



FinTech in the UK Industry Overview Q2 2022

Teaser

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Introduction

Developed by Deep Knowledge Analytics, the “**FinTech in the UK Industry Overview Q2 2022**” report contains a comprehensive overview of the FinTech sector, providing such qualitative indicators as key findings and general industry landscape as well as quantitative ones like distribution of FinTech companies by the region, 2,000+ FinTech companies by category, Top 100 UK companies, and leading FinTech start-ups in the UK.

The UK is one of the biggest FinTech players in Europe, hosting numerous successful FinTech companies and start-ups. The FinTech Industry is one of the contributors to the UK digitalisation process. The study is based on the **analysis of the UK finance-related enterprises, their status and development in recent years, technology progress, and the challenges they face**. The report reviews the UK FinTech structure, its most impactful influencers, and various business cases related to the industry.

Additionally, the report covers collaboration between FinTech businesses and government as well as governmental initiatives in this field.

Methodology and Approach

Methodology

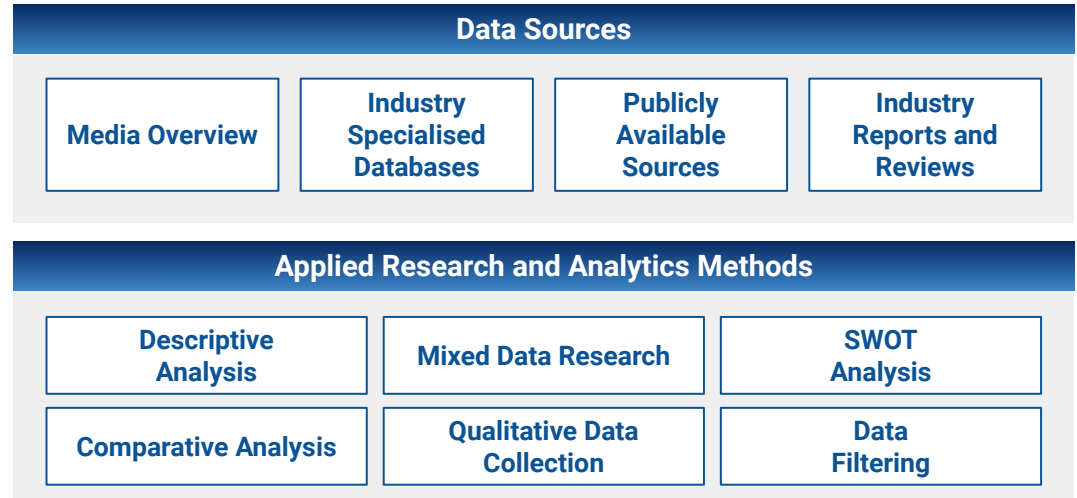
The report analyses over 2,000 companies, more than 1,000 investors, and 25 hubs.

Companies were categorised into seven specific industry categories: Financial Management; Investment & Capital Market; Payment; Cryptoassets & Blockchain; Digital Lending; Neobanking; and RegTech.

The data on the main trends in the report has been aggregated from a variety of reputable and public data sources, including general and industry-specific databases, media and news reports, and conferences and government websites. While the information presented here is believed to be reliable, the authors make no representation as to the accuracy or completeness of its constituent materials, information, and data.

Approach

Based on various research methods and analytic techniques, the analytical report provides a comprehensive overview of the FinTech in the UK. The approach has certain limitations, especially when using publicly available data sources and conducting secondary research. Deep Knowledge Analytics is not responsible for the quality of the secondary data presented herein; however, we do our best to eliminate risks by using different analytic techniques to cross-check data.



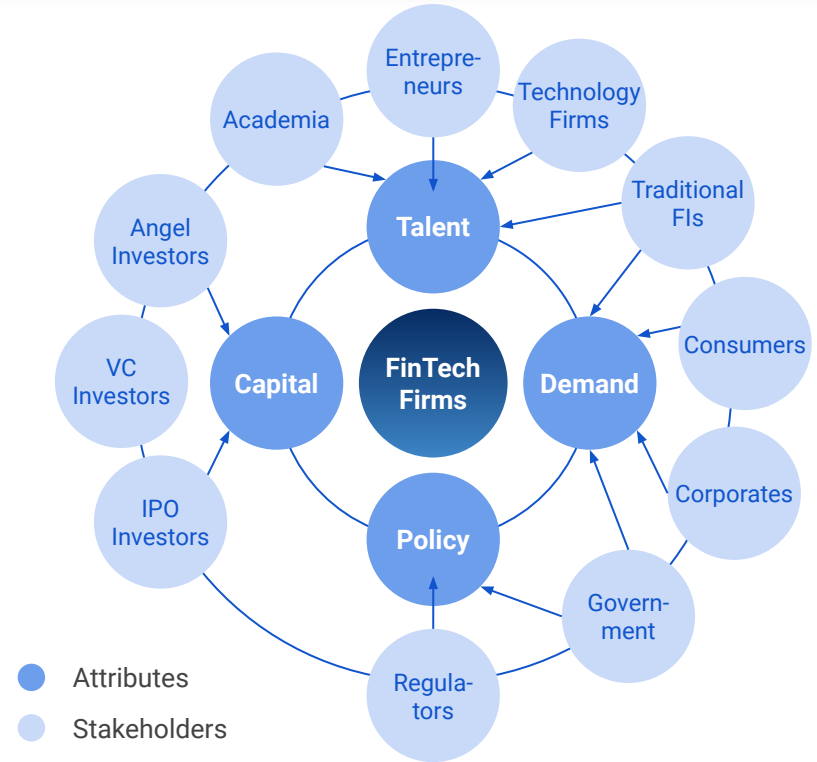
Executive Summary

The United Kingdom is a leader in tracking the trends in FinTech and establishing itself as a catalyst for financial innovation on a global level. World-class talent, UK-wide knowledge, a forward-thinking regulatory approach, availability to funding, and closeness to an innovative financial services sector distinguish the UK's FinTech offering. From peer-to-peer lending to challenger banks, cyber, insurtech, regtech, AI, paytech, tech for good, and blockchain, the UK has positioned itself at the forefront of FinTech innovation.

