



Fintech Vision

Enabling a thriving Fintech ecosystem and
propelling the growth of the Fintech industry
for the benefit of all Jordanians



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List of abbreviations

CBJ	Central Bank of Jordan
Fintech	Financial Technology
FSP	Financial Services Provider
GDP	Gross Domestic Product
ICT	Information and Communication Technologies
Jo Fintech hub	Jordan Financial Technology Hub
JoRegBox	Jordan Regulatory Sandbox
MSMEs	Micro, Small and Medium Enterprises
NPS	National Payment System
RegTech	Regulatory Technology
SupTech	Supervisory Technology

Foreword

In today's rapidly evolving digital landscape, the emergence of fintech as a transformative force within the financial industry is undeniable. The immense potential of fintech in reshaping and simplifying the model of financial services, making them more effective, more efficient, and customer-centric, is nothing short of a revolution in its own right. With its unique capability to bridge the gap between traditional financial systems and the evolving demands of financial consumers, fintech stands ready to play a pivotal role in generating employment opportunities, driving sustainable economic growth, achieving flexibility and prosperity for society, enhancing the efficiency of financial services, promoting financial inclusion, and elevating customer experience.



In Jordan, as we embrace digital transformation, the integration of Information and Communication Technologies (ICT) within financial institutions has heightened, leading to increased levels of efficiency and effectiveness in delivering financial services. Amidst these transformative prospects, the formulation of a comprehensive vision for a fintech ecosystem becomes of utmost importance. Within this document, we are pleased to outline a forward-looking vision that encapsulates the essence of Jordan's thriving fintech landscape. This vision is not only designed to address the intricacies and opportunities that fintech presents, but also to provide strategic guidance for building a robust fintech ecosystem— a foundation that fosters technological innovation, enriches financial services, and propels economic development within our nation.

The vision of the Central Bank of Jordan (CBJ) for fintech seamlessly aligns with the Economic Modernisation Vision2033 as one of the royal initiatives. Furthermore, it aligns with other national strategies, thus forming a collective approach to a comprehensive and advanced digital transformation which enhances the provision of financial services, while boosting the fintech ecosystem in response to the rapid pace of technological evolution. This vision is a manifestation of the unwavering commitment of the CBJ to encourage secure and effective innovation in the field of fintech to promote financial inclusion and economic growth.

Moreover, our vision weaves a dynamic tapestry of the vast market opportunities awaiting exploration. It reveals why Jordan serves as a fertile launchpad for fintech startups, and it delineates national objectives, offering a roadmap for stakeholders to understand their pivotal roles in cultivating a thriving fintech ecosystem.

Through this comprehensive vision, our Goal is to position Jordan as a regional center of innovation in the field of fintech. This collective ambition needs engagement and collaboration from all key stakeholders— financial institutions, technology providers, incubators, accelerators, education and training institutions, investors— all working to enhance the growth of the fintech sector. This requires harnessing expertise, refining digital financial services, promoting the essential digital infrastructure that supports a thriving fintech ecosystem, and providing steadfast support to entrepreneurs and startups in the field of fintech at every stage of their journey.

In this pursuit, we remain steadfast in our commitment to fostering enduring partnerships and collaborating with stakeholders to achieve this transformative vision. Together, we can position Jordan as a hub of innovation and leadership in the field of fintech, shaping a bright future for innovative financial services and building a comprehensive and advanced digital economy that aligns and keeps pace with global developments.

Dr. Adel Al Sharkas
Governor, Central Bank of Jordan

The vision

Supporting economic growth, resilience and prosperity for all Jordanians by establishing Jordan as a regional hub for fintech innovation, which enhances financial inclusion, improves the efficiency of financial services and improves customer experiences.

Why Fintech?

