

Onward roundtable

Capitalism Rewired: Unleashing new models of finance, innovation and regulation through technology

Summary

This roundtable discussion highlighted the extraordinary opportunity for the UK to build upon its global reputation for technology and finance. There was an acknowledgment that there are a number of practical challenges that need to be overcome in order to achieve that ambition, but the UK is starting from sound foundations, including the need to roll out some of the open regulatory structures that have helped FinTech to be so successful. Alongside this, the discussion highlighted the challenges faced by those with low levels of financial literacy or who are excluded from new forms of finance, and how best to reach those consumers.

The role of regulation in facilitating fundamental change came up repeatedly, with specific reference to the importance of the enhanced regulatory sandbox. The sandbox was praised for its role in opening up finance to innovation and supporting early stage fintech industries. The discussion also highlighted the wider role of the FCA in acting as a mediator between market freedom and secure regulation.

The event was held under Chatham House Rule on 7th February 2019.

Key discussion points

1. There is a large scale of opportunity. While fintech has been an enormous success story for the UK, its breadth of impact is still limited. Many industries, including insurance, trade finance, pensions and asset management still use traditional practices and rely on high-cost, human analysis rather than AI and ML. There is a significant opportunity to apply some of the approaches from open banking and active regulation to other sectors. It was noted that the regulator had a major role to play in this and was actively looking for challenge from industry to improve their offer.

2. Access to talent is a key constraint. A number of participants noted that access to talent was important and that this was a constraint at present. The Tier 2 visa was specifically mentioned. However it was noted that the UK has extraordinary expertise on the finance side and that some of the challenge was about ensuring that developers who have ideas have access to regulators and industry bodies to change the system where helpful.

3. Identity is a key theme to address. There was discussion about the role of digital identity in improving the consumer experience and overcoming fraud. It was noted that fraud is a huge challenge and the SARS regime is particularly unsatisfactory for banks and fintech providers. The announcement of confirmation of payee was thought to be a game changer in terms of helping banks to take responsibility for checking against fraudulent transactions. It was noted that if Apple could open up their NFC chips then it would be possible to prove digital identity for a person of any age with a passport by merely holding a phone and passport together.

4. The regulatory sandbox approach can be augmented and expanded. The attendees were all hugely supportive of the FCA's sandbox approach and it is being used to push the boundaries of what is possible, including securing bank accounts for those without ID. The sandbox has been helpful in opening up confirmation of payee. There was discussion about the need to hold more events that bring together technologists and regulators to explore what might be possible. This complemented a wider discussion about the importance of the regulator.

5. The UK should do more to export its expertise in fintech. The attendees all considered there to be significant opportunities around exporting UK products and services to other markets, especially post-Brexit. There was a view that initiatives such as the fintech bridge approach recently pioneered by HMT was a model that could be replicated. There was also a view that the UK could do more to support scale up and investment in the fintech sector through the British Business Bank and Innovate Finance.

This event was a part of Onward's *Harnessing the technologies of tomorrow* series. For more information on the series please contact Will Tanner at will.tanner@ukonward.com.