In the UK, FinTech is more than a subsector. The entire financial services industry has embraced its evolution, providing new customer-focused and innovative products, services, and solutions. Innovation and technology increase the efficiency of well-known players and strengthen links with financial centers around the world. FinTech bridges have already been established with Australia, Hong Kong, Singapore, China, and South Korea.

The acute challenges of the COVID-19 pandemic have required a rapid response from the world's most innovative industries. The UK's leading FinTech Industry contributes to resilience in the face of global uncertainty through innovative solutions and partnerships.

FinTech Ecosystem

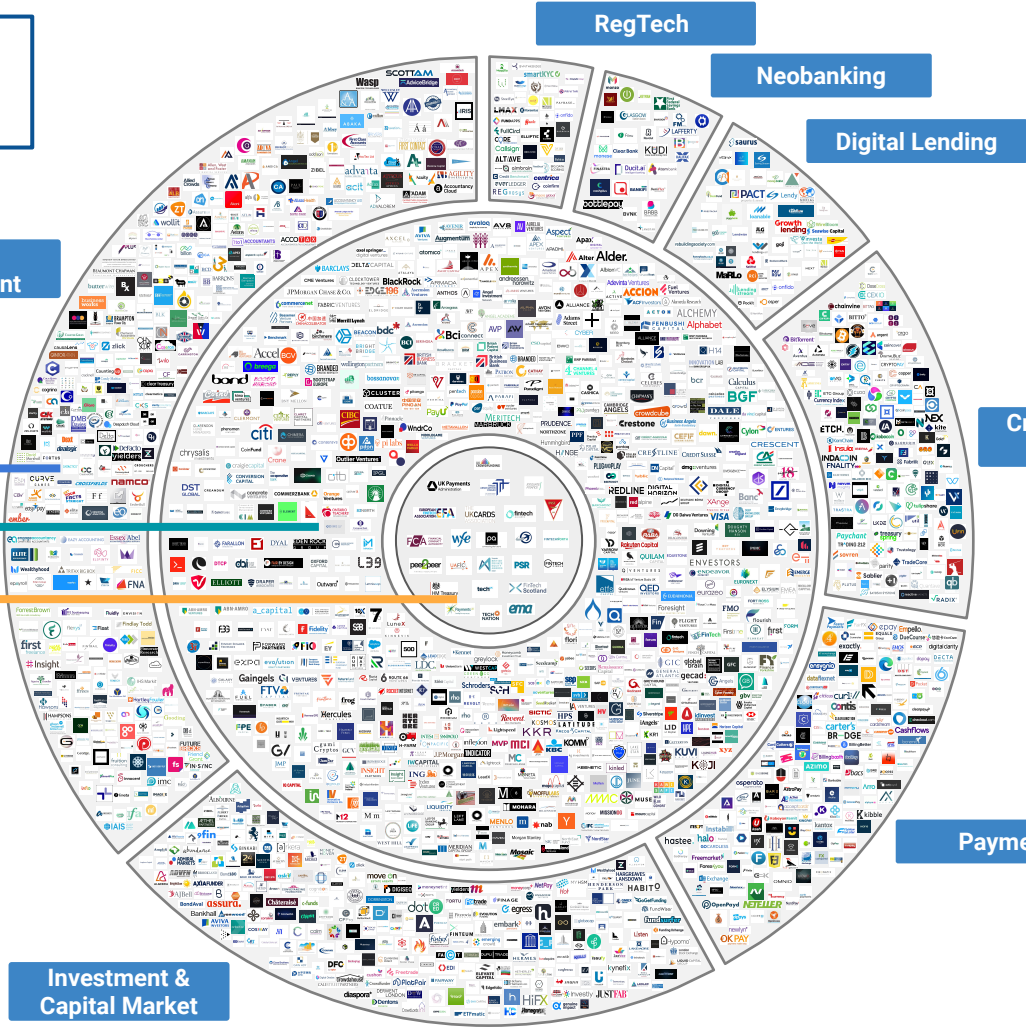


FinTech in the UK Framework



FinTech in the UK Industry Overview Q2 2022

Companies - 2,030+
Investors - 1,000+
R&D, Hubs,
Non-Profits - 25+



Financial Management

RegTech

Neobanking

Digital Lending

Cryptoassets & Blockchain

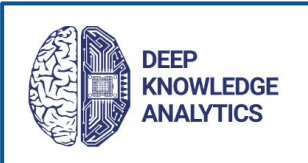
Payment

Investment & Capital Market

Companies

Investors

R&D, Hubs, Non-Profits



FinTech in the UK Landscape Overview



DEEP
KNOWLEDGE
ANALYTICS

FinTech Industry in the UK Landscape

2,000+

FinTech firms in the UK, according to estimations this will be more than double by 2030.

1,000+

FinTech companies are located in London.

105,500

People will work in FinTech UK-wide by 2030.

\$11.6B

In FinTech investment in 2021, representing nearly half of all investment in Europe.

71%

UK's FinTech adoption rate, Global average is 64%.