Fintech is becoming an increasingly prominent influence on the state of the financial industry across the world, including Jordan. Fintech offers the potential to improve the efficiency, creativity and value of financial services that can contribute to the resilience and prosperity of customers and micro, small and medium enterprises (MSMEs) in Jordan, thus supporting Jordan's key objectives to enable economic growth and employment generation. In addition, fintech can enhance innovation and entrepreneurship, thereby accelerating the digital transformation process across the financial sector. This transformation is not only about digitizing financial transactions, but also about harnessing the power of data analytics, artificial intelligence, and blockchain technology to deliver predictive insights, increase security, and streamline operations. Fintech leads to significant economic efficiencies and can improve the role of the financial sector to support broader economic outcomes. Fintech provides competition to existing Financial Service Providers (FSPs), encouraging market-wide innovation, as well as developing and providing the technology and ideas to facilitate innovative developments. A vibrant and flourishing local fintech ecosystem, supported by an enabling regulatory environment, will also encourage further foreign investments in emerging start-ups in Jordan. Fintech can play a role in enhancing financial stability within a legislative environment that balances between innovation and financial sector integrity.

The Jordanian financial sector is poised for a major transformation. Promoting the digital transformation and the digital economy, positioning Jordan to become a leading regional hub and investment destination for fintech, as well as promoting transforming into a digital cashless society using digital financial services are part of the general directions of the Jordan Economic Modernisation Vision (2033) and its executive program (2023-2025). CBJ will achieve these directions by taking active steps to implement the following initiatives that relate to the financial sector in Jordan:

- Digital transformation in the financial sector.
- Developing legislation regulating the financial sector. Modernise and provide an appropriate environment for fintech and innovations.
- Promoting financial inclusion.
- Promoting MSMEs access to finance.
- Regulating and developing the insurance sector.
- Developing the money exchange sector's ability to provide distinguished digital services.

What is fintech?

"Technology-enabled innovation financial services that could result in new business models, applications, processes or products with an associated material effect on the provision of financial services"

-FSB (2019)

Who will benefit?

Supporting the growth of fintech in Jordan is expected to bring significant benefits to a wide variety of stakeholders. CBJ has identified key beneficiaries, which include:

Underserved individuals:

Fintech can provide these consumers with access to a wider range of high quality, affordable digital financial products that can help them manage their day-to-day finances, respond to risks, and prosper. For example, fintech can enhance access to credit and payments for elderly, women, youth, low-income and refugee populations, improve customer experience and accessibility for individuals with disabilities, and offer more user-friendly, simplified, and affordable services.

Micro, Small, and Medium Enterprises (MSMEs):

Fintech can provide these businesses with better access to finance, cash flow management tools, and risk management solutions. This increased access can help them grow and become more resilient to shocks, thereby increasing their contributions to employment generation and Gross Domestic Product (GDP). Fintech can also facilitate access to new markets through digital payments and other value chain links.

Ecosystem enablers:

Incubators, accelerators, investors, academic and training institutions play a crucial role in supporting fintech development. These entities will benefit from the success of fintech in Jordan as it generates opportunities for increased revenue, heightened investments, growth, and surge the demand for technology and innovation expertise. This will result in more employment opportunities for skilled citizens.

Financial Service Providers (FSPs):

FSPs can benefit from fintech by gaining access to new ideas, approaches, and technologies that can enhance their efficiency, customer satisfaction, and product design. Fintech can also help them serve new customers, deliver new products, increase revenue, improve compliance efficiency through regtech solutions, and enhance customer trust and loyalty.

Fintech companies (Fintechs): These companies stand to benefit significantly from an enhanced fintech ecosystem. This will allow more start-ups to thrive, foster a more favourable and innovative regulatory mind-sets, and create opportunities for growth in partnerships and revenue.

The Government: Fintech can greatly support the directions of the Jordanian Government for digital economy by supporting the e-government transformation efforts, facilitating more affordable, safe, and secure payments processing, enhancing the efficiency of government services such as tax collection, governmental payments, and increasing the digitalization of payments and financial services which would support a cashless economy.

