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# SECTOR ANALYSIS SERIES – CASHLESS PAYMENT INDUSTRY

## Presenters:

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# OPENING REMARKS

**Serhii Karpenko**

Head of Strategy and Reforming Department,  
National Bank of Ukraine Senior Director,  
Capital Markets Policy





Національний  
банк України

# Sustainable fintech ecosystem development in Ukraine

Fintech strategy-2025

**Serhii Karpenko, National Bank of Ukraine**

Kyiv, 29 April 2020

# Ukraine at glance

- Population\* = 41,9 mln
- Territory = 603 628 km<sup>2</sup>
- History – since 882 Kievan Rus'
- Capital – Kyiv (3 mln pop)

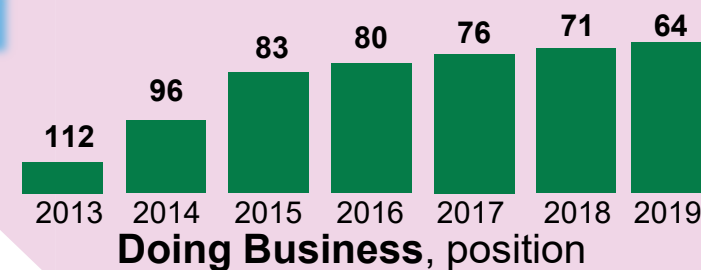
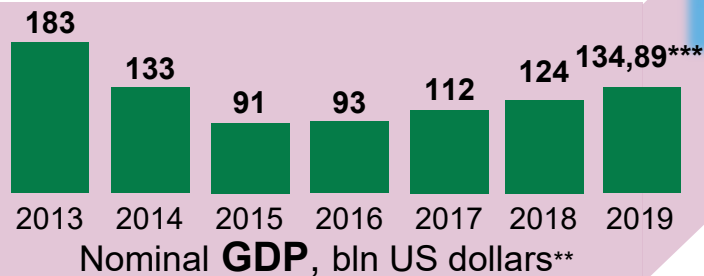
- GDP\* = 3,3%
- CPI\* = 4,1%
- FDI inflow\* = \$1,82 bn
- Unemployment rate\* = 8,7%

## Credit ratings

- S&P\*: "B" (stable)
- Fitch\*: "B" (stable)
- Moody's\*: "Caa1" (positive)

## TOP export areas

- Metals (23%)
- Vegetable products (18%)
- Vegetable oils (10%)
- Machines (10%)
- Ready-made meals (7%)



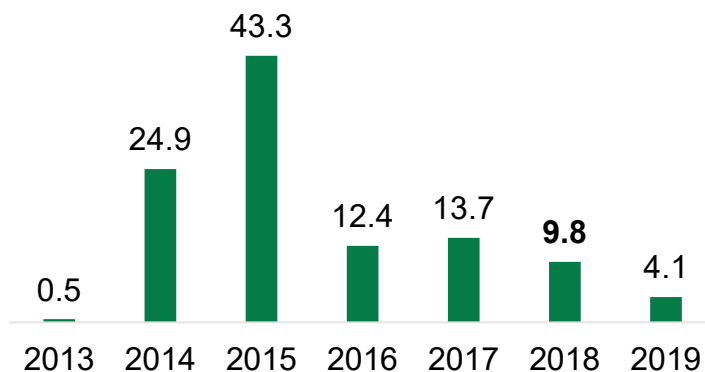
\*2019

\*\* World Bank Data

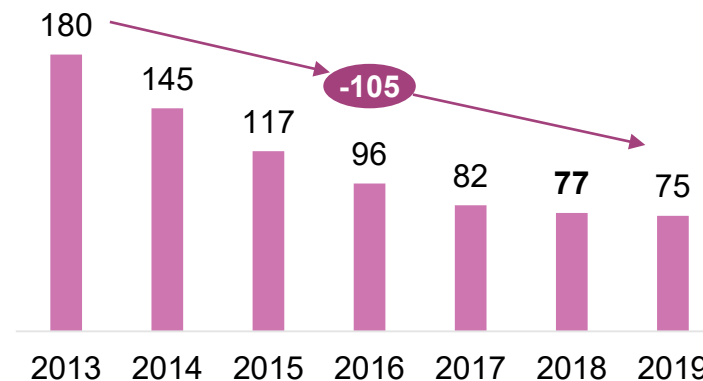
\*\*\* IMF

## General overview of the economic\*

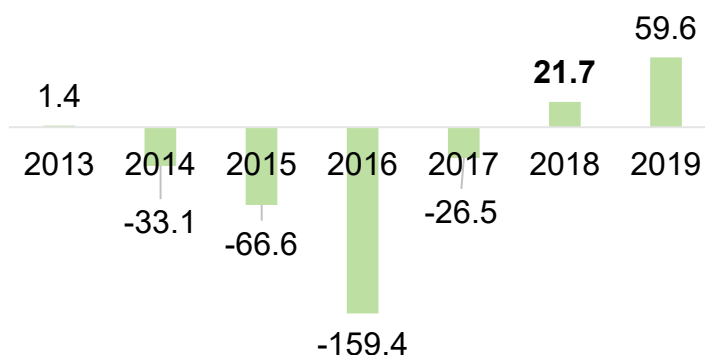
### Inflation, Consumer Price Index



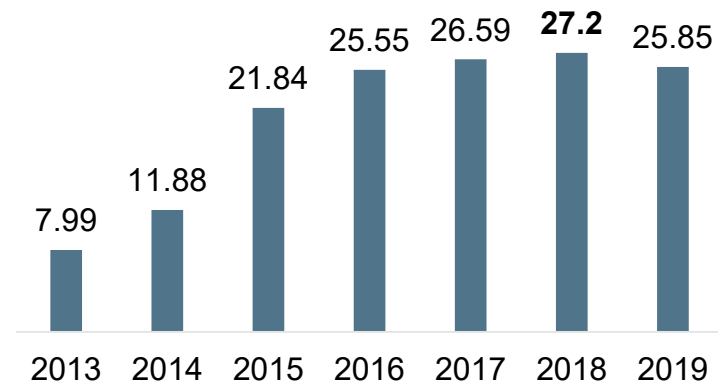
### Reduction in number of commercial banks