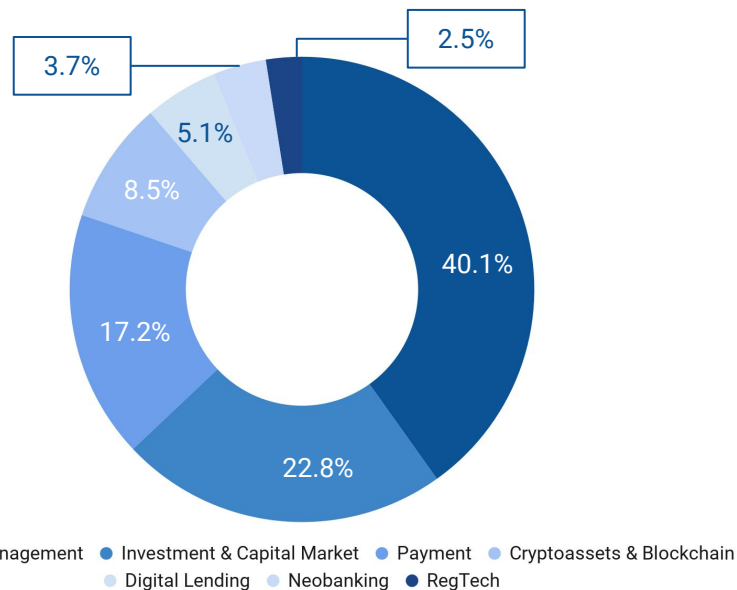
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European FinTech deals are in London.

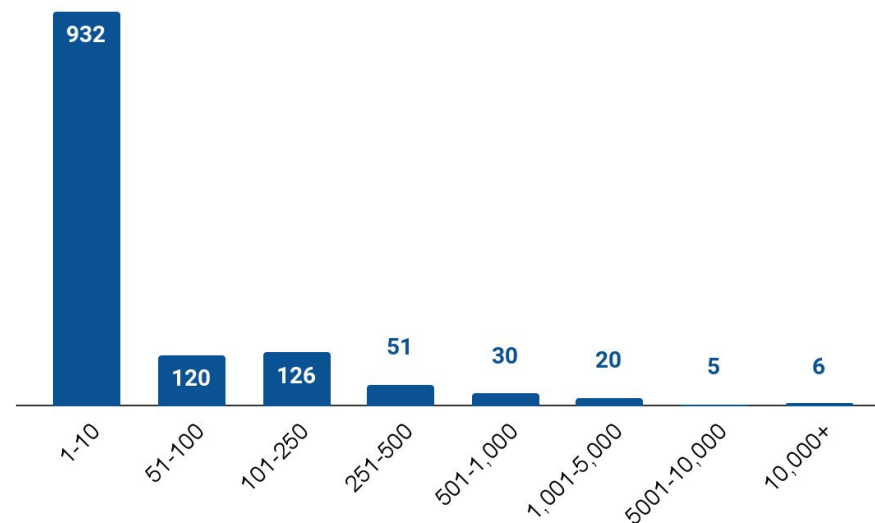


FinTech Industry in the UK Overview (1/3)

FinTech Companies by Category



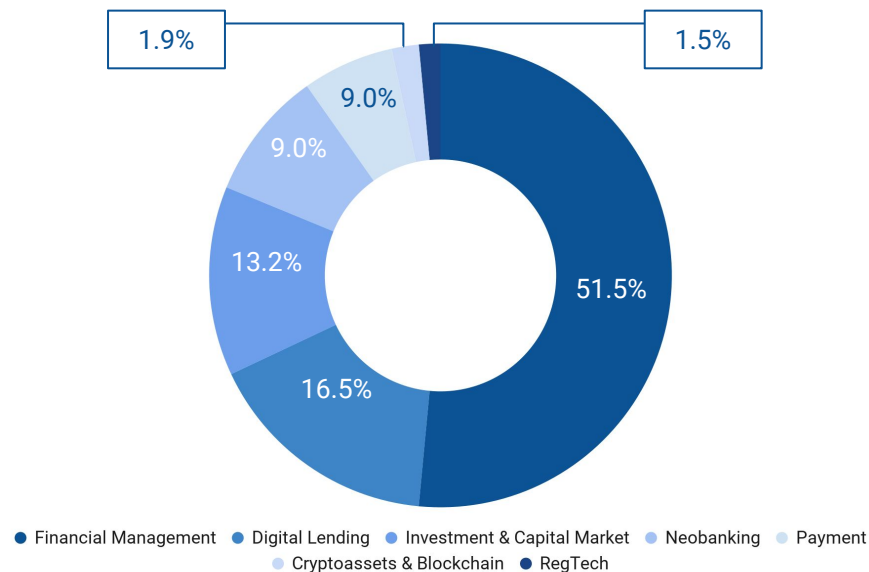
FinTech Companies by Number of Employees