The Central Bank of Jordan (CBJ):

CBJ is set to benefit from supporting fintech, especially with the development of regtech and supotech solutions that enable risk-responsive supervision and efficient prioritization. This can help CBJ achieve its strategic objectives such as financial stability and consumer protection, balancing between innovation and financial sector integrity.

Why Jordan

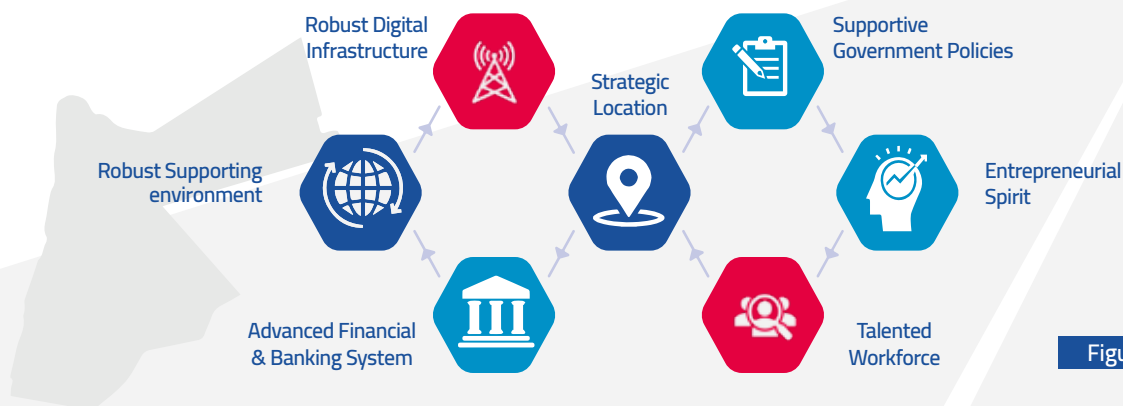


Figure 1

Jordan's excellent ICT infrastructure and skills, combined with a policy commitment to support fintech and a strong set of existing institutions that support the growth of fintech companies, presents a strong foundation for the development of fintech in Jordan. Jordan's environment boasts major strengths that provide a fertile ground for the growth and development of fintechs. Several key factors make this Middle Eastern nation stand out:

Robust Digital Infrastructure: Jordan boasts a strong and rapidly expanding digital infrastructure¹. With a high internet and mobile phone penetration rate of 66.8% and 85% respectively, an increasingly tech-savvy population, and a well-developed centralised payments infrastructure, the country offers a vast pool of potential customers for fintech innovations.

Supportive Government Policies²: The Jordanian government has demonstrated a commitment to nurturing innovation and digital transformation through various policies and initiatives. This has led to a regulatory environment conducive to the operation of fintechs.

Talented Workforce: Core ICT skills in Jordan are generally excellent, and it is widely acknowledged as one of the leading producers of these skills in the region (23% of MENA tech entrepreneurs comes from Jordan)³. Jordan has a proven record of accomplishment of contributing to the growth of fintech solutions in the region and is among the top 6⁴ regional providers of fintech solutions, thus making it ideally positioned for a thriving fintech ecosystem.

Entrepreneurial Spirit: The kingdom is known for its culture of entrepreneurship and eagerness to adopt cutting-edge technologies. This positions Jordan as an appealing destination for fintech start-ups.

Strategic Location: Jordan's geographical location within the Middle East makes it a gateway for businesses aiming to expand regionally. Its proximity to key markets make it an attractive choice for fintech start-ups looking to scale their operations.

Robust Supporting Environment: Funding for start-ups is generally good in Jordan with rapid growth in recent years. Only a small proportion of total start-up funding goes to fintechs, however, this is primarily related to the relatively few fintechs currently operating in Jordan and there is significant opportunities for growth. Towards this, Jordan has a number of incubators, accelerators, innovation hubs and investors that will serve entrepreneurs and developers with training, skills development, business support and financing, For example Start-ups funding Grew By 499% between 2020 and 2021⁵.

