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Southeast Asia Financial Technology Spotlight:

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Southeast Asia Business Sector Spotlight

In a glance

For European businesses, **the strongest single opportunity is a B2B cross-border payments and compliance infrastructure business**, based in Singapore and extended into Indonesia through local partnership. This represents a combination that maximises growth, entry feasibility and European fit at once, while routing around the sector's main risks.

Executive summary:

Southeast Asia's financial technology (fintech) market is large, maturing and is entering a build phase defined by cross-border infrastructure. It is a shift that rewards disciplined, capability-led entrants over land-grab plays. Europe is a top-tier investor in ASEAN overall yet under-represented in its fintech specifically and the region's next phase, built on cross-border infrastructure and compliance, plays directly to European strengths, reinforced by distinct EU policy tailwinds.

Across the region, capital is welcome but control is increasingly conditioned in payments. **Singapore is the open base, while Indonesia is the large but guarded demand market.**

Three risks matter most for a European entrant: incumbent dominance, regulatory tightening and the funding cycle. They point the same way, namely enter through infrastructure and partnership, underwrite on profitability, and treat compliance as an advantage rather than a cost.

The strongest single opportunity is a B2B cross-border payments and compliance infrastructure business, based in Singapore and extended into Indonesia through local partnership. This combination maximises growth, entry feasibility and European fit at once, while routing around the sector's main risks.

Why Southeast Asia, why now

Southeast Asia's digital economy has passed US$300 billion in value and the region is now shifting from winning users to building the infrastructure beneath them. In 2026, Project Nexus and DEFA are connecting national payment systems and harmonising their rules, pulling demand toward the cross-border and compliance layers where Europe is strongest and competition is thinnest.

1 Southeast Asia
Fintech Sectoral Structure

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Financial technology (fintech) represents the financial layer of Southeast Asia's digital economy. The payments, lending, wealth and insurance run the region's commerce and online services. It is a large market with steady growth and disciplined capital.

The region's digital economy reached over US$300 billion in GMV in 2025, up from roughly US$40 billion in 2016, on an estimated US$135 billion of revenue.

