unmet needs in today's financial solutions, by aligning new technical solutions with regulation framework, access to funding, and market governance.



CBE also believes that Fintech Egypt will foster the growth of local talent that will deliver future innovation. It focuses on addressing needs of underserved segments and solving national challenges. CBE envisions that Fintech Egypt will become the regional factory for FinTechs, scalable to MENA and beyond. In addition, Fintech Egypt is expected to be a flagship initiative for financial inclusion, SME financing and cross-border payments, and a magnet for foreign investments in FinTech. Accordingly, CBE has developed its Fintech & Innovation strategy based on a five-pillar framework.

In line with the main drivers for the Egyptian FinTech ecosystem, thirty-two strategic initiatives across a five-pillar strategic framework (Demand, Talent, Funding, Regulations & Governance) have been identified and prioritized to implement CBE's Fintech & Innovation strategy.



# FINTECH & INNOVATION STRATEGY

**FIVE PILLARS OF CBE'S  
FINTECH & INNOVATION  
STRATEGY**





DEMAND

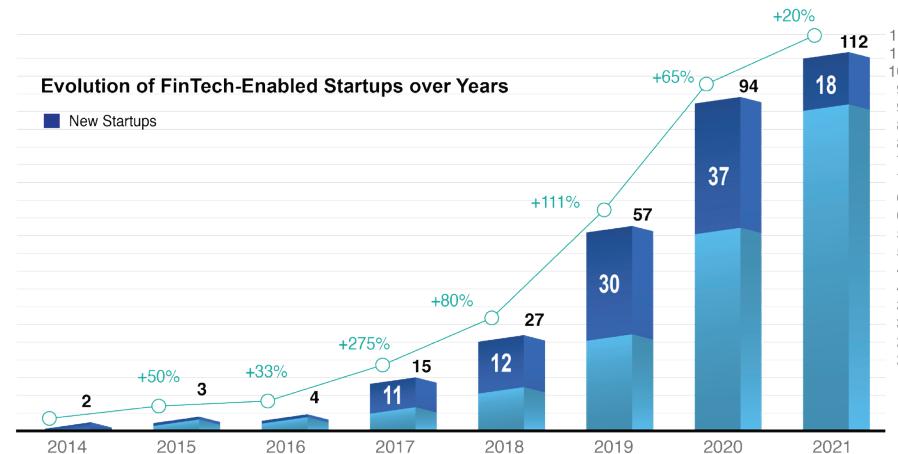


## Key Demand Findings:

As the largest market in the MENA region, accounting for 23% of the MENA population, and third largest in Africa, Egypt holds the opportunity to grow into a vibrant local FinTech ecosystem and a regional FinTech leader. Egypt holds a vast market with unbanked populations of almost 50%, limited technology savviness, 57.3% mobile internet users as a percentage of total population, and limited trust in digital financial services, and the aforementioned remain barriers to FinTech adoption. Yet, FinTech in Egypt today plays a critical role in resolving nation-wide challenges across multiple segments for retail consumers and MSME's, providing tailored solutions to cater for the dynamics of the Egyptian market, making digital financial services more attainable to the Egyptian community than ever before.

### A. Evolution of FinTech/FinTech-enabled Startups over years:

Egypt is among the top 4 active African countries in the FinTech Industry, when it comes to concentration of FinTech startups in the continent. This can be stemmed from the extensive growth in the FinTech industry over the last 7 years, from barely 2 startups in 2014 to 112 Egyptian FinTech and FinTech-enabled startups by 2021.



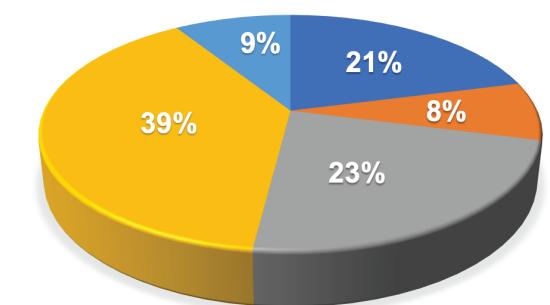
### B. Business Stage of Startups:

Around 70% of the FinTech/FinTech-enabled startups in Egypt are in a stage where their solution is already deployed in the market, which reflects the tremendous growth and existence of new startups during the last few years. Around 30% of total startups are on the pipeline of the Egyptian FinTech scene, including those with an advanced

concept and working on their MVP as well as those ready with a prototype. This gives an implication that further support and investments are needed for smoother growth of the Egyptian FinTech landscape.

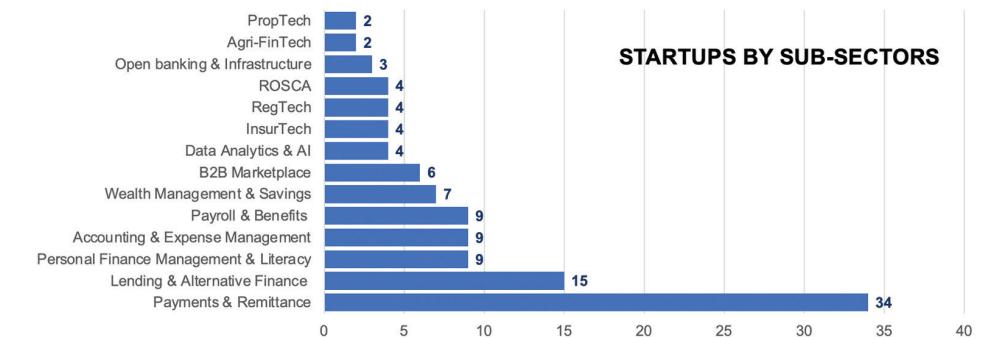
### CURRENT BUSINESS STAGE OF STARTUPS

- Already have a prototype for their solution (24)
- Consolidated & received significant investments (9)
- In a stage of national growth & expansion (26)
- Solution already deployed in market (43)
- With an advanced concept & working on MVP (10)



### C. Breakdown of Startups by sub-sectors

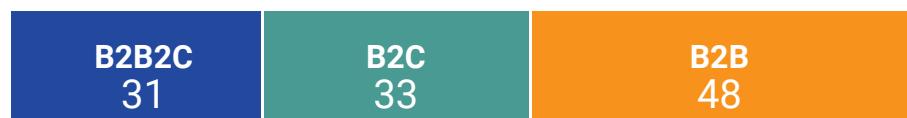
As shown below, Payments & Remittance represents the most dominant FinTech sub-sector in the Egyptian market with 34 startups (30%), followed by Lending & Alternative Finance having 15 startups (13%), while the rest of FinTech trends are relatively diversified, and thus complements the optimal goal to fulfill the different financial services needs of the Egyptian population. However, it is noticeable that there are various potential sub-sectors that are on the rise globally and needs to be fulfilled by Egyptian talents, such as Blockchain, Chatbots, Digital Investment Platforms, Supply Chain digitization platforms, Big Data & AI and Digital Banking.



### D. Prevalence of types of FinTechs' business models:

Egyptian FinTechs provide a broad scope of services and products, and a wide range of business models with the vast majority of the FinTech business models being B2B models (48 startups) such as: B2B Marketplaces, RegTech, Data Analytics & AI and Accounting & Expense Management and others. By this, a vast space of opportunities in

the B2B FinTech market, due to Egypt's huge MSME's population, where Egypt accounts for almost 99% of its new venture's population as MSMEs. Add to this the rise of a gradual shift in the market adoption for technology, where MSME's are becoming more aware of the value that financial technology brings to the table due to Covid-19 pandemic that has amplified the uptake of e-payments and growth of local FinTech solutions. As a result, MSMEs get to benefit from those FinTech B2B solutions in payments, microlending, cash management, insurance and supply chain as for the rest of the startups, they lie between B2B2C model acting as an intermediary (31 startups) such as InsurTech, consumer finance and B2C model (33 startups) as ROSCA, Wealth Management & Savings and others.



- B2C: Business having end consumers as their customers.
- B2B: Businesses between companies.
- B2B2C: Businesses Integrating the offers of other companies, within their value chain to serve end consumers and acting as an intermediary

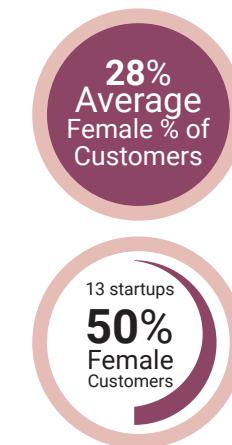
#### E. Customers served by FinTech & FinTech-enabled Startups:

Around 9 Million of the Egyptian population are being served by those FinTech and FinTech-enabled startups, as reported by 75 Startups, knowing that there are other 26 early stage startups that don't have any customers and 11 startups didn't report their customers.

##### Customers Gender Diversity:

The average female participation across startups' customers is 28% as reported by 53 startups, given that 7 startups have 0 females, and 27 startups with no sex-disaggregated data or no shared data.