Advanced Financial and Banking System: An additional cornerstone of Jordan's fintech potential lies on its advanced financial and banking system. With a solid regulatory framework and well-established institutions, the financial landscape is poised to seamlessly integrate and capitalize on the innovations brought about by fintech, further strengthening Jordan's position as a burgeoning hub for fintech.

1: ICT Indicators Database, World Bank, Individuals using the Internet (% of population): Jordan | Data (worldbank.org)

2: Open finance regulation, Central Bank of Jordan www.cbj.gov.jo

- All regulations related to the financial sector are issued by the Central Bank of Jordan. www.cbj.gov.jo

- Electronic Transactions Law, Ministry of Digital Economy and Entrepreneurship, www.modede.gov.jo

3: Digital Skills and Entrepreneurship, Minister of Digital Economy and Entrepreneurship (modede.gov.jo),

4: Financial Services Sector, Economic Modernization Vision, www.jordanvision.jo

5: Jordan: The Middle East's Overlooked Tech and Innovation Hub (thestartupscene.me)

Opportunities to enhance the fintech enabling environment

While Jordan provides a robust digital infrastructure, pool of skills, talent, and institutional support for fintechs, CBJ acknowledges that there are still key challenges facing the fintech ecosystem in the kingdom and therefore require efforts for improvement. These efforts aim not only to retain entrepreneurs and qualified talents in the field of fintech but also to support the establishment of local fintechs.



Figure 2

Market Availability: The relatively small size of Jordan's population limits the scaling potential for fintechs. Furthermore, the current low level of financial inclusion reduces the effective market for fintechs. While fintech growth can expand customer reach and improve financial inclusion, and thus the effective market for financial services, the population size remains a constraint. Therefore, it is crucial to support Jordanian fintechs to succeed locally and help them expand and scale into regional markets.

Regulatory Environment: Fintechs have indicated that existing regulation can be complex to navigate, and the licensing requirements for market entry often do not align with the realities they face. Simplifying these processes could significantly aid fintech development.

Supervisory Environment: Some fintechs have noted slow response and limited access to regulators as major challenges. Improving these aspects, and having CBJ play a supportive role in particular, could create a supportive environment for fintech growth.

Fintech ecosystem in Jordan

The fintech ecosystem in Jordan involves various stakeholders who play crucial roles in shaping and influencing the industry. These stakeholders are shown in the figure below and will collectively contribute to the growth and evolution of the fintech ecosystem, shaping the future of digital financial services.

