

# Open Letter from FinTech CEOs and Founders from Innovate Finance's Membership Community

20th February 2022 | Blogs

Home / Insights / Open Letter from FinTech CEOs an...



## Kalifa Review One Year On: Strong Progress, Opportunity for More

On 26 February 2021, Ron Kalifa published his independent [review of UK FinTech](#), commissioned by the Chancellor of the Exchequer. Innovate Finance and the City of London served as the co-secretariat for this report. The Kalifa Review identified the opportunity for Britain to build on our success as a leading global centre for FinTech, which will in turn:

- foster job creation and high income tech-based employment across the UK, supporting the 'levelling up' agenda
- better leverage the FinTech sector as a core asset for Britain's international competitiveness, by enabling more UK FinTechs to achieve global scale and reach, and lead on regulation and standard-setting

- help citizens and small businesses access more, better and cheaper financial services, creating a more inclusive, democratic and sustainable financial services sector

The Kalifa Review provided a clear strategy and a helpful roadmap set out across five chapters - policy & regulation; skills; investment; international; and national connectivity - to ensure the UK strengthens its support of the FinTech ecosystem and maintains its position as one of the best places in the world to start, build and scale a FinTech.

The Innovate Finance membership community - and in particular the founders and CEOs of FinTechs based across the UK as listed below - have been pleased to see action taken to implement a majority of the Kalifa Review's recommendations by UK Government, regulators and industry, including:

-Government has committed its support to a new industry-led **Centre for Finance, Innovation and Technology (CFIT)**, which will help catalyse development of much-needed solutions to critical challenges facing the sector such as open banking, digital ID, and finance for small firms through the creation of key coalitions. Work is underway, led by the City of London, to have CFIT up and running this year.

-**On policy and regulation**, the Bank of England has commenced work on a Central Bank Digital Currency; the FCA has set up a scalebox to support FinTechs as they grow and, with the City of London, have supported the development of Net Zero FinTech solutions through its digital sandbox; and the Department for Digital, Culture, Media and Sport has progressed the introduction of Digital ID, together with industry-led task forces. FinTech has also been recognised in new trade agreements with Australia and Singapore.

-**On skills**, at IFGS 2021 the Chancellor announced plans to implement a scale up visa, and, after a series of feedback consultations with Innovate Finance members and the broader industry, we eagerly await its introduction in April. The Department of Education also held sessions with industry to better understand how the FinTech sector uses current government skills initiatives, such as apprenticeships, and what more is needed.

-**On investment**, the Government and regulators have made good progress in overhauling the UK listings regime to make it more attractive to companies from around the world, with the creation of a "golden share" for founders and a reduction in the minimum free float requirement. In the Budget the Chancellor also confirmed that R&D tax credits for innovation will be extended to data and cloud computing (boosting investment in FinTech such as AI, open banking and SaaS) and allocated £160 million for the British Business Bank to co-invest with regional business angels, helping to address the early growth funding gap.

-**On international**, the Department for International Trade announced a package of export support for the FinTech industry to boost trade, jobs and economic growth, including the FinTech Export Academy and FinTech Champions Scheme. Innovate Finance is also convening industry partners and businesses to work with DIT, to ensure our FinTech export and promotional efforts are greater than the sum of their parts.

-On national connectivity, CFIT will serve to convene and support our FinTech hubs across the UK. The Review also spurred a number of short and long-term FinTech strategies across UK regions.

## Continuing to Build Momentum

It is clear that the above marks good progress made by the government, regulators, and industry. But rather than resting on our laurels, it is imperative that we continue to build on this momentum and work together to establish an environment in the UK that is even more supportive of and conducive to innovation in financial services.

The regulatory rule book requires further updating, and regulators must have the capability and culture in place to allow them to fully embrace innovation while protecting the consumer and financial stability. The Future Regulatory Framework has identified international competitiveness as a secondary objective for the FCA and PRA - we believe it is critical that this is adhered to, and along with the scalebox approach, applied to all regulators. In addition, we should seize on the opportunities afforded to us from leaving the EU. Regulators should take this opportunity to build a more proportionate regulatory and capital requirements regime for scaling and challenger banks.

The Kalifa review also recommended the introduction of a full UK crypto regulatory regime to strengthen Britain's global position; to extend open banking to new areas; and to support the scaling of RegTech solutions. Across the multi-varied and fast-developing world of crypto and defi, we need to work together to create a clear UK strategy for growing global opportunities as well as managing risk. We also need a vision for how the UK can be the centre for the next stepchange in data and AI solutions.