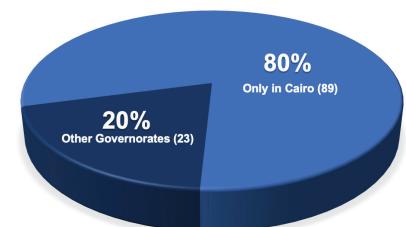
Only 13 startups (12%) out of the 112 have half or more of their customer base as females. Thus, startups need to focus more on having sex-disaggregated data to clearly identify female financial needs and tailor their products as well as their marketing campaigns to fulfill untapped demand areas. This is highly supported internationally, since 64% of worldwide FinTechs with sex-disaggregated data found that female customers have similar or higher usage rates than men, as per Financial Alliance for Women.<sup>20</sup>



20 <https://financialallianceforwomen.org/download/how-fintechs-can-profit-from-the-multi-trillion-dollar-female-economy/>

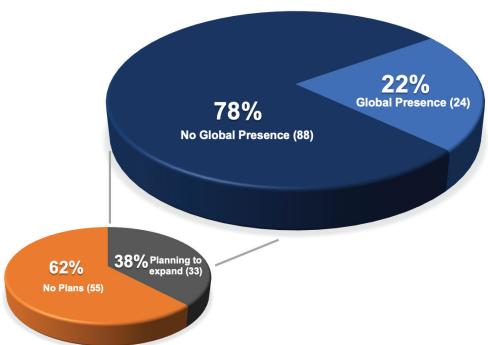
#### F. National geographical outreach of startups

Out of the 112 startups operating in Egypt, 20% (23 startups) of them have direct operations in additional governorates to Cairo whereas; more outreach to Lower Egypt (Dakheila, Monofia, Sharkia, Giza, Ismailia), after which Upper Egypt (Minya, Qalyobia) then Urban Governorates (Alexandria). It is also worth mentioning that most of FinTech startups have access nationally either through an online platform or mobile application.

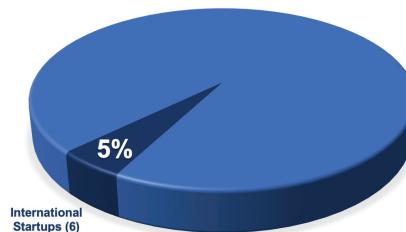


#### G. Global Presence:

Around 24 startups of the surveyed Egyptian FinTech startups have expanded regionally and internationally, where they have presence in MENA region, GCC region and Europe. It is also worth mentioning that around 33 startups out of the 88 planning to expand in the upcoming 12 months with major focus on Africa and MENA regions.



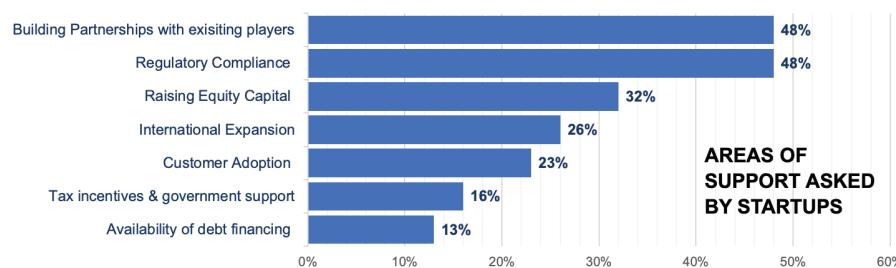
On the other hand, only 6 international startups have expanded their operations in Egypt. However, there is a strategic goal to attract international talents to the Egyptian market in the upcoming few years, given the resources and vast opportunities the Egyptian market is rich with



## Key Challenges that hinders the growth of the FinTech Landscape in Egypt:

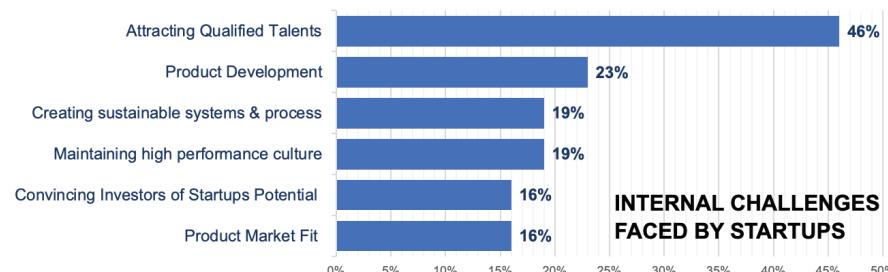
### A. Most 5 demanded support areas asked from startups:

The most demanded support areas identified by startups to help their growth process and overcome their internal challenge, as indicated by figure below, was building partnerships as being a key element to their startup's success. This was a consensus among almost half of the startups surveyed, with regulatory compliance seen as another key element where they require endorsement to establish and/or grow their business. This was followed by raising equity, international expansion, customer adoption, and tax incentives & government support consecutively.



### B. Operational Challenges faced by FinTech startups:

Most reported operational challenges by FinTech startups that hinders their growth in the market were as shown in below figure. Attracting qualified talents was reported by 46% of the surveyed startups as most challenging when it comes to startups' growth and success, while Product Development comes in second, as reported by 29% of startups. After which, creating sustainable systems and efficient process is seen third in place, referring to availability of technology and skills to develop a sustainable and profitable product.



## Looking Ahead:

A great percentage of the interviewees indicated that the following can boost the Egyptian FinTech scene and thus increase solutions adoption in the market:

- Events & Conferences
- Media Coverage & Public Awareness, Recognition of Egyptian FinTech Startups both locally and internationally
- More Regulatory Sandbox Cohorts
- Incentivizing banks to work with FinTech Startups
- Limiting required paper work and digitizing the process of FinTech startup establishment
- Debt financing from banks

The above comes in line with their above top 5 support areas, whereas Building partnerships and raising equity can happen through events & conferences, and offering incentives to banks as a way of stimulating their partnerships with FinTechs. In addition, regulatory compliance can be done through CBE's Regulatory Sandbox Cohorts as well as the paper work to be digitized for seamless FinTechs' establishment process.

### Quotes from the market:

*"Currently there is a strong push by the government and CBE for merchants to adopt payment solutions, however, more needs to be done on the consumer side. This is a two-sided market and consumers need to be the ones pushing for electronic payment adoption more than the merchant."*

*Khaled Raslan, Kashier Payments*

*"Showing the target market what's in it for them to adopt and use Fintech solutions. Also, rolling out more initiatives to incentivize the use of these solutions will make adoption easier."*

*Mohab Aboueita, Amanleek*

*"People was afraid from technology and want to see transactions happen manually. I recommend the Financial literacy should be a trend to make people feel safe doing the digital transactions and adapt to the new fintech solutions, especially after Covid19."*

*Ahmed Mahmoud, Elgameya*

## Current Initiatives to endorse FinTech Demand & Solutions Adoption:

### A. Market Here2Hear Roundtable Discussions and FinTech Problem Statements Identification:

"Here2Hear" Roundtable Discussions Initiative has been launched since 2018 by the Fintech & Innovation team to maintain a steady stream of the market voice to CBE. The roundtables aim at resolving actual on the ground market pains to enhance digital transformation channels aimed at providing access to financial services to all walks of our community, through studying the requirements of the Egyptian market related to the field of FinTech and setting up cooperation frameworks between all parties of the FinTech ecosystem in Egypt.

#### Egypt's National FinTech Problem Statements – 2019:

Building on CBE's efforts in advancing FinTech demand and solutions adoption, the latter has gathered all the FinTech Ecosystem stakeholders in Egypt including; regulators, banks and non-banking financial institutions, investors and accelerators, FinTech startups and Mobile Network Operators (MNOs) in various "Here2Hear" roundtable discussions with the objective of identifying FinTech market demand needs and gap areas. Of which, by October 2019, more than 80 problem statements have been gathered, and published on FinTech Egypt website, tackling the key demand areas and needs of the Egyptian FinTech Ecosystem under 5 categories: Financial Literacy, Financial Inclusion for both consumer and MSMEs, Customer Engagement and RegTech.<sup>21</sup>

#### Covid19 Problem Statements – 2020:

CBE was one of the leading regulators in the region which converged fast in the era of Covid19 pandemic by initiating a collection of Covid-19 problem statements faced by banks and institutions. This resulted in about eight problems of which were remote lending and alternative data, Digital Onboarding, Queuing and Customer Service to name a few and were published on FinTech Egypt portal. And, as a call to action, CBE has hosted COVID-19 Innovation Sprint that aimed to unearth, develop, and refine FinTech solutions that directly address the pandemic in Egypt by bringing together 26 Egyptian banks and financial institutions with more than 90 local and international startups from 20 different countries, which were actively creating innovative solutions that serve the above-mentioned needs. Subsequently, this initiative proved success resulting into matching 14 banks with innovative startups.<sup>22</sup>

