Fintech Delivery Panel

Minutes for the Meeting - 10th September 2018

Date: Monday 10 September 2018
Location: Onfido, 3 Finsbury Avenue, London, EC2M 2PA
Time: 1000 – 1200

Attendees:

1. Eileen Burbidge, Partner, Passion Capital (**Chair**)
2. Eamon Jubbawy, COO, Onfido (**Deputy Chair**)
3. Alice Newton-Rex, CPO, WorldRemit
4. Anna Wallace, Innovate Head of Department, FCA
5. Charlotte Crosswell, CEO, Innovate Finance
6. Chris Pond, Vice Chair, Financial Inclusion Commission
7. Kaushalya Somasundaram, Head of Fintech Partnerships & Strategy, HSBC
8. Stephen Dury, Chief Customer & Innovation Officer, Santander
9. Matt James, Head of Scouting UK & Europe, RBS
10. Philip Brown, Head of Policy, LV=
11. Martin Cook, General Counsel, Funding Circle
12. Ahmed Badr, General Counsel, GoCardless
13. Thomas Price, Head of FinTech, Banking and Credit Team, HMT
14. MB Christie, COO, Tech Nation
15. Greg Michel, Fintech Lead, Tech Nation
16. Meera Last, Programme Manager, Tech Nation
17. James Griffiths, Project Manager, Fintech, in secondment from the FCA to Tech Nation

Apologies:

1. Anne Boden, CEO, Starling Bank
2. Gus Macfarlane, Managing Director Global Innovation, Barclays
3. James Varga, CEO, The ID Co
4. Taavet Hinrikus, CEO, Transferwise
5. Paul Rippon, Deputy CEO, Monzo
6. Will Thorne, Innovation Leader, The Channel Syndicate
7. Anil Stocker, CEO, MarketInvoice

1. Introduction

    1.1. EB opened the meeting and requested for all attendees to introduce themselves to the group. Attendees obliged. All were present in the room aside from one attendee on the dial in.

    1.2. EB began by stating that there are a couple of housekeeping points that need to be noted. Firstly, the third agenda item was misnamed - it should read the Digital ID Working Group, with a subset of this group to be named the Digital ID Steering Group. Eamon Jubbawy (EJ) will give a more detailed update later.

    1.3. EB continued by noting that the Treasury update from Tom will be brought forward, given that he needs to leave early.

2. Standards Update

    2.1. Matt James (MJ) began by stating that this group had made good progress. The PAS with BSI is going through its final editorial review, and they are now preparing that for print, he said.

    2.2. MJ continued by explaining that we are in the middle of planning a launch event and are finalising the event details.

    2.3. MJ went on to say that the group will start to look beyond the launch, to have discussions around the next stages; moving from the current as is definition of process at the moment, to look towards a simplified standard. We are in a good place and things are coming together well, MJ concluded.

    2.4. EB asked MJ if he had any blockers or concerns.

    2.5. MJ responded by saying he didn't think so, we are just going through what we'd expect given the partners involved. There is work that is required around approvals for the release and the event, but that is normal, and to be expected.

    2.6. EB thanked MJ for his response. She went on to ask the Treasury if they wanted to expand on the progression of the work towards a market standard.

    2.7. Thomas Price (TP) responded that the Treasury have no firm plans yet. He added that it will be interesting to see how and if the PAS is a success, and then we can see how it can grow and potentially become a market standard from there onwards.

    2.8. Charlotte Crosswell (CC) asked MJ how much buy in the document has from the banks.

    2.9. MJ responded by saying that we've got good support from the banks involved in the draft, as they have signed off the PAS. We have created a clear definition of generic onboarding, across the industry. Of course there are

details that vary bank to bank, things like the risk appetite, the variations of jurisdictions, and other considerations.

2.10. MJ went on to say that, as a group, we are looking towards the the next stage, ways to build out the toolkit that can help start-ups further progress. We'd like to build some tools, especially addressing areas which have been identified as being problematic. MJ went on to say that, of course, we understand that the process can be challenging - numerous people are looking at ways to streamline this. But, he went on, there are forms of best practice that can be used to advance these standards, and that we can formalise.

