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THE INVESTMENT ASSOCIATION

Engine's Blueprint for FinTech Engagement and Onboarding in Investment Management

2026 Edition

Contents

Target Audience

This paper is aimed at:

1) **Investment Management Professionals** seeking to navigate and embrace FinTech in their organisation in order to innovate.

2) **FinTech Solution Providers** seeking to navigate the nuances, cultures and challenges of engaging with investment management firms.

4) **Any Individuals** interested in obtaining a better understanding of the Fintech ecosystem for investment management and best practice for successful engagement within their firms.

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Supporters

The Investment Association's FinTech Hub, Engine, and associated initiatives are supported by an advisory panel of industry experts from the following firms:

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1. Introduction

The UK investment management industry manages over £10 trillion of assets. It has unrivalled global reach and a reputation for adapting and reinventing in response to a changing world. In 2026, that adaptability is being tested by a faster pace of technological change alongside sustained cost, competition and resilience pressures. Over the past few years, AI has developed from experimentation to an embedded part of firms' systems and operations, improving efficiency while maintaining human oversight at its core. In parallel, tokenisation of funds and assets is progressing through pilots, supported by UK initiatives such as the Digital Securities Sandbox and the recent FCA consultation on progressing fund tokenisation. The progression of both tokenisation and AI are just two examples among many that highlight the innovative steps firms are taking to streamline operations and broaden access to markets for a more diverse pool of investors.

Against this backdrop, investment firms of all kinds are eager to see how new technology can transform the complexity of their businesses and deliver smarter, faster and better ways to serve their customers. For many firms, partnering with FinTechs offers an opportunity to gain a much-needed edge by enhancing competitiveness and strengthening client propositions. FinTechs can provide solutions not only in a cost-effective manner, but also by enabling a more fundamental overhaul of the value chain, accelerating transformation from front to back office and helping firms meet evolving regulatory expectations. Yet collaboration with external partners, while offering unique opportunities, also has its challenges. Issues such as aligning organisational cultures, ways of working and expectations can present significant hurdles.

Recognising these challenges and the critical role that FinTech can play in the investment management industry, the Investment Association's FinTech hub, Engine, identified the need for a comprehensive guide. This whitepaper is designed to be that guiding light for investment management professionals looking to harness the power of FinTech within their organisations. It offers a dual perspective, exploring the journey from both the investment management and fintech viewpoints, and providing a holistic understanding of the potential obstacles and strategies to navigate them.

The UK Government's Financial Services Growth and Competitiveness Strategy explicitly outlines innovation and FinTech as priority levers for growth and international competitiveness. FinTech's role is imperative globally, but it is also fundamental to the Government's ambition to scale regional financial services clusters closer to home across the UK. Engine supports this goal by leveraging its position within the investment management industry to connect firms with leading UK FinTechs and help build the skills and talent the UK financial services sector needs.

This whitepaper aims to stand out for its authenticity and depth of insight, derived from a collaborative effort involving 26 investment management firms that sit on Engine's Advisory Panel as well as firms from Engine's expansive FinTech community. This practitioner-led initiative draws on the real-world experiences of those at the forefront of the investment management and FinTech sectors. We are confident this unique approach not only bridges the gap between these two worlds but will also deliver tangible benefits to the industry at large.

Overview of the whitepaper

Setting the Scene

We begin by painting a comprehensive picture of the FinTech ecosystem, both within the UK and globally, underscoring the critical need for innovation in the investment management sector. This section highlights how embracing FinTech can significantly enhance operational efficiency, consumer outcomes, and overall industry resilience.

→ **Section 3.** FinTech Ecosystem Overview and Analysis

→ **Section 4.** How FinTech is Changing the Industry: Immediate Need for Change

Addressing Capability Gaps and Exploring Considerations for FinTech Engagement

We explore the various strategies investment management firms can employ to address capability shortfalls, from internal IT development to outsourcing and forming strategic partnerships. Delving into the specifics of engaging with FinTechs, this section examines the range of possible interactions, from simple product procurement to deep strategic alliances. We discuss common challenges and offer actionable recommendations for fostering successful collaborations.

→ **Section 5.** Investment Managers' Readiness for Engagement

Investment Manger Perspective: Spotlight on FinTech Scouting and Evaluation

This part focuses on the crucial aspects of FinTech engagement for investment managers, including scouting for new technologies and evaluating their suitability.

→ **Section 6.** Investment Managers: FinTech Scouting & Solution Suitability

FinTech Perspective: Spotlight on Procurement and Onboarding

Concluding with insights from FinTech firms, this section offers best practices for engaging with investment managers, particularly in navigating the procurement and onboarding processes.

→ **Section 7.** FinTechs: Engagement with Investment Managers

2. Executive Summary

The investment management industry enters 2026 at a pivotal moment. After years of experimentation with emerging technologies, firms are now shifting decisively toward enterprise-level adoption. This whitepaper explores that transformation in depth—examining how investment managers are embedding innovation into their operating models, reshaping their technology architectures, and evolving their partnerships with FinTechs to meet the demands of a rapidly changing market.