### Banking sector profitability, bln hryvnia



### Exchange rate, dollar to hryvnia



\*data as of 01.01. of the following year

# The value of noncash transactions accounted for 50.3% of all card transactions in 2019

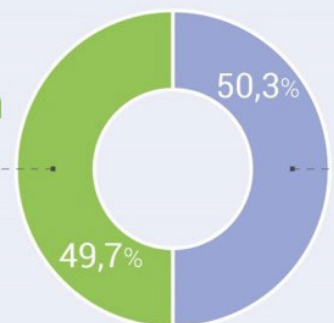
## Noncash Transactions Prevail in Value involving payment cards

The total value

**UAH 3,576.7 bln**

**UAH 1778.4 bln**  
**+13%\***

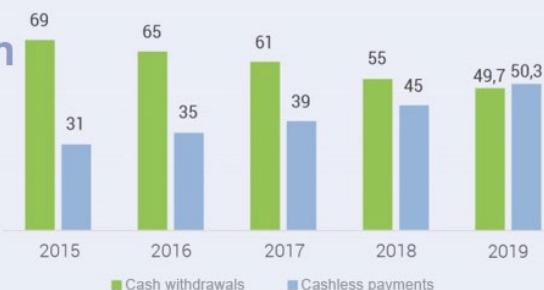
Cash withdrawals



**UAH 1798.3 bln**  
**+39%\***

Cashless payments

Growth in the share of noncash transactions by value, %



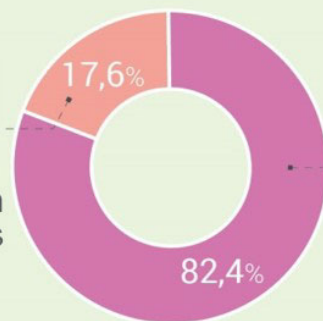
## Noncash Transactions Prevail in Numbers involving payment cards

The total number

**5,057.3 mln**

**890.2 mln**  
**+6%\***

Cash withdrawals



**4167.1 mln**  
**+36%\***

Cashless payments

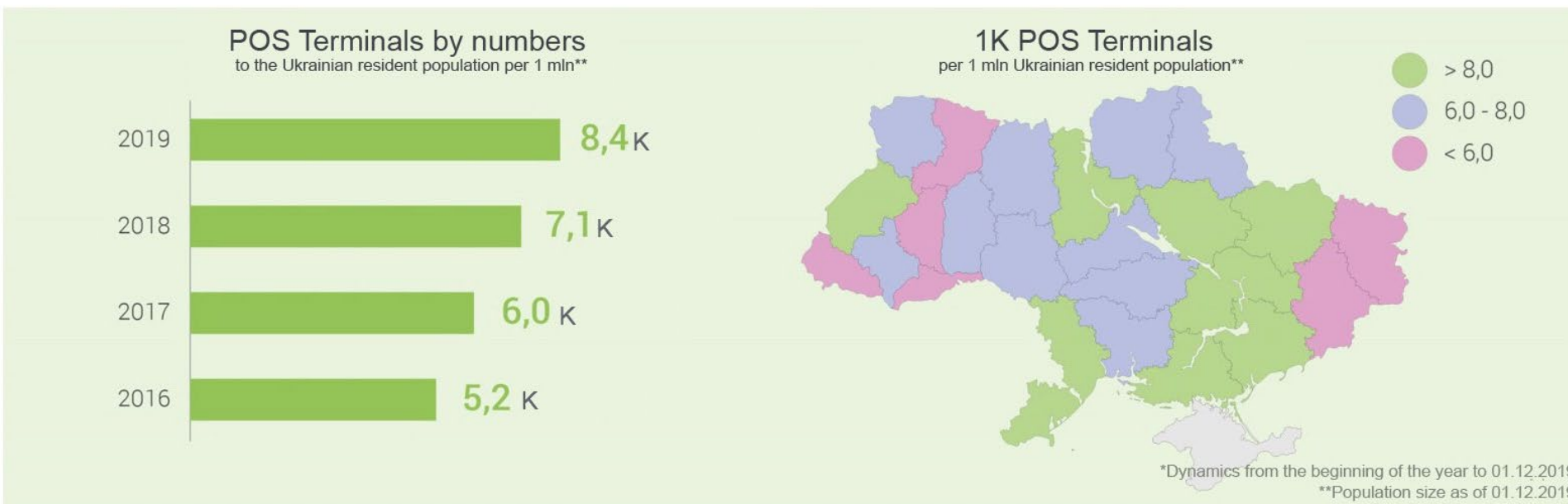
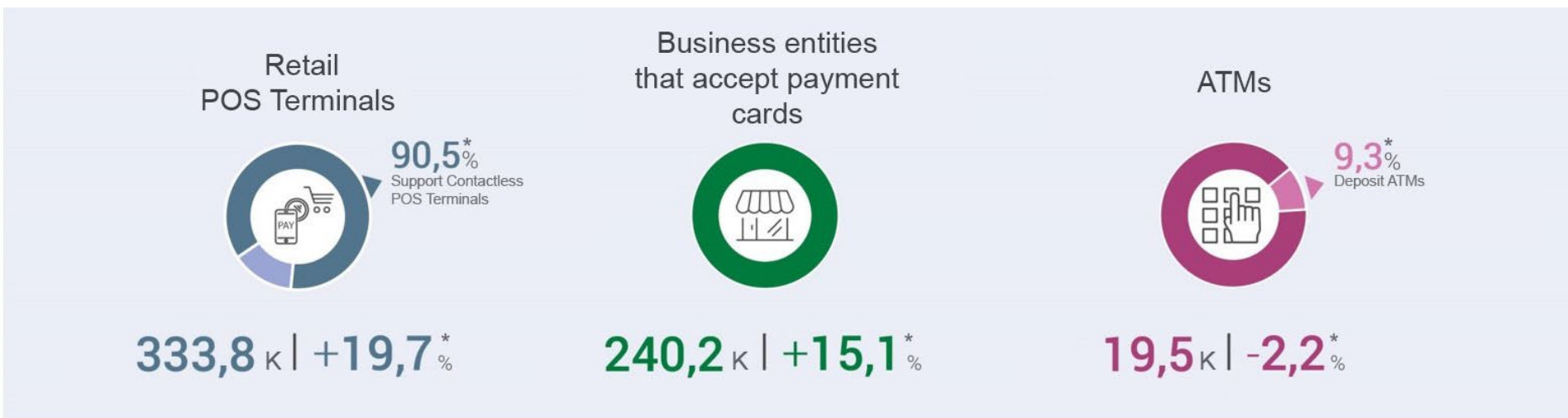
Growth in the share of noncash transactions by numbers, %



