



All Party Parliamentary Group
FinTech

Inaugural Meeting 2017

Secretariat

Innovate Finance

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APPG on FinTech Inaugural Meeting 2017

Location: Room T, Portcullis House, Westminster

Date: Tuesday 12th September 2017

Time: 15.00-17.00 PM

Attendees:

- Adam Afriyie MP, MP for Windsor, Chair APPG on FinTech
- Will Archdeacon, Parliamentary Researcher for Adam Afriyie MP
- Daniel Morgan, Head of Policy and Regulation, Innovate Finance
- Sameer Gulati, Policy and Research Adviser, Innovate Finance
- Lord Lindsay, Member APPG on FinTech
- Barry Sheerman MP, MP for Huddersfield, Officer APPG on FinTech
- Lord Holmes of Richmond, Vice-Chair APPG on FinTech
- Lee Rowley MP, MP for North East Derbyshire, (new) Member APPG on FinTech
- Anna Wallace, Innovate Head of Department, FCA
- Chris Sier, FinTech Envoy for the Northern Powerhouse / FiNexus
- Adrian Sheddon, Head of FinTech, Burges Salmon
- Boko Inyundo, Tech Sector Senior Marketing Manager, DLA Piper
- Chris Heyes, Head of Commercial and Events, Liverpool International Business Festival
- Dan Greenall, Marketing Director, AccessPay
- Kent Mackenzie, Director, Deloitte

Agenda

1. **Chair's Opening Statement** (Adam Afriyie MP, Chair APPG FinTech)
2. **Roundtable Introductions**
3. **Apologies**
4. **Election of Officers**
5. **Overview of APPG Work & FinTech Investment Environment** (Daniel Morgan, Director of Policy and Regulation, Innovate Finance)
6. **The Role of Regional FinTech**
 - An overview from Manchester, Leeds, Edinburgh, Bristol, and Liverpool. Followed by roundtable discussion on the key opportunities & challenges, and areas where the APPG can support.
7. **Key Areas of Focus for the Coming Year: Group Discussion & Next Steps**
8. **AOB**
9. **Chair's Closing Statement** (Adam Afriyie MP, Chair APPG FinTech)

Welcome: Adam Afriyie MP

- The All Party Parliamentary Group on Financial Technology has looked to support the continued growth of the UK FinTech sector, focussing on a number of key topics over the past year, from: social inclusion, to UK payments infrastructure, and Open Banking.
- The group is a forum to look at where benefits might accrue through the use of FinTech; how to reduce the poverty premium; and as a means for society, industry and consumers to be represented.

Roundtable Introductions

Apologies

- Gavin Robinson MP, MP for Belfast East, Vice-Chair APPG on FinTech
- Chi Onwurah MP, MP for Newcastle Upon Tyne Central, Vice-Chair APPG on FinTech
- Alan Mak MP, MP for Havant, Officer APPG on FinTech
- Mark Field MP, MP for Cities of London and Westminster, Former Secretary APPG on FinTech
- Baroness Northover, (new) Member APPG on FinTech

Election of Officers

Re-elected:

- Chair: Adam Afriyie MP (Cons)
- Vice-Chair: Lord Holmes of Richmond (Cons)
- Vice-Chair: Chi Onwurah MP (Lab)
- Vice-Chair: Gavin Robinson MP (DUP)
- Officer: Alan Mak MP (Cons)
- Officer: Barry Sheerman MP (Lab)

Resignations

- Secretary: Rt. Hon. Mark Field MP (Cons)

In addition to these changes in officer posts two new Parliamentarians have joined the APPG as members:

Members

- Member: Lee Rowley MP, MP for North East Derbyshire (Cons)
- Member: Baroness Northover (Lib Dems)

Overview of APPG Work & FinTech Investment Environment: Daniel Morgan

- Some activities from the past year through the APPG on FinTech include:
 1. The Future of Open Banking with the CMA
 - 18th January 2017.
 - Focused on Open Banking which represents a potentially seismic shift in the landscape for retail banking and promises to open up a new market for FinTechs to make use of customer data, in order to enable people to better save, manage and invest their money.
 2. Innovate Finance Summer Reception 2017
 - 28th June 2017.
 - The event will brought together key stakeholders from the world of financial services, FinTech and academia as well as welcoming new members of Parliament to discuss the current FinTech landscape and the importance of inclusion in the sector.

- FinTech Current State of Play:
 - The UK attracted \$564m of VC investment, up 37% on H1 2016. The UK ranked 3rd globally in total investment behind the US and China, and 2nd in terms of deal volume with 102 deals.
 - Building on the FinTech benchmarking work done by EY, there have been calls to create a 'Census' for UK FinTech. As such, HMT alongside Innovate Finance and EY recently released the 'UK FinTech Census 2017.'
 - Some key findings from the Census include:
 - The identification of a total of 1600 unique FinTechs in the UK.
 - Approx. 250 responses to the Census.
 - Average UK revenue of respondents grew by 22% between 2014-2016.
 - 50% of companies expect global revenue growth of over 100% in the next 12 months.
 - In aggregate FinTech expect a total of £2.5bn for their next funding round and 33% of respondents expect an IPO to be likely in the next 5 years.
 - Census results show that coding and software development to be the most difficult skill to find when recruiting.
 - Majority of respondents have an overall UK headcount of less than 150, with 95% looking to hire up to 50 employees over the course of 2017.
 - In terms of challenges facing the FinTech sector, 25% of respondent cited international expansion as a challenge – which might provide an area for targeted policy response, such as signing FinTech Bridge agreements.
- Kent Mackenzie: mentioned the average age of a FinTech CEO is 42/43.

