

Innovating finance: How fintech is reshaping MENA

The MENA region is experiencing a profound digital transformation, with fintech leading the charge. Fueled by rapid growth, strong governmental support and technological advancements, the region has become a global hotspot for fintech innovation.

Growth and investor confidence

The fintech ecosystem in MENA has expanded significantly, attracting substantial investor interest. Between 2020 and 2023, fintech funding surged by 650%, signaling increased confidence in the sector. By 2023, the market reached US\$169.92 billion, demonstrating an impressive annual growth rate of 27.8%. This momentum continued in 2024, with fintech securing 36% of total funding and accounting for 29% of exits, solidifying its position as the region's most funded sector. International investor participation surged 93% in the first half of the year, reflecting global enthusiasm for MENA's fintech opportunities. Leading the charge were standout transactions including Tabby, a financial services and shopping app raising US\$160 million in a Series E financing round at a US\$3.3 billion valuation and Tamara, a buy-now-pay-later company raising US\$340 million in a Series C funding round at a US\$1 billion valuation. These milestones underscore the sector's increasing appeal.

The role of fintech in Islamic finance

Fintech has also unlocked new opportunities for the US\$3.96 trillion Islamic finance industry, offering digital solutions to traditional financial challenges. While Islamic fintech adoption remains lower than conventional finance, it is gaining traction in Islamic banking, particularly among younger users and in developed markets. According to the Global Islamic Fintech Report 2023/24, transaction volumes in the global Islamic fintech market are projected to rise from US\$138 billion in 2022/23 to US\$306 billion by 2027. This surge highlights the growing importance of fintech in Shariah compliant financial services.

Economic diversification and regulatory support

Governments across the GCC are embracing fintech as a key driver of economic diversification, aiming to reduce reliance on oil revenues. As part of Vision 2030, Saudi Arabia's Financial Sector Development Program seeks to establish 525 fintech companies, generate 18,000 fintech-related jobs and contribute SAR13.3 billion (US\$3.5 billion) to the economy over five years. Regulatory initiatives such as the Fintech Sandbox which enables innovation within a regulated environment and the Open Banking Framework which enhances payment efficiency, further support innovation.

Similarly, the UAE is advancing fintech through the Open Finance Regulations, an open finance framework under which open finance providers are provided with access to customer data, and the Sandbox Conditions Regulations, which enable businesses to test novel financial models and services in a controlled regulatory environment. Coupled with rising consumer demand and digital infrastructure investments, these policies have accelerated sector growth.

AI: Driving innovation and efficiency

AI is reshaping fintech in MENA, fostering efficiency and accessibility through tools such as algorithmic trading and robo-advisors. Regional governments are investing heavily in AI to bolster innovation. For instance:

- Saudi Arabia committed US\$40 billion in AI investments in 2024;
- The UAE partnered with Samsung to promote AI adoption among youth; and
- Qatar allocated US\$2.47 billion to an AI incentive package.

Regulatory bodies are adopting a 'soft law' approach, promoting ethical frameworks while encouraging technological advancements. Notable funds such as Oman's US\$5.2 billion Future Fund and MGX, the \$100 billion AI-focused investment firm launched by Mubadala and G42, demonstrate the region's commitment to fintech-driven AI innovation.

Cryptocurrencies: A growing market

MENA ranked as the seventh largest cryptocurrency market in 2024, with on-chain transactions totaling US\$338.7 billion between July 2023 and June 2024 – representing 7.5% of global activity. The UAE has emerged as a leader in cryptocurrency adoption, achieving a 42% annual growth rate – far exceeding MENA's regional average of 11.73%. Favorable regulations including dedicated virtual asset regulatory agencies in the Dubai International Financial Centre and the Abu Dhabi Global Market, have fostered this expansion.

Challenges and opportunities

Despite significant progress, challenges remain. A lack of regulatory harmonization across GCC countries creates barriers for cross-border fintech firms. Strengthening interoperability and having secure digital frameworks for payments is crucial.

Additionally, traditional banks must integrate fintech solutions to accelerate digital banking adoption, which remains at 17% in MENA – far below the 60% adoption rate in the US. Cybersecurity, talent acquisition and financial inclusion also remain key priorities.

Conclusion

Fintech in MENA stands at the precipice of transformative change, backed by investor enthusiasm and proactive government strategies. As AI, blockchain and digital finance gain momentum, the region is set to unlock new milestones – ushering in a future defined by financial innovation and inclusivity. 🌐

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