\*compare to 2018



# The payment infrastructure is constantly evolving, providing more options for noncash settlements



## Ukrainian IT in figures \*



**41.9 million** of population



**36 thousand** of IT specialists graduate from universities annually



**63%** of the population use the Internet regularly



Ukraine takes the **4th place** in the world in terms of contactless payments



IT-industry accounts for **4% of GDP**



**45%** of adults have smartphones



**79.4%** of payment terminals support contactless payment



## Ukrainian fintech in figures

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There are more than **100 fintech companies** in the Ukrainian market



The boom in the development of fintech in Ukraine falls on 2016-2019: **58%** of companies **were founded in the last 3 years**



In total, **fintech companies employ more than 4000 people**, 14% of companies have more than 75 employees each



**63%** of fintech companies **are self-financed**



Most fintech companies focus on corporate clients (SMEs and large companies - 37% each) and **only 21% work for the mass segment of individuals**



Markets in which Ukrainian fintech companies operate: Europe (72%), post-Soviet markets (30%), the USA (21%), others (19)

Sources: [UAFIC 2019 fintech catalog based on a survey of 110 fintech companies and banks](#)

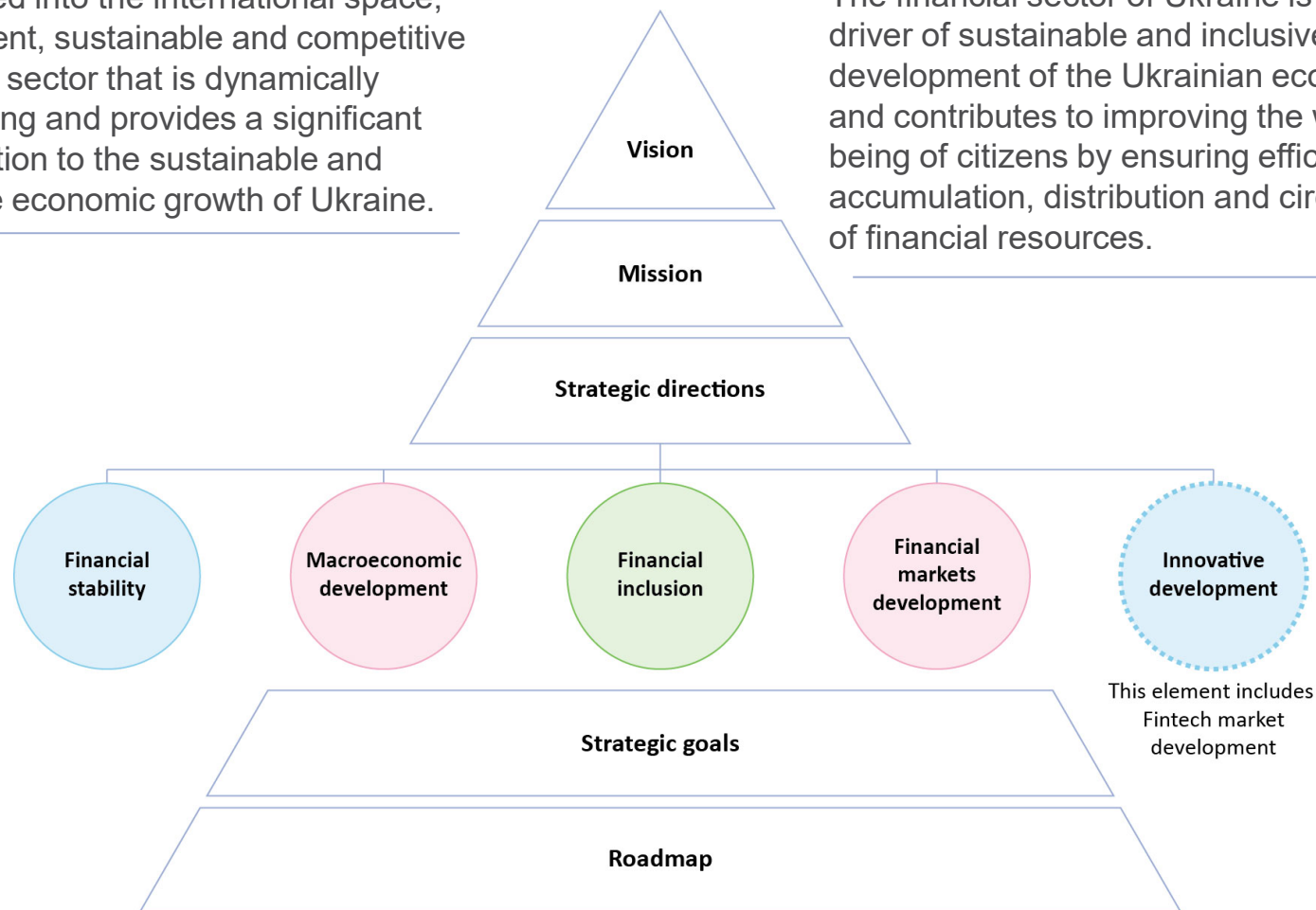
# The Financial sector strategy 2025 is among the core NBU's strategic documents