#### FinTech Start-ups Limited Edition Roundtable – 2021:

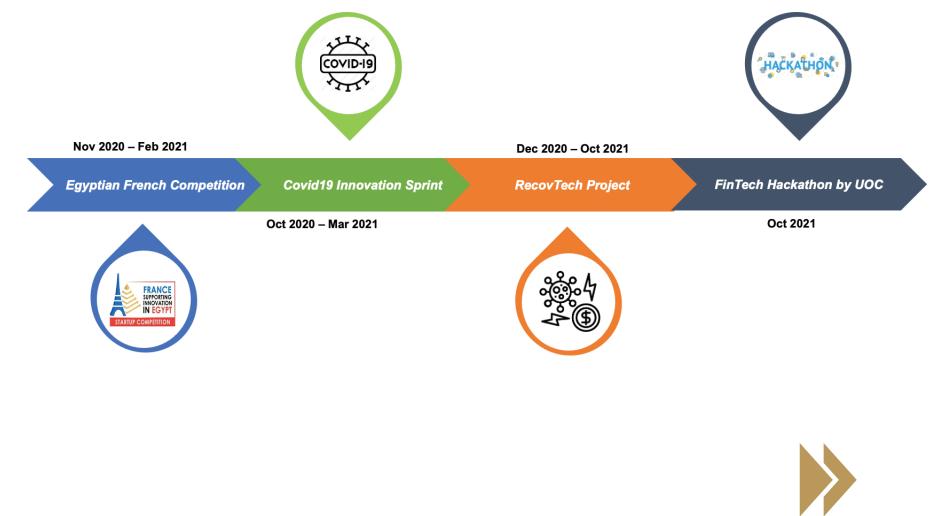
FinTech Startups Limited Edition episode of the roundtable was conducted in 2021 to tap into the FinTech solutions challenges to deploy in the Egyptian market. The participant FinTech startups were selected covering MSME's & retail solutions. By this roundtable, CBE aimed to reach profound resolutions to the challenges faced by FinTech startups, to create clear pathways that would allow FinTech's to sustain their businesses and thrive and subsequently endorse financial inclusion.

### Female-Specific FinTech Problem Statements – 2021:

CBE has also put Female FinTech Empowerment and unleashing their FinTech entrepreneurial potential at the forefront of its agenda, through which 4 top accelerated problem statements (out of more than 25 problems) have been identified by the ecosystem via a Virtual Market Here2Hear Roundtable Discussion that gathered the Egyptian FinTech & Women Empowerment Ecosystem to brainstorm and came up with top accelerated Female Specific FinTech Problem Statements, tackling the major pain points and challenges faced by financially excluded and underserved women as well as women FinTech entrepreneurs. You can check them on FinTech Egypt Official Website.<sup>23</sup>

### B. Innovation Challenges & Sprints:

In alignment with the FinTech ecosystem's needs, CBE is putting much focus on steering the FinTech landscape through endorsement of various FinTech competitions, innovation challenges and sprints. This has been one of the key priorities to create a competitive FinTech landscape and therefore zooming on the existing Egyptian talents in an emerging industry, that spur investments. One of the examples of implemented challenges and hackathons is the Egyptian French Competition was conducted in collaboration with the French Embassy in Egypt to have 3 Egyptian FinTech Winners from the ecosystem. Additionally, Covid19 Innovation Sprint was implemented in collaboration with the UK government and FCA. Moreover, RecovTech Project was held in collaboration with the UK government and BFA global. One of the latest hackathons is FinTech Hackathon done in collaboration with University of Canada for fresh graduates to come up with solutions for Egypt's National FinTech Problems.



<sup>21</sup> <https://fintech-egypt.com/problem-statement-financial-literacy.php>

<sup>22</sup> <https://fintech-egypt.com/C19Innovation/>

<sup>23</sup> [https://fintech-egypt.com/accelerateha\\_problem\\_statements/](https://fintech-egypt.com/accelerateha_problem_statements/)

### C. Digital Solutions Development Program:

As the FinTech industry in Egypt is growing exponentially, it was determined as such that the field requires nurturing to maintain sustainable adoption of the FinTech trends in the Egyptian market, hence the initiation of the Digital Solutions Development program. The digital solutions development program is aimed at developing FinTech solutions throughout their various stages, from ideation to deployment in the market. CBE Solutions development journey includes business development advisory until the FinTech reaches an MVP, matchmaking with banks for deployment of the solution with regulatory guidance & navigation for licensing purposes. The program helps identify the major challenges faced by the FinTechs and provide resolutions that create a clear pathway for the FinTechs to operate in the Egyptian market and sustain their business. This in turn helps FinTechs to promote the financial inclusion. If you are interested to join the program, please apply directly on Fintech Egypt website through [https://fintech-egypt.com/digital\\_Solutions\\_Matchmaking/](https://fintech-egypt.com/digital_Solutions_Matchmaking/)

### D. Accelerate'ha' Initiative:

In this context and following on CBE's Fintech & Innovation's efforts in endorsing FinTech & Entrepreneurial Literacy as well as Gender Equality, CBE has launched a new initiative under the name of "Accelerate'ha' – Unleashing Female FinTech & Entrepreneurial Potential" with the objective of endorsing Gender Equality & Women Empowerment in Egypt, creating a FinTech talent pipeline for female entrepreneurs, and providing innovative FinTech solutions to female-specific problems. This is achieved through various activities done by market stakeholders' collaboration to empower female at their different stages: from university students to graduates equipped with essential tools and FinTech fundamentals to start their own FinTech, and thus joining female-specific FinTech incubation programs. For collaboration and inquiries, please contact us on [fintech.egypt@cbe.org.eg](mailto:fintech.egypt@cbe.org.eg) or [info@fintech-egypt.com](mailto:info@fintech-egypt.com)





TALENT



## Key Talent Findings:

A talent reservoir of estimate 3.4 million students exists in Egypt. With a median age of 24.7 and several enablers already in place to support FinTech entrepreneurs, it gives a promising view of the rise of innovative FinTech startups in the upcoming years. Not only that, tech savvy and business focused calibers are the key factors to ensure sustainable growth of any startup, and more specifically the growth of leading FinTech solutions. CBE has led various initiatives to develop FinTech talents as well as digital financial awareness during the last few years, including incorporating FinTech projects to university students, integrating FinTech curricula, providing upskill training programs and others.

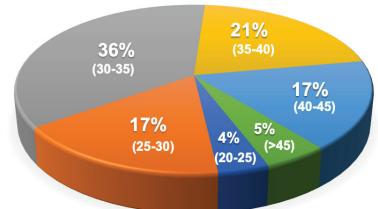
### A. Founders and Co-founders Educational Background:

It can be seen that founders and co-founders' educational backgrounds are almost equally diversified between non-technical (business) educational backgrounds and technical backgrounds. When it comes to their educational level, more than half of the startups stopped after acquiring their bachelor's degree, while around 33% completed their master's degree and only 3% had acquired their doctorate degree.



### B. Founders and Co-Founders Age Brackets:

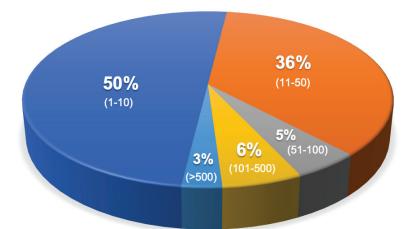
Egyptian FinTechs' founders are concentrated at the ages between 30 and 40 years old (representing more than 50%), that gives the implication that most likely they tend to experience the corporate life for few years, after which they take the initiative to start their own business.



### C. Startups' Employees & Talents:

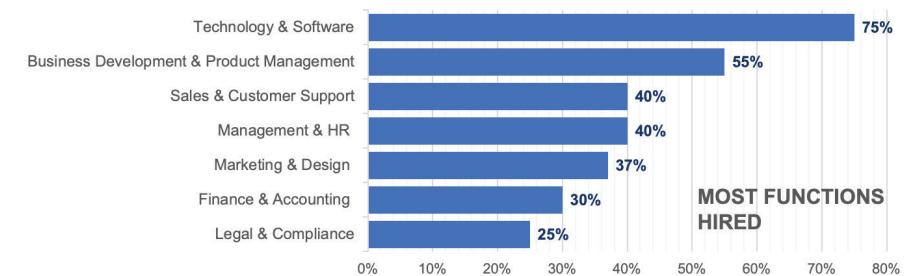
#### Startups' Team Sizes:

Half of the startups have from 1 to 10 employees, while around 36% have recruited 11-50 employees. This is highly related to the business stage of startups, whereas these startups are in a stage where solution has just been deployed in the market.



#### Most hired functions by startups:

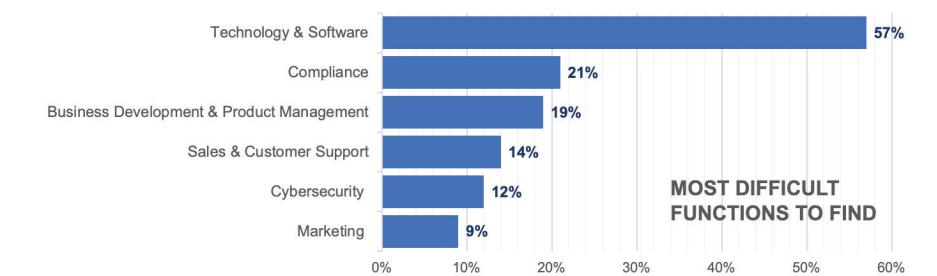
Top in-demand skillset, as stated by FinTech & FinTech-enabled Startups during surveys are as follows: the top function required is Technology & Software, followed by Business Development & Product Management which are considered the backbone to any FinTech startup.



