FINANCIAL CONDUCT AUTHORITY

Innovation Insights

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Foreword

This report brings together what we are learning from fintech market developments and firms' engagement with FCA innovation services.

It explains where innovation is accelerating, where risks and constraints are shifting, and what this means for safe testing and responsible scaling.

By sharing our insights, we aim to support earlier, clearer regulatory engagement and strengthen evidence-led policy and supervision in line with our strategy 2025–2030.

The UK is one of the world's leading centres for financial innovation. But in a more competitive and selective environment, this status isn't guaranteed. It must be earned, by creating the conditions in which innovation can be tested with rigour, and scale with trust.

This report shows us that innovation is evolving. Capital is more selective and firms are seeking regulatory clarity earlier, so they can assess how our rules will apply in the real world.

The fintech market is maturing, although levels of maturity vary. In this environment, safe testing and clearer regulatory pathways become more important, so for us this means supporting innovation in a way that has the greatest value – focusing on what's viable, what's responsible, and what can deliver meaningful benefit.

We support firms across the innovation lifecycle: helping them navigate complexity, test propositions safely, and move towards market deployment with greater confidence.

We also learn from that engagement and get a sharper view of where safeguards may need to evolve, and where evidence from practice can inform better policy and supervision.

This report shows where regulatory support can most effectively enable responsible testing and deployment. It shows strong alignment between fintech market activity and demand for our innovation services, particularly in artificial intelligence and digital assets, alongside emerging interest in open finance.

Leadership in innovation will not be secured by optimism alone. It will be secured through clarity, discipline and collaboration – a shared commitment to innovation that is credible, resilient and ready for the real world.

Jessica Rusu, Executive Director,
Financial Conduct Authority

Colin Payne, Head of Innovation,
Financial Conduct Authority

This report shows us that innovation is evolving. Capital is more selective and firms are seeking regulatory clarity earlier, so they can assess how our rules will apply in the real world.

Innovation support and engagement

2025 was the first year of the FCA's strategy 2025–2030, which sets out our priorities: supporting growth, fighting financial crime, helping consumers navigate their financial lives and becoming a smarter regulator. Enabling innovation to develop responsibly and at pace remains a core part of this strategy.

Our achievements

- **The UK strengthened its position in open finance in 2025** through the launch of our Smart Data Accelerator, including SME- and mortgage-focused sprints. These developments will inform our approach to widening access to loans, improving customer journeys and supporting resilience to financial shocks. We anticipate that greater regulatory support and clarity could enable increased investment in open finance globally, where activity remains limited at present.
- **We also supported growth in emerging areas such as stablecoins.** Interest in stablecoins among investors remains strong, despite the limited presence of stablecoin issuers in the largest publicly reported deals in 2025 globally. From a UK perspective, the launch of our stablecoins cohort in the Regulatory Sandbox gives firms an opportunity to test solutions responsibly, inform policy and build readiness for the domestic market ahead of the new cryptoasset regulatory regime.
- **Digital assets remained an active area of engagement in 2025**, attracting significant investment even in a funding environment that was cautious overall. 35% of applications to the Regulatory Sandbox and Innovation Pathways, the largest category of applications, and 18% of applications to the Digital Sandbox, the second-largest category, originated from payments and digital assets firms. This signals the sector's maturity and growing desire for regulatory support, for example through our innovation services and our proactive outreach (i.e., Authorisations webinars).
- Through the Global Financial Innovation Network (GFIN), we strengthened international regulatory cooperation and shared learning on financial innovation. **We participated in over 70 keynote sessions, panels and roundtables at major fintech events.**

Digital assets remained an active area of engagement in 2025, attracting significant investment even in a funding environment that was cautious overall.

Further insights

- **Advances in artificial intelligence (AI) and distributed ledger technology (DLT) are enabling more efficient development and testing, speeding up the path to market.** To support this, we have expanded our AI Lab offering through the launch of the Supercharged Sandbox and AI Lab Supercharged Academy.
- **Market activity showed strong investor interest in RegTech solutions.** RegTech firms attracted notable funding in the domestic market. RegTech firms also accounted for 38% of applications to our new Supercharged Sandbox, suggesting a clear appetite for developing and testing AI-enabled business models within a supervised environment.
- **The fintech market in 2025 continued to favour more mature, scaling firms.** Recognising this, we introduced more support for scaling fintech firms by launching the Scale-up Unit, jointly with the PRA. The new service is designed to help firms move from start-up to scale-up, with 6 firms forming part of the first group in the unit.
- **Engagement with our innovation services reflected firm lifecycle needs.** Early-stage firms seek Regulatory Sandbox and Innovation Pathways support as they navigate venture financing and build regulatory readiness. The newly-launched Scale-up Unit is open to more mature firms as they pursue larger funding rounds, seek to expand internationally and manage more complex regulatory obligations. In the broader market, more established firms, aged between 6-20 years, attracted the most funding.
- Firms applying to use our services were typically focused on technologies such as **AI, machine learning and distributed ledger/ blockchain technology.**

Figure 1: Engagement with Innovation (2025)

Smart Data Accelerator

Number of events: 2

Number of participants:
SME TechSprint:
21 applications (48% accepted)
Mortgage TechSprint:
18 applications (56% accepted)

Innovation Lab

Digital Sandbox:
74 applications (35% accepted)

Supercharged Sandbox:
132 applications (17% accepted)

Sprints:
Delivered the AI Sprint, AGBR, and Leeds Growth Sprint; provided support and consultation for the Open Finance and FinCrime Surge.