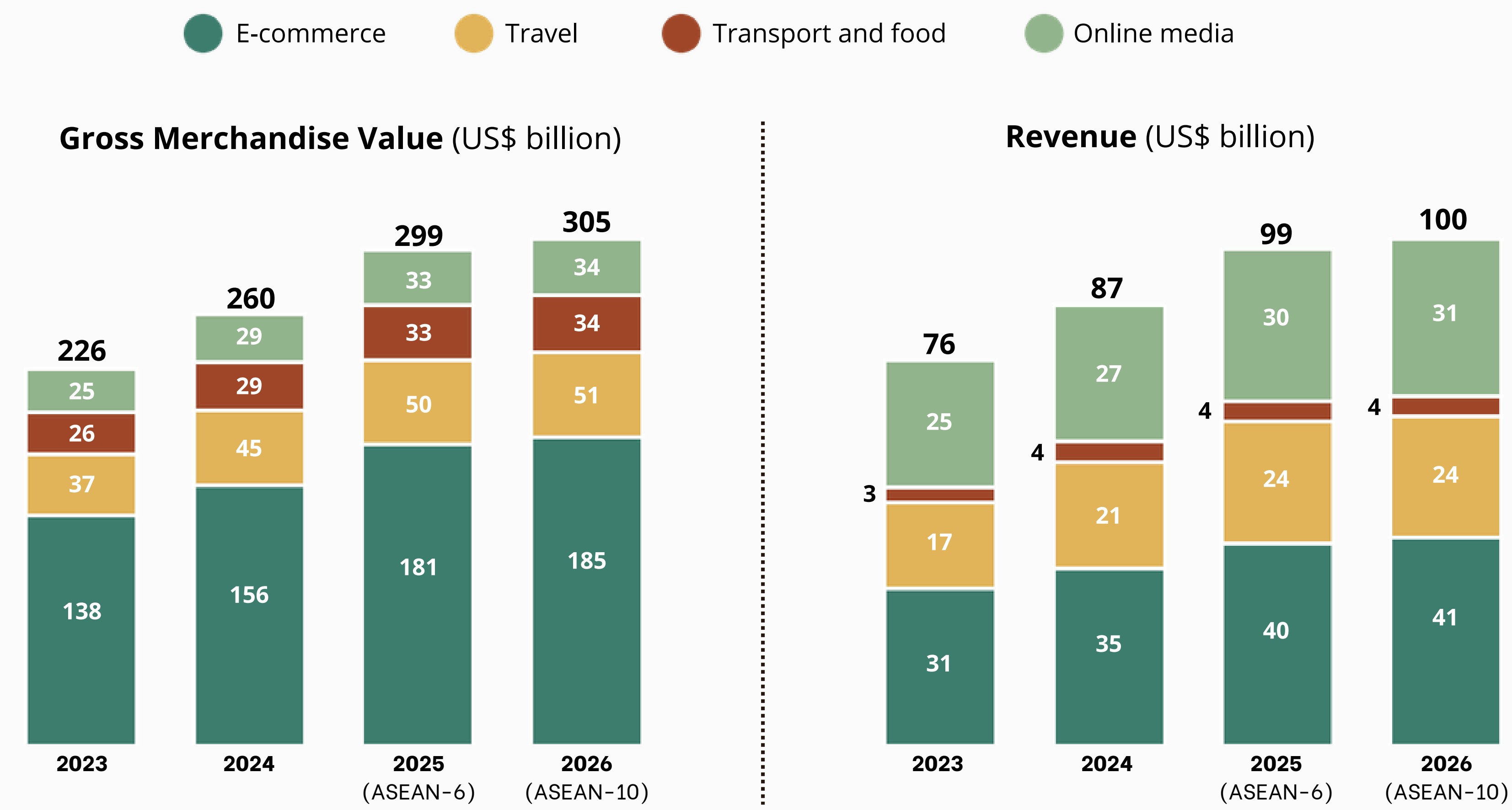

***Figure 1**: Southeast Asian GMV and revenue in several sectors from year to year*

The strategic point is the gap between volume and revenue. Transaction volume is vast, but providers capture only a fraction as revenue. Durable value accrues to those in the infrastructure the volume runs on. Growth has settled between 10-20% annually and fintech funding has fallen roughly 75% from its 2021–22 peak, showing that the capital that remains rewards profitability and infrastructure.

Implications for European entrants

This is a build-carefully market that rewards Europe's strengths. Demand is concentrating upstream, in cross-border processing, settlement and compliance, where disciplined, enterprise-grade European models hold the edge over capital-intensive land-grabs.

Recent catalysts

National systems are being interconnected, including Indonesia's QRIS and Singapore's PayNow. Project Nexus (BIS with ASEAN central banks) links each system once to a shared hub, with a Singapore operating entity and 2026 rollout. ASEAN's DEFA harmonises the underlying rules in 2026.

2 The **European Angle**

European payments infrastructure is embedded in the region, if under-scaled. The standout is **Adyen from the Netherlands**, the payments partner behind Grab's platform across Indonesia, the Philippines, Thailand and Vietnam since 2016, showing how European infrastructure operates at regional scale. **Germany's Solaris and UK-based Wise and Revolut** have also entered. The EU is ASEAN's second-largest source of FDI, with stocks exceeding €330 billion as of 2024. Within that footprint, EU fintech capital concentrates in infrastructure rather than consumer platforms a small but rising slice of a major position.

What Europe brings	What Southeast Asia needs
Cross-border payment processing	Real-time cross border settlement *Project Nexus*
Account-to-account (A2A) and embedded-finance rails	Rails beyond cards *(the region skipped card payment)*
Regulatory and compliance technology (regtech)	Compliance for a fragmenting cross-border regulation - *DEFA*
GDPR and PSD2 data and open-banking experience	Trusted data-governance standards

Figure 2: *European capability mapping against Southeast Asia's needs*

Three EU instruments give entrants an advantage that American and intra-Asian competitors cannot easily match:

Global Gateway	up to €10bn for SEA by 2027 (€4.2bn engaged by early 2024)
Trade agreements	with Singapore and Vietnam, a 2025 political deal with Indonesia, talks with Thailand, the Philippines and Malaysia.
The Brussels effect	as the EU has one of the world's highest compliance standards, European firms arrive already compliant in Southeast Asia.

