



Overview of Fintech Development in Central Asia

Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan

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FinTech market in Central Asia

In Central Asia, Kazakhstan is the most prominent FinTech destination. FinTech in the rest of the CA region remains underdeveloped.

FinTech institution



Possible solution for the realization of fintech potential of Central Asia

E-commerce market size, mln USD

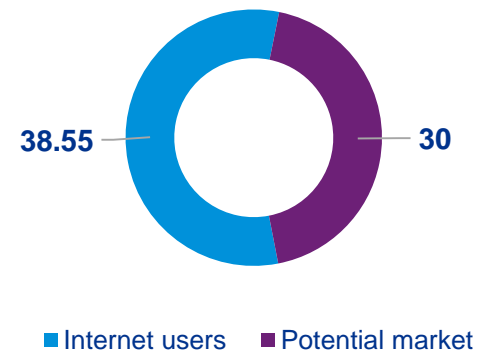
2143.4 Kazakhstan

643.9 Uzbekistan

162.8 Kyrgyzstan

54.7 Tajikistan

Potential market, mln people



Factors accelerating FinTech development

Financial inclusion

Fintech anchors

Demand and supporting infrastructure

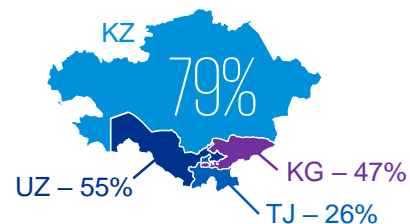
Regulatory issues

Innovations (e-wallets, cards, etc.)

Volume of e-commerce

Factors delaying FinTech development

Internet penetration in 2020



Average mobile access



Sources: iclg.com, KPMG analysis



Fintech market in Kazakhstan

Regulation



NATIONAL BANK OF KAZAKHSTAN
NBK Regulatory Sandbox



AIFC AIFC Regulatory Sandbox



AFSA Astana Financial Services Authority

Payment market development strategy (2017), developed jointly with KPMG, where remote identification and architecture of fast cross-platform payments were initiated

Launch of remote interbank identification (2019)
Financial market digitalization strategy (2019)

Start of stock markets (allowing banks to provide online brokerage services in all markets of the world)

Legalization of cryptoassets (as a property in e-form, not a financial instrument) according to amendments to the Law of the RK "On Informatization"

Financial inclusion

Facilities for Private Equity and Venture Funds
Regulatory support of crowdfunding and ICO
Tax incentives for effective capital raising
Acceleration / Incubation programs
Newly emerged local VC firms and an increase of angel investor's activity



Drivers

Fintech Lab programs
Eurasian Union Sandbox initiation
Startup boom and increase of e-commerce penetration
Pro-fintech government and regulations
Private E-currencies, crypto-exchanges, digital assets, Initial Coin Offerings (ICOs)
NBK's work on Open API standards creation

Prominent FinTech service providers (B2B / B2P / P2P / P2B):



Sources: Digital 2020 Kazakhstan, AIFC, Doing Business, World Bank, National Bank of Kazakhstan, KPMG analysis

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Demand for Fintech development:



Level of Fintech development: **Evolving**
Digital Readiness Rating: **Moderate**
Global Innovation Index: **77th**



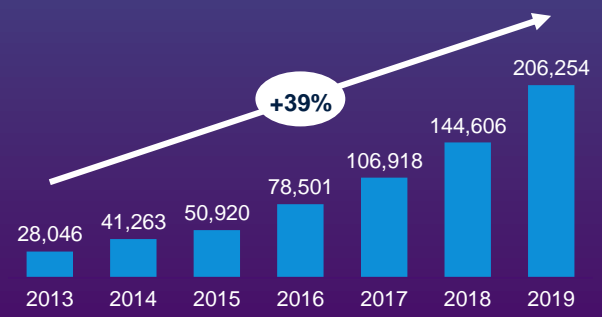
Kazakhstan in the World Bank's rank in Ease of Doing Business: **25th**