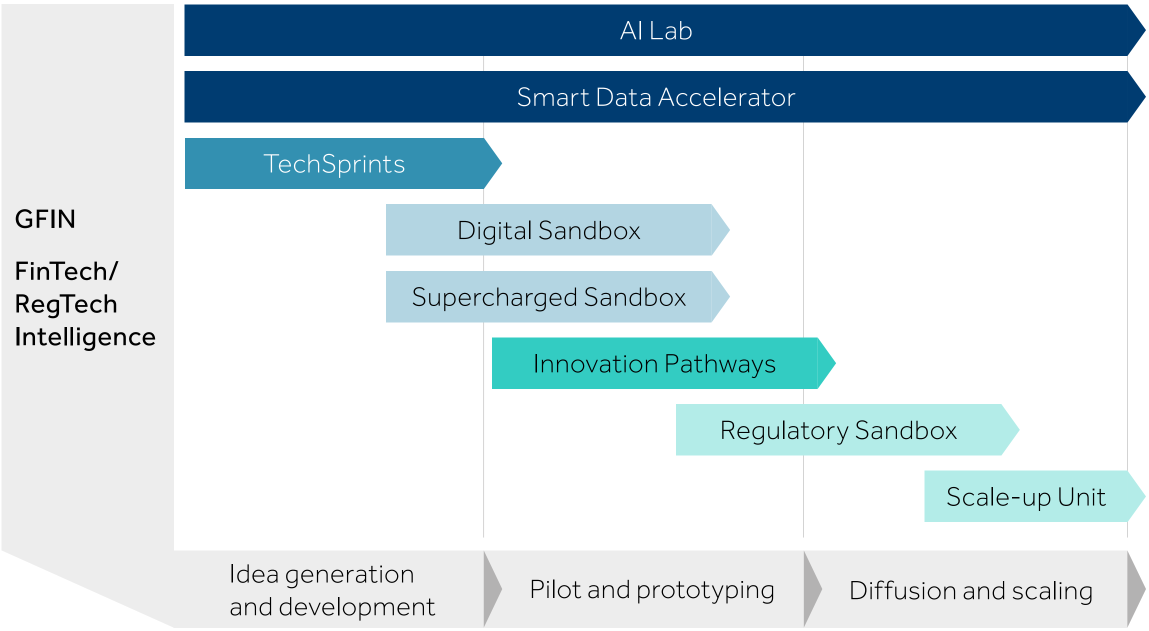
Regulatory Sandbox & Innovation Pathways

Applications: 194
(Split between 49% Regulatory Sandbox and 51% Innovation Pathways applications)

Acceptance rate: 22%
(Service-level acceptance rate: 13% for the Regulatory Sandbox and 31% for Innovation Pathways)

How we support firms across their lifecycle

Figure 2: Innovation services through fintech firm lifecycle



Our innovation services: from idea to scale

AI Lab	supports targeted testing of AI-enabled financial services to generate regulatory evidence
Smart Data Accelerator	supports focused experimentation using smart data to improve financial services outcomes
TechSprints	aims to advance open finance and smart data adoption in the UK
Digital Sandbox	supports early-stage experimentation using shared data and tools in a safe environment
Supercharged Sandbox	provides enhanced Digital Sandbox support using shared data and AI tools
Innovation Pathways	provides early regulatory engagement to help firms understand how rules apply to new models
Regulatory Sandbox	supports live market testing of innovative products under regulatory oversight
Scale-up Unit	provides tailored support for authorised firms as they scale in the UK and internationally

The fintech landscape

Market context and capital allocation patterns

In 2025, over 4,500 deals were conducted globally within the fintech sector, which demonstrated its influence on global innovation and investment.

Approximately, just over half of these deals (c.2,600) were disclosed and accounted for more than $130 billion of capital deployed. Venture capital investment continued to drive most transactions with larger funding rounds increasingly involving institutional investors, such as private equity firms and asset managers.

Figure 3: Fintech landscape

Global fintech market

VC dominated deals (63%) and capital (39%), but corporate and private equity contributed more capital per deal.

Funding was concentrated in single rounds (89% of firms), reinforcing a move towards measured capital deployment and follow-on investment.