## VISION

Integrated into the international space, an efficient, sustainable and competitive financial sector that is dynamically developing and provides a significant contribution to the sustainable and inclusive economic growth of Ukraine.

## MISSION

The financial sector of Ukraine is a driver of sustainable and inclusive development of the Ukrainian economy and contributes to improving the well-being of citizens by ensuring efficient accumulation, distribution and circulation of financial resources.



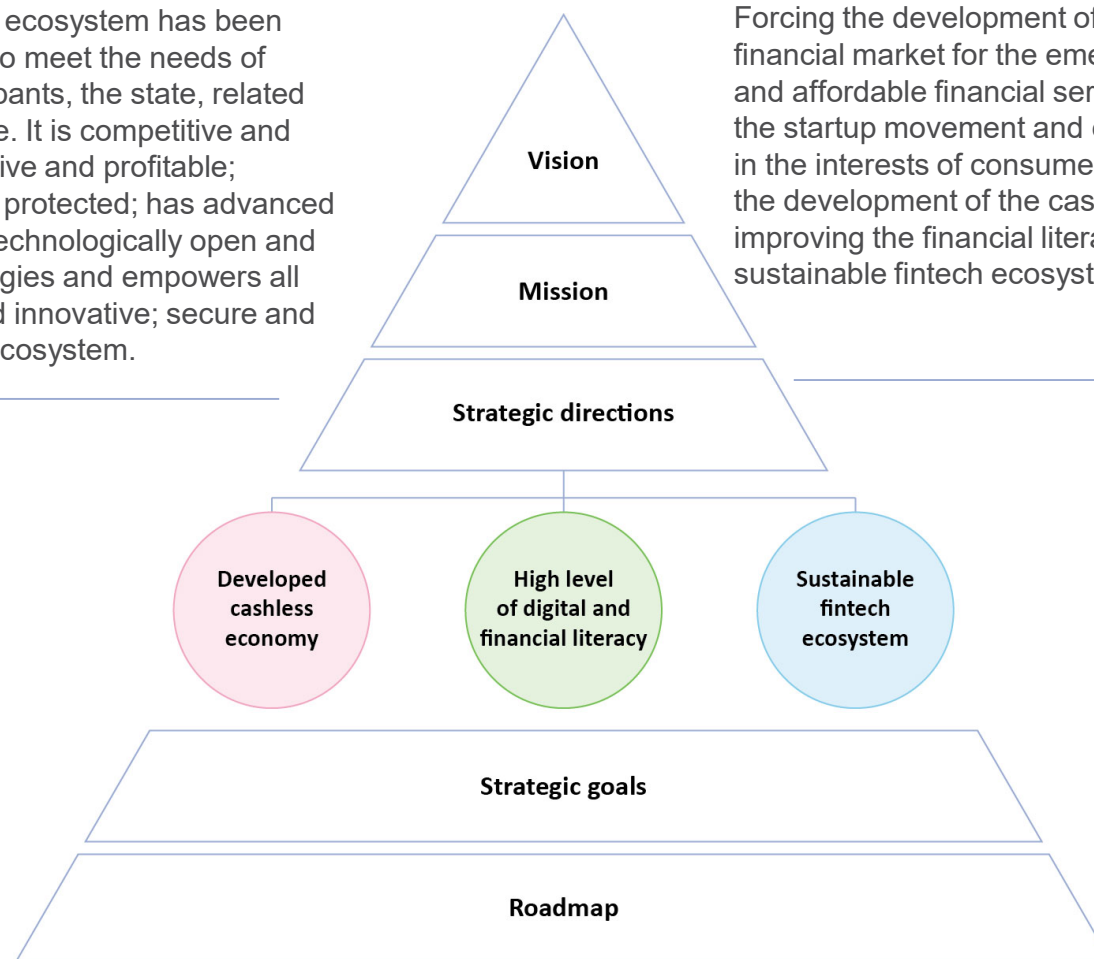
# The Fintech strategy-2025 is an element of the Financial strategy sector 2025

## VISION

2025. In Ukraine, a fintech ecosystem has been established and operates to meet the needs of consumers, market participants, the state, related service providers and more. It is competitive and integral; investment attractive and profitable; technologically and legally protected; has advanced and balanced regulation; technologically open and accessible; provides synergies and empowers all stakeholders; powerful and innovative; secure and integrated into the global ecosystem.

