


Industry in Focus

# FinTech Week 2022

**Building the future of finance together**

The ecosystem takes centre stage – key trends  
from Innovate Finance 2022





**Following our sponsorship of UK FinTech Week, we are pleased to share our views on the key themes coming out of the week of activity, along with links to further materials that you may find useful.**

The Innovate Finance Global Summit (IFGS) 2022 brought together FinTechs, incumbents, investors and regulators in the City of London during UK FinTech Week to discuss the latest trends and developments shaping the UK's incredibly dynamic FinTech marketplace. One major theme cutting across many of the discussions at IFGS 2022 was collaboration and the constant development of the innovation ecosystem. Whether that's start-ups working with incumbent banks to achieve scale – or how regulators, FinTechs and investment managers are combining to launch more sustainable products – it was abundantly clear that the digital finance ecosystem is thriving, with more new partners joining all the time.

**Peter Hewlett**  
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## The (continued) rise and rise of FinTechs

Overall, the UK sector received more than US\$11 billion in investment in 2021. But success brings its own challenges, too. As panellists discussed at the Rise of the Uni(deca)corn session, while there's plenty of capital coming into the FinTech sector, this strong flow is accompanied by concerns about the investment multiples it has helped to inflate.

In some cases, current valuations may not be sustainable, as businesses struggle to achieve the growth that their valuations imply. Investors are urging more caution and a focus on unit economics, as continuing to drive growth by burning through ever larger amounts of cash ceases to be a viable strategy. Here, too, partnerships and collaboration are becoming increasingly important. FinTechs seeking investment need to ensure they have investors who understand their business strategy and can create the right products to enable it. During the Rise of the Uni(deca)corn session, panellists recommended that one way to achieve this is for companies to look to consortia of investors in order to access diverse skill sets and perspectives.

### 1. It's all about collaboration

#### Solving challenges by assembling the right partnerships

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Innovation, it's clear, is a multiplayer game. Identifying a customer challenge and developing a unique way to address it is the core of FinTechs' mission. And increasingly, they're solving those challenges by assembling the right partnerships. Crypto assets are a great example, as a panellist on the Digital Era panel pointed out. As consumer and investor interest increases, it's going to become increasingly important for multiple parties to collaborate to ensure that regulation is effective, products deliver, and the data and information required to proceed with confidence are all in place.



## 2. Embedded finance

### Key opportunities to provide existing services in a new way

Embedded finance solutions are another prime example of the power of collaboration. Banks are accepting that there's now a 'vertical play' where a different organisation provides the horizontal platform, and that they don't themselves need to control the entire value chain to have a relationship with the customer. In fact, many now see this as a key opportunity to provide existing services such as credit in a new way that both existing and new customers will find it easier to consume.

To adapt to these new realities, banks are doing three things: first, getting clarity on their target customers and the relationship with them; second, deciding what new capabilities they need to build out; and third, focusing on their partnership relationship strategy and the developer experience.

The key to maximising returns on investment in embedded finance solutions? Leveraging the mechanics of collaboration to manage the diverse array of partners in the ecosystem. This enables banks to broaden and deepen their customer base, open up new revenue streams, and identify and realise new partnership opportunities and even entirely new businesses.

## 3. ESG front of mind

### The drive to secure better environmental outcomes

Whether discussing the role of advanced computing such as quantum, new regulatory and reporting initiatives, or consumer-driven innovations, the drive to secure better environmental outcomes was clearly front of mind for speakers and delegates alike. One panellist suggested that sustainability is becoming embedded in the way people think, how they develop their products and how they build their companies.

With ESG issues increasingly being raised by investors and consumers pushing for more information and transparency about the environmental impacts of their investments and spending, what role can technology play to help them today? Panellists at the session ESG & Financial Innovation: The Movers and Shakers focused on the vital role of data. In particular, it's the coming together of smart digital tools with the reach of incumbent banks through Open Banking that's really opening up and widening access to data – and multiplying the benefits that consumers and society can achieve from it.

For example, in the UK, consumer spending is responsible for a substantial proportion of emissions – meaning that enabling consumers to understand the environmental impacts of their consumption is crucial. A panellist from one FinTech specialising in ESG said that working with incumbent banks via Open Banking has enabled it to achieve a huge increase in the number of people who now have access to a carbon calculator. In fact, there are now 400 million consumers around the world who use them.

As well as consumer-based services, some of the largest and seemingly intractable environmental challenges are also being tackled by FinTechs leveraging the most advanced computing platforms. Quantum, for example, can put carbon sequestration within our grasp.

## 4. Digital finance explodes – so do the risks

### Security becomes a priority as finance becomes increasingly digital

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There's no going back from the digital era – that was the message from the session of the same name. The panellists observed that COVID-19 has accelerated not only businesses' digital transformation, but decisive change in consumers' lives too. An ever-expanding range of demographic groups are now routinely using digital apps and services to manage their money.