79% of **capital deployed** by the top 15 investors came from **US investors.**[1]

Cryptocurrency and blockchain firms featured more frequently among these top 15 investors yet **private equity** deployed more capital overall *(~$11bn vs ~$8bn)*.

UK fintech market

VC dominated deals (72%) and capital (50%), supported by strong corporate and private equity contributions per deal.

Single-round deals accounted for most UK funding, with 92% of firms completing only one deal.

UK-based investors contributed only **13% of funding in the UK's top 15 deals**, while US investors deployed 79% of capital.[2]

For this investor group, capital was driven by **asset managers** ($4bn) and **private equity** ($542m), with crypto and blockchain firms contributing $250m, highlighting a **more institution-led investor profile.**

1 Based on top 15 global investments across 2,749 deals (60% of data) with single-investor participation, excluding multiple-investor deals with unclear share contributions.
2 Based on top 15 UK investments across 287 deals (65% of data), with single-investor participation.

Second only to the US, the UK received more fintech investment than any other country, with 445 deals and $15bn in disclosed deal value. Our research into global regulatory initiatives indicates a close alignment between fintech investment patterns and the presence of a supportive, and often targeted, regulatory environment for innovation.

Global regulatory innovation in 2025 shifted toward more targeted, evidence-driven approaches, with sandboxes and structured pilots focusing on themes such as digital assets, AI, data portability, electronic know your customer (eKYC) and cross-border market infrastructure. This represents a move away from broad innovation mandates to more structured approaches that test real-world outcomes and strengthen safeguards.

At the same time, investors appear to be favouring firms with more developed governance and risk management frameworks. These firms tend to be 'later-stage', and often larger. A useful indicator of this trend is outlined in Figure 4, which illustrates total investment broken down by both firm age and deal class.

Globally and in the UK, firms aged 6-20 years received the most capital, predominantly through venture capital. Firms over 20 years old secured substantial capital, primarily through corporate and private equity transactions. Firms less than 5 years old received a smaller share of total disclosed investment value, suggesting that large-scale capital is increasingly allocated at later stages of maturity.

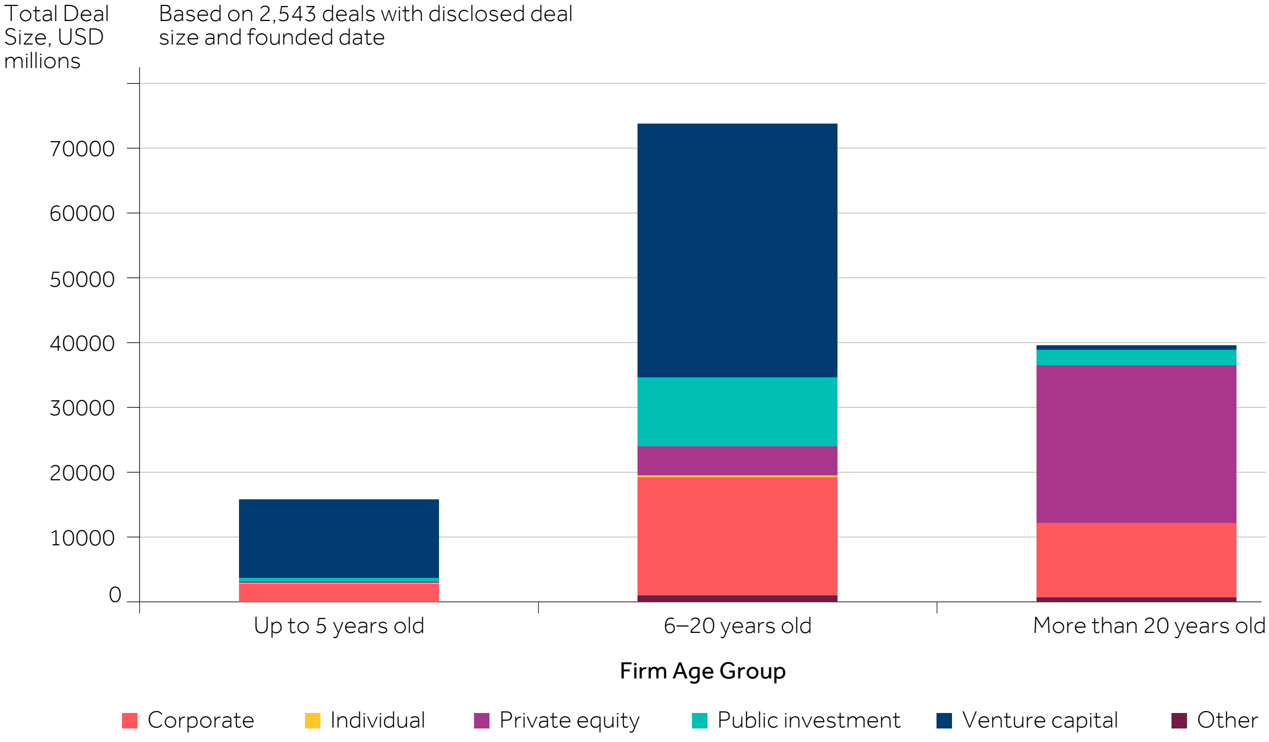
This lifecycle pattern indicates a market that supports firms at different stages of maturity, with venture capital playing a central role during firms' scale-up phase.