2.11. Stephen Dury (SD) asked how the success of the PAS is going to be measured.

2.12. MJ responded that it's a great point, and that we need to come up with a way to gather this initial feedback. In a few months, perhaps we'll need to speak to the fintechs that have started to use the PAS, and follow up on what the perspectives are and how it has landed.

2.13. MJ continued that we can gauge how the industry have responded to date. We had the industry consultation and the feedback positive; we had lots of interest and lots of people engaged with the idea, and we know many want to see the final product. We didn't have lots of proposed changes to our initial draft. There will be a need to go back and follow up - in a few months - to see how it's landing, for sure, but the initial signs are promising.

2.14. EB agreed with MJ and said that, from her perspective, it's a staged rollout. The first stage is buy in from the banks, and it is commendable that MJ was able to corral the various stakeholders in such a short period of time.

2.15. Ahmed Badr (AB) asked the group if there is overlap with the UKPayments work.

2.16. CC responded by saying that as far as she's aware it wasn't included.

2.17. MJ also responded by saying that it went out to a lot of people of consultation, so they may have had sight of it already.

2.18. EB closed the discussion by requesting that any further comments or suggestions should be fed back to MJ.

3. Digital ID update

   3.1. EJ gave the update. We have made a lot of progress over the summer, he said. We are preparing an application for the FCA sandbox, and we are still aiming for Q1 2019 timelines are in set out in the papers. We want to run this like a start-up would, testing a whole load of ideas before we launch, so we can get the product right.

3.2. EJ went on to mention the various technology and consulting partners that the pilot has. We have storage and verification partners, and underlying technology layers. We don't know yet exactly what the final product looks like yet, but the sandbox will guide that.

3.3. EJ noted that the FCA, and Anna Wallace's (AW) team in particular have been very good and are committed to making the pilot happen. That is why we are seeing such positive momentum, EJ added.

3.4. EJ continued by saying that there are definitely still questions for us to answer. Hence the development of an independent steering committee named the Digital ID Steering Committee to be established for governance purposes - made up of EB, Chris Michael (CTO of Open Banking) and Ewan Willars to make key decisions on the pilot. There are a whole load of different avenues to go down. The FDP is a three year timeline, we see this as the key legacy project that can stick in the market.

3.5. Alice Newton-Rex (ANR) asked if the pilot plans included customer testing.

3.6. AW responded that yes, it was effectively the plan, and that's what the sandbox allows for. The sandbox has definitely helped new market entrants, giving them the forum to test their proposition in such a way. We tend to take sandbox participants and give them credence with incumbents. This is quite a different scale - the sandbox will give certain answers but it's beyond that. There is something quite niche and clear in terms of deliverables, we might help them stage their testing and prove in a modular fashion, AW added. We do have some set timelines - they are not set in stone by us - but with something like this, we can be a flexible as we can. One issue we always need to be aware of, if you get a benefit from us then we need to ensure that the results are open to the whole market. We've helped with every digital ID initiative so far. We see the market take up problem, but we are yet to see them get much traction - we need to support this - and it is great to see aa group like being to mobilise mobilise support, AW concluded.

3.7. CC asked how does this tie into other work we know is active.

3.8. EJ responded that most of those with projects live have been involved in discussions. He said he didn't know the specifics of each project, but some have been a bit more active than others in inputting.

3.9. TP added that there is a strong emphasis on activity not being duplicated.

3.10. EJ agreed and added that TP has been very good at keeping the work aligned.

3.11. Kaushalya Somasundaram (KS) opened her comments by voicing her concerns about what she feel is a lack of clarity around the governance of the working group; about how is the bank [HSBC] is going to get involved in the sandbox; and that there are multiple other work streams that are active at the same time. How do we commit the resources and funding, she asked.

3.12. EJ responded by saying that the governance point is the main one we want to address, so we formed the committee. We decided to form a small group that could make decisions and was impartial, he said. HSBC has been receiving the same communications as the other banks involved in the pilot.

3.13. AW added she is able to circulate what will be needed by when, so the group can have a clearer idea of a working hypothesis. AW continued by saying that essentially the document is quite high level, but it will need the name of one party assigned. It will cover how the FCA intends to run the trial and how it would look to oversee the risks. AW took the action to send a document to the group.