#### Most difficult skills to be found:

"Attracting qualified talents" was previously reported as the top challenge that hinders startups' growth, given that one of the greatest obstacles to find the right and talented calibers was due to the huge gap in salaries between international companies and way smaller startups. In addition, good calibers are not open to take the risk as they may not be willing to leave a stable well-known entity to risk working with a startup that has no history and unknown future even if with a good salary.

When focusing on skillset required, startups reported the below as being the most difficult skills to be found for recruitment. As such, "Technology & Software" is the most in-demand function, and also the hardest skills to find for recruitment. In addition, a gap can still be found in important functions as Legal & Compliance, Business Development, and Cybersecurity.



#### D. Startups' Gender Diversity:

##### Founder and Co-founders Gender Diversity

Only 18 FinTech startups (16%) have female co-founders, which represents a very minimal percentage. More initiatives are required from the market to endorse women entrepreneurship especially at the FinTech field. It is also worth mentioning that there is only 1 startup out of the 18 FinTech fully owned by females.

##### Startups' Employees Gender Diversity

An average of 70-30 ratio of male-female employees' diversity are represented in FinTech Startups. Whereas, only 14 startups (13%) out of the surveyed have half or more of their employees' representation as females.

On the other hand, 15 startups having 0 female participation in their teams. Hence, there is still a very vast area for females to be enrolled in FinTech & FinTech-enabled startups and take part in digital disruption and technology-related employees.

#### Looking Ahead:

Most of the interviewees indicated that by doing the following activities, a greater FinTech talent pipeline can be created:

- Create a knowledge bank that includes all FinTech companies and startups.
- Have an online academy for FinTech learning through experienced mentors to share their experiences with startups and entrepreneurs.
- More FinTech focused majors, courses at universities and diplomas.
- Have an online FinTech talent recruitment facilitating platform for easier access to talented calibers.

##### Quotes from the market:

*"More awareness of fintech in daily life use is needed, then complemented by more educational programs about digital financial literacy. Recommendation also is to provide FinTech solutions directed to teenagers and youth, supported with awareness campaigns and educational programs."*

*Omar Ebeid, Zeal*

*"Talent is there, retaining them is difficult. Tech talent is global and we compete with global and international institutions that hire remote talent with higher salaries and more stable jobs."*

*Ahmed Hammouda, Thndr*

*"Lack of specific majors like Actuarial science, data science, management schools. There is a lot of tech talents that could help the initial phase of startups but growth stage requires more of management skills, along with the extraordinary technical knowhow and this is where it starts getting challenging to find that combination."*

*Ahmed Wadi, Moneyfellow*

## Current Initiatives to endorse FinTech Talents:

### A. Strategy for Digital Financial Literacy:

As the largest market in the MENA region, accounting for 26% of the MENA population, with a strategic geographic location, Egypt can grow into a vibrant local FinTech ecosystem and a regional FinTech leader. However, lack of digital savviness of Egypt's population needed to be addressed to improve FinTech adoption. As such, CBE has recognized that improving digital financial literacy needed to be at the forefront of its National Strategic Agenda and took the lead in developing a national strategy for financial literacy to spur financial awareness, FinTech adoption, entrepreneurship, and customer adoption

### B. "FinYology – FinTech for Youth" Initiative:

As part of FinTech talent development strategic pillar, CBE has launched "FinYology – FinTech for Youth" initiative, in February 2020 with the support of Egyptian Banking Institute, and participation of various universities and banks, with the objective of raising knowledge on FinTech & digital solutions for students & discovering young talents. This comprised of introducing graded FinTech projects to universities as part of their curricula to come up with different innovative ideas and solutions for "Egypt's National FinTech Problem Statements".



Currently, students from more than 15 public and private universities such as the American University in Cairo, Ain Shams University, Cairo University, the German University in Cairo, New Giza University, Arab Academy for Science, Technology and Maritime Transport in Cairo, Zewail University, Egyptian Chinese University, British University in Cairo, Future University in Cairo and Nile University are taking part in the initiative of those 15 universities, FinYology have expanded in other governorates such as Assuit University, Tanta University, Helwan University, and Mansoura University participating

in the initiative. Students enrolled are in the majors of entrepreneurship and innovation, finance, computer science, and computer engineering, with ultimate goal of having more public and private universities across Egypt's governorates to join FinYology Initiative. The initiative included a number of information sessions related to financial technology, which were held by the Central Bank of Egypt in collaboration with the Egyptian Banking Institute to educate more than 2,500 students from the universities, who participated either in-class or remotely.

Egyptian banks as well as Egypt post have also supported the initiative by providing mentorship and assistance to participating students during the development of their FinTech ideas and projects while providing guidance for their implementation, development and future expansion. The banks also provided physical and virtual summer training programs for the winning groups to develop and cultivate their expertise and skills.

If you are interested to collaborate on FinYology initiative, please contact us on [fintech.egypt@cbe.org.eg](mailto:fintech.egypt@cbe.org.eg) or [info@fintech-egypt.com](mailto:info@fintech-egypt.com)

### FinTech Academy Programme:

A comprehensive 4-month FinTech programme, in partnership with GIZ Egypt that covers different FinTech innovations tracks targeting FinTech enthusiasts and entrepreneurs at ideation phase with curated content and expert mentorship, aims at:

- Equipping future entrepreneurs, bankers and developers with knowledge of emerging technologies disrupting finance and how they can use them to build their own FinTech startups
- Providing entrepreneurs with the know-how of building and growing ventures



In partnership with

The program acts as a pipeline builder for FinTech growth, thus designed to empower entrepreneurs and finance professionals to develop innovative, customer-centric FinTech solutions, whereas it has 3 different tracks:

1. Entrepreneurship Track – For FinTech Disruptors.
2. FinTech Product Management – For FinTech Product Owners.
3. FinTech Developers – For Technologists.

If you would like to collaborate in the upcoming cohorts of FinTech Academy Programme, please send us on [fintech.egypt@cbe.org.eg](mailto:fintech.egypt@cbe.org.eg) or [info@fintech-egypt.com](mailto:info@fintech-egypt.com)



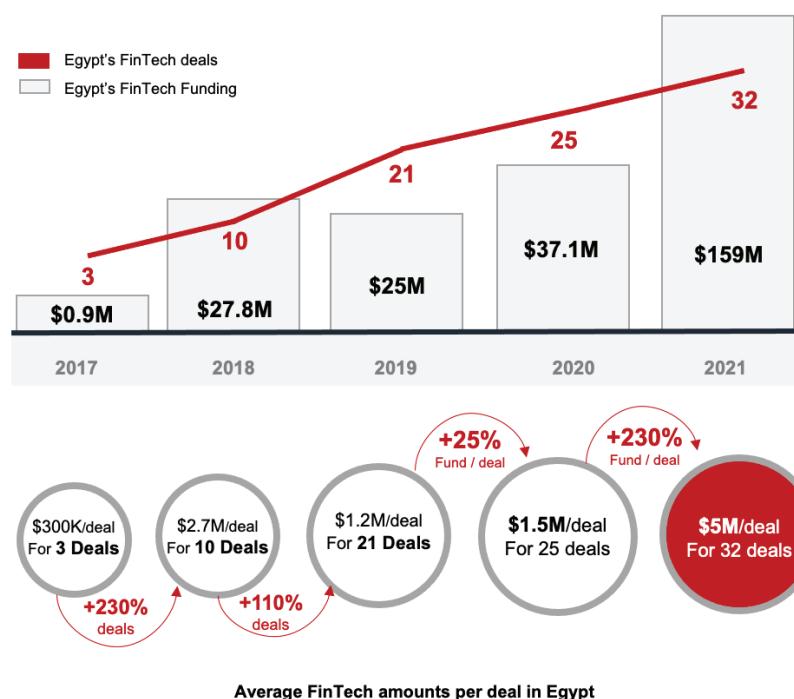
FUNDING



## Key findings on funding and investments:

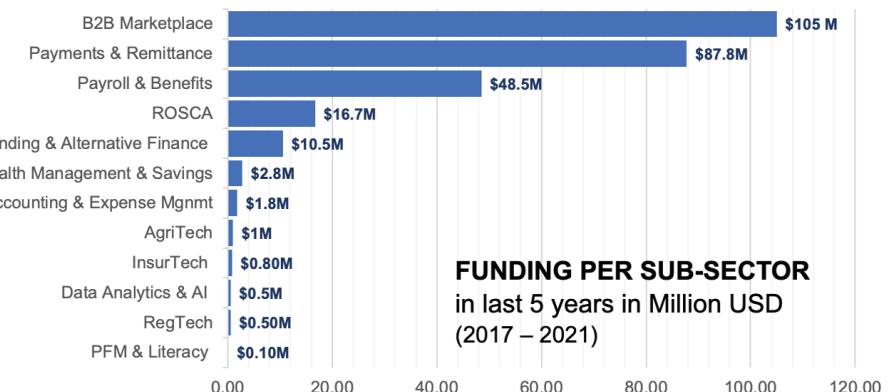
### A. Evolution of Funding over the last 4 years:

A sum of almost \$250 Million has been injected in Egyptian FinTech & FinTech-enabled startups in the last 5 years, from barely \$0.9M in 2017 to \$159M in 2021. What's more, FinTech deals trended up by 10 times from 2017 to 2021 (Only 3 deals in 2017 to 32 deals in 2021), given that average funding per deal increased by 16 times from 2017 (\$300K Average Ticket Size in 2018 to reach \$5M in 2021), indicating a tremendous growth in scaled Egyptian startups.