As finance becomes increasingly digital and online tools and services become the main channel for all, security becomes a priority. And there is plenty of innovation in this space too. As we heard from the Game-Changers panel, blockchain-based confidential computing can enable the data that's now at the heart of any business to remain secure, even if the underlying infrastructure is compromised. And armed with confidential computing, a company can run any application – including AI tools – within a dedicated secure subsystem, protecting not only the data from compromise but also the code itself.

Decentralised finance (DeFi) was singled out as a sector that could benefit especially from confidential computing, protecting data and applications against malicious attacks as concepts like digital identity and digital asset custody become ever more important.

Secure and interoperable application programming interfaces (APIs) are the bedrock of embedded finance solutions – and have been the vital enabler of the ground-breaking innovations taking place on top of the data. A panellist described how his company supports clients that are building new customer experiences around loyalty and rewards, digital receipts, expense management, personal financial management and more, all powered by the API infrastructure layer.



## 5. Bringing innovation to compliance

### Considering implications around regulatory compliance and trust when trialling new solutions

Intelligent automation can help to support and improve regulatory compliance in sectors across the financial industry. Wealth advisors, for example, spend 70% of their time on largely manual non-advice work. Software-as-a-Service (SaaS) can automate the process front-to-back. Confidential computing's privacy-preserving analytics can transform activities like lending decisions, fraud detection and anti-money laundering by enabling data to be aggregated from different companies with complete confidentiality, and using it to train models that benefit everyone.

We heard that while embedded finance provides an opportunity for massive economic and social growth, it's also vital to consider its implications around regulatory compliance and trust – including in areas like data privacy and consumer protection. The trust encouraged by regulation has made customers more open to trialling embedded finance solutions – and increased brands' readiness to embed them into their customer journeys and experiences.

## 6. Intelligent automation

### Opportunities from AI are mirrored across a whole range of technologies and innovative business models

In a sector where innovation is the driving force, where are investors looking for the next big wave? In the Game-Changers panel session we heard that intelligent automation is the fastest growing software segment, with a market size estimated at close to US\$600 billion, and a host of existing or emerging use cases across the financial services landscape.

What's more, it's clear that we've only scratched the surface of what the combination of AI and human ingenuity can achieve. A member of the Game Changers panel pointed out that only 12% of SMEs have implemented any kind of automation to date, and only 2% have brought in any kind of AI. So, while there are already millions of AI use cases, there are still millions more to address.

The opportunities from AI are mirrored across a whole range of technologies and innovative business models. Realising their full potential will require the continued expansion of the innovation ecosystem of incumbents, regulators, technology vendors and FinTechs. It's a vibrant, connected community that can enable all participants to solve customers' challenges today – and adapt quickly to whatever the future brings.

## Where next?

Despite all the technological changes and opportunities, keeping focused on the customer remains the key to success in the FinTech world. Whether you are a FinTech or an incumbent, this is a fast changing environment that requires almost constant reinvention, as well as an agility to respond, in order to stay relevant to customers, and competitive in the market.



# Exploring your digital future? How PwC can help

We help clients across the financial services industry to navigate the FinTech ecosystem, deliver on their ambitions and to do so at speed:

## B2B innovators

We help B2B innovators of all shapes and sizes as they scale and grow:

- Market strategy advisory
- Fundraising
- Scale | FinTech Programme
- Core tax, legal, HR and risk assurance support
- Pathfinders global expansion and immigration support
- Exit strategy, IPO and sell-side M&A support

## Investors

We help investors in FinTech to create and capture value across all stages of the deal lifecycle:

- Market scanning
- Corporate finance advisory
- Deal origination
- Buy and sell-side due diligence
- Value creation beyond the deal
- Corporate strategy

## Incumbents

We help established financial services firms harness the power of FinTech to shape their businesses for the future:

- Strategy-aligned ideas generation and prioritisation
- Horizon scanning and scouting
- Co-creation hub – test before invest
- Implementation – realise, commercialise, scale
- FinTech-enabled business transformation

## Challengers

We help digitally native challengers as they seek to disrupt the traditional market:

- Concept and business model design
- Market and customer proposition design
- Authorisation and regulatory support
- Profitability and growth strategy
- Tax, legal, finance, risk and treasury support and advice

## Why PwC?

**We convene** – Our partnerships with key industry bodies and long-standing connections across the financial services ecosystem mean we can bring the right people to the table.

**We connect** – Our deep knowledge of the industry, functional expertise, and insights into emerging technologies mean we both understand the burning issues and can connect in the right solutions to solve industry problems.

**We co-create** – Our tools and assets including our innovation sandbox enable co-creation with all parties, while our integrated approach to risk management ensures we find the most effective outcome for all.

**We create value** – Our strategy-through-execution approach, experience in over 200 FinTech deals, and first hand understanding of what really matters, means we create sustainable value for our clients.

## Contact us

For more information or to contact any of the team, please [click here](#) or visit [pwc.co.uk/FinTech](http://pwc.co.uk/FinTech)

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2022-04-28\_RITM8217128