Where is funding being targeted among the sectors?

The largest deals in 2025 reflected strong investor preference for mature and scaling firms, with leadership varying by deal type across data and analytics, WealthTech, digital banking and digital lending.

Notable trends include sustained investment in cryptocurrency- and blockchain-related

Figure 4: Deal class by firm age based on total investment, global fintech market



activities, despite a cautious market environment. By contrast, stablecoins attracted market attention but received limited large-scale investment. The maturity of the cryptocurrency and blockchain sector may partly align with growing regulatory clarity as global frameworks are developed and implemented. However, the sector also recorded relatively high firm closure rates in the UK and internationally, highlighting its continued exposure to market volatility.

Prediction markets also attempted to capitalise on instances of geopolitical and market volatility. These firms are defined as exchange traded platforms where participants can buy and sell contracts based upon the outcome of future events. Over $3 billion in later-stage venture capital funding was allocated to this sector.

Established sectors including payments and insurance continued to feature prominently in larger deals alongside firms offering financial management and operations tools.

Overall, in the global and domestic fintech market larger investment volumes appeared to concentrate among more mature firms, indicating **increasing selectivity in the allocation of large-scale capital.**

This pattern does not necessarily point to a slowdown in investment activity, but reflects several broader dynamics, including a growing investor focus on sustainable business models, increasing competition within fintech sectors, and changing capital market conditions.

However, our overarching observation across domestic and global markets is firms' need to access a diverse range of funding options to support scaling from early-stage development to market maturity, where, as previously mentioned, venture capital investment appears to dominate.

Figure 5: Top sectors of the UK fintech market by investment size, part of top decile

