Philippines forges investment promotion agreement with UAE

THE PHILIPPINES and United Arab Emirates (UAE) signed an investment promotion and protection agreement (IPPA) on June 9, with the Trade department expressing an interest in tapping Dubai investment in agriculture and energy, among others.

In a statement on Sunday, the Department of Trade and Industry (DTI) said Trade Secretary Ramon M. Lopez and UAE Minister of State for Financial Affairs Mohamed Bin Hadi Al Hussaini signed the IPPA, which it said is expected to create 2,500 jobs and over P7.1 billion worth of investment.

"The parties intend to promptly facilitate the internal procedures needed for the entry into force of the IPPA. Sectors of interest from the UAE include import and distribution, the manufacture of scaffolding and formwork, engineering services, defense, telecommunications, tourism, poultry, aerospace, retail (such as medical equipment/devices), and renewable energy," the DTI said.

The DTI said it is eyeing investment in agribusiness and agriculture, energy efficiency technology and renewable energy, infrastructure and public–private partnership projects, artificial intelligence, information technology and business process management and shared services, manufacturing, oil and gas, processed and specialty food, and tourism and hospitality.

Philippine products the DTI expects to promote to the UAE are plastic and rubber products such as gloves, vulcanized rubber, and vulcanized rubber thread and cord, and spices such as cloves and pepper.

The IPPA establishes a Joint Committee on Investments (JCI) which find areas of cooperation between the two countries. The JCI is headed by undersecretaries of the DTI and the UAE's Ministry of Finance.

Mr. Lopez said that the IPPA comes at the start of the process for forging a Comprehensive Economic Partnership Agreement (CEPA), with Dubai.

"The IPPA will boost investment between the countries and the CEPA will also pave the way for the Philippines' enhanced access to the broader Middle Eastern region and could be UAE's strategic hub in the Southeast Asian market," he added.

In February, the DTI said that a CEPA with UAE is expected to contain elements of a free trade agreement.

Philippine interests for inclusion in a CEPA include fresh and processed fruit, seafood, food products, beverages, electronics, appliances, machinery, personal care goods, iron and steel, wood, cement, chemicals, automotive and automotive parts, ships and aircraft, textile and garments, footwear, and leather.

According to the DTI, the UAE was the Philippines' 23rd largest partner in terms of two-way trade, the 21st largest export market and the 26th largest source of imports in 2020. — **Revin Mikhael D. Ochave**

Three deals with Israel expected to broaden B2B contracts with PHL

THREE newly signed agreements with Israel are expected to enhance business-to-business (B2B) interaction between Israel and the Philippines, bringing bilateral trade beyond pre-pandemic levels, the Israeli embassy said.

"The challenge is to show to both sides that the Philippines is an interesting market which brings interesting opportunities," Israel Ambassador to the Philippines Ilan Fluss told reporters on Friday.

"This is done not only with figures, statistics and by sending e-mails, you have to have interaction," he added. "Our plan now is to work more on the interaction between business to business, the private sector."

The ambassador noted that Israel is currently searching for new partners since it depends on exports as a small country. "We always look abroad," he added, noting that its traditional markets include the United States and Europe, with the recent addition of China and the United Arab Emirates.

Israel Embassy Economic Attaché and Head of the Economic Mission Tomer Heyvi said there is great potential for trade and investment in the Philippines. "We do expect it to grow in the coming years."

Israel is targeting more electronics imports from the Philippines, as well as food, agriculture-based products, and consumer goods such as garments and textiles.

However, more support must be given to the private sector to achieve its potential, Mr. Fluss said. "We are not tapping the potential, this is the main message, and it is up to us to help the private sector to fulfill this potential."

The three agreements signed last week included an investment promotion and protection agreement (IPPA), a memorandum of understanding (MoU) forming the Joint Economic Commission (JEC), and a MoU seeking to strengthen cooperation with the Israel Innovation Authority.

The IPPA, which needs ratification from Congress, provides the framework for a closer investment relationship between Israel and the Philippines. It also specifies investment protection elements such as national treatment, most favored nation treatment, free transfers, rules-based expropriation and compensation, and investor-state dispute settlement.

The JEC seeks to intensify the bilateral economic cooperation and linkages, enhance the current state of trade and investment, and address trade barriers.

Cooperation with the Israel Innovation Authority will take place in research and development and commercial relations.

Bilateral trade in goods between the Philippines and Israel peaked in 2019 at $338 million. It dropped in 2020 due to the pandemic, but rebounded to $323 million in 2021.