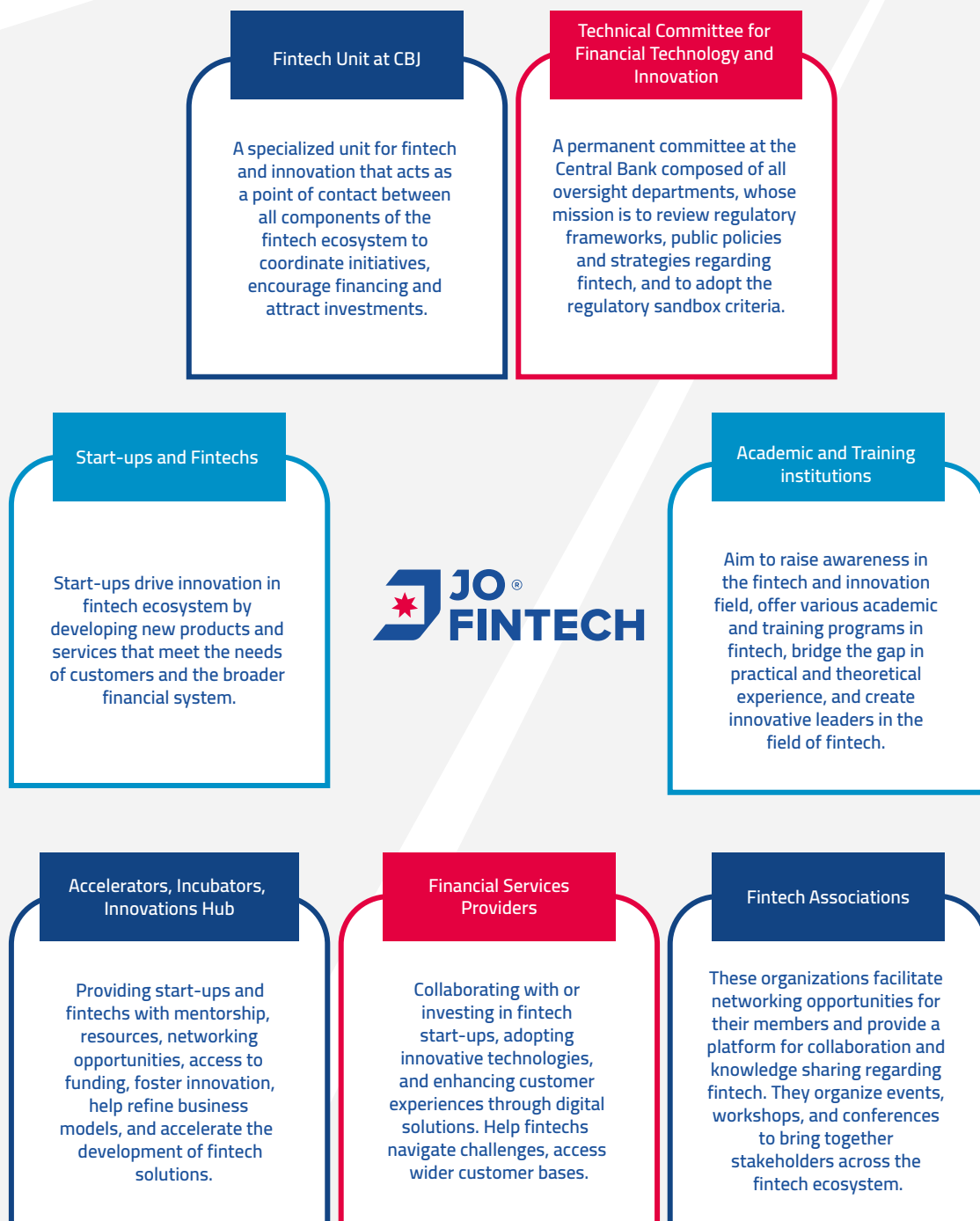


Figure 3

CBJ's priorities to support the development of Fintech in Jordan

CBJ has identified several priorities to support the fintech ecosystem in Jordan and foster an environment conducive to innovation within the financial sector. These priorities include the following:

1. Improving the legal and regulatory environment to stimulate innovation and foster competition.

- Simplifying the regulatory framework for optimal fintech participation.
- Enhancing the use of non-legally binding guidance notes to provide regulatory clarity.
- Reviewing and changing licensing requirements to be proportionate. This includes initiatives to introduce risk-based supervision and consideration of the potential for further tiered licenses.
- Establishing a high-level steering committee at a national level to coordinate fintech initiatives and to promote collaboration with all stakeholders in the fintech ecosystem - across the kingdom.
- Enhancing the JoRegBox as a tool to enable responsible access to the market. This allows applicants to pilot their innovative products in the market under a controlled environment with reduced regulatory requirements.
- Supporting the transition towards open finance to encourage more fintechs to enter the ecosystem.

