

Fintech Figures

Adam Afriyie MP, Chair of Fintech APPG

Hello and welcome to the latest edition of fintech figures in five. I'm delighted to be joined by Adam Afriyie, a true legend, a fintech founder, the founder of the All-Party Parliamentary Group on financial technology (fintech) and its current Chair. Adam, you are extremely welcome.

1. 2020 an extraordinarily difficult year in many ways, what kind of a year for Fintech?

Bizarrely and counter intuitively it has been a really good year for fintech. The number of deals has increased I think from around two hundred and nine to around two hundred and twenty-nine and we've also seen investments go up from about two and a half billion to about three and a half billion. Really good year for fintech.

2. We are almost on the eve of the publication of the Fintech Strategic Review, what are you hoping to see in those pages?

Well I know that Ron Kalifa has spent a long time and had a lot of consultation on the paper and I think what I'm hoping to see... I can't say that I expect to see it but what I'm hoping to see is a bit more, a few recommendations on when companies start in the UK that they go on to stay in the UK, and perhaps do initial public offering (IPO) and grow themselves here in the UK. I'm hoping to see some recommendations as well around how the Financial Conduct Authority (FCA) works. Maybe one or two extra units in there, to really try to scale up the small scale fintechs. This may be wishful thinking, but I'm also hoping he will make some observations about how fintech could have helped with the distribution of Government funds, both during the pandemic and in years to come. Because it seems to me that a lot of the funding was channelled through the usual channels, the big banks, but I think it was a great opportunity to really get to (even some of the unbanked) through fintech groups.

3. Spot on! Financial inclusion has dogged our society for decades. What role can fintech play in eradicating financial exclusion from our nation?

Yes, so the interesting thing about fintech (and obviously we have a lot of different definitions) is that it can reach people who don't have bank accounts. And better than the doorstep lenders it can introduce sources of finance and routes to finance and credit ratings based on things other than bank accounts and other than existing loans. There are some really great little companies already working in this space and I think it is a real opportunity not just to get funds to people who are currently unbanked but also to give a range of funds and a range of choices to those people who wouldn't traditionally engage with the mainstream banking system, and again when it comes to inclusion it is not just about having a bank account, it is also about how does the Government reach.... how do Local Authorities reach those who may not be on their radar when it comes to traditional banking routes?

4. The Cameron administration were tremendous supporters of Fintech, the FCA sandbox, amazing, emulated around the world, today, what more would you like to see from Government in support of our fintech industry?

Yes, absolutely right and let me be fair, even before the Cameron Government, the Labour Government were also very much open, Gordon Brown, even Tony Blair back in the day, very much

open to fintech. They recognised, and all Prime Ministers, have recognised that this really is a UK strength, and I'm not surprised that we have been first in fintech for very many years, you know, according to world agencies, and rankings indexes. But I always say this - it is not our birth right to be first! It is because of the enabling environment we set up, both through regulation and the signals sent by Chancellors of all persuasions over the last ten to fifteen years. So we are number one now but it's not our birth right and I think what we need to see is a continued evolution of this, partially laissez faire attitude, to allow the industry to evolve, but also a regulatory aspect where an imprimatur is given to those firms that meet certain criteria. You mention the sandbox, absolutely right, this has been crucial to ensuring that small scale businesses are able to test their ideas before going to the overall market. So, if something is going to fall over it falls over in a safe space as they say, a kind of rubberised playground, and that's very useful because it means consumers aren't exposed too widely and it means the banking system, the financial system, isn't exposed as well. So I think I would like to see an evolution of that sandbox idea, maybe into a scale up kind of situation, maybe there is a specific system within the FCA to deal with scale up, and maybe another section to do with crypto currencies where we can have safer (inverted commas "safer") anti money laundering bitcoins and crypto currencies which do come within the auspices of our regulatory environment so that companies around the world will flock here to develop rather than leave it to the wild west and the wild east.

5. Great stuff, finally Adam, you simultaneously have your finger on the pulse and your ear close to the ground; 2021: a good year for Fintech?

I wish I could predict the future. I would let you know as well. I think, my sense is that with Brexit done and with some of these relationships being redefined, I think this could be one of the best years ever for fintech – because its been tried and tested during a pandemic, its been tried and tested during the leaving of a massive political union across Europe and it hasn't been found wanting. So, I think if I was going to make two clear predictions (not that I want to be held to them!) I would say that at the end of this year we will see that fintech will have reached deeper into the UK economy than it has done in previous years. And what I mean by that, that it will be potentially part of Government finance initiatives, able to reach the small and medium sized businesses and individuals that other banks cannot reach, as they say. And the second thing is that I think is that we will be successful, I think that even this year, we will see IPOs of fintech companies here in the UK which will redefine the worlds concept of where IPOs should take place for fintech businesses. If I may just slip in a cheeky third one, this is probably more wishful thinking and optimism, rather than reality, but I do think that we will make steps forward in recognising crypto currencies so that London, or not London, the UK overall, mustn't forget Edinburgh, Bristol, Manchester and Birmingham, but the UK overall becomes possibly number one for safe crypto currencies.

Founder of the APPG on fintech, Member of Parliament for Windsor, Adam Afriyie MP. Thank you very much.

Thank you very much.