Implications for European entrants

Europe's under-representation in SEA fintech is an opportunity rather than a warning. The infrastructure-and-compliance phase rewards what European firms do well as they are strongest in infrastructure and compliance but weakest in consumer-facing plays.

Entry and Regulatory Reality

Openness varies by market and is generally wider for fintech broadly than for payments specifically. Most Southeast Asian markets permit majority or full foreign ownership. The binding restrictions are mostly in payments and settlement, which are essentially the sensitive core, where a few governments impose domestic-control conditions.

The region's variance is represented by two different markets.

Singapore

- No foreign-ownership restrictions on payment businesses.
- A foreign firm can wholly own its entity, subject to standard requirements: local incorporation, base capital, a resident director, and Monetary Authority of Singapore (MAS) approval of controlling shareholders.
- Licensing runs through MAS under the Payment Services Act on a clear, activity-based framework.

Indonesia

- Capital and control are deliberately separated.
- In a non-bank payment provider, foreign investors may hold up to 85% of economics but domestic parties must keep 51% of voting rights plus board majority and veto.
- Settlement infrastructure is tighter (about 80% are domestic). A central bank (Bank Indonesia) licence is required, there is no regionally-encompassing permission.

This reality produces two different approaches to the region. In open markets such as Singapore, a wholly owned subsidiary is the natural regional base. In guarded markets such as Indonesia, a consumer- or payments-facing venture realistically requires a joint venture in which a local party holds controlling rights. Enterprise and infrastructure activities face lower control hurdles than consumer-facing ones.

Therefore, European businesses could profit from a Singapore base for regional operations and licensing, paired with a control-aware structure for consumer or payment activity in Indonesia. Budget for local partners, licence timelines (about a year for a major licence) and rising capital floors, then sequence the entry: **establish where ownership is clean, enter guarded markets through partnership.**

Note: Ownership thresholds, licence categories and timelines vary by activity and time.
For instruments for a specific business line, email us at business@kala-advisory.com.

4 Southeast Asia Fintech **Sector Risks**

In Southeast Asia, three risks are specific to fintech and tied directly to business decisions: **incumbent dominance shapes where to compete, regulatory tightening shapes how to enter and the funding cycle** shapes how to approach the region. Conversely, input constraints and foreign exchange exposure matter less for a capital-light digital sector.

Incumbent dominance

Consumer fintech is concentrated in the region's existing superapps (Grab, GoTo, Sea) reinforced by network effects. The consumer front end is largely spoken for.

Regulatory tightening

Capital floors are rising and some markets embed domestic-control rules in payments. The rulebook is in flux as ASEAN's Digital Economy Framework Agreement (DEFA) advances. Compliance is a rising cost and a shifting target.

Funding cycle

Funding fell by about 75% from its 2021 peak. But payments funding rose in 2024 even as the total fell. Capital is not disappearing, but rather concentrating.