### B. Funding Amounts Per Sector

FinTech investments to Egyptian startups during the last 5 years were directed to B2B marketplace, followed by Payments & Remittance, after which Payroll & Benefits then ROSCA. On the other hand, minimal investments were directed to innovative FinTech sectors as RegTech, Personal Finance Management & Financial Literacy, and Data Analytics & Artificial Intelligence, InsurTech and Agri-FinTech.

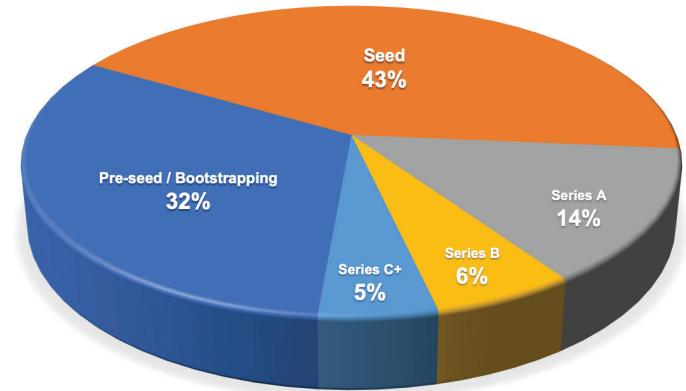


### C. Startups by Funding Stage:

As reported by startups, the average time taken to grow from one stage to another is around 6 to 12 months. Most Egyptian FinTech startups are still looking for funding opportunities to either test their offerings or scale up their solutions locally and internationally. Close to half of FinTechs (43%) operating in Egypt are looking forward to raise seed funding, whilst 32% are still in pre-seed funding or bootstrapping stage. It is noticeable that the FinTech investments in Egypt is still emerging, given that only 14% is looking to raise Series A+ funding, while 11% requesting Series B+ funding. This can also be clear from the evolution of new FinTechs in Egypt, especially during the last 3 years.

#### STARTUPS' NEXT FUNDING STAGE

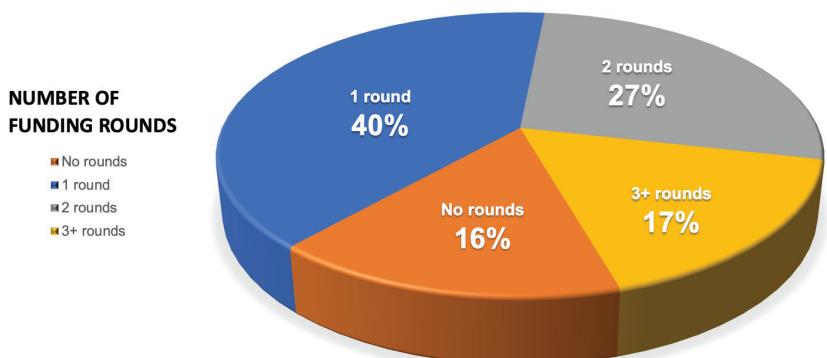
- Pre-seed / Bootstrapping
- Seed
- Series A
- Series B
- Series C+



### D. Startups by Number of Funding Rounds

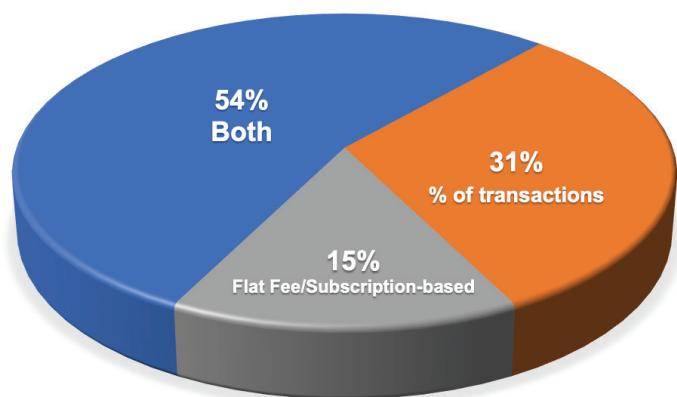
Around 16% of startups never raised any funds yet, while 40% of these startups have raised only once. On the other hand, almost half (44%) have raised 2 or more funding rounds.

This draws attention to the crucial role of accelerator and incubation cycles in growing the Egyptian FinTech market to serve the 16% gap. Besides, international investors lack a contextual understanding of the Egyptian FinTech market, which makes it difficult for them to interpret associated risks on the ground. Thus, more efforts need to be done on investment level internationally to leverage on existing pipeline and foster the FinTech landscape.



#### E. Startups' Revenue Model

The revenue model mostly chosen by more than half of FinTech startups (54%) is a blend of both having % of transactions as well as putting a flat fee or subscription fee. While, around 31% of startups take their revenues as % of transactions done and 15% take a flat fee or subscription fixed fee.



#### Key Challenges to Accessing FinTech Funding

As clearly shown, there is a decline in number of incubators and accelerators' funding deals in 2021, causing a funding gap faced by FinTechs at a very early stage, while investments in the last year was done in startups at an advanced stage. On the other side, there is an unmet need coming from startups in terms of receiving debt financing and long-term investments is one of the key hurdles faced. Not only that, many venture capitals are looking forward for more regulations and policies to support FinTech in Egypt.

Quotes from the market:

*"Generally, there is a low appetite for risk to invest in early-stage startups. So, investments are mostly directed towards advanced stage startups. Recommendation is to create more incubation & acceleration programs in FinTech."*

Ibrahim Farag, Diaspora

*"We feel that the biggest challenge is that many investors believe that if there is already someone offering the same service in the market then there is no edge. While at international markets with smaller populations than Egypt you find many players in the same space offering the same thing because there is always room for more than 1 player."*

Said Elwaraky, Compareha

*"I think equity funding is available. But what's missing is availability of Venture debt."*

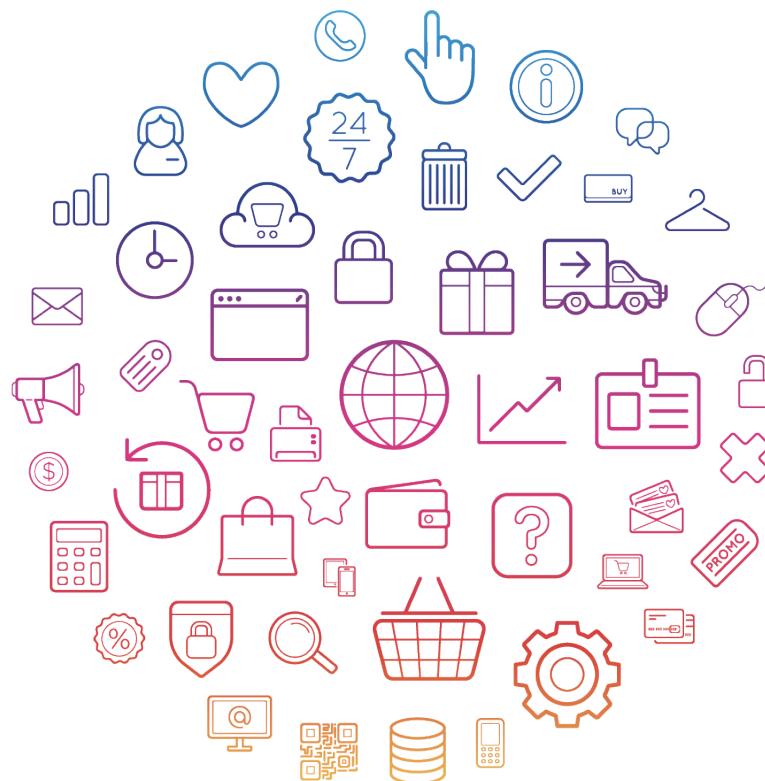
Belal Elmegharbel, Maxab



## Looking Ahead:

In order to have a stronger FinTech Landscape in Egypt, with a wide range of local and international investments, the interviewees recommended the following action points:

- Highlighting success stories of Egyptian FinTechs to create interest of the global Venture Capitals.
- Holding more talks, matchmaking events and workshops to include all FinTech players in the market.
- Existence of more Venture Capitals and Angel Investors interested in the FinTech field.
- Providing mentorship and coaching to equip startups' founders with the needed skillset for effective pitching to win a deal.
- Incentivizing banks and financial institutions to encourage them to fund/lend FinTech startups.



## Current Initiatives to steer FinTech investments in Egypt:

### FinTech Fund:

Funding is one of the significant pillars of CBE's Fintech & Innovation strategy. An investment fund is created worth of more than 1.3 billion Egyptian pounds to support innovation and to increase investments in the FinTech and FinTech-enabled startups industry, with an aspiration to become largest FinTech focused fund in the region. This investment Fund is established by the 3 banks in Egypt: National Bank of Egypt, Banque Misr, and Banque du Caire, with the possibility of including other investors, banks and financial institutions.