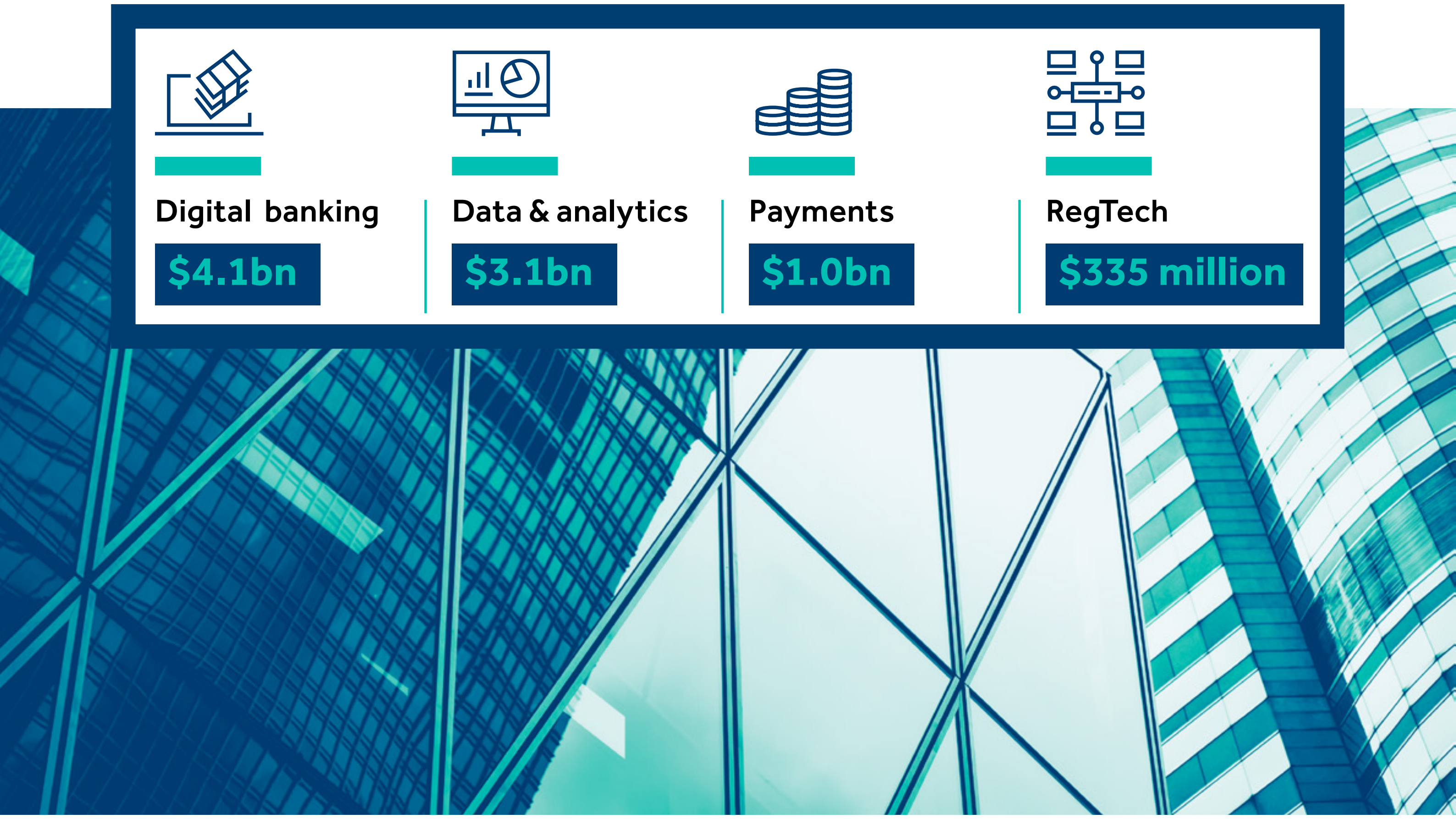
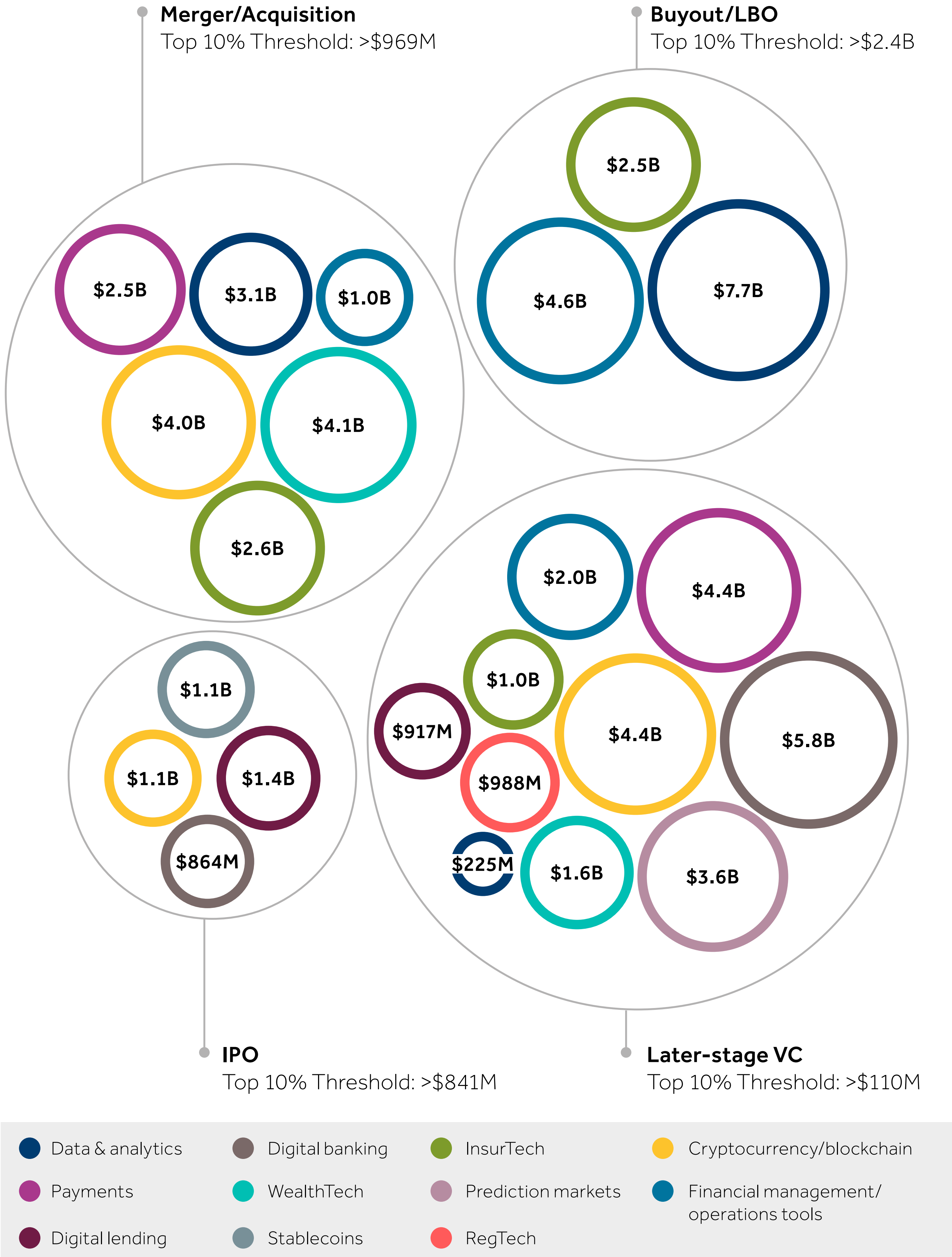