## MISSION

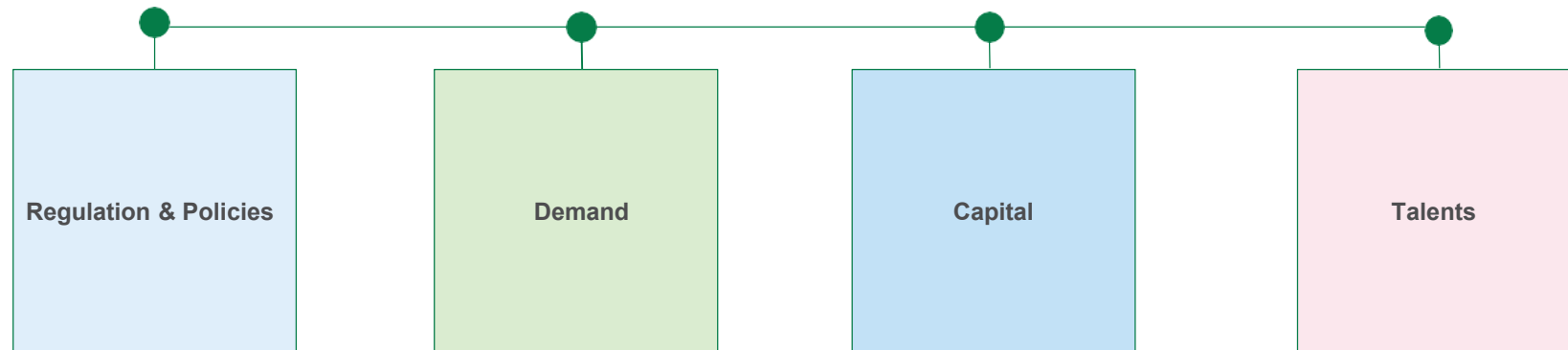
Forcing the development of innovations in the financial market for the emergence of quality and affordable financial services, enhancing the startup movement and effective competition in the interests of consumer protection through the development of the cashless-economy, improving the financial literacy and creation of a sustainable fintech ecosystem.



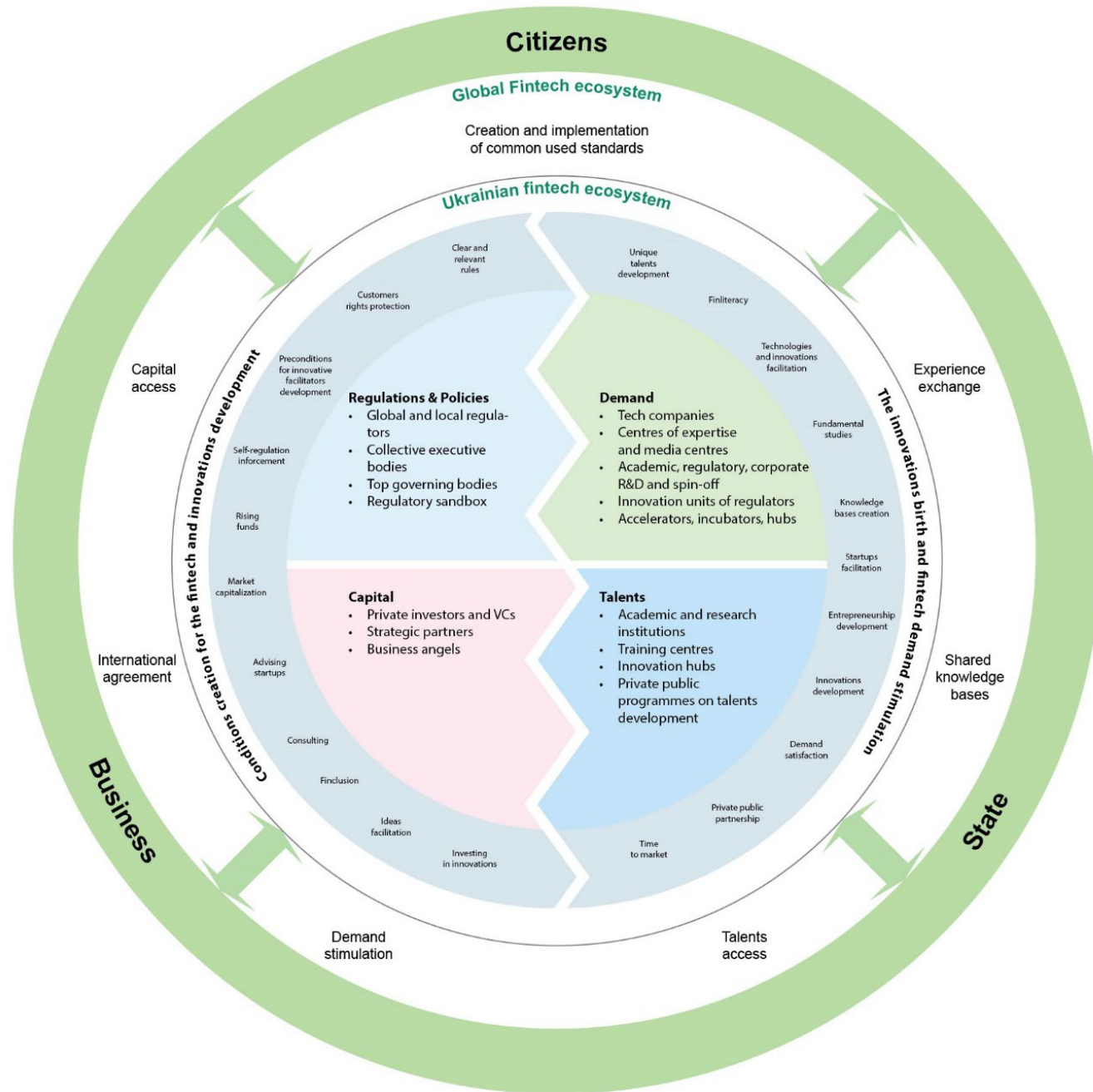
## The fintech sustainable ecosystem's key fundamentals