3.14. MC stated that AW's suggestion sounds useful. He went on to ask what HSBC needed to feel comfortable.

3.15. KS pressed that her team had multiple questions around governance that they felt weren't answered properly. She asked how the group and steering committee were going to manage the sandbox trial if banks and fintech companies are the ones mentioned in the application documents.

3.16. EB responded by asking if any of the other banks involved have asked questions similar to HSBC.

3.17. EJ responded that HSBC have been the most vocal so far.

3.18. SD added that the agenda point around liability framework is, according to him, still the big challenge for this being adopted by the industry, along with the consumer adoption concerns. He expressed the wish to see some tangible progress or action on these fronts.

3.19. EJ agreed.

3.20. EB responded to all by saying that this is another example of collaboration and great evidence of what's needed. It's difficult to get everyone in the same room, she went on. The best outcome is to get the majority of people happy. Decisions and progress being transparent. She said she thinks using the FCA sandbox is a fantastic idea, if there are concerns [among the banks] about using the sandbox then we should unearth those. Digital ID will grow in importance in the coming years.

3.21. SD agreed and added that one thing we can work through is what are banks currently comfortable with, and what can they be more flexible on.

3.22. TP responded that he was pleased by the great work done by the FDP and was keen that the other groups recognise the progress and contribute to it. He also stressed that other work streams were doing good things on the liability model. He suggested there could be scope for them to join the steering committee since they could usefully serve that purpose.

3.23. EJ agreed and added that overall, the working group is working well, but of course the governance point and the sandbox are points worth discussing.

3.24. AW agreed and underlined that the sandbox is not only a place to test products but also a place for developing policy. It is meant to be a place for trying out and testing.

3.25. SD agreed and added that, as long as we have the balance between technical, behavioural, standards and consumer need, the goal would be met.

4.   Skills & Talent

4.1. GM gave the update on Claire Calmejane's behalf. She [CC] has moved on and we wish her well in her new role. Her replacement has not yet been finalised, GM continued. Skills & Talent has been trying to find its way, and there are a few things that they have been trying to push.

4.2. GM added that MC has been a great support throughout the process. GM went on to say that we intend to provide continuity for this working group, so we will to leave it with LBG for now.

4.3. GM went on to say that, in order to get a few initiatives going, we should acknowledge the connected work in this space. There is definitely a role for us to play, and find something that is meaningful. There are limitations of this group, he said, but now that we have the envoys, we can start showcasing our work a little more.

4.4. GM finished by saying that if anyone has interest in this group and it's work, they are more than welcome to put themselves forward to contribute.

4.5. CC responded by giving an update on the work Innovate Finance have been completing in this area. We sent out a survey she said. We need the fix now for the future, and we need to work on how and how can we contribute. We've been looking at various areas, including hiring; the need for visas; impact of brexit. We will have the results back within the next week. CC went on to say that they've been exploring creating a talent portal, and linking up with universities and consultancies, in order to direct more people into fintech.

4.6. CC continued that the Digital Skills board looking at the longer term fix, in discussions with schools, especially on the diversity piece, and apprenticeship providers. We need more tech & engineering skills, essentially, and this is a key issue for our membership.

4.7. EB thanked CC.

4.8. CP added that, as a subset, there could be some work done with the likes of Ambitious about Autism to help people across the spectrum get employment. CP said they can offer huge value but often struggle to get recognition through regular application channels.

5. Treasury Update

   5.1. TP began by stating that it's been relatively calm for the fintech practice but incredibly busy for the Treasury over the summer months. With Brexit on the horizon, a great deal of the work has gone into the technical note that was published - that is accessible for the group online. He offered help in case anyone had questions about this note.

   5.2. TP went on to say that Treasury have also organised a couple of roundtables. The Chancellor went to Belfast and was hosted by Georgina O'Leary, one of the new regional fintech envoys. Further, the Economic Secretary went to Edinburgh and was hosted by David Ferguson, another Envoy. Overall, Treasury focus continues to be on delivering against the fintech strategy.

   5.3. TP also noted the good progress of the shared platform work within the FSTIB as well as an increasing interest in regulatory technology. He added that there is also progress on the machine readable rules project. A team of around twenty are working on two pilots. It's working well and they are likely to complete by the end of the year. New forms of financial services infrastructure which published at the beginning of November.

