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### ***Fintech hub in Asia's Silicon Valley***

*FINEX Folio is a rotating column of members of the Financial Executives Institute of the Philippines appearing every Friday in BusinessWorld, opinion section.* The emergence of financial technology or “fintech” in modern business jargon dates back to 1993. That was during the time New York-headquartered Citicorp, the holding company of Citibank, established the Financial Services Technology Consortium as the banking industry’s original forum for collaboration on technical issues.

Even before the term was coined, a company called Intelligent Wave Philippines, Inc. (IWPI) was already into fintech. IWPI started operations in 1990 as the Manila representative office of JASDAQ-listed Intelligent Wave, Inc. based in Tokyo. Its corporate name was later changed to iWave, Inc. when Filipino investors joined the Japanese shareholders in a joint venture.

iWave is the country’s pioneer in electronic payment systems such as phone banking, debit card payment system known as Paylink, and virtual banking or internet-based payment system. Recognized as a fintech provider by the Philippines’ banking sector and its biggest online stockbrokerage, the Filipino-Japanese firm specializes in high volume transactions and secure financial platforms.

Recently, iWave signed a memorandum of understanding (MOU) with the Cagayan Economic Zone Authority (CEZA) and the Traders Group of Japan to develop the first special economic zone in Asia devoted to global fintech companies.

Just like iWave’s parent company, the holding firm of Traders is also listed in the JASDAQ Securities Exchange of Osaka. It pioneered Japan’s foreign exchange back office and stock market exchange systems, as well as being the first to provide online forex and derivatives trading systems to Japanese retail clients. Recently it expanded into exchange platforms for cryptocurrencies.

This tripartite partnership aims to transform Cagayan Valley into the Asian version of California’s Silicon Valley as the premier hub of fintech startups. They also envision the Cagayan Freeport Zone to become a major transshipment and logistics center for trade and

commerce in the Asia-Pacific region.

Set against the backdrop of the Sierra Madre Mountains and some of the world's best beaches, Cagayan Valley is a region of natural forests, rivers, and vast fishing grounds that make it a prime destination for environmentally conscious travellers.

With its new airport infrastructure, master-planned township development, sufficient energy resources, and wide-bandwidth data centers, the Cagayan Freeport Zone is a natural haven for fintech locators.

CEZA's charter allows it to regulate offshore banking units and affiliates, foreign exchange and investment enterprises, and fintech companies while providing an evolving entrepreneurial and technological environment. It is headed by Administrator and CEO Raul Lambino, who holds a Cabinet rank in the Duterte administration.

According to Mr. Lambino, "this is a planned, calibrated development which would be in stark contrast to the largely unmitigated growth of Asian cities with their huge traffic and unproductive environments." He said the MOU "will bridge the technology industries of Japan and the Philippines on a larger scale. This will be carried out by synergizing Japan's advanced technologies and research and development capability with a greenfield technology hub in the Philippines."

Regulations will be based on the forward-looking policies of Japan, the number one trading partner of the Philippines. To facilitate the special economic zone's connectivity to the rest of the world, submarine cable landing points will soon be completed. The North Luzon East Expressway is under construction from Quezon City to Cabanatuan City and will significantly cut travel time to Cagayan Valley.

Under the MOU, iWave and Traders will provide CEZA with the technological expertise to properly regulate and monitor the latest fintech services as they become available to address the unbanked and future crowd-funding solutions. Among these are blockchain or distributed ledger technologies; bitcoin and other cryptocurrencies; payment solutions; and international coin offerings.

Long-term exposure to the capital markets would enable Traders and iWave to lend their best practices in anti-money laundering and "know your client" policies to CEZA. Moreover, their combined experience will ensure that CEZA is at par with Silicon Valley's cybersecurity methodologies, eventually becoming a respected regulatory and licensing authority in the fintech universe. J. Albert Gamboa is CFO of the Asian Center for Legal Excellence and Chairman of the FINEX Media Affairs Committee's Golden Jubilee Book Project.  
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