# Revolut – Written evidence (SCG0044)

## 1. Executive Summary

Revolut welcomes the opportunity to engage with the House of Lords Financial Services Regulation Committee, regarding the Financial Conduct Authority (**"FCA"**) and Prudential Regulation Authority (**"PRA"**)'s secondary objective to facilitate the international competitiveness of the UK economy (including, in particular, the financial services sector), and its medium to long-term growth, subject to aligning with relevant international standards. We are supportive of the secondary competitiveness and growth objectives that were introduced last year for the FCA and PRA. We believe it is appropriate for the FCA and PRA to have both their primary stability objective, and the secondary competitiveness objective, as these are complementary features of a well-functioning financial services market. In addition to their primary duties, the Financial Services and Markets Act 2023 introduced a legal responsibility for the FCA and PRA to consider how their policies and actions contribute to fostering competitiveness and economic growth. This shift was reinforced by recent letters from the Chancellor to the regulators, highlighting the government's expectation that the FCA and PRA will play an active role in advancing the government's economic growth goals through this secondary objective.

At Revolut, we regularly work alongside the FCA and PRA to help navigate regulatory frameworks and ensure we are a compliant participant in the UK's financial services sector. Collaborating with both authorities helps us protect and provide value for our customers, which has always been a priority for Revolut. As a leading financial technology company at the forefront of innovation, we are dedicated to delivering customer focused financial services that challenge traditional banking norms. Our experience and insights uniquely position us to provide fresh perspectives on how regulatory frameworks can effectively support growth and innovation within the financial services sector.

Highlighted by the Chancellor in her first Mansion House speech, the UK Government has set ambitious goals for UK financial services to be internationally competitive. For UK financial services firms to compete in the global marketplace, they must be able to scale and operate globally. The UK's financial services regulation can strike a balance between ensuring financial stability and fostering an environment where businesses grow quickly, yet sustainably. For example, an outcomes-driven regulatory framework could allow companies to scale up efficiently by tailoring requirements to their size, risk profile, and business model. Similarly, incorporating proportionality principles where appropriate, could enable businesses to expand; supporting both innovation and long-term stability in the UK financial services market.

For the UK to remain an attractive headquarters location for firms, it is important for the regulatory framework to not only be robust, but also transparent, consistent and internationally respected. Financial services regulation can align with global best practices to ensure UK firms operate seamlessly across borders and attract foreign investment. The UK can be the leader in compliance processes and enforcement, providing businesses with the confidence they need to expand internationally. This could include agreement between regulators and firms on the rollout timelines for international expansion, provided they continue to meet the relevant UK regulatory requirements. This would position the UK as an increasingly attractive base for firms looking to access global markets, as a leader in financial services innovation, and promote cross-border trade.

The UK has long been recognised as a global leader in financial services and the rapid evolution of technology presents both challenges and opportunities. At Revolut we want to emphasise the importance of regulatory adaptability to foster an environment conducive to innovation whilst also building the prestige of its financial services sector. By prioritising digital transformation, encouraging competition, and embracing new business models, regulators will further the UK's standing in the international market.

Revolut is committed to collaborating with the FCA and PRA to achieve their objectives. By fostering a regulatory environment that champions innovation, growth, and excellence, we can collectively ensure that the UK remains a relevant and attractive destination for financial service businesses on the global stage.

## 2. Response to Inquiry Questions

### 2.1. What opportunities or changes should be prioritised in order for the regulators to meet their secondary growth and competitiveness objectives effectively?

The FCA and PRA play a critical role in ensuring that the UK remains a globally relevant financial centre, capable of driving both domestic growth and international competitiveness. To support this, policies can be designed not only to foster innovation but also to create an environment where firms can scale effectively, in line with international standards, with the following three key objectives:

1. A regulatory environment that is globally recognised for its clarity, consistency, and balance;
2. The ability for firms to enter markets and innovate confidently; and
3. The ability for firms to build global businesses efficiently within a UK regulatory framework.

Given the rapid pace of technological change, regulators could establish best practice guidelines for emerging sectors like artificial intelligence ("**AI**") and cryptoassets. These frameworks would be designed to set a global standard, helping businesses navigate regulatory complexities while enabling them to innovate confidently. This regulatory approach could position the UK as a leader in establishing global standards that can be widely adopted, setting a benchmark for other jurisdictions.

We believe that modern regulatory frameworks are increasingly data-driven. With the increasing pace of technological innovation, regulators have more tools at their disposal to monitor risk and ensure compliance. Objective, evidence-based regulation allows for more accurate and efficient oversight, and is particularly relevant for fast-growing or data-heavy sectors like fintech. An output-driven approach to supervision fosters innovation. By leveraging technology, the FCA and PRA could reduce the compliance burden on firms while improving the speed and efficiency of regulatory processes. This could involve updating processes such as regulatory reporting and compliance monitoring, which would lower operational costs for regulators and taxpayers, as well as firms - whilst also increasing their ability to innovate.

