



pro-manchester

# Kalifa Review

March 2021

**The pro-manchester FinTech Committee, formed in 2019 to support the regional growth of FinTech in and around the city centre, has collated its thoughts in the wake of the 2021 'Kalifa Review of UK FinTech' report.**

**Here's a bite-sized review of the key findings of the report from a regional, legal, investment, development and communications outlook.**



# Introduction



Already recognised as the having the largest regional FinTech ecosystem outside of London, the pro-manchester FinTech committee are delighted to see that Greater Manchester, alongside Leeds has been identified as one of the ten key FinTech clusters across the UK in the 2021 Kalifa Review. The report adds significant weight to the importance of the sector in driving economic growth and provides clear purpose and direction. A great foundation on which the pro-manchester group can build. I would like to express my personal thanks to all who contributed to this summarisation of the review, enabling others to digest the findings swiftly and efficiently. I trust you will find this useful and please do not hesitate to get in touch if you wish to find out more about the pro-manchester FinTech activity.

**SAM BOOTH**  
Chief Executive

# National Growth and Regional Focus

**Julian Wells, Director of  
Whitecap Consulting &  
FinTech North**



There was much to digest in the highly anticipated Kalifa Review. Whitecap's deep involvement in the analysis and development of regional FinTech capability and ecosystems over recent years meant the regional implications were my primary area of interest, where the 'levelling up' agenda was front and centre.

From a regional FinTech perspective, the main headline from the Review was the identification of 10 key clusters across the UK. These clusters, which have been identified using data relating to the locations of FinTech firms, are a mixture of cities, regions and countries. Ranked in order, these clusters have been identified as:

1. London
2. Manchester & Leeds (currently badged as 'The Pennines' in the Review)
3. Scotland (especially the Edinburgh / Glasgow corridor)
4. Birmingham
5. Bristol & Bath
6. Newcastle & Durham
7. Cambridge
8. Reading & West of London
9. Wales (especially Cardiff & South Wales)
10. Northern Ireland

London is a 'super cluster', Manchester & Leeds, Scotland and Birmingham are labelled 'established', and the other clusters are 'emerging'. Analysis undertaken for the Review identified a total of 25 clusters of FinTechs across the UK, with these 10 found to be producing high growth and to have the most potential to grow and develop further.

One of the recommendations of the Review is that each of these 10 clusters should develop a 2-3 year strategy for development. For some regions, this may create a remit that is clearer than for others, as not all the clusters fall directly into distinct areas covered by Local Authorities, Local Enterprise Partnerships (LEPs), City Deals, or devolution deals. The Manchester-Leeds cluster is the one that stands out in this respect.

The successful development of FinTech North over recent years has shown that cross-regional initiatives can prosper in terms of developing a joined-up northern FinTech community network (which also includes Liverpool, the North East and other parts of the north), but collaboration on areas such as economic development strategy remains relatively unproven and a challenging prospect.

Perhaps the Kalifa Review will prove to be a catalyst for this collaboration. If so, there could be really exciting times ahead. (This article is an extract from a longer blog on regional FinTech implications from the Review, which can be read [here](#).)

# Manchester's Opportunity

**Rachel Eyre - Business Development Manager**  
**MIDAS – Financial and Business Services**

As MIDAS, Manchester's inward investment agency, we were delighted to see Manchester and Leeds recognised as an established FinTech cluster in the Kalifa Review. This provides the perfect foundation to build on the success of Manchester's FinTech sector to support its future growth and to attract more FinTechs to establish a base in Greater Manchester, from elsewhere in the UK and overseas.

The report demonstrated that the UK needs to incubate, iterate, grow and export FinTech and Greater Manchester has all the ingredients to do that. With our Financial Services and Tech expertise, academic institutions, accelerators, and investment ecosystem, we hope that this recognition will enable us to further develop these assets and attract more investment and innovation into the city region.

## Employment and Skills

FinTech is forecast to provide substantial employment opportunities as well as potential to reskill and retrain other parts of the workforce in the next few years. We believe that this will create significant employment opportunities in the region for Greater Manchester residents and develop new career paths, raising aspirations and improving life opportunities. This is something that we are hugely passionate about and are working closely with the Greater Manchester Combined Authority to ensure that future skills programmes can benefit regional Financial Services and FinTech organisations to support future sector development.

MIDAS is proud to promote Manchester to a global audience and we look forward to continuing our close working relationship with the Department for International Trade (DIT) as well as our private sector partners to continue to attract high growth FinTechs to Greater Manchester and to promote further collaboration with global partners.