Key subsectors: payments, accounting, lending, marketplaces

- 53 Number of fintech startups
- 3.7% E-commerce market volume
- 82% Digital literacy
- 79% Internet penetration
- 136% Mobile connections

Volume of retail trade via Internet, mln KZT



Successful case in Kazakhstan



Kaspi.kz

Kaspi Bank's transformation into the largest ecosystem of innovative services in KZ

- 2014 – Kaspi online-shop
- 2016-2017 – Kaspi Red (payments by instalments), Kaspi Gold and Kaspi.kz App
- 2019 – made 515 mln USD profit (369 mln USD by fintech platform)
- 2020 – over 6 mln users of Kaspi.kz

96.6%

Share of retail loan portfolio

1st

Bank rating according to Forbes Kazakhstan

1st

In terms of retail loan portfolio

6

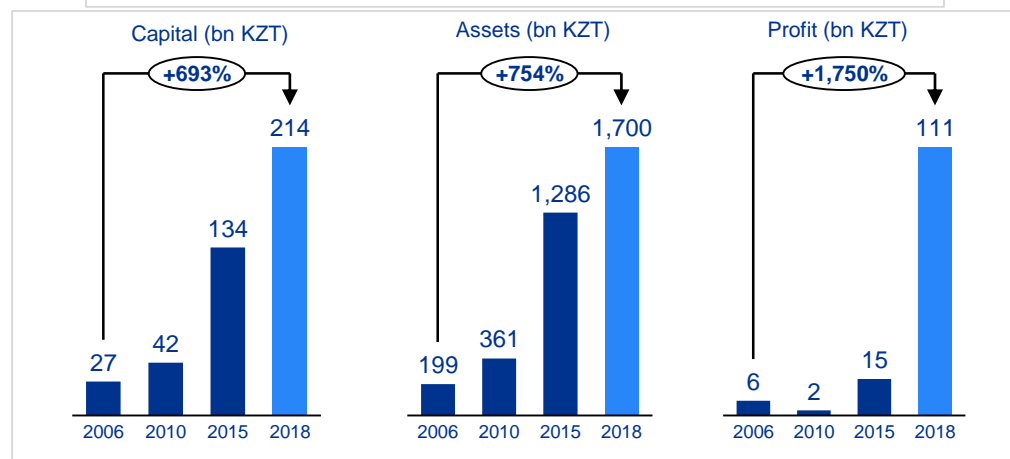
Mln customers in Kaspi App

6.5

Bn USD - Market capitalization after IPO.
Kaspi.kz shares are trading on LSE and AIX.
Kaspi.kz estimate was more than double the market capitalization of the largest Kazakh bank – Halyk Bank, which is \$3.18 bn USD



Kaspi's main figures showed steady growth after investments of Baring Vostok since 2006



Fintech market in Tajikistan



Regulation



NATIONAL BANK OF TAJIKISTAN

No regulatory sandbox



Not technically ready for the implementation of new digital technologies.

Financial inclusion

Putting effort into modernizing payment system's laws and expanding financial inclusion with the assistance of the World Bank and the United Nations Development Programme (UNDP).

The country has made several attempts to employ blockchain in money transfer;
Introduction of e-money and agency banking;
Introduction of remote account opening and digital onboarding rules;
Measures to promote e-governance;
Support for creation of technological hubs.

There is one neobank Alif with following services (similar to Kaspi Bank in Kazakhstan):

- Alif Pay – online payments system
- Alif Mobi – mobile e-wallet;
- Alif Shop - first online shop in Tajikistan;
- Alif Tech – fintech company



Drivers

No Fintech hubs / incubators / accelerators

Prominent FinTech service providers (B2B/B2P/ P2P/ P2B):



Demand for Fintech development:



Level of Fintech development: **Basic**
Digital Readiness Rating: **Very low**
Global Innovation Index: **109rd**