The UK should lead international regulatory initiatives, collaborating with other major regulatory bodies and industry associations. The PRA, for example, could play a key role in developing a global set of regulatory standards, similar to the role that the International Financial Reporting Standards plays in financial accounting standards. By taking a leadership role in standard-setting, the UK can ensure that its regulations are recognised globally and adopted as best practice. To encourage growth and attract new entrants, the UK should also ensure that businesses can enter the market quickly, efficiently, and with as few barriers as possible.

Regulators could build on the existing guidelines for businesses looking to test and develop new products or services. This could include creating formal processes for allowing beta testing with customers, where firms can test products in a controlled environment with appropriate safeguards. The regulatory sandbox is a strong example of this in practice, and initiatives of this nature should be actively encouraged and supported. Allowing businesses to experiment and iterate on their ideas before full-scale launch will help to stimulate faster innovation and market adoption. This type of regulatory framework supports firms with advanced technologies and data management capabilities, enabling them to innovate faster and with lower risk.

To enhance the UK's international competitiveness, it is vital that firms based in the UK can scale internationally with ease, while still operating within the UK's regulatory framework. The UK's regulatory framework could provide additional guidelines for businesses looking to expand globally. This includes setting out the requirements and steps that firms must take when entering new markets, as well as aligning UK regulations with international standards to simplify the expansion process.

**2.2. To what extent are the regulators focused on the objective to promote international competitiveness and growth? Are there areas where the ability of the regulators to fulfil their secondary objectives might be constrained by having to fulfil their primary objectives?**

We recognise that the stability the primary objectives provide is important for fostering competitiveness and growth. However, we would welcome further efforts to ensure that the secondary objective is leading to meaningful policy changes. Whilst it is correct that regulations are designed with market stability and consumer protection in mind, the emphasis on fostering competitiveness—particularly in the context of international expansion—could be more pronounced.

**2.3. What are some of the barriers in the current regulatory framework (including the role and responsibilities of other regulators and bodies such as the Payment Systems Regulator, The Pensions Regulator and the Financial Ombudsman Service) that could hinder efforts to drive economic growth and international competitiveness in (a) the UK economy and (b) the financial services sector?**

Consistency and transparency of regulations have the greatest potential to influence customer outcomes and the ability of firms to be competitive both domestically and internationally. The UK has been noted by HMT in its Future of Payments Review as being "unusual in having such a wide range of specialised regulators". Any inconsistencies between the requirements of individual regulatory bodies can create uncertainty for customers and complexity for firms, which may hinder growth.

For example, greater alignment between the requirements of the Payment Systems Regulator and the Financial Ombudsman Service would provide a clearer and more predictable environment in which to pursue the ongoing fight against fraud. In addition, alignment of domestic regulation with international requirements, where appropriate, may support efforts to expand outside the UK, whilst maintaining domestic regulatory standards.

**2.4. Do the regulators have the right capability and capacity to fulfil their regulatory objectives on growth and competitiveness? To what extent might the culture of the FCA and PRA influence their ability to fulfil their growth and competitiveness objectives?**

The UK's financial regulators have made significant strides in fostering a stable and competitive financial environment, and it is important this continues to be built on. A robust digital transformation could help with sophisticated data analysis, risk detection data, and market monitoring. This could enhance their operational efficiency, enabling them to adapt to the evolving needs of the financial sector at speed. Embracing digital tools and modern regulatory approaches could further foster innovation and international competitiveness, while ensuring that regulatory oversight remains robust and aligned with the broader goals of economic growth.

### 2.5. How effectively have the FCA and PRA consulted or engaged with industry in relation to the new secondary growth and competitiveness objective?

The sector worked closely with HMT during the development of the metrics, and its forward-thinking and consistent engagement was welcomed. We believe that active working groups between regulators and industry would provide a more effective platform for collaboration than the more passive format of conferences. HMT has been proactive in its approach and we would welcome similar engagement from the FCA and PRA.

### 2.6. In delivering their secondary objective on growth and competitiveness, what opportunities are there for the regulators to help to promote and support innovation in the financial services sector? How effective has the FCA's regulatory sandbox been for supporting greater innovation in the financial services industry?