We look forward to working with our partners across Greater Manchester and the wider Northern Powerhouse to continue to attract and support FinTech companies to Greater Manchester and further promote our city region as a leading FinTech hub globally.



# Clusters and Co-ordination

**David Gardner - Head of FinTech, Partner, Technology & IP TLT LLP Manchester**



One of the challenges that the Kalifa Review looks to address is fragmentation and lack of connectivity between FinTech clusters around the UK. In that context, it's interesting to consider the classification of Manchester and Leeds as a "Pennine cluster" in the report. This isn't necessarily a term that would be universally recognised in either of the two cities...but perhaps that's part of the issue.

Connectivity and co-ordination are recurring themes in the report, with the proposed Centre for Finance, Innovation and Technology (CFIT) expected to play a leading role in facilitating collaboration between different industry sectors and geographical regions.

The development and delivery of the CFIT (a new body proposed by the report) will be a key area to keep an eye on, given the critical role it is intended to play at the centre of an expanding FinTech ecosystem.

From a Manchester (or "Pennine cluster") perspective, it's interesting to consider how improved co-ordination plays into a range of other central and local government initiatives such as the Northern Powerhouse and improved transport links via HS2/HS3.

It's clear that local organisations with a FinTech focus – including ProManchester, MIDAS and others in our region – have an important role to play in promoting FinTech and collaborating with London and other regional clusters to improve the UK's FinTech offering on a national and international basis.

With strong local clusters, improved regional collaboration and co-ordination from the national bodies and initiatives proposed in the report, the report sets out a blueprint to UK FinTech to realise its true potential.

# Regulation and Policy to Support FinTech

As a lawyer working in FinTech and the FS sector more generally, I was struck by the focus on regulatory and policy changes intended to support FinTech, which are explored in considerable detail in the report.

The report proposes cross-disciplinary “coalitions” to be co-ordinated by the CFIT and focussed on three key areas – Digital Identities, Open Finance and SME Lending.

All of the areas covered by these “coalitions” are of considerable importance to development of the next generation of FinTech solutions. Digital IDs and Open Finance, in particular, pose some difficult challenges from a legal and regulatory perspective, not least in relation to data privacy, multi-party governance structures and allocation of risk.

The UK has a useful track record to leverage here, with entities including the Green Finance Institute and Open Banking Implementation Entity already delivering positive change in the wider FS sector and the Smart Data initiative promoted by BEIS and the Treasury rightly referenced too.



# Communication Across FinTech

**Kimberley Waldron –  
pro-manchester FinTech  
Committee Chair & Co  
founder, SkyParlour PR  
and Content**

The Kalifa Review of UK FinTech has carved itself a unique position in the industry landscape. Its very existence has become an informal validation for just how important the UK FinTech market has become. Produced by a widely respected financial services figure and backed by the UK Gov it is also a useful barometer for players in the market, big and small, old and new, to sense check their own strategies. And, as the FinTech industry is set to continue centre stage in the UK's response to Covid-19, this couldn't be more important.

This year's report is significant because it addresses the needs of FinTech businesses at various stages of evolution and recognises the role each type of business plays in advancing the provision of financial services.

As an agency squarely focused on the FinTech space, we look at how the report findings affect our clients. Specifically, how this might affect their value proposition and marketing strategies – and approach to the investor market.

This time around, Kalifa strongly urges the UK as a whole to 'reboot' if it wants to remain a significant global player in FinTech – starting with grass roots education and a focus on regional hubs, such as Manchester, to nurture and guide FinTech talent.

Barriers to the FinTech market are viewed by many as low, but Kalifa makes it clear that this is certainly not the case for much longer as we feel the effect of Brexit and other political movements. It is also suggested that funding into the space may not be as forthcoming as in recent years. Demonstrating real value and a proposition that differentiates in a busy space will become more vital than ever.

The wider social, cultural and political issues are all important context when planning PR and marketing campaigns to cut through the noise in FinTech, so while I was encouraged by much of what was in the report, for me there were also some glaring omissions. I certainly expected to see more in the report about financial inclusion and a call for more initiatives to assist vulnerable consumers as we all try to recover from Covid-19. Afterall – the entire FinTech market is built on the premise of improving the financial journey for all consumers.





# Recovering from Covid-19

**Wayne Scott - Senior  
Partner Manager**  
NCC Group



The Kalifa report couldn't have come at a more perfect time, just as we hopefully enter the post-COVID phase and Brexit is completed. I feel the report highlights that the UK must build on its position as a global leader in FinTech, that there are challenges but also countless opportunities.