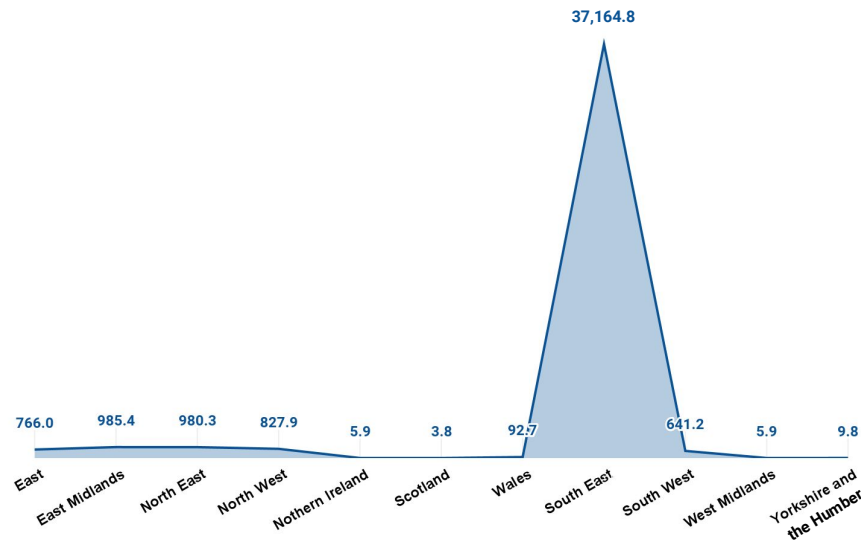
The majority of the UK FinTech companies are of the smaller scale, with a half of them employing 1-10 workers due to a level of technological development of the sector. The COVID-19 pandemic has affected the smaller companies harsher than the larger ones, so their size amounted to the trust increase they have received; henceforth, there is a likely change coming to this redistribution. In regards to the category distribution, the majority of the UK companies are those that engaged into the Financial Management sector. When it comes to other FinTech trends, the second and the third place are after Investment and Capital Market and Payment categories, respectively.

FinTech Industry in the UK Overview (2/3)

Top UK Companies' Funding by Category, 2020-2021



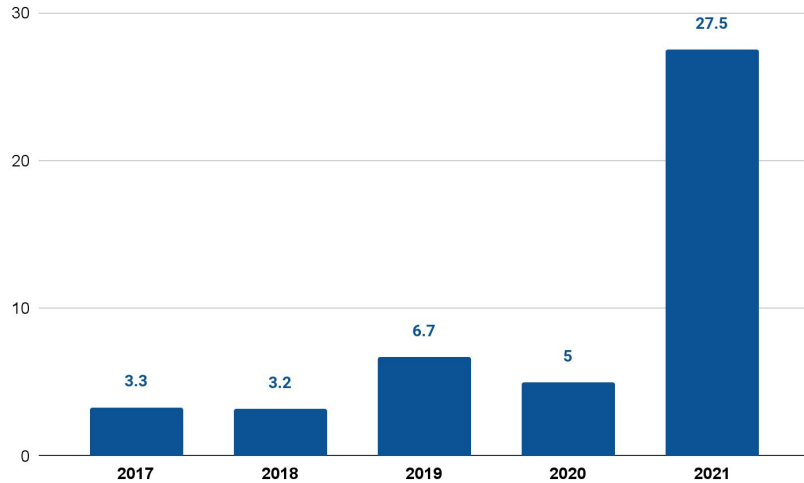
Funding Redistribution by Region, £ million



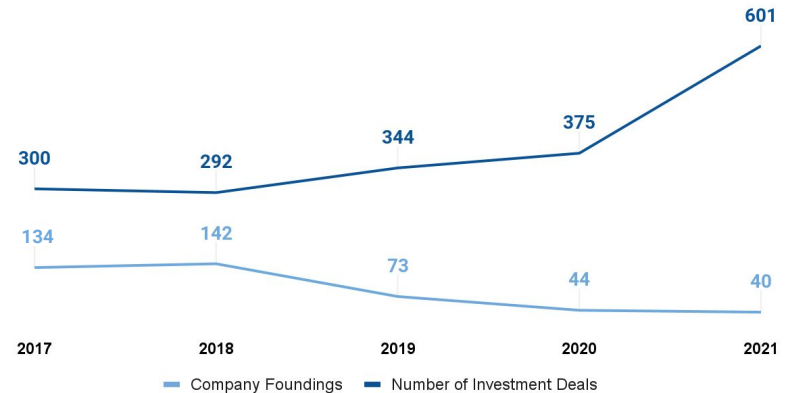
The majority of funding in 2020-2022 has been received by the companies from the eastern regions such as South East, East Midlands, North East. London's being in the lead of funding hubs is no surprise due to the wide variety of business centers and large number of FinTech companies founded there. As for the funding categories, the majority of funding was received by companies for financial management, amounting to more than half of all of the funding in the sector.

FinTech Industry in the UK Overview (3/3)

FinTech in the UK Investments in 2017-2021, £ billion

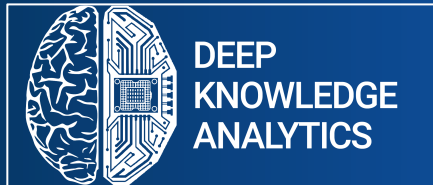


Number of Deals in 2017-2021



Investment in FinTech firms in the UK grew sevenfold in 2021 to £27.5 billion with London attracting more fintech funding than the rest of Europe, the Middle East and Africa put together. The investment total was boosted by 601 deals that were finalised in the UK in 2021, which was up by 60.3% compared to the year before. Five out of the 10 largest fintech deals in the EMEA region were completed in the UK. Number of deals are on the rise, despite the fact that number of companies established are going down from year-to-year.