Tajikistan in the World Bank's rank in Ease of Doing Business: **106th**



Key subsectors: payments, accounting, lending, marketplaces

53

Number of fintech startups

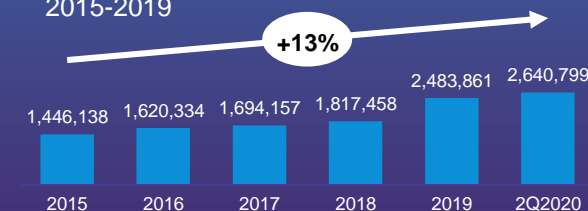
26%

Internet penetration

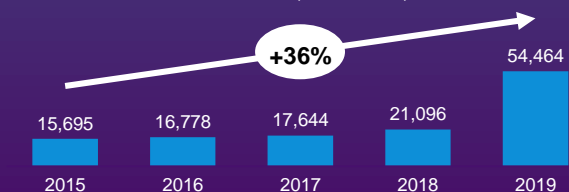
107%

Mobile connections

Number of payments cards in circulation, units, 2015-2019



Number of transactions, th. units, 2015-2019



Sources: Digital 2020 Tajikistan, AIFC, Doing Business, World Bank, National Bank of Tajikistan, KPMG analysis

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Fintech market in Kyrgyzstan



Regulation

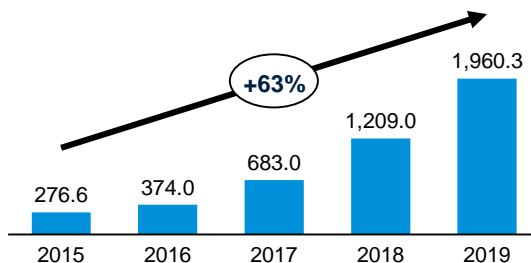


National Bank
Regulatory Sandbox

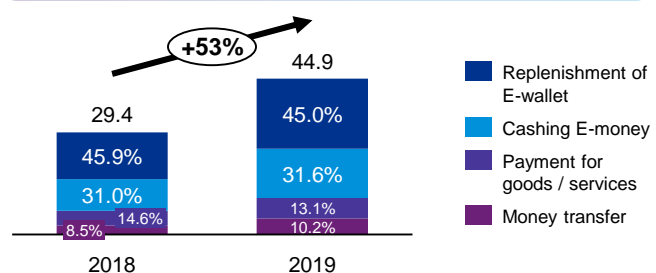
Published on 4 Feb, 2020: "The Concept for the Development of Digital Payment Technologies in the Kyrgyz Republic for 2020-2022"

Financial inclusion

Number of e-wallets, th. units, 2015-2019



Volume of transactions w/ e-wallets, bn som, 2018-2019



Drivers

Major FinTech hubs/ incubators/ accelerators:



Prominent FinTech service providers (B2B / B2P / P2P / P2B):



Demand for Fintech development:



Level of Fintech development: **Basic**
Digital Readiness Rating: **Low**
Global Innovation Index: **94th**



Kyrgyzstan in the World Bank's rank in Ease of Doing Business: **80th**



Key subsectors: e-wallets, transfers

N/A Number of fintech startups

40% Banking penetration

86% Mobile penetration

47% Internet penetration

150% Mobile connections

Other supporting policies:

Remote account opening;
Promotion of e-signature usage;
Measures to promote e-governance (TUNDUK);
Digital transformation of banking services;
Rules on use of QR codes;
Common standards for data exchange (Application Programming Interface);
Licensing mechanisms and regulating activities related to the circulation of digital (virtual) assets (cryptocurrencies).

Sources: Digital 2020 Kyrgyzstan, AIFC, Doing Business, World Bank, National Bank of Kyrgyzstan, KPMG analysis



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Fintech market in Uzbekistan



Regulation



Regulatory sandbox is on formation stage

Enabled the creation of:

- 1) National Mining Pool
- 2) Regulatory sandbox "Uzbekistan Blockchain Valley" with National Agency of Project Management



Financial inclusion

Fintech ecosystem of Uzbekistan is represented by:

- 2 payment processing services, Humo & Uzcard;
- More than 10 payment companies (2 owned by telecom companies);
- More than 28 mobile banking applications;
- 1 digital bank.