At the moment the UK finds itself in the middle of a digital revolution but there are parallel, connected worlds that go side by side with digitalisation, those of cybersecurity and resilience. Personally, I would have liked to see more reference to both in the report but nevertheless, I agree that the biggest differentiators that the UK has are the fact that we are not only a leading FinTech power, combined with being a dominant player in cybersecurity and the world leader in resilience.

The acknowledgment that outside of London the North West is the dominant player, that we may have been neglected a little was necessary but long overdue.

This review gives a clear vision to keep the UK at the forefront of global innovation and FinTech which is a significant contributor to the UK economy and is only going to continue to grow as long as the sector is both encouraged and allowed to do so.

The UK has a history of dynamic forward-thinking businesses being formed to solve common problems through technology, working towards improving financial services, giving consumers both more and better options and enabling better financial inclusion.

As the country recovers from Covid – there is a greater need for these types of businesses and people are embracing technology more and more. This review supports helping the recovery

The unlocking of institutional capital and the R&D tax credits will help start-ups greatly. I fully support the introduction of the Digital Economy Task Force, the implementation of the “Scalebox” as an extension of the current regulatory sandbox all overarched by the Centre for Finance, Innovation and Technology (CFIT). The government seems to have been set a clear role to play in the future of UK FinTech and I sincerely hope that challenge is accepted, embraced, and succeeds.

There is one proposal that leaps out at me and that is of the “FinTech Credential Portfolio” (FCP). Obviously, this will tie in with the impending regulatory changes around 3rd party risk and the regulator's proposals for FinTech accreditation, but it could be applied much further for lasting positive effect. There's a real opportunity to develop a “made in Britain” stamp of approval that denotes quality across all UK FinTech, setting our bar higher, demanding more but delivering more too.

by embracing new technologies, we should solidify, maintain and continue to grow the UK's status quo in FinTech. FinTech is also another area of the economy that can create skilled jobs, further fuelling the recovery.

Quint Group welcomes this report as it focuses on the key issues that could hold development and innovation back including access to talent, especially in a post Brexit world, collaboration with the regulator and support for overseas trading. We hope that the government now supports the recommendations and supports growth in the sector. If implemented, this will help Quint Group become a global leader in providing access to consumer credit.

**Lee Stretton - Chief  
Innovation Officer,**  
Monevo, part of  
Quint Group

**Mark Robinson -  
pro-manchester FinTech  
Committee Chair  
Sales Director – North,  
Verlingue**

As the UK economy braces to re-open following COVID, now is absolutely the right time for the Kalifa review to highlight the strengths, weaknesses and opportunities for the FinTech landscape in the UK.

The report highlights that, whilst a lot of work has been done to drive the UK to the forefront of digital technology and innovation, there are a number of key areas that we can really strengthen on to maximise our position as a global leader in this exciting and ever-expanding sector.

As a business that focuses on the risk profile and exposures of emerging technology and finance, Verlingue welcomes the report as a way of road mapping the journey ahead and holding the sector to account in delivering the strategy of cementing the UK as the global leader in FinTech.

Regulation, skills and investment are the buzz words that are commonly mooted as huge challenges and barriers to further growth in the sector. The fact that this report highlights these particular areas as recommendations to deliver the overall approach provides proof that we, as a sector, can work to common objectives to truly drive our strategy to make the UK the best place in the world to scale a business.

As the Country looks to recover from COVID-19, the UK FinTech sector can play a huge role in reinvigorating the economy, and the three areas of opportunities mentioned in the report (jobs, trade and inclusion & recovery) are the catalysts that will allow the UK to 'build back better'.

Now, more than ever, the sector has a real opportunity to flex its muscles and be a contributing factor to the UK economic recovery, however it is vital that the Government provides further support to the sector by backing the recommendations highlighted within this report.



# A Bigger Picture

**David Gardner - Head of FinTech, Partner, Technology & IP TLT LLP Manchester (cont.)**

The Kalifa review paints a positive but realistic picture of the UK FinTech market, in terms that most working in the industry would recognise.

The UK already has a strong FinTech platform to build on – the report highlights several eye-catching statistics, including the UK's hold on 10% of the global FinTech market and UK FinTech investment levels of \$4.1bn in 2020 (more investment than the next 5 European countries combined).

The report also recognises the threats to UK FinTech, notably from Brexit, Covid and global competition, and considers how to address key structural issues relating to skills gaps, lack of co-ordination and fragmented delivery.

The chance to use FinTech to improve financial inclusion, provide employment and drive a (green) recovery from Covid are set out as ambitious opportunities for the FinTech sector.

The report rightly identifies that UK FinTech is at a crossroad and that forging the right path now can drive significant acceleration and further growth.