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The implementation of the Fintech strategy-2025 envisages the creation of a sustainable fintech ecosystem in Ukraine, based on the four key fundamentals: regulation & policies, demand, capital and talents



# A sustainable fintech ecosystem's model in Ukraine-2025



# The Fintech strategy-2025 implementation will depend on the scope of the related projects

<b>The Fintech strategy-2025</b>	<b>The Fintech strategy-2025</b> Mini-MBA programme “Digital finance 4.0”* The Regulatory sandbox concept*
<b>Cashless Economy Programme and The financial sector strategy-2025</b>	<b>Cashless economy initiatives***</b> Expansion of payment instruments acceptance network Discussion with the market on the need to reduce the cost of non-cash transactions and increase the cost of cash Working with the institutional bodies on the acceptance of non-cash payments, including for public utility companies CBDC: e-hryvnya issuance  <b>Payment market development projects</b> Projects focused on PROSTIR development Ukrainian payment infrastructure development (ISO20022/IBAN/SEP24/7) BankID development Payment market infrastructure and oversight (PSD2)** PROSTIR development Remote identification models
<b>Related projects</b>	Cash circulation management NBU’s cyber defence centre launch Financial literacy growth Protection of financial services’ customers

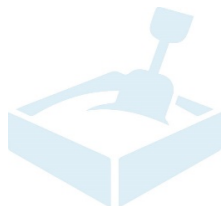
\* - new elements or projects changed

\*\*\* - initiatives to be formalised

\*\* - project’s scope offered to be changed

Source: NBU

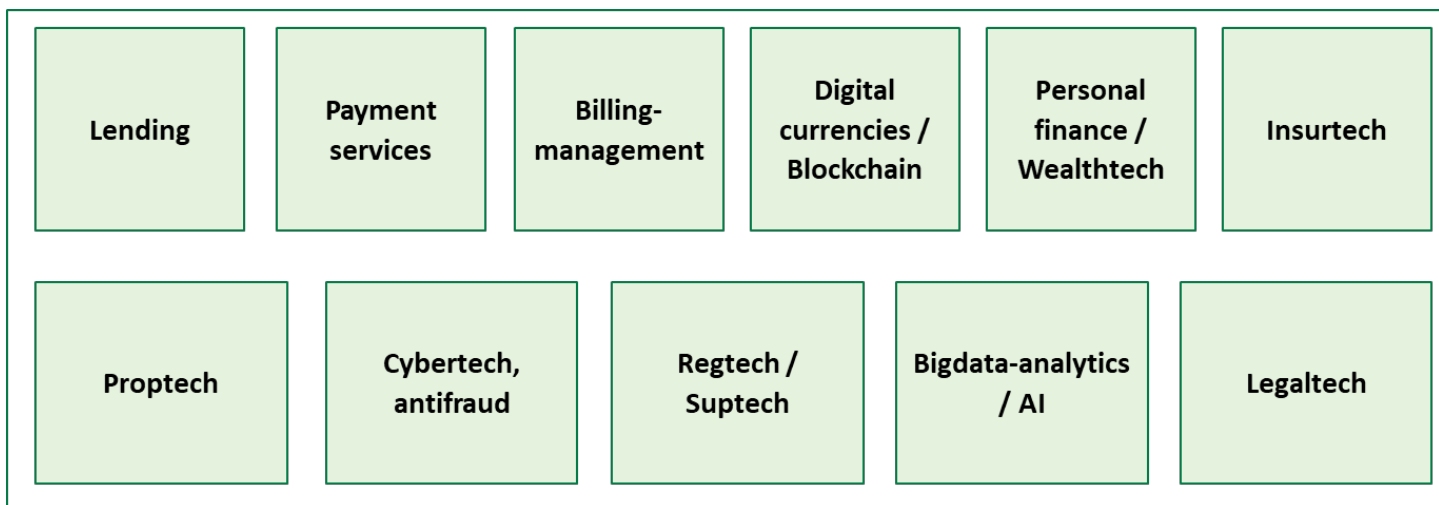
# The key product elements and Priorities for development of the Fintech strategy-2025



**The Regulatory Sandbox** - development and implementation of the full-fledged regulatory sandbox for rapid testing of innovative products and services.



**Mini MBA programme “Digital finance 4.0”** - the launch of an academic base with a focus on open banking is an element of the Fintech strategy-2025 and will help build a sustainable fintech ecosystem in Ukraine. The programme is scheduled on September.