Furthermore, we must continue to better address the growth capital gap here in the UK. As part of this, we must work to shift the mindset of institutional investors in the UK to take a longer-term view and focus on growth opportunities here in Britain. We can also all do more to celebrate UK FinTech businesses, promote the benefits of investment and continue to support the world-leading ecosystem we've built over the past decade.

In addition, there is an opportunity for regulators and industry to further encourage larger UK institutions to invest more in advanced technology.

There is also an opportunity to further nurture the high growth potential of the top 10 FinTech clusters across the UK, and accelerate the development and growth of FinTech clusters through further investment, such as in R&D.

And critically, we must continue to drive forward the timely delivery of CFIT. It can be a catalyst to address the key challenges facing the sector, and we are keen to see it up and running this year.

## Realising the Kalifa Vision

In light of the successes outlined above, it is now more important than ever that we - industry, government, and the regulators - do not pause, but rather build on this current momentum and commit to cement the UK's position as the best location in the world to start, build and scale a FinTech business.

FinTech is making a positive impact on the UK economy and society. New market entrants are challenging the status quo by providing consumers and small businesses with alternatives to the incumbent financial services providers, encouraging all financial services players to provide a better experience for the consumer. Many FinTech companies are also supporting demographics that have traditionally been underserved by the sector, including providing SMEs finance for growth and unlocking opportunities for consumers to build their wealth through savings, pensions and investments in a much cheaper and more transparent way.

The pandemic has increased the adoption of digital finance and placed a renewed focus on the critical role that technology and innovation must play if we are to make financial services work for all. Now is the time for even bolder action to realise the Kalifa Review vision: to work together to maintain the UK's coveted position as the leading hub for FinTech, creating solutions that strengthen our economy, foster greater financial inclusion and wellness, tackle climate change and build a more sustainable financial services sector for all.

Sincerely,

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# Sprk Announces £50m Financing Facility to support UK SMEs

18th Feb 2022 | Member News, News

[Home](#) / [Insights](#) / [Sprk Announces £50m Financing Fa...](#)

Sprk, the innovative online provider of R&D tax credit funding, is pleased to announce that it has today closed a new financing facility.

The financing facility provides up to £50m of lending capacity, dedicated to advancing R&D tax credits. The facility helps SMEs who are looking to accelerate their R&D programmes with a non-dilutive source of funding.

Backed by leading a leading UK credit asset manager, managing over £3bn in AuM, this gives Sprk the ability to ensure that borrowers have the certainty of finance when they are approved.

Dom Peasley, CEO Sprk said,

“Following on from our oversubscribed Series A we are extremely encouraged by the backing of one of the UK’s leading credit managers. The facility provides the lending capital to help SMEs who are looking to accelerate their R&D programmes with a non-dilutive source of funding. We believe this is the largest dedicated R&D tax credit financing facility in the UK.

Sprk is now able to offer R&D tax credit financing from the point that eligible expenditure is incurred, as early as Q1 in the financial year, this is a first for the UK market and will revolutionise the R&D tax credit advance market. We view a Sprk Advance as an integral part of a SMEs cashflow planning when they are engaged in R&D.

Sprk believes in having a simple, straightforward and transparent lending proposition with no upfront fees paid by the borrower and no monthly interest payments. A Sprk Advance can improve the cashflow position for thousands of SMEs, supporting British businesses and accelerating innovation.

Our investments in technology enables speed of underwriting, this is now combined with the certainty of finance to ensure those Sprk approved clients are funded within 48 hours."

#### About Sprk:

Sprk provides SMEs the ability to access cash sooner from their eligible R&D spend using its proprietary online platform, ensuring credit decisions are made swiftly with certainty of funding.

Providing loans of up to £1m, Sprk's unique proposition is designed to optimise cashflow for borrowers through a non-dilutionary source of capital without charging upfront fees or ongoing interest payments.

Working through a dedicated network of Sprk Approved Advisors, we ensure that Sprk partners with high quality firms who can provide expert advice and facilitate the R&D claims for our borrowers.

Sprk was founded by its Chairman Tony Brennan following the successful launch, build and subsequent sale of Radium Capital in Australia. Radium has become the largest specialty lender for R&D tax credits in Australia in the five years since it launched.

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