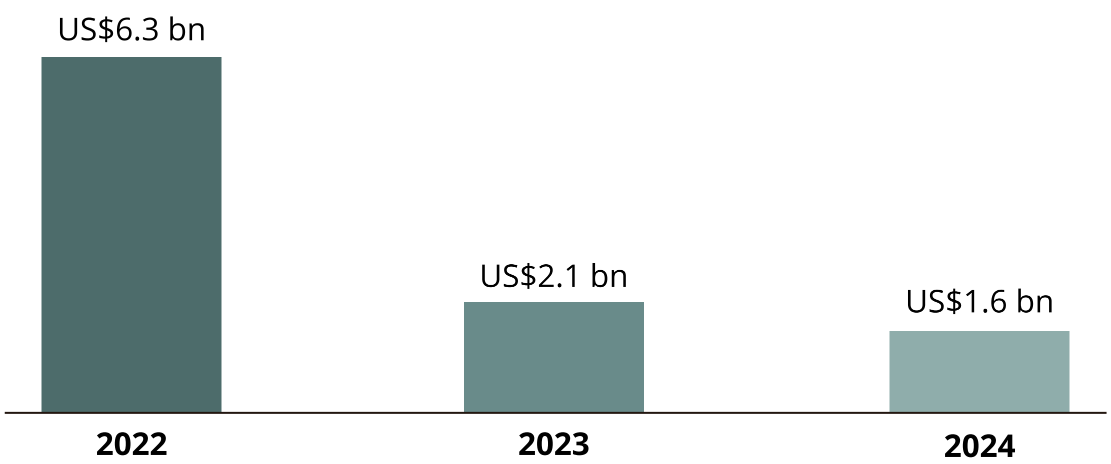

***Figure 3**: equity funding into Southeast Asia's fintech sector from year to year*

However, **payments funding rose by 53% in 2024**

Capital become selective, not disappearing

Implications for European entrants

The dominant risks do not argue against entry, but rather a particular kind of entry. Focus on building infrastructure, underwrite on profitability and treat the rising regulatory bar as something European businesses are well-placed to clear.

Market Entry Recommendations

Set Singapore as the base in B2B cross-border-payments and compliance infrastructure.
It is where the live catalyst sits (mainly the Nexus project and ASEAN's DEFA), where capital kept flowing through the downturn, where European capability is proven as well as the most open and predictable market to license in. Indonesia enters as the scale market this base is built to serve. It is reached through the rails, via a local-control structure where required.

Sub-segment
B2B payments infrastructure

Regional base
Singapore

Regional scale market
Indonesia

Drawing on the entry realities (Section 3) and the risk picture (Section 4), five concrete moves follow:

1. **Establish a Singapore base**
Incorporate a Singapore entity and pursue a Major Payment Institution licence with MAS as the regional operating and contracting hub. Budget roughly a year for full licensing, and plan capital against MAS base requirements.

2. **Enter Indonesia through control, not ownership**
For any payment-service activity, scope a joint venture in which a domestic party holds the required voting control, board majority and veto rights, and budget for central bank licensing and rising capital floors. Treat clearing and settlement infrastructure is largely domestic-reserved.

3. **Anchor the offer in infrastructure, not the consumer front end**
Build in B2B cross-border processing, account-to-account rails and compliance tooling tied to Project Nexus and DEFA, where no super-app is entrenched, rather than competing for consumer wallets.

4. **Underwrite on profitability**
Given the disciplined funding cycle, structure ventures around a path to profit and enterprise revenue rather than user-growth narratives and price in currency and repatriation exposure on cross-border flows.

5. **Lead with regulatory credibility**
Make GDPR and PSD2-style governance a selling point in regulator and partner conversations and explore Global Gateway-aligned projects for co-financing and goodwill.

Work with Kala Advisory

This spotlight is the free sector read. **Your entry strategy needs a sharper one.**
Kala Advisory produces two things for European businesses moving into Southeast Asia:

a Custom market reports

A sector-by-sector entry playbook built around your target market and industry, with market sizing, the EU investment angle, the regulatory and compliance reality, and concrete, costed recommendations on where and when to enter. **A commissioned report is tailored to your sector, your risk appetite and your timeline.**

b Advisory and entry support

Direct guidance on establishing in Southeast Asia: entity structuring, regulatory and tax navigation, partner and counterparty diligence, and on-the-ground market entry, drawing on a regional network of in-country analysts. **If this issue raised a question specific to your business, that is exactly where an engagement begins.**

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Methodology and sources

Scope: A pilot sector spotlight on Southeast Asian fintech for European entrants. Market sizing uses the e-Conomy SEA 2025 GMV-and-revenue framework; ownership and licensing rules are summarised at a directional level and are orientation, not legal advice. Figures blend the latest available vintages and are current to 2026.

Method: Three lenses are combined: sector momentum, European fit and entry feasibility; to identify a single best country-and-sub-segment pairing. Risk assessment is qualitative, weighting the three risks most specific to a capital-light digital sector.

Source index

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