Regulations of the FinTech Industry in the UK



Fintech Regulatory Timeline 2021

- Treasury launches consultation and call for evidence on cryptoassets and stablecoins
- UK cryptoasset businesses not registered with FCA to have ceased trading, other than those covered by temporary registration regime

January 2021

- FCA shares feedback on Open Finance Call for Input
- Law Commission call for evidence on smart contracts closes
- UK Digital Regulation Cooperation Forum publishes workplan for 2021/22

March 2021

- DRCF publishes policy paper on regulatory approaches across digital services
- ESMA calls for evidence on digital finance
- FCA opens consultation on new Consumer Duty
- Financial Services Act 2021 becomes law

May 2021

- European Commission reveals legislative plans for EU AML regime
- HM Treasury consults on applying FATF travel rule to crypto-asset businesses
- PRA closes discussion paper on a new prudential framework for smaller firms

July 2021

- FCA opens the Green Fintech Challenge 2021 and its second digital sandbox pilot
- EBA reports on the use of digital platforms in the EU's banking and payments sector

September 2021

- EU Crowdfunding Regulation starts to apply
- Bank of England and HM Treasury set next steps for UK Central Bank Digital Currency
- CMA provides update on Open Banking

November 2021

February 2021

- European Commission requests advice from the European Supervisory Authorities (ESAs) on digital finance
- FCA digital sandbox pilot closes
- UK fintech strategic review published

April 2021

- FCA evaluates digital sandbox pilot
- Law Commission launches call for evidence on digital assets
- UK announces new "regulatory nursery" to help fintechs scale

June 2021

- Bank of England and BIS launch Innovation Hub in London
- FCA-commissioned report on AI in financial services released by Alan Turing Institute
- FCA issues consumer warning on Binance Markets Limited and the Binance Group

August 2021

- ESMA publishes report on use of fintech by CSDs

October 2021

- HM Treasury consults on regulation of buy-now, pay-later
- FCA Perimeter Report recommends extending SMCR to payments firms
- HM Treasury publishes outcome of Payments Landscape Review

December 2021

- FCA finalises changes to SCA-RTS and Approach Document guidance
- PSR sets regulatory framework for New Payments Architecture
- European Payments Council publishes threats and fraud trends report 2021

FinTech Law Review in the UK (1/2)

The UK is one of the world's leading FinTech centers, and its market continues to grow every year. It benefits from a well-established UK financial services regulation and oversight regime by the Financial Supervision Authority (FCA), which maintains a reputation of one of the gold standard regulators worldwide. There are no special tax incentives for FinTech in the UK, but there are various features of the UK tax regime that make it attractive to FinTech businesses. There are incentives for companies; for example, stimulating research and development (R&D) for both capital expenditures and revenues, as well as a "patent box"¹ regime.



Sources: The Law Reviews

Notes: 'The 'patent box' is a calculation, though the way in which the patent is owned and used within a group structure can make the calculation and attribution of relevant amounts easier administratively.

FinTech Law Review in the UK (2/2)

Regulation of the FinTech Law

Licensing and Marketing

The list of regulated activities caught by the general prohibition is set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO) and includes, pertinently, accepting deposits, issuing electronic money, effecting and carrying out contracts of insurance, advising on or arranging deals in investments, dealing in investments as agent or principal, providing credit information services, and operating an electronic system in relation to lending. These are known as 'specified activities', and to be regulated, activities must relate to certain specified investments also set out in RAO. Specified investments include electronic money, contracts of insurance, shares, units in collective investment schemes, rights under a pension scheme, and credit agreements.

Firms may generally market themselves freely in the UK as long as any advertisements or marketing materials are accurate, legal, decent, truthful, honest, and socially responsible.

Cross-Border Issues

Prior to Brexit, for firms based in Europe but intending to provide regulated activities in the UK, a complex web of EU passporting regimes applied, depending on the activities carried on by the FinTech business. As an automatic consequence of the UK's departure from the single market, passporting rights to (and from) the UK have ended. However, the UK has made wide-ranging equivalence declarations in respect of EU members, allowing EU firms access UK markets to an extent permitted by their home legislation while the UK and the EU continue to negotiate on a wider process of adoption, suspension, and withdrawal of equivalence decisions between the two jurisdictions. Since the signing of the TCA, the EU has so far granted the UK very limited equivalence for financial services. Conversely, the UK has granted equivalence to European Economic Area (EEA) Member States in a majority of areas identified for equivalence process.

FinTech Top Entities



Leading FinTech Companies in Terms of Investment (in GBP)

1	Prodigy Finance	1.66B
2	LendInvest	1.60B
3	Checkout.com	1.46B
4	Revolut	1.36B
5	LANDBAY	1.31B
6	Lendable	1.28B
7	SumUp	1.11B
8	Wise	1.05B
9	Monzo	0.89B
10	Capital on Tap	0.87B

11	SaltPay	0.87B
12	Starling Bank	0.86B
13	OakNorth	0.83B
14	ThinCats	0.77B
15	Zopa	0.63B
16	Funding Circle	0.59B
17	Atom Bank	0.59B
18	Zepz	0.55B
19	BGL Group	0.55B
20	MarketFinance	0.54B

*Converted from USD. Rate - 1,25 GBP/USD

Leading FinTech Companies in Terms of Investment (in GBP)

21	ClearBank	0.50B
22	iwoca	0.48B
23	Thought Machine	0.44B
24	GoCardless	0.42B
25	Blockchain.com	0.39B
26	PPRO	0.29B
27	Molo	0.28B
28	Zilch	0.27B
29	eToro	0.25B
30	LMAX Group	0.23B

31	Salary Finance	0.23B
32	Hastee	0.22B
33	TrueLayer	0.21B
34	Assura	0.21B
35	Soldo	0.21B
36	Wagestream	0.20B
37	PrimaryBid	0.20B
38	IHS Markit	0.19B
39	Chetwood Financial	0.17B
40	Form3	0.17B