## The Fintech strategy-2025 indicators

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Increase in the number of citizens holding a bank account or/and payment accounts at non-banking institutions **(from ≈63% to 80%)**



Increase in the percentage of SMEs that accept cashless payments – **38%\* to 70%**



The full-fledged regulatory sandbox launch - increase in the number of products and services that have been tested in a loyal regulatory environment **from 9 applications (2019)\*\* till 16-20 per year**



The Fintech Market Capacity growth: **from 5 till 20 companies in each key fintech field** (e.g. regtech, insurtech, lending etc.)



Integration to global regulation environment – **membership at Global Financial Innovation Network** (GFIN – global regulatory sandbox)



Financial literacy of the Ukrainians' growth: **finliteracy index growth from 11,6 till 12,5** (OECD research)

[\\*Mastercard research](#)

[\\*\\*NBU](#)

# KEYNOTE

**Eunice Chu, FCCA**

Head of Policy, ACCA Hong Kong



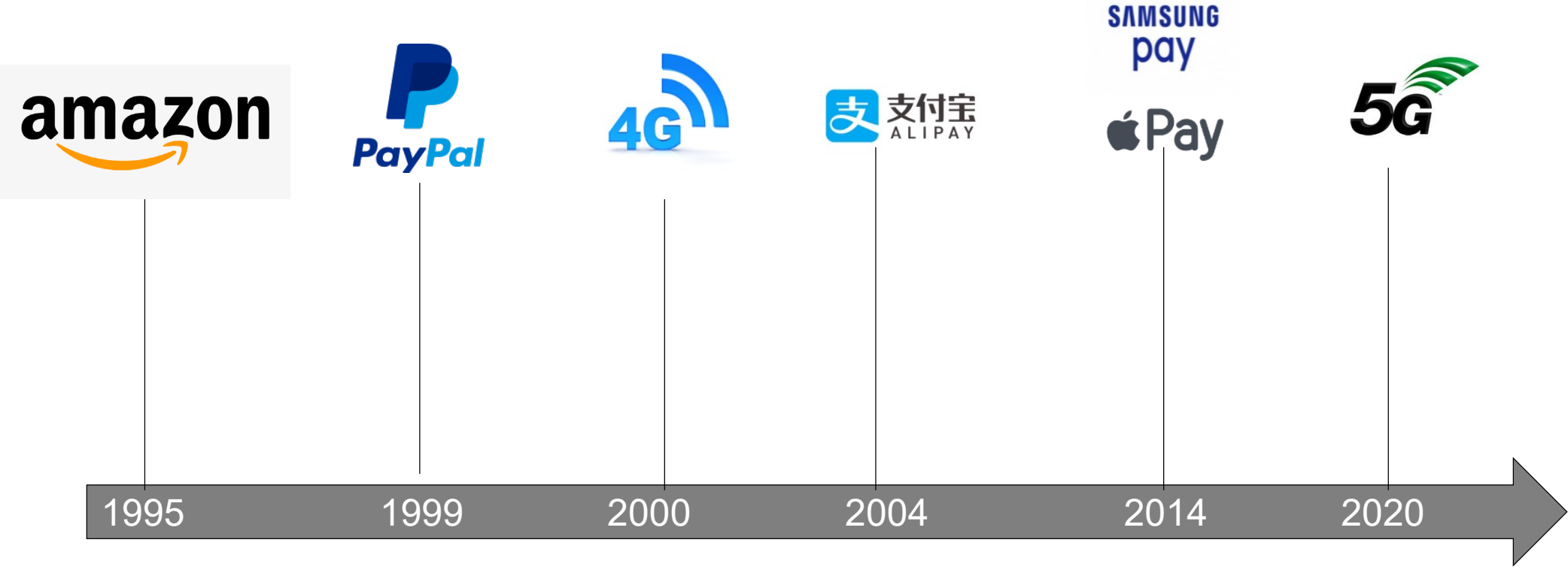
# Understanding the Investment Fundamentals of the Online Payments Sector



By Eunice Chu  
Head of Policy  
ACCA Hong Kong

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# Historical development



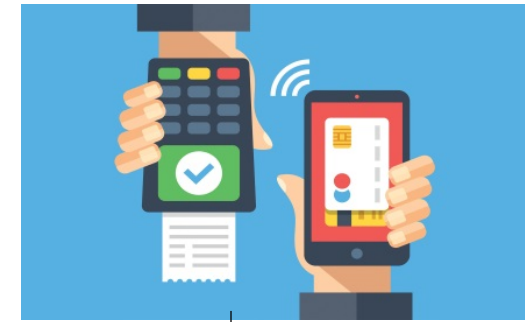
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# Non-uniform Trend

Pace, format and depth of coverage vary quite widely



Low



High



Germany



Japan



France



Russia



Canada



US



Sweden



Denmark



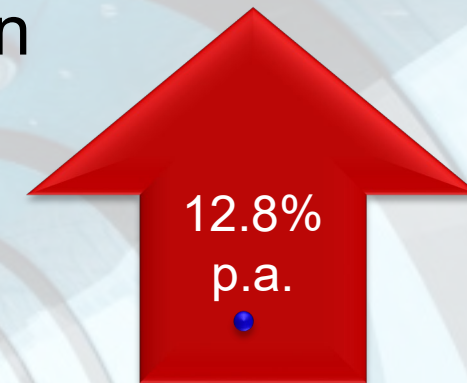
China

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# Cashless is worth trillions

2023: digital payment by consumers → USD6.7 trillion  
(exclude business to business)



2019: digital payment by consumers → USD4.1 trillion

Rosy picture ahead!  
Good to invest?