Mr. Heyvi said Israeli exports to Philippines are still "relatively low, consisting of only 0.3% of Israel's total exports.

"But I'm sure that with the two major agreements, the IPPA and the joint committee, we (have) planted the seeds for better economic and trade relations between the two countries," he added.

Once further growth has been attained, both countries can begin negotiations on a free trade agreement, Mr. Heyvi said. — **Alyssa Nicole O. Tan**

Dominguez wants ADB to take the lead on ASEAN-specific climate action program

FINANCE Secretary Carlos G. Dominguez III urged the Asian Development Bank (ADB) to lead a climate action information and best-practices exchange program within the Association of Southeast Asian Nations (ASEAN).

"Climate change might be a global problem," Mr. Dominguez said in a statement on Saturday. "The issue, however, exhibits itself most starkly in our smallest communities. I am sure that the ADB will be ready to help us promote the exchange of climate change action and adaptation practices among the ASEAN countries."

Mr. Dominguez also said an ADB program would be a better alternative to relying on international entities, such as the United Nations Climate Change Conference of the Parties (COP), which he says leans heavily towards big-picture problem-solving and not solutions specific to local communities.

Mr. Dominguez brought up the prospect during the signing of two loan agreements on June 3. One was a $250-million policy-based loan intended to finance the Climate Change Action Program, Subprogram 1 (CCAP1), and the other the Capital Market-Generated Infrastructure Financing, Subprogram 2 (CMGIF2), a $400-million policy-based loan intended to help develop and boost the domestic capital market, infrastructure financing, and insurance and pension funds. — **Tobias Jared Tomas**

FULL STORY

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Xendit payment platform eyes clients of all sizes, even in remote areas

By Keisha B. Ta-Asan

INDONESIAN financial technology (fintech) company Xendit said it is positioning itself as a payment infrastructure platform supporting businesses of all sizes in Southeast Asia, to tap into demand for digitally transformative services in the region, even in areas with little broadband penetration.

Xendit said its target set takes in the whole range, from individual sellers, micro-, small-, and medium-sized enterprises (MSMEs), growth-stage startups, and large enterprises.

In the current climate, businesses need to digitize for them to grow faster, Xendit Philippines Managing Director Yang Yang Zhang said in an interview.

"I think that adopting emerging technologies, introducing these kind of new business processes, accepting online payments, is crucial for any business's survival," Ms. Zhang said.

"We really, really want to make sure that we are not just building out for the top 10% of companies. (The target is) 100% of the businesses that are out there," she added.

The fintech industry in the Philippines has adopted emerging technologies to overcome the advantages held by incumbent financial institutions as well as the challenges posed by coronavirus disease 2019 (COVID-19).

According to the Philippines FinTech Report 2022, the number of fintech companies in the Philippines was 222, up 16.8% from the number recorded in 2020.

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link
<bit.ly/Xendit061322>

OPINION

Fintech: Powering digital transformation in financial services

(Last of three parts)

SUITS THE C-SUITE
ANURAG MISHRA

Anyone who has transferred money to another person's account without having to deal with a bank employee — by e-mail, text, call or physical visit to a bank branch — is no longer a total stranger to financial technology. But keeping up with developments in the market can be dizzying, as fintech has grown exponentially of late, helped in part by the global health crisis that provided the impetus to reexamine processes and put the customer at the core of solutions.

Fintech trends have been disruptive and will continue to be so especially now that the mobility restrictions since 2020 forced financial institutions to take a good look at what a digital economy is going to look like. Looking at the practical responses of banks to stay agile during the pandemic by examining processes that can be automated and making them more customer-centric, we can see that financial institutions have already set into motion what could be the beginnings of digital transformation.

In some countries, financial firms are proactively taking steps to understand how their organizations can benefit from the wide array of available and emerging technologies. The experience over the past two years points to an acceleration of technological innovation in the years to come. Making sense of all the buzzwords can be a task for the uninitiated in the fintech world. It would be wise to identify which tech trends to focus on in relation to how they can impact the industry and diverse organizations.

In the first part of this three-part series, we discussed the key themes anticipated within the next two years in the fintech market in Asia. In the second, we looked at tax considerations in the Philippines. In this last part of the series, we take a look at a few of the tech trends that are worth keeping an eye on as the industry continues to experience dramatic change.

WHITE LABEL FINTECH

White labeling allows firms to sell products without incurring significant development expense, time or navigating regulatory compliance. Also referred to as "Banking as a Service," it is an authorization to brand and sell products or services developed by another company. This allows fintech firms to create a branded front-end offering layer over white label application programming interface or API-enabled platforms.