The key players are Uzcard and Humo as card providers, and CLICK, Payme and PAYNET among non-banking payment providers.



Drivers

Major FinTech hubs / incubators / accelerators: FinTech lab

Prominent FinTech service providers (B2B / B2P / P2P / P2B):



Sources: Digital 2020 Uzbekistan, AIFC, Doing Business, World Bank, Central Bank of Uzbekistan, KPMG analysis

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Demand for Fintech development:



Level of Fintech development: **Basic**
 Digital Readiness Rating: **Very low**
 Global Innovation Index: **93rd**



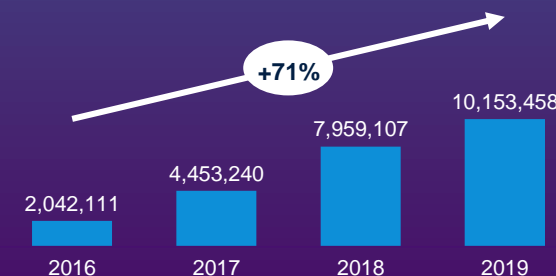
Uzbekistan in the World Bank's rank in Ease of Doing Business: **69th**



Key subsectors: transfers, payments, micro-lending

- 45 Number of fintech startups
- 0.7% E-commerce market volume
- 96% Mobile penetration
- 55% Internet penetration
- 76% Mobile connections

Number of remote banking users, mln people, 2016-2019





Successful case in Uzbekistan



CLICK - Nationwide Financial Platform with more than 5.5 mln users

2011-2016

- Started operations with its USSD payment interface and created Click Uzbekistan mobile application (with option of tracking expenses)

2017

- Launched CLICKUZ BOT for Telegram, which offers all services from mobile app, including peer-to-peer transfers in the chat

2019

- New products: mobile application Click Evolution, terminal for merchants to accept cashless payments Click Pass, and first in Uzbekistan e-wallet – Click E-wallet.

75,7%

Share in market of money transfers from card to card (P2P)

1.5

Bn USD – sum of payments through Click

50%

Of payments was made in 2019

1

Mln and more installations of Click mobile applications in the app stores



KPMG Fintech projects

KPMG Resources

Description



— Service for search of proven solutions that gives large corporations access to the database of ~6000 proven KPMG experts from technology start-ups (FinTech, InsurTech, RegTech, etc.)



Innovation Factory



— Platform to support innovation in organizations. The service provides: 1) Crowdsourced ideas/knowledge; 2) Managing the portfolio of innovative projects; 3) Support collaboration of teams of innovative projects (community).



Atlas



— Structured expertise: constantly updated comparative analysis of business trends and innovation by corporate values, mediation of know-how and online seminar formats



Innovation Maturity Assessment (ISO)



— A full-scale diagnostic study that uses a detailed set of questions to evaluate innovation maturity in 8 areas according to standards of innovation management (ISO 56xxx), resulting in a digital transformation plan



Spectrum



— Customer journey software that allows you to create target profiles of your customers as well as their user experience in using your products/services



Sensory Advantage Insights Platform



— A ready-made trend research platform that helps customers identify the firm's strategic solutions, including investments in new services and technology



KPMG Digital Village

KPMG Digital Village is an ecosystem that connects corporations with the country's best innovation solutions

Corporations

- Innovative workshops and trainings
- Access to innovative solutions
- Exchange of knowledge and ideas
- KPMG Global Experience
- Innovative tools and methodology
- Digital strategy

Investors

- Branch experience
- Startup deal flow
- Syndication of the transaction
- Access to corporations

Innovative solutions

- Access to corporate clients
- Access to world markets
 - Fund raising
 - Mentoring
- Operational support
 - Co-innovations

Government

- Research and R&D Projects
 - Trainings
 - Internships
- Hackathons and Challenges

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KPMG Digital Village
Central Asia
03 04

