



All Party Parliamentary Group  
FinTech

# Innovate Finance Global Summit 2016: All-Party Parliamentary Group (APPG) on FinTech Roundtable

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## Innovate Finance Global Summit 2016: All Party Parliamentary Group (APPG) on FinTech Roundtable

Location: Chief Commoners Parlour, The Guildhall

Date: Monday 11th April 2016

Time: 11.30am- 12.30pm

Attendees:

<b>Name</b>	<b>Title</b>	<b>Organisation</b>
Adam French	Managing Director & Co-founder	Scalable Capital
Baroness Kramer	Liberal Democrat Lords Principal Spokesperson on the Treasury	Parliament- Lib Dems
Ben Wilson	Head of Policy & Public Affairs	VocaLink
Chis Pond	Vice Chair	Financial Inclusion Commission
Daniel Morgan	Head of Policy & Regulation	Innovate Finance
Eileen Burbidge	Special Envoy for FinTech	HM Treasury
Freddy Kelly	Co Founder & CEO	Credit Kudos
Gavin Robinson MP	Member FinTech APPG, MP for Belfast East	Parliament- DUP
Jamie Miles	Business Development Manager	Onfido
Joshua Eves	Policy & Regulatory Advisor	Innovate Finance
Lord Flight	Former Shadow Chief Secretary to the Treasury	Parliament- Cons
Mark Thomas	Director of Client Operations	C2FO
Philippa Verrecchia	Policy & Regulatory Advisor	Innovate Finance
Rhydian Lewis	Founder CEO	Ratesetter
Rt. Hon Mark Field MP	Member of FinTech APPG	Parliament- Cons
Sameer Gulati	Policy & Research Advisor	Innovate Finance
Scott Murphy	Policy and Consumer Affairs Manager	Ratesetter

## Discussion

The roundtable discussion opened with a high level overview of the FinTech sector, noting the increasing trend in investment over the last year. The Chair set out three areas in which developments in the FinTech sector have impacted, and have the potential to impact further, the broader financial services landscape:

- Fairness and choice
- Access and inclusion; and
- Integrity and security.

The Chancellor and Government's strong desire to preserve the prominence and strength of the UK's financial services sector was highlighted as an important advantage for FinTech, however attendees also raised caution given potential similarities between FinTech's pace of growth and the rapid expansion of tech investment during the internet bubble.

The meeting then discussed the framework for a forthcoming FinTech APPG report based on the following three areas:

### 1. Fairness and Choice

Nimble innovation from FinTech startups can lead to an increase in choice for both retail consumers and businesses, increasing competition and theoretically providing better products and services.

#### Payments

- The example of payments systems was given as an area where there is currently a relatively restricted marketplace, as highlighted in the PSR's February 2016 [report](#).
- Crucial to accelerating an increase in choice is facilitating innovative use of the rails and infrastructure that payments systems are built on.

#### Dynamic discounting

- Another example given of a FinTech product broadening the range of choices through an innovative offering was '*dynamic discounting*'. This allows suppliers to bid for early payment of invoices, creating a more liquid market through freeing up the capital frozen in unpaid invoices.

The development process for such products is both facilitated and nurtured by clear guidance from government and policy makers on the framework within which these firms can operate.

## 2. Access and Inclusion

Many FinTech propositions by their very nature are more accessible to the mass market, and hence provide an excellent vehicle for increasing financial inclusion.

### P2P lenders

- Peer-to-peer (P2P) lenders increase access to capital for both investors and borrowers. The model also has also created a new asset class with the inherent risks of borrowing and lending spread across a diverse set of balance sheets.
- Intervention of policy makers and regulators as shown in the P2P market can provide more confidence in the firms and products, accelerating the mass adoption and accessibility.

### Robo-advice

- Robof advice platforms are able to vastly decrease the costs of investment services, lowering the minimum required investment, allowing a wider range of consumers access to the investment markets.
- There has been noticeable public policy support for this area of innovation, for example the joint HMT/FCA [report](#) into the financial advice market recommended that support be given to firms offering automated advice models.
- With the new pension freedoms and the growth in adoption of 'robof advice' systems, there needs to be close oversight of developments to ensure that where access and inclusion is increasing a good service, suitable products are being provided to the consumer.

### Credit scoring

- FinTech startups have begun developing systems which allow credit scores to be generated through the analysis of data from non-traditional sources. This gives a larger sector of society the ability to obtain a credit score and access the financial markets.
- This demonstrates one of the defining strengths of FinTech, which is its ability to tailor products to how individuals live their lives.

With increased choice often comes increased inertia therefore the industry needs to make sure they are supplying products that meet the needs of society, and work to ensure that consumers are able to both understand and trust what the market offers them.

It is critical that policy makers maintain a keen interest in developments within the sector to ensure they have the necessary knowledge base and awareness to legislate and move with the market as it evolves.

It was noted that the use of these new products will likely increase and become more prevalent as the wealth of the millennial generation increases.

## 3. Integrity and Security

### AML/KYC, Blockchain, Smart Compliance

- FinTech firms are now offering tech-led solutions which minimise frictions and enhance resilience where financial services firms are required to comply with AML and KYC requirements.
- Other areas FinTech firms have targeted include smart compliance and risk management tools to allow firms to detect misconduct and manage compliance date, as well as distributed ledger technology providing record keeping systems with stronger built-in trust mechanisms.

The importance of creating testing spaces for firms developing products for regulated financial services firms was discussed. For many 'RegTech' solutions there is no requirement for direct regulation, therefore in order to build credibility and implement their solutions access to market testing is key.

Alongside this the international nature of security policy issues means that for firms developing products clear agreed minimum and maximum standards are extremely useful in defining the parameters within which they can act.

### Concluding Remarks

The roundtable was concluded with the affirmation that the FinTech sector is of huge and rising importance within the financial services sector as a whole. There is work to be done by policy-makers, government and industry to ensure that healthy competition is encouraged.

It was agreed that the above three-part structure would form the basis of the APPG on FinTech's report to be launched at the Summer Reception in July.



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