To support innovation in the financial services sector, early-stage guidance for emerging technologies like AI, blockchain, and crypto, helps firms understand the regulatory boundaries early on. Earlier this year in April, the FCA and PRA published their strategic approaches to regulating AI, alongside the Bank of England. The publication made clear that there is a need for a pro-innovation approach to any regulations and this is something that we are supportive of. It is also apparent that the government intends to proceed with creating a new financial services regulatory regime for cryptoassets. There is an opportunity in both instances for the UK to be world-leading in this space, as by offering outcome-based regulation, regulators can allow businesses to innovate within a specific sector while ensuring compliance. For instance, clear frameworks for AI in areas such as transparency and fairness would enable firms to develop new technologies with confidence, while ensuring consumer protection and market integrity.

A critical component of supporting innovation is the creation of specific testing environments that allow firms to experiment with new products or technologies at a smaller scale. Regulators could consider offering a proportionate risk approach, with different regulatory requirements based on the risk. Firms could be allowed to pilot products on a limited scale, with data collection and feedback loops to adjust and refine the product over time. This would also enable regulators to stay ahead of emerging trends by understanding how new innovations work in practice, and offering guidance on scaling those innovations safely.

As the FCA's regulatory sandbox was not utilised by Revolut, we are not best placed to answer the latter half of this question.

**2.7. How should the regulators ensure that any measures introduced to meet the secondary growth and competitiveness objectives work for businesses of all sizes across the sector, including startups, scaleups, and incumbents?**

It is important that regulation is built around a proportionality principle - tailoring requirements to the size, complexity, and risk profile of firms. This approach encourages competition and innovation, especially for new entrants. It is vital that regulatory requirements remain simplified so that firms can focus on growth and innovation.

Finally, regulators could streamline the authorisation process and create regulatory sandboxes to reduce friction new businesses face when entering the market. Regulations for emerging technologies like AI or blockchain should be flexible enough to foster innovation while maintaining safeguards for consumers, ensuring the financial services sector remains dynamic and competitive.

**2.8. Are there any additional metrics over and above those already agreed by the regulators that would better enable stakeholders to track progress and support scrutiny of their work against the secondary growth**

**and competitiveness objective? How should a measure of growth be included in these metrics?**

To track progress against the secondary growth and competitiveness objective, regulators could introduce a concentration metric for each regulatory permission, measuring the market share distribution across firms. This could be done using an approach to assess whether a few large firms dominate, or if the market is more evenly distributed across smaller players. This would allow stakeholders to gauge the level of competition, identifying areas where dominance by a few firms might impact innovation or where there is space for new entrants. Additionally, a growth metric could be incorporated by measuring the rate of change in the number of firms with a particular permission, or the rate of increase in the revenues or customer bases of firms in specific sectors, allowing regulators to assess whether regulatory actions are enabling broader market participation and fostering competitive dynamics. These metrics may offer a clearer picture of how growth is occurring, both domestically and internationally, and how competitive pressures are evolving in the market.

Additional metrics that go beyond traditional domestic-focused indicators could also be introduced, for example monitoring the global expansion of UK financial services firms, assessing who is expanding internationally year on year and understanding the reasons behind these expansions. This could include tracking the number of UK-based firms entering new international markets, the scale of their operations, and their success in those markets. This metric would provide insight into how well UK firms are competing on the global stage.This may also help identify areas where UK firms are lagging behind and where regulatory changes could help close those gaps. We would also encourage the UK government to report annually on broader policy impacts, such as changes to R&D tax credits, which could affect the competitiveness of UK firms.

**2.9. Does the requirement within the secondary growth and competitiveness objectives to align with international standards create any constraints to fulfilling those objectives?**

Due to the UK's status as a major global financial hub and the strong reputation of the FCA and PRA, the UK frequently takes a leading role in shaping international regulatory standards. We do not foresee material conflict between achieving the new secondary objective and maintaining alignment with international rules.

**2.10. Are the existing accountability measures around the secondary growth and competitiveness objective adequate?**

It is difficult for us to gauge and therefore comment on how the UK regulators are performing relative to international standards and whether they are meeting broader competitive or regulatory expectations.

**2.11. Are there examples of regulatory policies in other jurisdictions that should be considered by UK regulators to help facilitate the new secondary objective? What might the FCA and PRA be able to learn and apply from comparable supervisors in other markets in terms of applying secondary objectives on growth and competitiveness?**

Both Singapore and Hong Kong have adopted streamlined regulatory frameworks that make it easier for fintech companies to enter and operate. Singapore, for example, has been proactive in supporting innovation while ensuring that the financial system remains stable and secure. The Monetary Authority of Singapore has implemented regulations that enable fintech firms to scale rapidly. Similarly, Hong Kong has created an environment where tech startups can flourish, aided by simplified processes for compliance approvals. The UK could adopt a similar approach by making it easier for emerging tech firms, particularly in fintech and digital assets, to enter the market. This could involve creating special programs that encourage innovation while ensuring consumer protection and financial stability.

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