



HM Treasury

# **The UK Government Approach to Fintech**

Carly Nimmo, Head of Fintech and Competition

# What makes UK Fintech different?

The UK has been independently ranked as the world's leading hub for Fintech (Deloitte, A tale of 44 cities, 2017). Particular strengths included:

Access to  
capital and  
talent

•Robust  
domestic  
demand

•Flexible  
regulation

•Strong  
government  
support

# Competition

Competition is at the heart of efficient, open and resilient economies. When markets are contestable, individual firms must improve their offerings in order to attract and retain customers.



Fintech revolutionises financial services by promoting innovation and stimulating competition. It ensures that firms have both the right incentives and the means to deliver cheaper, better products to consumers.



That is why successive UK governments have taken significant steps to increase competition in financial services, recognising the role Fintech can play and creating an environment where Fintech can grow.

# UK Approach to Fintech

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## Legislative Change

### Payments Systems Action

- A new Payments Systems Regulator was launched in April 2015.
- Legislated to allow non-bank payment service providers to directly access payment systems.

### SME Alternative Financing

- Legislated to require big banks to share SME credit data and to refer those they decline for finance to designated alternative financing platforms.

### Open Banking

- Based on PSD II, the Competition and Markets Authority required big banks to offer standardised APIs, to allow third-party providers secure access to current accounts.

# UK Approach to Fintech

## Regulation



### The Financial Conduct Authority

- New Competition Objective
- Innovate
- Regulatory Sandbox and Digital Sandbox



### The Bank of England

- Fintech Hub
- New Bank Start-up Unit

# Open Banking and Smart Data



## Open Banking

- UK Open Banking Standard to allow third-party providers secure access to current accounts.
- In January 2018, Open Banking went live for the first time. There are now over 3 million consumers and SMEs using Open Banking in the UK.

## Smart Data Working Group

- Coordinates and accelerates existing smart data initiatives across regulators and government - on communications, energy and finance.
- Following a review of Smart Data, in 2020, HMG will pass primary legislation to mandate participation in smart data initiatives, including Open Finance.

# Fintech Sector Strategy 2018

Launched by the Chancellor of the Exchequer, Philip Hammond, at HM Treasury's International Fintech Conference in March 2018.

Bolstered the UK's position as a leading Global Hub for Fintech.

Reinforced HM Government's commitment to growth and innovation.



# Partnerships

- Technology remains the [top investment priority](#) for the UK financial services sector
- Fintech Pledge launched September 2020
- Voluntary commitment to 5 principles to increase transparency for fintechs entering partnerships with incumbents
- 10 signatories, including UK's five largest banks

**The Fintech Pledge sets globally leading standards for the establishment of partnerships between the UK's largest financial institutions and fintech firms.**

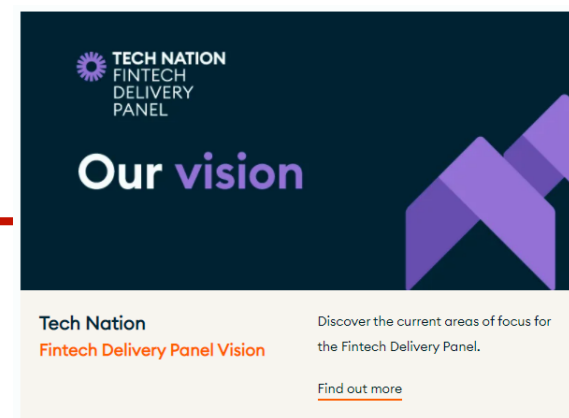


The Fintech Pledge is an initiative from the Fintech Delivery Panel, delivered by its onboarding working group.



# Fintech Delivery Panel

- Launched by HM Treasury in 2017 and powered by Tech Nation
- Cross-ecosystem collaboration including financial services firms, fintechs, investors, regulators, policymakers and think tanks.
- Achievements include -
- [Fintech Pledge](#)
- [Fintech for All](#) - profiled over 85 companies that have gone on to serve over 685,000 customers.
- [Supporting fintechs in engaging with financial institutions](#) - onboarding guidelines to improve engagement



# Kalifa Review of UK Fintech

Opportunities for growth across 5 priorities:



Regulation



Skills and Talent



National Connectivity



International Expansion



Investment



# Budget 2021

Addressed priorities identified by the Kalifa Review:

- UK listing rules to make the UK a more attractive location for initial public offerings
- Creation of a 'scale-up stream' within a new elite points-based route that will allow employees
- Review of R&D tax reliefs on expanding the qualifying expenditures to include cloud computing and data



# Questions