   5.4. AW thanked TP and added two further points. Firstly, the crypto assets task force is in its late stages. We are very focused on the actual participants in the market and reaching out to groups we don't usually regulate, so we do have a challenge there, she said. She added the caveat that all this work was subject to ministerial sign-off.

   5.5. Further to this, AW mentioned the regulator's pioneer fund run by BEIS. It was commissioned to encourage regulators to build on innovation, with regulators working together to build a consensus. This could build on incumbents or new entrants, and is encouraging them to think more broadly about markets.

   5.6. TP added that there is no official timetable for this work.

   5.7. EB thanked TP and asked after the social media push for feedback on the fintech bridges work. What was the response and what were the outcomes, she said.

   5.8. TP responded by saying that the response has been good; a report has been completed but has not yet been published.

   5.9. AW added that some of the findings show work to be done. There is limited awareness of the work, she said, and there is a piece around identifying priority market work needed.

   5.10. EB asked if communications to fintechs are needed, and if the group can support there.

   5.11. AW said that DIT are technically the owners of the project, so perhaps we can get them to come and present.

5.12. AW added that the trip she recently took showed her that there's a huge focus in Nigeria and Kenya on potential markets, especially interest from central banks and the regulators, that want to learn about what we can assist with, given the UK's experience in this area.

5.13. TP left the meeting.

6. Insurtech Board Update

6.1. ML lead the update on Will Thorne's (WT) behalf.

6.2. We have made excellent progress since our last meeting, ML said. She started by giving the update for the Onboarding working group. They have completed a draft toolkit consisting of four documents, namely the NDA, AP, TOBA and MGA. The intention is to have an accessible suite available, free of charge, to insurtechs intending to form partnerships with large incumbents. The suite has been drafted by our legal partners at Simmons & Simmons and Dentons, ML added.

6.3. We are now progressing with the next step on these documents, ML continued. This includes having an insurer or insurtech sign up to use the suite in a trial partnership, a use case which we can then utilise in the promotion of the toolkit. We are also pursuing endorsements from incumbents, insurtechs, the ABI and VC firms in the market.

6.4. Onto the Support group, we have made progress on hosting the toolkit on the Tech Nation website. We are working through which other resources to include in this portal.

6.5. Next, we have the International Reputation group. ML went on to say that this group have a sum of money committed by a large incumbent who wish to see more insurtechs brought to the UK from overseas. The intention is to run the event in partnership with DIT, ML said, in order to source the best insurtechs. We'd look to invite over those that need the expansion help. Timing around this event needs to be ironed out properly.

6.6. AW asked if Brexit has been factored into decisions around the timing.

6.7. ML responded that DIT are scheduling the event in accordance with their calendar. We are working on a piece in conjunction with this work, which involves building a consensus position on how the UK must sell its insurance sector overseas. DIT have requested the group's assistance with drafting this messaging, and we are supporting.

6.8. ML finished with the Investor Working group update. The intention is to hold an event similar to the fintech access to capital day, which was a huge success. ML went on to say that we'd look to invite a similar number of VCs and then open invites to all. Work needs to be done on how we'd distribute the invite, to ensure we get as many applicants as possible.

6.9. EB thanked ML for the update. Good progress has been made on this group, she said.

7. Access to Capital

    7.1. EB began by giving details of the event that was held on the 11th July. Twenty-one VCs were in attendance, and seventeen start-ups. We had a call-out that restricted the funnel to seed, pre-seed, and Series A. EB went on to say that they had great turnout. It was structured like a speed dating session. Investors knew who they were going to meet with.

    7.2. EB added that there was a concerted decision to not include corporate funds. This may be different for insurtech, however.

    7.3. EB mentioned that she was aware of the fact that some companies raised funding after the event. She said they did keep track of who met with who but couldn't ascertain whether it was this meeting that led to the closing of the funding and would enquire.

8. AOB

    8.1. Tech Nation Fintech Programme: EB led this section by indicating to the Tech Nation programme launch. This shows a tangible output for the fintech sector strategy, she said.

        8.1.1.GM thanked EB for the acknowledgement. It is the first of three sectors, he said. The companies have a good variety of business models, and all sit within the late seed stage/pre-Series A category.