2. Enhanced communication and coordination with fintechs and other actors within the enabling environment.

- Work proactively with incubators, innovation hubs, accelerators, investors, academia, training providers and associations to improve communication to all fintechs and support a fintech enabling environment.
- Proactive, transparent and regular updates to fintechs to track progress in fintech innovations.
- Engage in regional and global forums to boost coordination efforts that attract and retain fintechs.
- Launch fintech days, events, and workshops to deepen collaboration and engagement.
- Promoting the collaboration with the international institutions, organizations and central banks in the fintech field.

3. Promoting increased investments in Jordanian fintechs.

- Promote the Jo-Fintech ecosystem at local and international events to attract investors.
- Collaborate with the government agencies and institutions to simplify and facilitate some regulatory requirements regarding fintechs to enable innovation.
- Motivate FSPs to invest more in digital platforms and fintech solutions by encouraging partnerships that allows FSPs and fintechs to grow together.

4. Expand digital financial services to enhance Jordanian's quality of life.

- Promote the use and application of fintech and innovations in the financial sector.
- Lead and nudge market players to innovate and target specific ideas or target markets to promote digital financial services.
- Promote the use of innovative savings, investment, finance, payment and insurance products.

5. Promoting the inclusion of all segments of society in the financial system, including all underserved and marginalized sectors.

- Promote fintech in rural and urban areas, for the elderly, women, youth and people with disabilities as well as refugees.
- Encourage developing low-cost digital financial products to financial consumers.
- Support MSMEs resilience and development by increasing access to finance.

6. Closing the knowledge gap of fintech and innovation.

- Establishing a fintech academy for an increase in knowledge about emerging technologies, fintech regulations, and the development of critical jargon related to fintech.
- Skills development across the CBJ to maintain an environment of continuous learning to ensure continuous evolution and adaptation of regulatory requirements for emerging innovation and fintech models.
- Encouraging academic and training programs for fintech and emerging innovations.

Box1: JoRegBox overview



JoRegBox is a real experimental environment that is safe, controlled, and monitored, applying a methodology based on risk management. It allows business pioneers and innovators to test innovative financial products and services with real customers, applying these products developed using technological applications. Targeted activities of the innovative solutions include saving, lending, insurance and related digital services, payment and electronic transfer of funds, regtech and any digital service that facilitates access to financing and alternative financing and contribute to the digital transformation of the financial sector.

The following are the typical stages in dealing with applications in the JoRegBox:

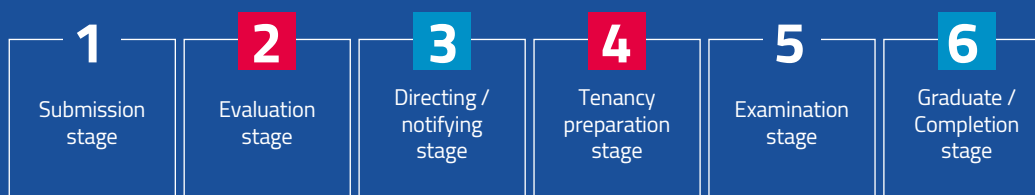


Figure 4

Looking forward

We are looking forward to turning Jordan into a leading regional hub and investment destination for fintech and innovations, and a globally recognized hub for the next generation of financial services and talents seeking development and innovation. This can be achieved by leveraging the Kingdom's esteemed reputation as one of the top countries in the Middle East and North Africa region to adopt fintech solutions and intellectual property.

We recognize that fintech can generate greater access to and use of financial services to reach underserved individuals and businesses, helping to drive positive levels of financial inclusion.

For this, we aspire interaction and cooperation from all stakeholders interested in developing and investing in the fintech industry, improving digital financial services, strengthening the digital infrastructure necessary for a thriving fintech ecosystem, providing permanent support for entrepreneurs and talent, and enhancing knowledge and skills in fintech and innovations.

We will continue to strengthen efforts to achieve this vision and develop approaches to build a strong and responsible ecosystem for fintech and emerging innovations; with the aim of supporting the sustainable development, resilience and prosperity of the Jordanian society as a whole.

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