Figure 6: Global top decile within the four largest deal types by investment size, by sector

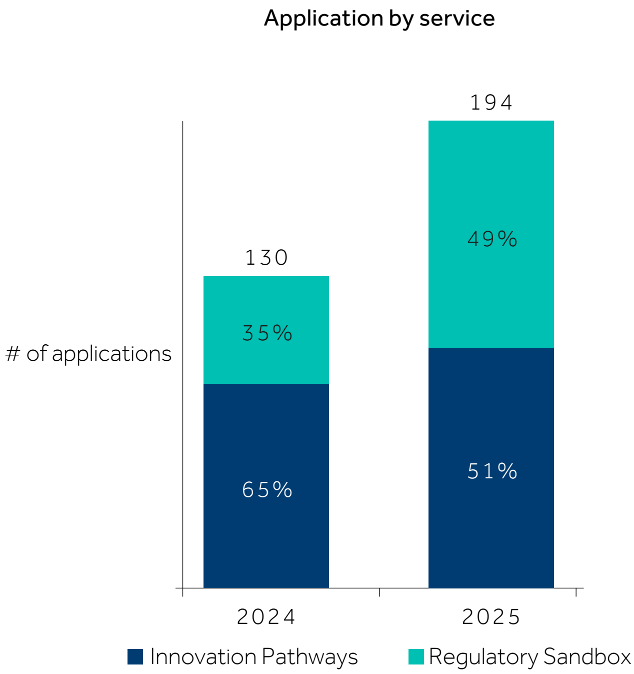


Regulatory Sandbox and Innovation Pathways overview

Application trends

In 2025, our Regulatory Sandbox and Innovation Pathways received 194 applications for support, a 49% increase from 2024. The acceptance rate for Regulatory Sandbox firms was 13% and a list of those accepted is publicly available. Whereas the acceptance rate into Innovation Pathways was 31%. These firms are not published but we have provided an example in the case study section.

Figure 7: Applications by sector and service



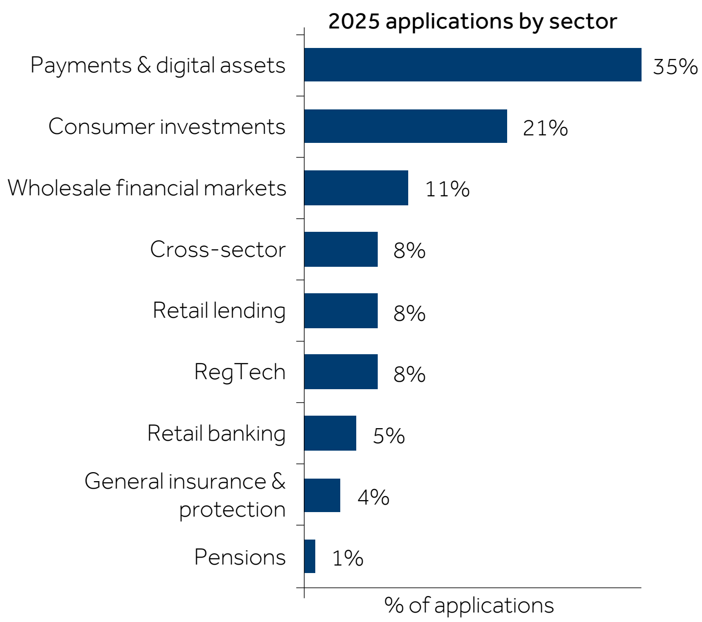


Figure 8: 2025 applications profile

91%
of firms were from the UK, of which 49% were from London.

90%
of firms used our innovation services for the first time.

87%
of firms were start-ups with fewer than 10 employees.

76%
of proposed solutions have a retail element.

31%
of applications involved AI, 18% used distributed ledger technology, and 11% used open banking or open finance.

76%
of firms discovered our services via the Innovation website or referrals, including previous service users.

Sector-specific insights

Nearly 70% of applications in 2025 came from 3 sectors: payments and digital assets, consumer investments, and wholesale financial markets. Most related to payment and cryptoasset propositions primarily seeking regulatory clarity ahead of the Authorisations gateway for cryptoasset firms opening in September 2026. Consumer investment and advice models were also prominent, alongside firms' interest to use AI. Overall, applications which included AI and DLT elements were prominent, broadly aligning with technologies that dominated global deals and disclosed investment value.

Figure 9: Key innovation trends we are seeing

Payments and digital assets

Blockchain-enabled payment
Payments are increasingly automated, using stablecoins and smart contracts to release funds once predefined conditions are met.

Embedded finance
Payments are built into everyday products and services, making them part of activities like shopping, renting or working.

Financial inclusion
New payment tools aim to improve access for underserved users, while maintaining safeguards.