### Objectives of the Investment Vehicle:

- Direct investments to FinTechs, whether local or international (which intends to launch their business within the Egyptian market).
- Direct investments to both the FinTech sector and FinTech-enablers domain.
- Direct part of investments to support early stage startups.
- Activate the financial technology industry in the Egyptian market.
- Promote digital transformation and raise financial inclusion rates.



REGULATION



4

## **Current CBE Initiatives to endorse FinTech Regulatory Landscape:**

### **Legislative Laws**

#### **A. Less – Cash Payments Law**

In 2019, CBE introduced “less-cash payment law” in collaboration with the National Payments Council, which was an important step towards digital transformation and financial inclusion. This law worked on Governmental Entities Digitization, which obliges juridical or natural persons to pay governmental entities using non-cash methods whenever the payments’ value exceeds 500 EGP. It mainly encourages the use of electronic payment instruments and channels to make it more convenient for citizens to pay for governmental services. The Law also aims to increase government proceeds and the country resources, thus eventually bolstering the national economy.

In addition to the aforementioned measures, the Egyptian government has issued other several laws that support the digital transition, such as:

- Digital signature law.
- Anti-Cyber and information technology crimes law.
- Personal data protection law to protect fully or partially electronically treated personal data.

#### **B. CBE and Banking Sector Law**

In line with CBE's Fintech & Innovation strategy that aims on addressing the needs of underserved segments and solving national challenges, CBE devoted an entire chapter in the “CBE and banking sector law” 194 for 2020 laying out the legislative basis for digital transformation in the financial and banking sectors. The law stipulates the CBE to take all necessary measures to promote the development of the use of modern technologies in any of the fields of providing financial, banking or regulatory services including access to open APIs and legal authenticity of electronic documents and cheques.

#### **PSPs and PSOs**

CBE is currently drafting licensing and regulatory framework for Payment Service Providers (PSPs) and Payment System Operators (PSOs) regulations. The regulations aim to ensure the soundness and enhance the efficiency and the innovation of the payment systems and services, promote competition while protecting the rights of consumers. Moreover, the regulations contribute to Egypt's cashless society vision and promoting the usage of e-payments and the development of the national payment system.

#### **Digital banks**

The digital banks regulations aim to issue the licensing and regulatory framework to enable the operation of digital-first banks, the new generation of banks. Digital banks will highly contribute to Egypt's banking sector development, and to the digital transformation strategy. Moreover, Digital banks will reshape and revolutionize the delivery of banking services, making it more convenient, cashless, boost innovation, market competition, financial inclusion in many important segments as youth and it will definitely enhance customer experience.

#### **C. Alternative Finance Law:**

CBE, in cooperation with FRA, is currently preparing to issue a new law to regulate alternative finance activities including P2P lending, crowdfunding, ROSCA and other newly developed digital financing activities. This new law sets the legislative framework for regulating digital alternative finance platforms in the Egyptian market, which will lead to the availability of different new financing services within the Egyptian market to meet the needs of targeted customers. The regulatory and supervisory requirements will be worked on, once the law is issued.

### **Regulations**

#### **A. Instant Payment Network (IPN)**

In light of CBE's plan for digital transformation, and the need to increase the number of e-transactions and provide different means of payment and collection to meet the needs of customers, regulations of Instant Payment Network was issued at 2021 with the aim to define the framework of banks' work and mobile phone applications for service providers on the Instant Payment Network (IPN), allowing customers and banks to make instant transfers through the e-payment tools and providing appropriate banking services for all segments of society.

All parties to the IPN system must carry out all financial and non-financial transactions instantly, 24 hours a day, throughout the year, in accordance with the IPN Regulations. Banks can provide the following services to the customers via the Instant Payment Network (IPN) as: Financial Transactions (Money Transfer & Purchases), Non-financial transactions (Balance inquiry, Mini statement of account, setting a password (IPN PIN) for each registered bank account) and Registration of customers on the PSP application (Creating an IPN Address for each account, Linking Mobile Number, Activating Accounts on IPN and setting account password). The customers may use their bank accounts through the approved PSP applications, which includes making the following types of bank accounts available as a minimum for dealing on the IPN (current account - savings account).

IPN Regulations shall apply to all banks operating in the Arab Republic of Egypt and shall apply to the provision of the IPN Services, without prejudice to the supervisory controls over e-banking transactions previously issued by CBE, the directives and rules regulating bank transactions, controls on anti-money laundering and combating financing of terrorism issued by CBE, and due diligence regulations with regard to customers issued by the Money Laundering and Terrorist Financing Combating Unit (MLCU).

#### **B. Agent Banking**

CBE issued a discussion paper on Agent Banking to the banking sector in November 2020. The draft regulations aim at enabling banks to contract agents, in order to offer banking services on their behalf with adequate restrictions. This framework expands the banks footprint and services delivery channels and increase their outreach and

accessibility to financial services especially in the rural areas hence, promoting financial inclusion. Agent Banking will approach the market through three types of Agents as follows: Super-Agents, Sub-Agents, and Sole-Agents.

#### **Interoperability cash in & out services for Agents**

These regulations are designed to regulate interoperability cash in and out services through service providers operating in Egypt and setting standards that aim to increase the spread of cash in and out points inside the Arab Republic of Egypt, and reduce the risks associated with it, to develop the industry of electronic payments in a safe and effective manner. These regulations are the minimum necessary for banks to provide cash in and out services through service providers and agents, while ensuring that all necessary measures are taken towards managing the risks associated with providing this type of services, without prejudice to the regulatory controls and instructions issued by Central Bank of Egypt for regulating payment services using prepaid cards and mobile wallets recent version of regulations that was issued in April 2021, given that the first regulations was issued in 2016 and its customer due diligence regulations that was issued in March 2020.

### **C. Digital Financial Services Regulations**

#### **Customer Due Diligence Procedures (CDD) for Mobile Payments**

The new Mobile Payment Regulations (mentioned above) coincided with the issuance of the "Customer Due Diligence Procedures (CDD) for Mobile Payments" by the Egyptian Money Laundering and Terrorist Financing Combating Unit (EMLCU). The (CDD) procedures to encourage mobile payments included:

- Fewer documents required to verify a customer's identity (only an ID is needed to open an account).
- Less data to conduct domestic mobile transfers.
- Offer the possibility to update customer data and documents electronically.
- Permit certain categories of service providers to conduct CDD procedures according to a set of prerequisites. i.e. agent banking.
- Permit the ability to open both individual and merchant/institution wallet accounts. Given that for the merchants it's not necessarily to open with a commercial registration and small merchants can open with the national ID.

#### **Payment Services Using Prepaid Cards Regulations**

The prepaid cards regulations were issued in May 2019 as a mean of payments to achieve financial inclusion and transformation towards a less-cash society. The issued regulations allow banks to use agents to do the simplified KYC, and Cash-In and Cash-Out. The regulations also highlight licensing procedures, customer security & risk management topics pertaining payment services using prepaid cards as well as mandating other supervisory controls.

#### **Standards for Issuance and Acceptance of Contactless Payments:**

Issued in May 2019 to support and encourage the use of different electronic instruments & acceptance tools. The regulations issued mandate the minimum standards that are to be followed by Egyptian banks for the issuance & acceptance of contactless payments and covers multiple scopes including; contactless transaction limits, instructions and rules regulating performing contactless transactions, contactless instruments issuance standards as well as verification mechanisms.

#### **Technical Payment Aggregator & Payment Facilitators Regulations:**

In 2019, the technical payment aggregator and payment facilitators regulations came to cope with the rapid development in bill payments and collection, and the increased need for technical payment facilitators and aggregators who have the ability to efficiently provide financial technology services to merchants and companies. These regulations are also aimed to provide contractual arrangements to improve access and spread electronic collection services through different channels, thus increasing acceptance of electronic payment methods in that category of companies and merchants, which will ensure the attainment of concrete steps in the field of electronic payments in a safe and secure manner for all stakeholders involved.

### **D. Mobile Payments Regulations- Digital Lending based on Behavioral Scoring and Digital Saving on Mobile Money Wallets:**

CBE undertakes a pivotal role to support the underserved segments of the population, working extensively on enabling various DFS solutions. Accordingly, CBE in April 2021 has amended the Mobile Payments regulations to include regulations for digital lending using behavioral scoring & digital savings schemes on mobile money wallets. It is also worth mentioning the availability of using other data providers in the latter lending models; as for example MNOs and other utilities data to empower the model of behavioral scoring. Digital lending holds the promise to bridge the finance gap between microfinance & personal loans. The mobile-based lending offering instant small mobile loans using scores based on alternative data including mobile transactions, mobile wallets usage, and prior credit history data will grant the underserved tranche of the society access to finance with a click of a button.

To compliment access to finance, CBE has realized the opportunity in introducing digital savings using mobile wallets, hence the addition of Digital Savings regulations to Mobile payments regulations, where saving is generally a sound financial practice to consumers. Particularly in societies with lower or fluctuating incomes, savings assist in alleviating unanticipated distress.