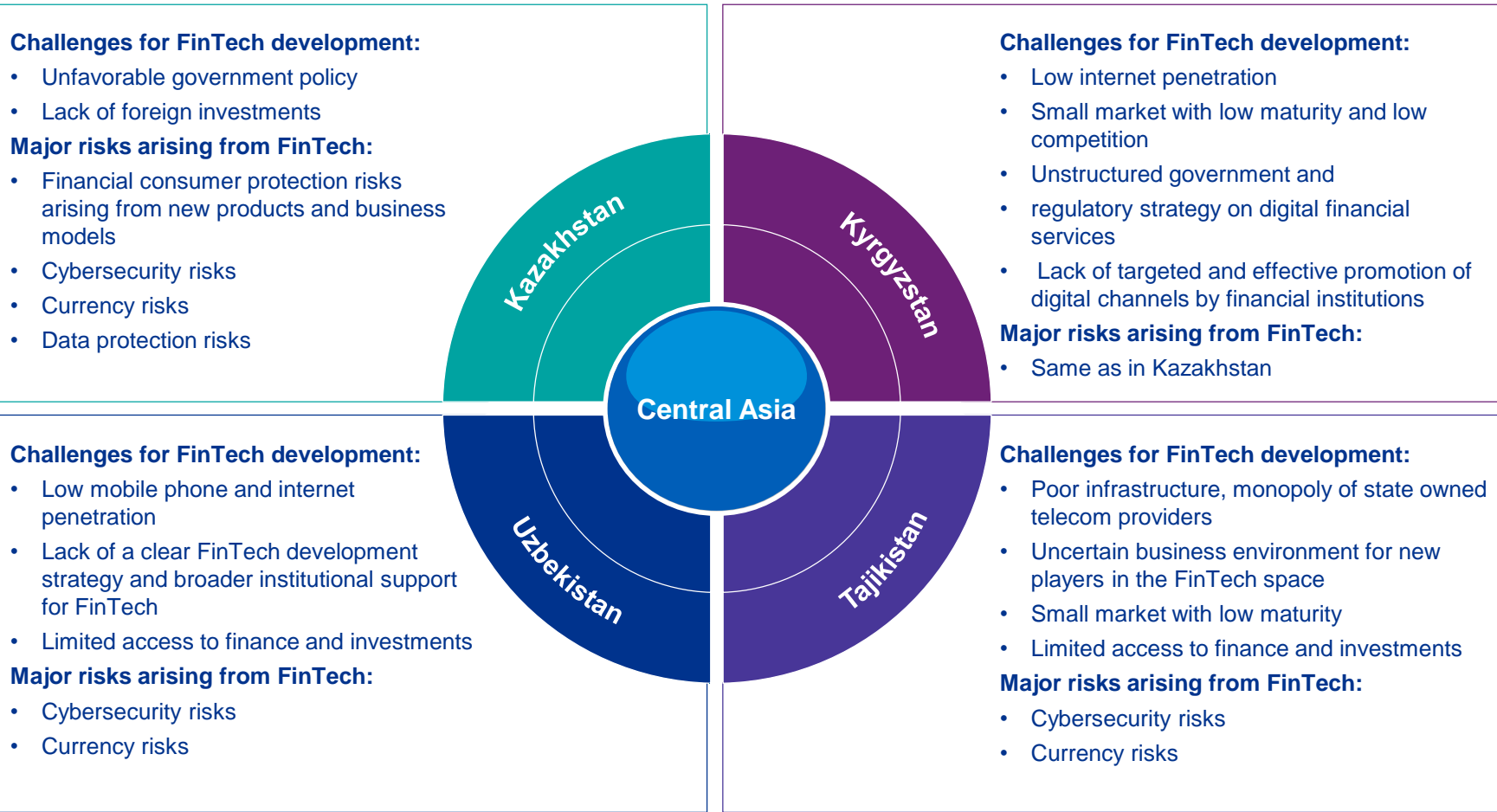
Participants of the innovation ecosystem





Fintech market in Central Asia

Each country lacks accurate statistics on digitalization and online transactions



Sources: World Bank: "Fintech in Europe and Central Asia: Maximizing Benefits and Managing Risks" from February 2020



Future vision and further development

In Central Asia, Kazakhstan is the most prominent FinTech destination. FinTech in the rest of the CA region remains underdeveloped.