This solution leverages the innovation ecosystem without the need to reinvent, reinvest in and go through the entire technology development life cycle. It significantly reduces go-to market offerings to customers and seamlessly integrates technology innovation, creative product offerings and compliance requirements in a highly regulated industry to better serve customers.

White labeling is a great and attractive option for businesses to leapfrog into the modern digital world. It is a strategy for emerging companies to reduce risks and free up resources to focus on what they're good at — develop products, build the brand, and grow their client base. For fintech startups, white label solutions allow them to meet the demands of customers, minus the learning curve. Companies availing of these solutions, however, will have limited control over product development, and the drawbacks can range from bugs and security weaknesses to failure to observe the law.

DATA AGGREGATORS

A customer's financial footprint is distributed across various institutions, instruments, and platforms, making it difficult to have a full view of their transaction history. Data aggregators collate customers' bank accounts, mortgages, brokerage accounts, and credit card data, among others, so they could provide one financial view of customers, irrespective of channel and the businesses the customers transact with. They accomplish this through APIs used by fintech firms through which customers log in to their platforms.

This aggregation of data at scale is also the backbone of open banking and a free-flowing financial ecosystem. Data aggregation powers a wide gamut of fintech applications to provide financial services on demand like advising, lending, quicker money transfers etc. The portability enabled by data aggregators cuts down paperwork and allows customers to improve eligibility and access to better products/services. With a free flow of data in the financial ecosystem, firms can have a better view to offer personalized products in real time.

Data aggregators' connection with many institutions, however, can equate with multiple points for possible breaches and leaks. Security risks can also arise from web data scraping, a process that involves a computer program logging into a bank's website using a client's credentials and reading code to extract financial data. The industry though continues to look into superior ways of aggregating data without compromising the protection of customers. This, nevertheless, brings to the fore the question of greater regulations that establish guidelines on how financial data is accessed and stored safely.

ROBOTIC PROCESS AUTOMATION OR RPA

Customer experience drives loyalty to brands. Financial institutions, in turn, grow revenue and margins based on customer loyalty. Hence businesses are increasingly automating core operations to focus on enhancing customer experience and loyalty.

Robotic process automation or RPA accomplishes mundane and repeatable backend processes better, faster, and more accurately. RPAs are easy, flexible, budget friendly, and quick to deploy, improving productivity while enhancing serviceability and incremental revenue. RPAs ensure mistake proofing, compliance, real-time reporting and insights in a highly regulated fintech sector.

Automation is a great boost to operational efficiency. RPA's future popularity in the world of fintech will likely be borne out of its utility to compliance and regulatory needs. With automation, businesses are able to efficiently keep audit trails for every process, supporting high compliance.

VOICE-ENABLED PAYMENTS (VEP)

More and more people get recommendations, shop for the best deals, and perform tasks using rapidly evolving voice assistants (e.g., Alexa, Siri, Google) backed by sophisticated natural language processing and artificial intelligence. Digital voice assistant-enabled devices are estimated to double to 8.4 billion by 2024 providing a smarter and more connected ecosystem than ever before.

Many banking services are rapidly being integrated and are accessible through voice assistants. As voice encryption, voice-biometrics, multifactor authentication and voice tokenization advances, a secure voice assistant has the potential to disrupt how customers will pay in the future. The pandemic and millennials comfortable with voice over typing will accelerate adoption. VEP is projected to be used by 31% of the US adult population in 2022.

This technology allows seamless, end-to-end, integrated concierge-like experience, allowing customers to multi-task better. As digital payment is the largest segment within the global fintech sector, voice integration with digital touch points will separate fintech leaders from laggards. To drive new opportunities, growth and leadership, fintech players will need to continue to rapidly adopt disruptive VEP technology.

As we keep an eye on these and many other tech trends, we will continue to witness the evolving behavior of consumers, which in turn will feed into the appetite of organizations to embrace and capitalize on this wave of technological innovation. There is, however, an element of uncertainty in technologies that, although disruptive, have yet to pass regulatory scrutiny. Financial firms will have to look at how best to jump onto the bandwagon, so to speak — to work on their own projects or fire up their collaborative spirit and forge alliances with industry peers to push new technologies to wider adoption.

The potential of these tech trends to help make a world of difference in how processes are improved and productivity raised can be astounding. At the end of the day though, leaders will have to go back to what matters most when embracing innovation — enhanced customer experience, services transformation, and a proven track to successful business models.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

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