A well-executed saving scheme can secure the continuation of children's educations or allow for the expansion or diversification of a business. Digital Saving schemes are designed to reward interest, it also enables customers to build a financial history, creating a path to access to finance which—when invested in businesses or income-generating assets, would eventually increase earnings. For countries like Egypt with a low financial inclusion rate, Digital saving present a fast, secure & paperless way for further financial

inclusion routes, where the customer can avail different banking services & saving schemes using self-registration through his mobile phone with all ease. Besides the digital lending and savings, the regulations also included various use cases as P2P, billing, VCN, cash in & out through agents, ATMs and using the MNOs as well and their footprint in the market as agents for KYC and many more.

#### E. QR Code Unified Standards:

In January 2018, CBE has introduced the Unified Standards for QR Codes that allows retailers to accept electronic payments, using a simple and a secure alternative with much lower cost to traditional POS devices. This mechanism ensures that financial services are accessible and affordable to all citizens, especially the unbanked and underserved segments of the society.

#### F. Regulations for Internet Banking Services

CBE has issued the regulations governing Internet Banking Services at the Banking Sector back in 2014 given to promote financial inclusion levels in Egypt, given its substantial role in increasing the demand of banks to provide wide range of banking services via the Internet. Currently, most banks in Egypt provide this service for its cost and convenience for customers, where they can access and conduct transactions on their accounts anywhere. These regulations also guaranteed the security and quality of e-banking services.

### Covid19- Response

CBE issued multiple circulations on March 15, 2020 to maximize the banking sector's contribution in implementing the state's plan to deal with the potential consequences of the virus. The newly issued circulations' objectives were to stimulate the use of electronic means and payments channels and facilitate conducting financial transactions for citizens while limiting the spread of the virus. Said circulations focused on the precautionary measures and procedures that banks must implement in order to ensure the safety and security of the banking sector and ensure the banks' ability to continue carrying out their various businesses and activities to meet customer needs.

#### A. Mobile Wallets:

To facilitate registration & utilization of mobile wallets, CBE mandated issuance of Mobile wallets to be free of charge & have increased the maximum wallet limits to become EGP 30,000 for individuals & EGP 40,000 for merchants daily.

Additionally, banks were allowed to verify new to bank customers by any electronic means that the bank deems appropriate, including but not limited to obtaining his/

her national number and mobile phone number in an electronic way and verifying the customer's ownership of the mobile phone number used during the registration process via the National Telecommunication Regulatory Authority platform.

Customers had to complete the necessary KYC process to comply with the due diligence procedures within 3 months from the date of wallets opening. In case the customer did not complete the required procedures, the bank shall close the account, provided that the customer shall be able to recover any outstanding balance after his/her account is closed

#### B. Prepaid Cards:

The following measures have taken place to promote contactless prepaid cards & "Tap & Go" transactions to limit the spread of the virus:

- Issuance of prepaid contactless cards free of charge.
- Raising the limit of "Tap & Go" transactions without requiring Pin for authorization from EGP 300 to EGP 600.
- Increasing the maximum daily prepaid cards transactions to become EGP 30,000 for individuals & EGP 40,000 for merchants daily.

#### C. Digital Acceptance:

Banks that had a license for digital acquiring services were mandated to promote digital acceptance through the following:

- Activation of payments through QR codes and "Request to Pay" service for all merchants who have points of sale "POS".
- Complying with the simplified KYC procedures for merchants and micro-enterprises according to the clause 5.3.2 of the due diligence procedures for mobile payment customers issued in March 2019.

#### D. Internet Banking:

In order to limit the customer's visits to the banks premises during the pandemic to apply for internet banking services, CBE has applied the following measures:

- The bank may register its existing customers through the verification of the customer's identity using the usual electronic verification methods commonly used for any of the banks products.
- The customers are required to comply with the bank's procedures to enroll to the internet banking service.

#### E- Service Fees Exemption:

The CBE has also taken further measures to entice the customers to use different digital payments channels, by exempting certain fees for POS & QR codes, ATM transactions, and Mobile payment services, thus eliminating the access barrier to customers allowing further market penetration.

#### Digital Infrastructure Enablement:

In light of the paramount importance to endorse digital financial infrastructure to withstand the unprecedented effects of Covid-19 and thus ensure an easier, safer and more flexible access to various Digital Financial Services (DFS) for citizens across all governorates and more specifically the underserved segments, the CBE has acted proactively through its newly launched initiative in June, 2020 to expand the number of ATMs by about 6,500 machines as a first stage, to reach a total of 20,000 ATMs distributed across Egypt, with prioritization to more dense areas that lack access of financial services. The initiative aims to overcome the challenges faced by banked customers in conducting their financial and banking transactions due to the pandemic, through facilitating access to appropriate financial services and thus reduce the burden on operating bank branches, while adhering to social distancing norms.

#### Electronic Payment Incentives:

Besides the precautionary measures the CBE has taken to counter the repercussions of Covid-19, it is crucial to work on a simultaneous expansion and spread of various electronic acceptance channels that support contactless transactions, across all governorates, by targeting merchants who currently do not have electronic acceptance channels as Point of Sales (POS) or digital acceptance through QR code.

The challenges faced in electronic payment acceptance in Egypt, including but not limited to:

- The need to expand number of Point of Sales (POS) machines.
- The need to rely more on digital acceptance through QR codes.
- Taking in account geographical distribution of electronic acceptance channels.
- The need to raise awareness and motivation of consumers and merchants towards usage of various electronic payments channels.

Within this framework, the CBE funded the initiative to increase the number of electronic acceptance channels with an estimate budget of EGP 550 Million with the intend to reach 300,000 electronic POS machines and to support the digital acceptance through QR code to reach 200,000 new QR codes.

#### Informal Workforce Grants Initiative

As part of CBE's role to support the mostly affected citizens in the emerging pandemic, CBE, in collaboration with governmental entities, has facilitated the national initiative conducted for informal and irregular workforce sector of a monthly grant of 500 EGP through disbursement of amounts on their cards or mobile money wallets, ensuring that citizens comply with social distancing standards.

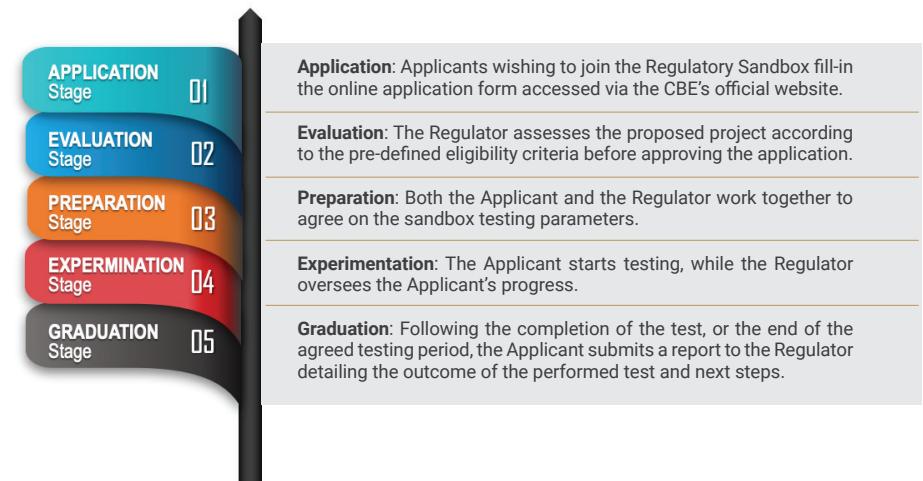
#### Regulatory Sandbox:

Issued May 2019, the CBE Regulatory Sandbox is a controlled testing environment where startups are able to live test innovative business models and delivery mechanisms with relaxed regulatory requirements while managing the risks associated with disruptive technologies.<sup>24</sup>

The main objectives of the regulatory sandbox are:

- Encouraging Fintech & Innovation
- Managing Regulatory uncertainty
- Reducing time and cost to market
- Developing investors' trust

The Sandbox Journey Includes 5 Main Stages:



Eligibility Criteria to Join the Regulatory Sandbox:

- Within FinTech scope
- Genuinely Innovative
- Provide customer benefit
- Need to sandbox
- Ready to sandbox
- Support digital transformation and financial inclusion

The CBE regulatory sandbox is cohort based:

- Cohort 1 of the Regulatory Sandbox was launched in July 2019, as a thematic pilot cohort on E-KYC for mobile wallets to facilitate the digital onboarding of customers.
- Cohort 2 of the Regulatory Sandbox was launched in November 2020, as an open-themed cohort for different FinTech trends.)

24 <https://fintech.cbe.org.eg/home/sandbox?en>

## **Key Challenges that hinders growth of FinTech, in terms of regulations:**

As identified by the interviewees, FinTech Regulatory Sandbox, by CBE, is a great initiative to test the new FinTech trends on the pipeline and needs to highlight success stories coming out of it. However, the ecosystem is looking for more meetups with regulators to better understand the current and upcoming FinTech regulations through hosting more workshops with startups. Moreover, a clear guidance on the process of licensing would be very much beneficial. Not only that, but also the fact that FinTech startups are exposed to multi-regulators caused much of a confusion.