*Converted from USD. Rate - 1,25 GBP/USD

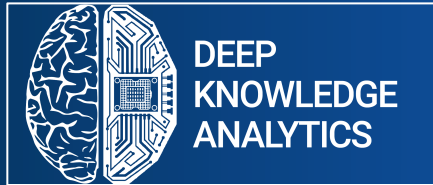
Leading FinTech Companies in Terms of Investment (in GBP)

41	CloudPay	0.16B
42	CRED Investments	0.16B
43	Selina Finance	0.16B
44	Radius Payment Solutions	0.15B
45	Onfido	0.15B
46	Moneyfarm	0.14B
47	Currencies Direct	0.14B
48	Curve	0.14B
49	Tandem	0.14B
50	Proportunity	0.13B

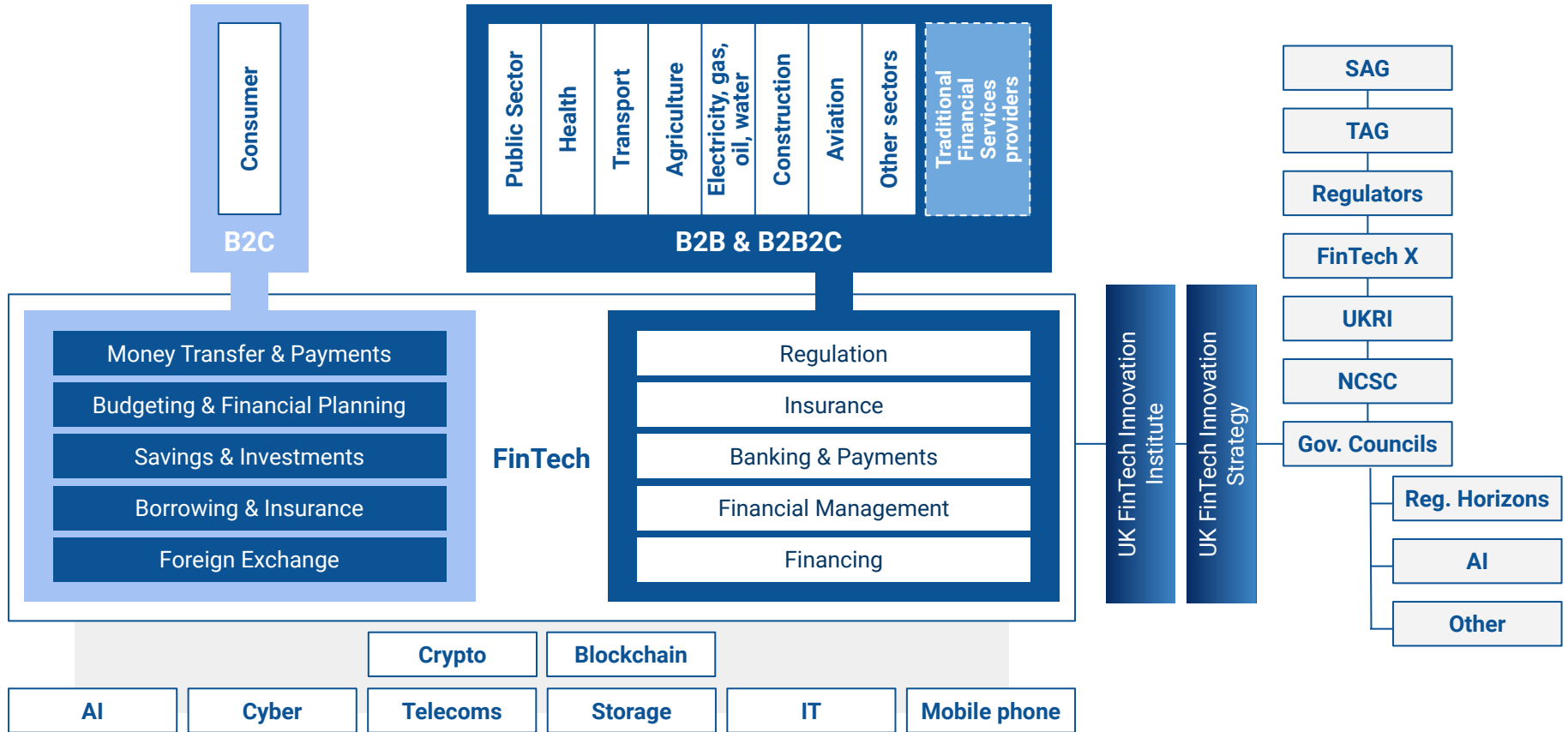
51	ezbob	0.13B
52	Monese	0.13B
53	Fly Now Pay Later	0.13B
54	Currencycloud	0.12B
55	Wonga	0.12B
56	Nutmeg	0.12B
57	Privitar	0.12B
58	Argo Blockchain	0.11B
59	Railsbank	0.11B
60	DNA Payments	0.11B