        8.1.2.AW offered any help required with links to American regulators, if needed.

    8.2. GM rose the work being completed by the Bank of England. It is renewing its RTGS payment system, he said. As part of this effort, they are looking at the possibility of introducing synchronisation, which would make payments conditional on each other possible.

    8.3. EB and CC offered their help on publishing the consultation on their channels. GM took as an action to ask the Bank of England for their view on the matter and to come back.

    8.4. CC also gave an update. There is work to pick up on women in fintech.

    8.5. EB proposed that the group take fifteen minutes to take stock and reflect on the work accomplished so far and on whether we are fulfilling our purpose.

        8.5.1.SD raised the topic of regional representation. He asked the group if it's possible to host elsewhere, outside of London. If it looks like we can get a couple of tangible dates, and if we tell people we're turning

up, we can get some buzz around hosting the meeting elsewhere, and also encourage some excellent contributions from outside of London.

8.5.2. CP added that he wanted the group to be more visible in the financial inclusion agenda. We now have two ministers, and DCMS have committed fifty-five million from the dormant accounts fund, so there is momentum there, he said.

8.5.2.1. EB thanked CP for this and asked if he had any ideas for how we can engage with this agenda.

8.5.2.2. CP responded in the negative, but added that he was sure we as a group think of some. Perhaps we frame it as a wish list, and then see what is possible from there.

8.5.2.3. EB agreed. After we did the Fintech for All competition, and Treasury did a rent recognition challenge, we see more momentum in the market. Some of the banks are looking at offering accounts without fixed addresses and other similar initiatives.

8.6. EJ acknowledged this point, and then went back to the regional representation point. What would be the issue if we live streamed this meeting, he asked. This would encourage visibility and transparency, he said.

8.6.1. ML agreed, and said similar discussions were being had within the insurtech board.

8.6.2. EB said that it is a point we should consider.

8.7. CP raised another point. Are we engaging with the open banking agenda in enough detail, he asked. The third party providers, for example, we could have a useful role in better understanding their agenda. We had Imran [Gulamhuseinwala] give an update at an FDP meeting, it would be worth bringing him in as a guest at the next meeting, CP said. Then there is Faith Reynolds, who leads the consumer panel on Open Banking.

8.7.1. ML asked CP to facilitate an intro to her.

8.8. AW went on to mention the European agenda, specifically in relation to environmental and social goals. She asked the group if there is a readiness question for the UK, and if this is something that this group can offer to that work.

8.9. KS asked AW if you [the FCA] are looking into social impact, and the accompanying legal challenges coming down the track [given Brexit]. The Paris Accord & EU requirements, for example, what they might need a regulator to say or do, and under our broader mandate, do we have a responsibility, she asked.

8.9.1. AW responded that it should be considered. She added that *Green Great Britain* has been launched. It'll be a week in October and will include a section on green finance. AW went on to say that some of the questions that are raised are done so without benchmarks, so there is some active thinking that needs to be done.

8.10. MB Christie (MBC) asked if there is value in building a health check for the fintech sector, bringing work that is already being done together to understand how the sector is being impacted.

8.10.1. CC responded that the big four are likely already working on this.

8.10.2. EJ responded that it would be useful to have a health check compiled from various data sources.

8.11. KS asked the group if there are other areas that need to be acknowledged, like insurtech. Crypto, for example.

8.11.1. AB agreed and mentioned that there's a lot going on in the payments sector of fintech, is there a need therefore to create a seperate group around this area, he asked.

8.11.2. MC concurred, and added that in tandem we need to ramp up the skills and talent, working group, and as part of that we can acknowledge clustering.

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AOB - Ideas raised, for consideration

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1. Creating a more regional image for the FDP, including the ability for regional reps to dial into meetings, and the group travelling to regional locations for some instances.
2. Becoming more involved in the financial inclusion agenda.
3. Imran and Faith are to be invited as guests to future panel meetings for an update on Open Banking's progress and acceptance by consumers, respectively.
4. The need for more subgroups with specific focuses, like the insurtech board.
5. Building a health check for the fintech sector, building on data and evidence groups have collected on the sector.
6. Looking ahead [post-Brexit] at social and environmental impact work, potentially contributing to the UK's readiness.