### **Quotes from the market:**

*"Having a channel for continuous interaction between the CBE, FRA and Startups to understand full process of licensing & registration as well as exchange thoughts on current regulations and challenges, future regulations and potential products to be developed by startups."*

*Amr Sultan, Blnk*

*"Avail all circulars related to the most common fintech industries on specialized platforms like Fintech Egypt will help and support all type of Fintech companies to better understand the market rules and comply with it"*

*Hany Soliman, Paytabs*





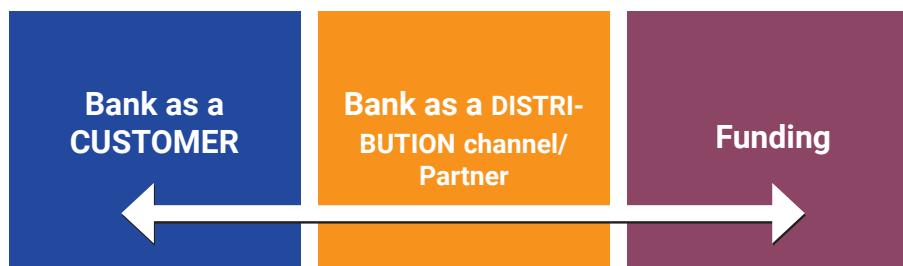
## GOVERNANCE



## Key Findings with regards to FinTech Partnerships and Collaboration:

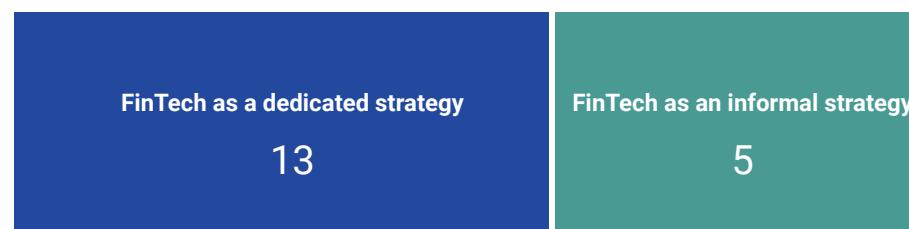
### A. Preferred Partnership Model by Startups:

All surveyed startups view banks as an important partner; whereas most sought-after relationship forms are follows:



### B. FinTech Ecosystem Facilitators:

A mapping exercise has been done to introduce the active investors, accelerators and incubators in the Egyptian FinTech Market, in which around 13 of those 18 ecosystem enablers (including Venture Capitals, Accelerators & Incubators as well as ecosystem enablers) surveyed have a dedicated strategy to FinTech, while only 5 implement FinTech support programs and activities, despite that their entity doesn't have a formal FinTech strategy to follow.



This indicates the rising interest coming from the ecosystem facilitators towards the FinTech industry in Egypt and its vital role as being the new way of doing finance, more specifically after the Covid19 pandemic and the national direction towards going less cash and digital.

### C. Role of FinTech Ecosystem Facilitators in boosting the Egyptian FinTech ecosystem:

As elaborated below, most of the FinTech ecosystem facilitators either provide funding or capacity building. That highlights a lack in existing FinTech-focused incubators and accelerators to help incubate startups both on talent and funding aspects; especially at ideation phases

Funding	Mentorship, Networking Events, Competitions & Capacity Building
                	

### D. Most high-in demand FinTech & FinTech-enabled trends

The surveyed ecosystem facilitators have shown interest in the following FinTech trends as top priority and most sought-after trends to invest in:



## Key Challenges that impede efficient collaboration between FinTech stakeholders:

The FinTech ecosystem is still emerging. More collaborative initiatives need to be implemented to help grow this landscape in Egypt. All FinTech ecosystem stakeholders need to go hand-in-hand and work collaboratively in deploying more FinTech solutions to fulfill the unmet gap by Egyptians, raising awareness about the importance of FinTech to promote financial inclusion and support the upcoming FinTech generations in terms of required skillsets and funding, to have a win-win situation

Quotes from the market:

*"Convincing big banks that local FinTech solutions are able to compete with global ones and even on a more global level."*

*Mostafa Balbaa, Dor-e*

*"A culture of partnership for mutual benefit must be promoted to encourage complementarity where players can develop and focus on unique comparative advantages. This will enable the entire sector to grow at a faster and healthier rate."*

*Mohamed Mounir, Paynas*

*"Hiring a high skilled and qualified team as well as the evolution of FinTech startups are considered as most challenging for us to find potential FinTechs to invest in. Having a Central database of all country startups and whether they are licensed or not, which is updated regularly could greatly help."*

*Eslam Darwish, Global Ventures*



## Current Initiatives to steer collaboration and partnership between Egypt's FinTech Key Stakeholders:

### A. Fintech & Innovation Hub:

A one-stop-shop for all Fintech innovative ecosystem, with a standalone brand of "Grid", located in the heart of downtown Cairo. Grid's vision is "to boost financial innovation, supports economic growth and enables accessibility of solutions, starting in Cairo, over time expanding into key Egyptian cities and the region".



It shall provide support for new innovations, and collaborations with other global Fintech hubs, ultimately helping promote Fintech in Egypt and globally. Not only that, but also increase the financial literacy of the population, increase accessibility of financial services to the community, create jobs and increase the attractiveness of the Egyptian market. At Grid, members are invited to innovate alongside the world's fastest growing digital companies and creative corporate initiatives. Within the Fintech Hub, Egyptian and international entrepreneurs and companies meet to collaborate, learn and grow their businesses. Grid is aiming to open its doors by 2022.

### B. FinTech Egypt portal:

The official virtual platform, launched in June 2019 that connects and unifies all FinTech stakeholders to steer the market and ensure matchmaking between different stakeholders. FinTech Egypt also has a dashboard interface, featuring latest FinTech trends, CBE's FinTech initiatives & experts views.



- FinTech Experts Interviews
- Monthly Newsletter
- FinTech Egypt Dialogue Podcast

### C. Cooperation between national and international regulators

Intra-governmental and regulatory collaboration was on top of CBE's agenda few years ago and found that partnership and going hand in hand with both national and international stakeholders is the key to foster digital financial transformation

#### a. Fintech & Innovation Committee

Due to the intersected nature of the FinTech activities and the prominence of a national coordination and alignment that aims to enable an efficient and sustainable execution of the strategy, CBE has established the Fintech & Innovation committee, in collaboration with FRA, NTRA and MLCU. The committee is to periodically report on the results of its activities, together with the necessary recommendations, for presentation to the board of directors of its participant members CBE, FRA, MLCU and NTRA, with the objective of ensuring collaboration with the national regulators and enable access to a unified FinTech licensing coordination for FinTech application to be deployed in market.



#### b. Memorandum of Understanding between International Central Banks

CBE has also put much efforts in collaboration with international central banks, with the purpose of having a framework for co-operation and referrals between the innovation units of each authority, undertake potential joint innovation projects as well as information sharing about emerging market trends and regulatory issues. The framework centers on a referral mechanism which enables the authorities to refer innovator businesses between their respective innovation functions. It also sets plans to share and use information on innovation in all respective markets.

CBE has signed three FinTech collaboration MoUs with regional / international regulators:

- Monetary Authority of Singapore (MAS) in 2018
- Abu Dhabi Global Market (ADGM) in 2018
- Central Bank of Bahrain (CBB) in 2019

#### c. Membership of regional and international FinTech related entities

Within the framework of CBE's keenness to cooperate with major regional / international FinTech related entities, CBE became an effective member in number of regional / international FinTech related working groups.

Currently, CBE is a member of two of regional / international FinTech related working groups with:

- Arab Monetary Fund (AMF).
- Alliance of Financial Inclusion (AFI)

## Conclusion:

Over the last few years, Egypt's FinTech ecosystem has witnessed an extensive growth, making Egypt from the top 4 African countries as well as 2nd in MENA region, when it comes to FinTech investments and concentration of FinTech startups, and more can always be done, making Egypt become home to a burgeoning FinTech landscape.

A promising pool of talent is emerging on the FinTech startups scene and can be noticeable with the rise of the number of FinTech & FinTech-enabled startups at a mind-blowing pace. In addition to that, there are various potential opportunities and Fintech trends that need to be deployed, so as to address the unsaturated FinTech market with the Egyptians' financial needs and demand areas.

And in parallel, collaborative efforts between the public and private sectors are on the rise to ensure dedicated efforts in promoting the public financial and technological awareness as well as draw attention to the leading role FinTech brings, when it comes to raising financial wellbeing and making the financial world more accessible, seamless and guaranteed.

Gender equality is another crucial topic that CBE has put on the top of its agenda through various initiatives, with optimal goal of effective onboarding and usage of female customers, when compared to male customer. What's more, incentivizing the female to be part of the FinTech startups' employees and putting a goal to reach managerial levels or even unleashing their entrepreneurial FinTech potential.

In conclusion, this report aims to give a holistic view of the FinTech landscape in Egypt, a country of over 100 million inhabitants. This report sheds light on the evolution of the FinTech industry over the last few years as well as showcases the various measures and initiatives driven by CBE's Fintech & Innovation strategy. Finally, this year and beyond will witness continuous growth and importance of the FinTech industry as a driver of innovation and growth for Egypt's financial inclusion.

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