*Converted from USD. Rate - 1,25 GBP/USD

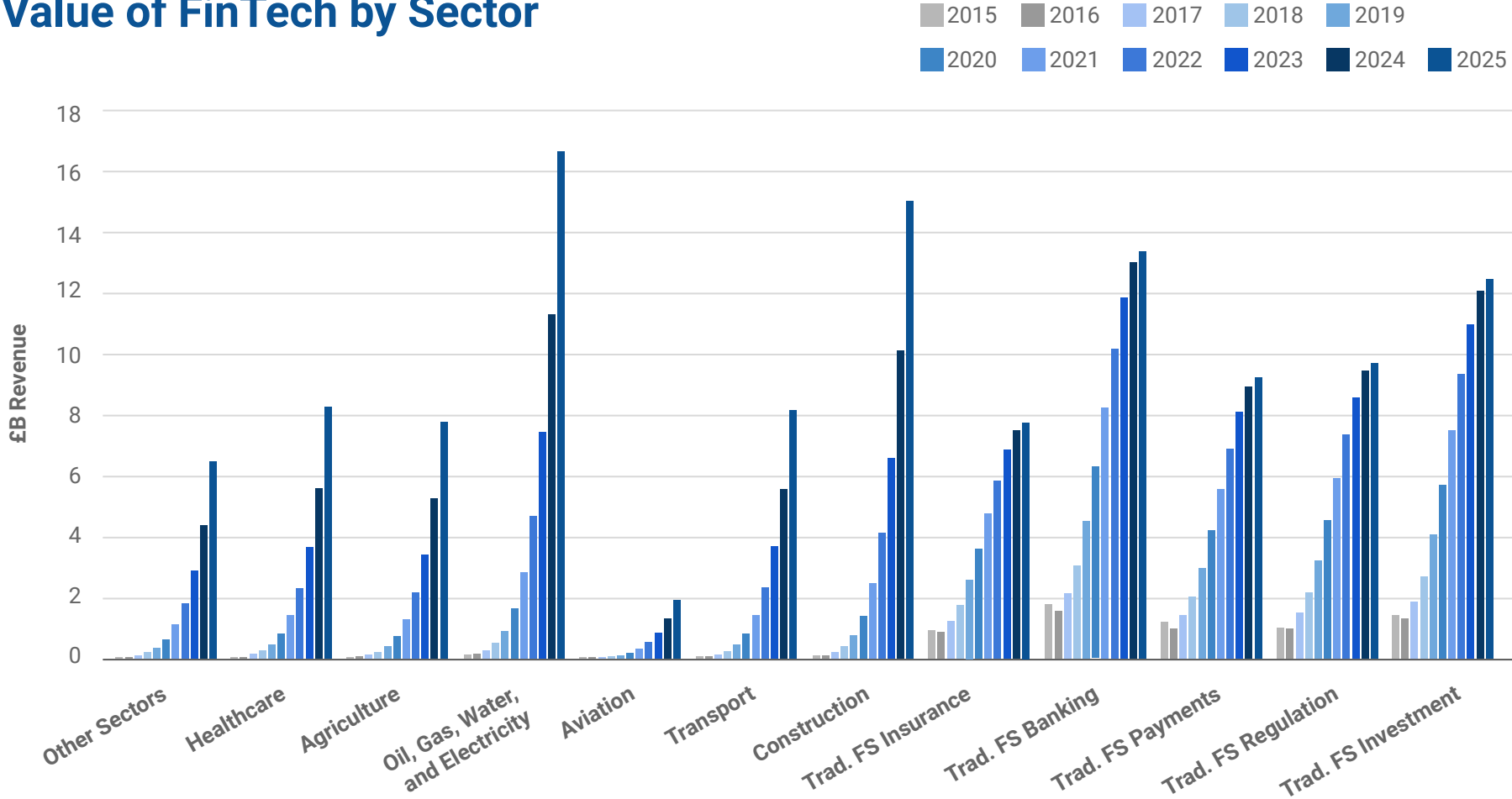
Cross-Sector Case Study



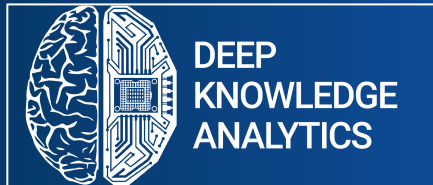
Interactions of FinTech



Value of FinTech by Sector



FinTech Trends and Obstacles

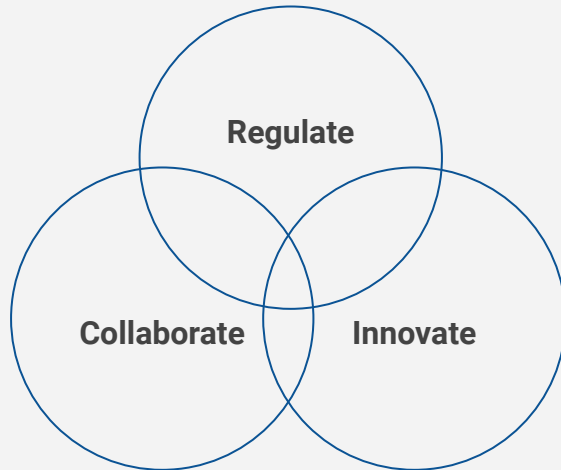


Key Trends Shaping FinTech in 2021-2022

There are several FinTech trends that are likely to shape the industry in 2022. First of all, a continued focus on mobile banking and payments could be observed. Increasing number of people are using smartphones to manage their finances, and this trend is only going to continue. Moreover, the rise in AI and Machine Learning is expected. These technologies can help financial institutions to automate tasks, improve decision-making process, and provide personalised services to customers.

Blockchain technology is also likely to have a great impact on the FinTech Industry. This distributed ledger technology has the potential to revolutionise the way of conducting financial transactions by making them faster, more secure, and more transparent.

FinTech Trends



Embedded Finance

Cryptocurrency and NFT

Open Banking

Big Data

RegTech

Cybersecurity

Neobanking

Emerging Technologies
(Blockchain, AI, Machine Learning)

FinTech Challenges in 2022



Compliance With Regulations

Due to the potentially high risk in the critical sector, the financial sector is tightly regulated. Each country has a wide range of laws and regulations that every bank must comply with. And if the financial institution is an international agent, the legal framework in which it has to operate becomes broad and complex. In addition, legal norms often do not keep up with the rapid development of the domain, which often forces developers and users to work in the gray area.

