

**Getting practical** - What questions can investors ask to evaluate a potential fintech investment?

- How can investors evaluate 'value' to clients?
- How can investors evaluate 'risk' to clients?

## PHASE 1 RAPID RISK SCREEN

### \*\*\* Desktop Research \*\*\*

#### THRESHOLD

- ❑ >30% retail exposure (including microfinance)

#### RISK ASSESSMENT

- ❑ Ownership and mission;
- ❑ Business environment and model;
- ❑ Profitability and pricing
- ❑ Regulatory environment

#### NEW REQUIREMENTS?

- Broaden scope to include more sophisticated clients (i.e. SME)

#### NEW REQUIREMENTS?

- In-depth personal interviews, new partnerships;
- Obtainable market, proof of demand
- Benchmarking, justification of technology expenses;
- Self-regulation, certification

## PHASE 2

## DUE DILIGENCE

### \*\*\* On-site \*\*\*

#### RISK ASSESSMENT

- ❑ Lending Practice;

#### CLIENT PROTECTION PRINCIPLES

1. Appropriate product design and delivery;
2. Prevention of over-indebtedness;
3. Transparency;
4. Responsible pricing;
5. Fair and respectful treatment of clients;
6. Privacy of clients data;
7. Mechanisms for complaint resolution

#### NEW REQUIREMENTS?

- Data analytics, controlled experiments

#### NEW REQUIREMENTS?

In addition to topics already addressed:

- Sustainable technology stack
- 3<sup>rd</sup> party providers / brokers / agents
- Privacy of clients data and security