Consumer investments

AI-driven personalisation
AI is used to tailor guidance and support based on financial data and user behaviour.

Operational automation
Digital platforms increasingly combine guidance, decision-making and execution into end-to-end journeys.

Open banking
Firms are using open banking data to support real-time assessment and decision-making.

Other sector trends

Wholesale financial markets
Wholesale markets are moving towards digital infrastructure, including tokenised assets and on-chain settlement.

RegTech
Regulatory technology is evolving into embedded, AI-enabled automated compliance tools.

Retail lending
Lenders are focusing more on supporting financial understanding and long-term resilience, alongside access to credit.

Case Studies:
Firms accepted into our innovation services

Amplifi: using regulatory engagement to improve digital disclosures

Amplifi is a RegTech firm using AI to support clearer customer facing financial and legal disclosures, in line with Consumer Duty expectations and the Consumer Rights Act 2015. Since first engaging with our innovation services in 2019, Amplifi has used innovation engagement to develop and test its proposition, refine its design, and build evidence to progress its offering.

Amplifi participated in the Digital Sandbox (2020–21) and the Regulatory Sandbox (2022–23), and was accepted into the Regulatory Sandbox again in 2026 to test its layered disclosure solution. The firm also contributed to wider FCA work, including CP25/17 and consumer research. Following this engagement, Amplifi raised approximately £2.7m from angel investors and Exponential Science Capital to support further development and scale-up.

Minesh Patel,
CEO & Founder

Bourn AI: using sandbox testing to improve access to business finance

Bourn AI is a UK fintech focused on improving access to finance for smaller businesses by enabling more flexible, data-driven trade finance solutions. The firm uses technologies including generative AI, machine learning and open banking to support credit assessment and lending linked to outstanding invoices.

Through the Regulatory Sandbox, Bourn AI tested its proposition in a controlled environment, focusing on credit assessment, operational processes and regulatory compliance. The engagement supported the firm's transition towards live operations and provided the FCA with insights into the responsible use of advanced data and AI techniques in business lending.

Nick Tracey, Roger Vincent, Paul Gambrell,
Co-Founders

Case Studies:
Firms accepted into our innovation services

moneyGPS: using early regulatory engagement to support UK market entry

moneyGPS is an Australian fintech that developed a digital financial guidance solution for the UK market. Through Innovation Pathways, the firm sought early regulatory clarity on how its model would be treated under the UK framework and whether permission would be required. The informal steer received enabled moneyGPS to refine its proposition, clarify the scope of its UK offering, and identify a partnership-led route to market.

> *Working with the FCA was a highly constructive and collaborative experience. The engagement felt like a partnership, providing the clarity and confidence we needed to refine our strategy and progress UK market entry.*
>
> George Haramis,
> CEO & Co-Founder

George Haramis,
CEO & Co-Founder

Count Finance: testing automated financial advice under regulatory oversight

Count Finance is a fintech firm developing an app that delivers fully automated financial advice and wealth management services. The firm uses technology-driven decision-making using a propriety algorithm to provide personalised savings and investment recommendations.

Count Finance participated in the Regulatory Sandbox to test the accuracy, reliability, and compliance of its automated advice model. The engagement focused on algorithm performance, internal controls and reporting processes, supporting the firm to refine its approach whilst operating live in the market. This has enabled the FCA to explore risks and safeguards associated with automated advice.

Laura Cornely,
CEO & Co-Founder

Applications that did not progress

We regularly review our criteria to ensure that our services remain relevant and support genuinely innovative firms. Multiple factors often inform which business models are less likely to be accepted into our innovation services. For instance, some propositions might have become quite conventional in the market, meaning that our regular authorisations or registration routes might be more appropriate. Alternatively, some propositions might not have met our eligibility criteria, but we have attempted to signpost relevant information.

Figure 10: Business models we are less likely to support

Fractional and tokenised assets

We are supportive of tokenisation but often reject use cases where firms don't provide suitable testing plans or clearly articulate consumer benefits within a time-bound test.

Traditional digital personal finance tools

We often reject personal finance tools that mirror mature products already available in the market, or where other support routes, such as the pre-application support service, are more appropriate.

Payments and remittances

We often reject use cases where business models are no longer genuinely innovative, or where other support routes, such as the pre-application support service, are more appropriate.

Buy now, pay later (BNPL), peer-to-peer (P2P) lending and credit alternatives

We often reject use cases where the proposition has become conventional in the market or where there are unclear consumer benefits for the target group.

Informal steers and common questions

Figure 11: Common questions addressed through informal steers

Payments

Our informal steers clarified whether models fell within payment institution roles, account information services, e-money issuance or agent arrangements, and signposted firms to the Payment Services Regulations 2017 (Schedule 1, Regulation 69 and 70) and Perimeter Guidance (PERG) 15.