Solution: A special person or even an entire department should make sure that the FinTech software used in the organisation or the new company you are going to use meets the requirements. They should also be aware of updates to the GDPR, AML, KYC, and any other area legally standardised by governments and international organisations.



Personalisation of Service

Customers value communication through the channel they prefer at the right time, using a FinTech solution designed to meet their special needs. However, boxed software in the industry is hardly suitable to offer such personal experience for all and sundry customers with a full range of options that can only confuse them.

Solution: To add an individual touch, it is important to know about the exclusive requirements of each client. State-of-the-art FinTech solutions can provide many insights into their needs, demographics, social interactions, and customer behaviour. This data then becomes a benchmark for the formation of personalised proposals and recommendations that are suitable for the client.



Lack of Technical Expertise

FinTech is the embodiment of innovation, so many financial institutions find it difficult to cope with new trends. Moreover, the landscape of services and customer preferences are changing so fast that even leading IT professionals find it difficult to keep abreast of them all. This is especially true of FinTech mobile applications, which quickly became the most popular high-tech product of modern humanity.

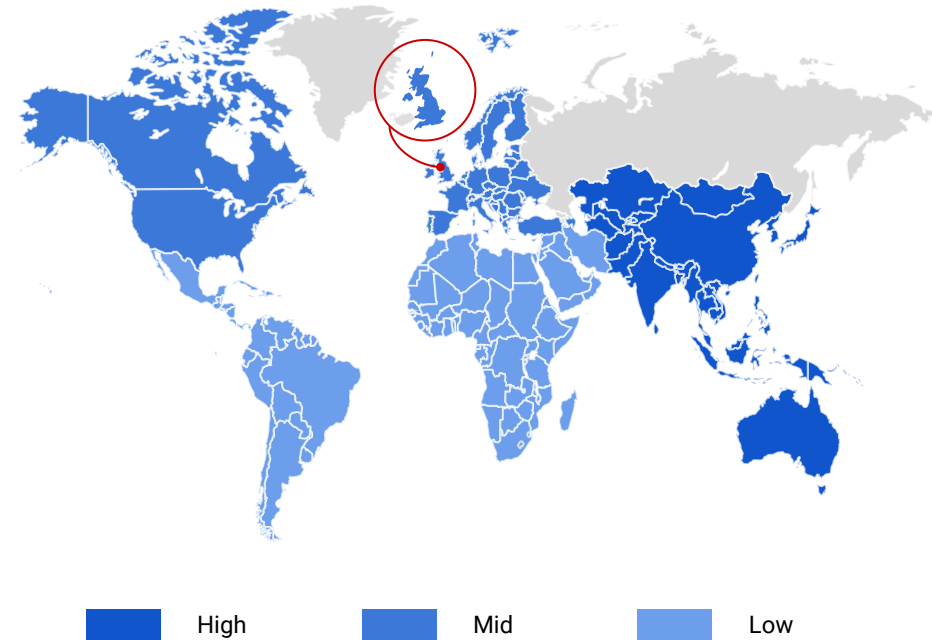
Solution: The company needs to find the right talent on the spot, keep its own IT department, or turn to outsourcing.

Key Findings and Predictions



Predictions of the Global FinTech Market Development

FinTech Market Growth Rate by Region, 2022-2026



Key Projections

The global FinTech technologies market size was valued at £87.8 billion in 2020 and is projected to reach £554.6 billion by 2030, growing at a CAGR of 20.3%.

Privacy and security concerns, owing to massive movement of consumer data and varied and conflicting regulations across different jurisdictions hamper market growth.

The COVID-19 pandemic has a significant impact on the FinTech technologies industry, owing to increase in usage and adoption of online and digitalised financial product lines among consumers globally.

The neobanking market from business account segment is set to expand at above 45% growth rate through 2028, impelled by the increasing demand for reduced complexities in managing banking processes of enterprise clients.

About Deep Knowledge Analytics

Deep Knowledge Analytics is focusing on three key activities:

Providing Commercial Services

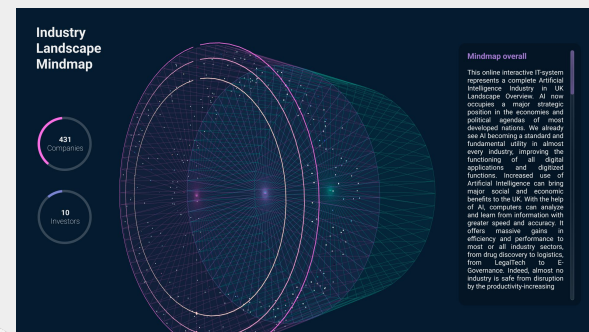
Conducting customised case studies, research, and analytics for internal (organisational) use, tailored to the precise needs of specific clients.

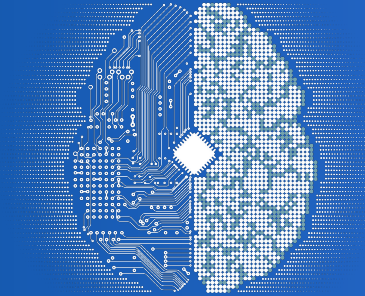
Big Data Analytics Platforms

Offering customised analysis via specialised interactive industry and technology databases, IT-platforms, and Big Data Analytics Dashboards.

Preparing Open Access Reports Building

Producing regular open-access and proprietary analytical case studies on the emerging topics and trends in the Longevity Industry.





Link to the Report: www.dka.global/fintech-in-uk-industry-overview-2022

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