Expectations and key drivers



Kazakhstan

- Liberalization of new electronic features
- Development of regulatory laws on digital infrastructure
- Expansion of state support programs
- Introduction of new digital platforms
- Development in the field of insurance, regulatory and investment technologies
- Execute statistical reports



Kyrgyzstan

- Increase of internet penetration
- Development of regulatory laws on digital infrastructure
- Expansion of state support programs
- Introduction of digital literacy programs
- Attraction of investors from abroad
- Execute statistical reports



Uzbekistan

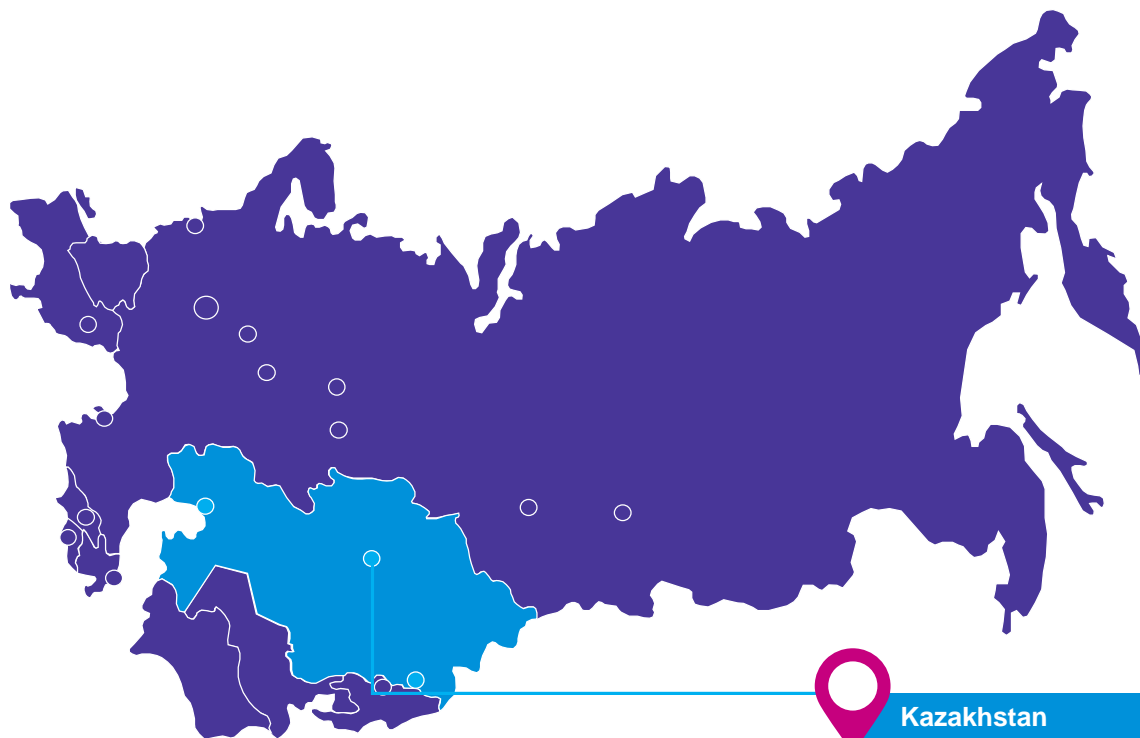
- Increase of internet penetration
- Increase of mobile penetration
- Introduction of laws on digital development
- Creation of regulatory sandbox
- Expansion of state support programs
- Introduction of digital literacy programs
- Execute statistical reports



Tajikistan

- Increase of internet penetration
- Increase of mobile penetration
- Introduction of laws on digital development
- Creation of regulatory sandbox
- Expansion of state support programs
- Introduction of digital literacy programs
- Execute statistical reports

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