Consumer investments

Our informal steers focused on authorisation and the boundary between guidance and advice, with reference to PERG 8.26 and PERG 8.28 . We also highlighted that whether a technology provider requires authorisation depends on the nature of the arrangements and the activities undertaken.

Digital assets and wholesale markets

Our informal steers considered whether activities amounted to dealing in, arranging or administering investments, and signposted firms to Articles 14, 25 and 40 of the Regulated Activities Order (RAO) alongside relevant obligations under the Money Laundering Regulations.

Consumer credit and retail lending

Our informal steers emphasised clarity, fairness and compliance, including expectations under the Consumer Duty, financial promotions rules and permissions relating to debt-related consumer credit activities.

2026–27 outlook

Our innovation services are world-leading and continually evolving, informed by emerging trends, feedback from stakeholders, and our data-led approach. To strengthen them further, we'll use 2026 to prioritise:

- **being clearer about what we want to see in testing and use more cohort-based testing.** Using cohorts helps build comparable evidence on how policy proposals work in practice. This has already begun by testing stablecoin-based models in the Regulatory Sandbox. We also want to encourage more fund tokenisation propositions.
- **increasing our engagement across the UK** to understand how our innovation services can support local and regional fintech ecosystems.
- **working closer with government to support UK competitiveness and international growth**, including our work alongside HM Treasury and the Department for Business and Trade through the Office for Investment: Financial Services model.
- **encouraging greater engagement from incumbents, particularly in wholesale markets and general insurance.** We will encourage established firms to use our support and testing routes when developing new models, especially where market infrastructure modernisation, data-driven propositions or operational resilience are central.
- **launching the solo regulated Scale-up unit**, extending support to firms across a broader range of sectors.
- **continuing to share insights with the market.** We will share our findings with the market, supporting open dialogue and helping firms and stakeholders to better understand emerging trends and regulatory considerations.

> Our innovation services are world-leading and continually evolving, informed by emerging trends, feedback from stakeholders, and our data-led approach.

Existing and new FCA initiatives

Information on our innovation services which are 'always open' to all firms is listed below:

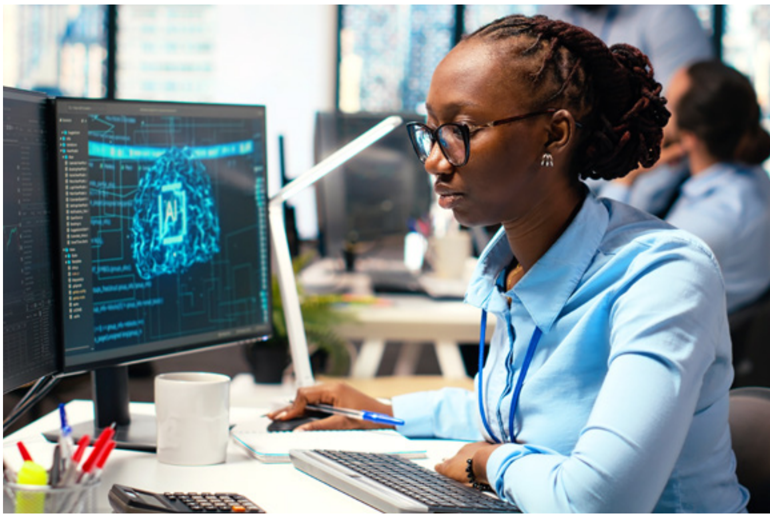
- Regulatory Sandbox: for firms to test new products live in the market with real consumers. We have also created a short guide with additional guidance on how this interacts with the Authorisations process for firms which might require permissions.
- Innovation Pathways: helping firms that have questions about regulation and how it applies to their innovative product.
- Digital Sandbox: providing firms with General Data Protection Regulation (GDPR) compliant datasets in a secure environment and mentorship from industry experts to scale proof of concepts.

Other innovation services such as AI Lab (specifically the Supercharged Sandbox) and Scale-up Unit often run on a cohort basis. Therefore, we encourage firms to sign up for our newsletters and email alerts to receive updates on these initiatives.

In addition, to complement our informal steers and signposting of information, we have also introduced other initiatives and published documents aimed at supporting firms. These include:

- Pre-Application Support Service (PASS): supports early engagement for firms in payments, cryptoassets and wholesale markets, and our recently-launched targeted support gateway provides a new route for technology-enabled consumer investment models.
- Regulatory Priorities Reports: Annual Regulatory Priorities reports across 9 key sectors replace our portfolio letters. These reports are a clearer, more consistent way of communicating our sector-specific priorities. They will help firms understand what we expect and where to focus.

Support for international firms and investors: We have published clearer webpages explaining the journey for international firms seeking to operate in the UK, while potential investors in the UK market can find more information through the Office for Investment: Financial Services. Firms can use it wherever they are in their journey, from start-up through to scaling and global expansion.



Pub ref: 1-008537

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