# 1. Structural influences



Population: age  
and spending  
patterns



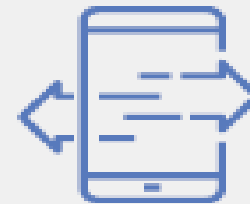
Bank account  
and card usage



Levels of  
cashless  
activity



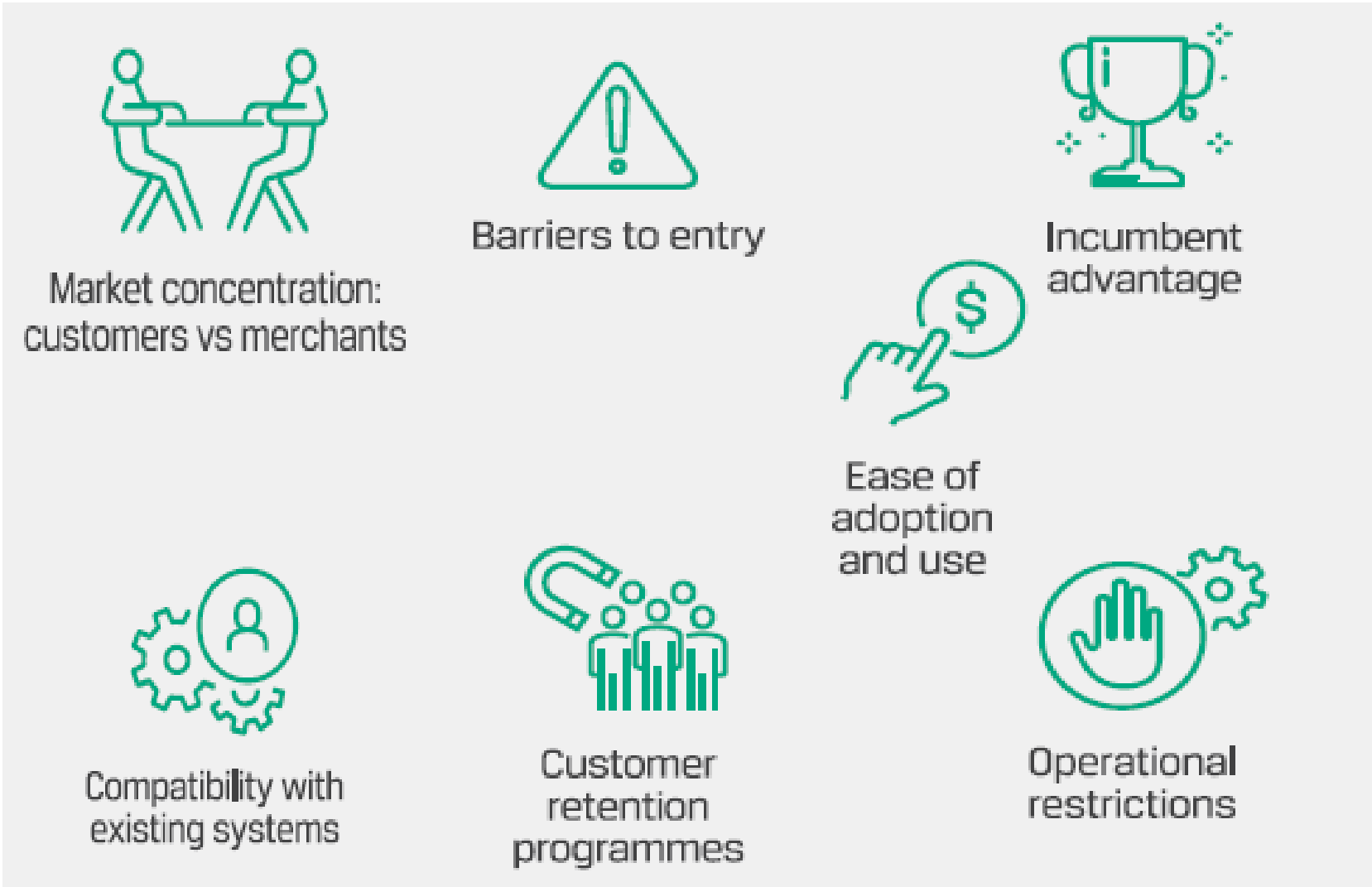
Ease of access  
to the internet



Smartphone  
penetration



## 2. Market Position



### 3. Demand drivers



## 4. Gauging performance



Investment in infrastructure



Growth in transaction value and volumes



The monetisation of a company's user base



User privacy and cybersecurity



Revenue, EBITDA, & net margins vs. user/transaction growth



Inactive customers



Use of data analytics for business growth



Use of data analytics for fraud prevention



Fee structures



Level of value-added services



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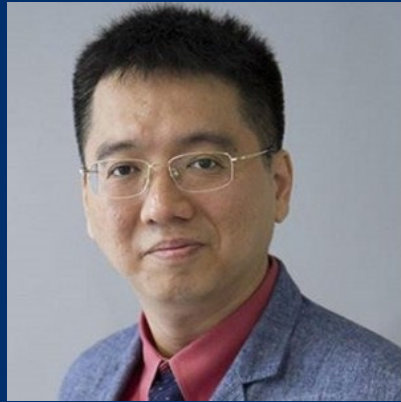
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Thank you

# PANEL DISCUSSION



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Companies



# THANK YOU