The Role of Regional FinTech

- Dan Greenall, AccessPay (Overview of FinTech in Manchester)
 - The community is developing, with key players including: MIDAS, Manchester Growth Company and Barclays Rise amongst other.
 - There is also a well-developed academic scene in Manchester with 4 universities, and global interest from firms including: Cisco and Intel.
 - Some of the challenges include: the primacy of funding opportunities in London; firms struggling with acquisitions; and the shortage of skills - which may lead to offshoring of activity.
- Chris Sier, FinTech Envoy for the Northern Powerhouse / FiNexus (Overview of FinTech in Leeds)
 - The growth of FinTech regionally, could in part be driven by the difficulty of securing resources and clients in London.
 - There is less appetite from large banks investing in startups. However, smaller companies such as Tier 2 financial institutions could be more natural users of FinTech, many of which locate in the regions.
 - Leeds is well placed to be a natural home for this activity, especially given the location of 26 banks / building societies; 3 universities; and 36,000 graduates a year.
 - Leeds University is one particularly interesting stakeholder, as they are looking to specialise in FinTech, with: £40m in funding on innovation and digital technology, and 5 endowed chairs in financial technology.
 - The key challenge is creating a community, driving activity, and committing resources in the form of: events, research, and in part working closely with stakeholders such as Leeds University, which is hosting a Hackathon on the democratisation of wealth to coincide with the 60th anniversary of the computing school.

- Kent Mackenzie, Deloitte (Overview of FinTech in Scotland)
 - SFE (Scottish Financial Enterprise) has been looking into how Scotland can emerge as a FinTech hub. Central to this is the work of the SFE FinTech Steering Committee, which is looking to develop a new FinTech-focused body called 'FinTech Scotland'. This body will be equipped with a CEO (funded for 2 years), a physical location, and a digital presence.
 - One of the key drivers for FinTech in Scotland is where FinTech firms go when they 'graduate' i.e. where do they go to scale.
 - Some sectors of focus include: life insurance, broader tech / gaming (Skyscanner, Fanduel), asset management, data-science, cyber-security, and Blockchain.
 - There is also a strong academic community in Scotland with a new MSC in FinTech course at the University of Strathclyde, and what's considered Europe's largest data university (Edinburgh University).

- Adrian Sheddon, Burges Salmon (Overview of FinTech in Bristol)
 - Each region outside London has certain strengths – though all can benefit from collaborating with London.
 - Bristol is focusing on 'TechFin' or more broadly the B2B play, and has back-office operations for global FI's including Lloyds Banking Group, and Aviva.
 - Key stakeholders include: The NatWest Digital Innovation Hub (employing 50 people in Bristol); Lloyds Banking Group's internal innovation work; and Oracle's start-up accelerator (a global programme on wider tech).
 - Key areas where Bristol might offer a comparative advantage include: plumbing for an 'industry sandbox' through citywide access to high-speed fibre optics and access to supercomputers.
 - Moreover, Blockchain provides a fertile area of work, from the infrastructural layer, which sits beneath financial services to improved reporting.

- Chris Heyes, Liverpool International Business Festival (Overview of FinTech in Liverpool)
 - Sub-sectors of relevance include: wealth management, insurance, and non-bank lending.
 - As FinTech continues to move into InsurTech / RegTech, the utilisation of high-speed computing will become more critical. Liverpool, with the UK's fastest supercomputer is well-placed to take advantage.
 - A key story to get across is why FinTechs see London as the only space to base themselves.
 - In terms of challenges, access to capital remains a key issue - Liverpool with the largest Pension Fund in the UK could help to address issues around long-term patient capital.
 - Mapping out where assets are located regionally could be a useful exercise.
 - A report looking at an aggregate view of regional FinTech could also be helpful in this regard.

- There was further group discussion on whether one allows a FinTech cluster to develop, or should there be planning to coordinate such activity? Responses suggested that whilst government direction may help, this should be in the form of creating the 'fabric' which underpins such activity.

- One area where there could be scope for information to be disseminated is through the Department for International Trade (DIT), for example in providing regionally-focused FinTech briefings to trade envoys, to drive inward investment into UK FinTech.

- With regards to regulatory efforts outside London, the FCA in its annual business review underlined its commitment to working regionally, and has hosted office hours across the UK, as well as appointing a new Head of Department for Scotland, Maggie Craig. Further work could be done to raise awareness and understanding of the Regulatory Sandbox outside London.

Key Areas of Focus for the Coming Year: Group Discussion & Next Steps

- Regional FinTech
- Migration Advisory Committee – talent and skills dialogue
- Long-term / Patient Capital – post-European funding framework
- RegTech / Innovation / Bank of England Accelerator
- FinTech Bridges / International Markets
- Financial Inclusion

AOB

- Lord Lindsay is a member of the Interoperability Steering Group. This group looks at the pension, life insurance market where a lack of standardisation / single set of data formats means the industry operates on a range of bilateral protocols. In short, this means a high percentage of the 'value' of a pension is spent on administering the communication between market participants. Perhaps there is an entry point for FinTech to help.

Chair's Closing Statement (Adam Afriyie MP, Chair APPG FinTech)

- A call to participants to continue to use the group as a forum to discuss key issues affecting the FinTech sector.
- Now is an opportunity to feed into the Government to help make ensure the sector is reflected with respect to continued support, especially in light of Brexit.

END



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