

Fintech Figures

**Kay Swinburne,
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Hello and welcome to the latest edition of fintech figures in five I'm Chris Holmes. I'm delighted to be joined by Kay Swinburne, fabulous MEP, KPMG aficionado and author, chapter head of the greatest chapter in the Kalifa Review. Kay, welcome.

1.2020 a good year for fintech?

It was a game changing year for fintech, so I think it depends what measures you use. Investments were down, obviously, with the pandemic, but actually what happened last year as the global pandemic came along, it made digitisation of businesses of all sizes a real priority. Including for financial services and financial incumbents. So, it accelerated that digital adoption, which is absolutely brilliant for the fintech community. So, I think a radical shift in the way that consumers thought about the way they did their business. I've got my old mother (she wouldn't mind me calling her old at this point). She's just coming up eighty but she's now using cashless payments. She is using the Internet. All these things that I would never have thought you'd have been able to get my eighty-year-old mother to do. You've managed to do in the space of the year. So, I think from that point of view it was a good year for fintech. Governments paid attention. Businesses have paid attention. Incumbents have paid attention and the customers are doing things differently and open to change. So, I think from that point of view it might actually be that one year we look back at and say this is a good year for fintech.

2. You were right at the heart of the Kalifa review. What would you pull out as two or three of the absolute key recommendations?

So importantly, I mean I am going to say the policy and regulation chapter contains probably some of the most important things within that! But up front, I'd say you know the good thing about Kalifa was it had no boundaries. We were given the objective to look at the whole ecosystem for fintech firms and decide what it was that the government should do, without boundaries, to actually assist them and facilitate their growth. So, it means that it is a very big document. There are lots of good things in it. But within that policy regulation chapter, there are some fundamental things. It actually calls for a holistic view on fintech and asks for government departments to work together to deliver that. Not just amongst government departments though but across regulators too, and I think that's a really important recommendation because so often people work in silos and we need to break that down. One of the big things we were told by companies who are operating in the UK as fintechs is that when they actually go into the FCA (Financial Conduct Authority) as a new firm, particularly an innovative firm using the FCA sandbox. They get absolutely brilliant treatment. They think it's a really world class facility and the innovation unit is praised by everyone, but then they feel that they drop off a cliff. And so, they don't feel that once they are authorized and operating in the marketplace that they get any level of support as a high growth company. And so, the 'scale box' is for me I think one of the most important aspects of what we've delivered. And of course, the government has accepted it. And the government and the regulators are now saying they will work very quickly to get, what they call the scale box, operating and to make sure that those companies are supported on

the next phase of their growth journey, so that they become the next unicorns that we have in the UK. Homegrown! And then for me, the third area would be digitization. So, adopting a full digitisation of financial markets. What do we have to do to keep the UK a Global Financial Centre? Going forwards that means that fintech firms want to come and set up in the UK and can develop their businesses in an innovative and definitely in a favourable regulatory environment. So those are the three things. Probably gone over my quick one minute for you...but there you go!

3. Financial exclusion has dogged our nation for decades. What role can fintech play in delivering financial inclusion?

So, I think we can look to other parts of the world in the way that technology has really facilitated access to basic payments and basic financial services. And you know, over my years as a politician, I was very privileged to actually meet many of the African communities, particularly women who benefited from micro financing in their communities. Through fintech firms, where they were accessing, through a mobile phone platform, all sorts of facilities and business help and such like. So, when you see that they can do it in those types of communities in very rural areas, you know that we could do better in the UK. And for me, you know, access to basic banking services and basic financial services, advice, and everything else is really important. Credit unions do a phenomenal job, but actually having the technology to advance some of that assistance will be brilliant. So, I think we're at a crossroads. We really can use the technologies that the fintechs are bringing. The cost benefits that they bring. And actually, make sure that we can now cover everyone. And make sure it is a basic human right to have access to the services many of us take for granted.

4. What more would you like to see from government to really deliver the UK fintech opportunity?

So, I think the government gets fintech. I mean, I'm absolutely convinced after the last nine-ten months of working on the Kalifa review that the government, across all different parts of it, get fintech and really do want to help. But I'm a little more concerned about the way in which the digital environment as a whole is going to emerge. If you think about the way that government set up; with DCMS (Department of Digital, Culture, Media and Sport) with the Cabinet Office taking a role on anything digital, BEIS (Department of Business, Energy and Industrial Strategy) are responsible for all business activities, and HMT (HM Treasury) is responsible for all financial services. It's very much a disjointed effort and we did find that all of them had embraced digitization. They all had different schemes going, but actually I'd love to see one scheme come together. So, for me, the biggest thing government can do right now is to deliver on what I would consider to be the digital ID in particular. So, if you have a digital ID both for directors of companies, individuals and indeed companies, I think the level of fraud in this country would go down. The level of experience that the consumer has would go up in terms of better behaviours. And I genuinely think that we would be so much better off if people only were able to access the information they needed to verify who you were or who your business was. And that would be good for the consumers, good for the providers and certainly good for government when you think about things like bounce back loans and the level of fraud, that's probably going to have occurred within that emergency funding stream.

5. So, 2021, good year for fintech?

I think it's a phenomenal opportunity. There are still uncertainties in the UK about Brexit and the way that that's going to pan out, but I think that means that the government and regulators are much more motivated now to make the environment better for fintech as a whole and for financial services as a whole. To make sure we stay as a global financial centre. So, I think there's going to be a rebound in M&A activity. I think the VCs and all sorts of funding is going to be there for these companies who need it. And I genuinely think we're going to see a big difference in the way that the central banks are going to play their role in developing central bank digital currency. I think that actually puts digital currency in the mainstream, which then means that things like crypto assets will suddenly become a much more legitimate technology and innovation. So, I think we're going to see a major change and adoption by much more conservative players in the market, which then actually drives things forwards. I'm very optimistic, Chris.

Kay Swinburne, from everybody in fintech and beyond, thank you for everything you've done, not least as chapter head of policy and regulations, Kalifa Review. Thank you for everything that I know you will do going forward.

That's fintech figures in five, we'll catch you soon.