Across the industry, three structural priorities—productivity, personalisation at scale, and access to private markets—are reshaping how firms think, build, and operate. Real progress now depends on moving beyond isolated pilots and embracing cloud-native, production-ready architectures where high-quality data, clear lineage and robust governance are treated as foundational.

At the same time, the regulatory landscape has advanced significantly. Frameworks such as DORA in the EU and the UK's operational resilience regime are redefining expectations for vendor engagement, insisting on deep risk management, instant incident reporting and credible exit strategies from the very outset of onboarding. This paper explores how firms are responding by integrating risk, governance, and third-party oversight directly into their technology strategy.

We take readers through the shift from monolithic systems to modular, API-driven "composable" architectures that enable firms to focus internal capabilities on true sources of competitive advantage while partnering externally for everything else. This evolution is mirrored in the rise of the "FinTech-ready" firm—one that publishes clear security standards, streamlines data policies and removes legacy friction from procurement and integration processes.

The paper also examines how execution has matured. Investment managers are now applying disciplined funnels to evaluate opportunities, pinning every initiative to explicit business outcomes and embedding accountability from the start. Regular performance reviews, resilience simulations, roadmap alignment and structured partnership management are turning technology adoption into a repeatable enterprise capability rather than a series of one-off experiments.

Supported by ecosystems such as the IA Engine—providing access to validated FinTech innovators—the industry is beginning to realise the benefits of consistent, scalable and strategically aligned engagement. Throughout this whitepaper, we explore these developments, the challenges that remain, and the frameworks firms can adopt to position themselves for long-term success.

Ultimately, this paper aims to guide investment managers and FinTechs toward a more collaborative, resilient and innovation-led future—one where technology is not an adjunct to strategy but a core enabler of competitiveness, client trust and market leadership.

Investment managers should use this document to:

- Understand the FinTech landscape
- Benchmark their current approach to FinTech adoption
- Implement necessary changes to better identity areas of opportunity in their business
- Scout for FinTechs to assist
- Finally onboard and implement a solution

FinTechs should use this document to:

- Understand the investment management sector
- Prepare and scope procurement and onboarding requirements

We strongly encourage the utilisation of this guide within your organisations as a means to streamline operations and embrace best practices. By doing so, you will significantly accelerate the time to market and enhance the quality of the products delivered to your clients and end investors. This guide is more than a resource; it is a blueprint for navigating the future of investment management and FinTech innovation.

3. FinTech Ecosystem Overview and Analysis

FinTech in the UK

The UK investment management sector manages in excess of £10 trillion and is a world leading investment hub, second only to the US, and remains to be Europe's leading hub for fund management with over one-third of total European AUM held in the UK.[1] With a growing focus on international competitiveness, resilience, and transformation shaped by the UK's growth and competitiveness agenda for financial services and a renewed emphasis on innovation, building a sector that can adapt quickly to evolving clients needs and regulatory requirements has never been more important.

2025 marked a return to growth in global fintech investment, which rose by 21% to $53bn. The UK remained a key contributor, accounting for $3.6bn of total investment—second only to the market-leading United States ($25.1bn). This renewed growth signals a stabilisation in the funding environment following several years of decline, underscoring fintech's enduring role within the investment management sector. Momentum strengthened notably in the second half of 2025, with total funding reaching $32.5bn compared with $20.2bn in the first half—an increase of 61%.

Within the UK, FinTech investment was broadly flat compared with 2024, rising by just 0.4%, suggesting the UK lagged the wider global uptick in fintech funding. However, momentum improved in the second half of the year, when $1.9bn was raised, indicating the UK may be entering an early phase of renewed growth.

The UK also exhibited a more broad-based funding environment, reflecting FinTech investment's widening reach across the sector. The UK's $3.6bn of total investment was spread across 534 deals, compared with India's $3.4bn invested across 253 deals—highlighting a significantly higher level of deal activity despite similar aggregate investment levels.

The UK is a country of entrepreneurs, and innovators and it is widely acknowledged across all sectors that consistent investment in technology solutions is required to both remediate legacy architecture and maintain competitive advantage which ultimately creates and maintains success.

Figure 1: 2026 – Top 10 Global Markets: Where FinTech is Attracting Investment

Country	Deal Count	Capital Invested
United States	2,458	$25.1 bn
United Kingdom	534	$3.6 bn
India	253	$3.4 bn
UAE	113	$2.5 bn
Singapore	204	$2.0 bn
Brazil	124	$1.59 bn
Canada	182	$1.55 bn
Mexico	36	$1.3 bn
France	133	$1.1 m
Germany	113	$1.0 m

Source: Innovate Finance: Fintech Investment Update Accessed March 2026

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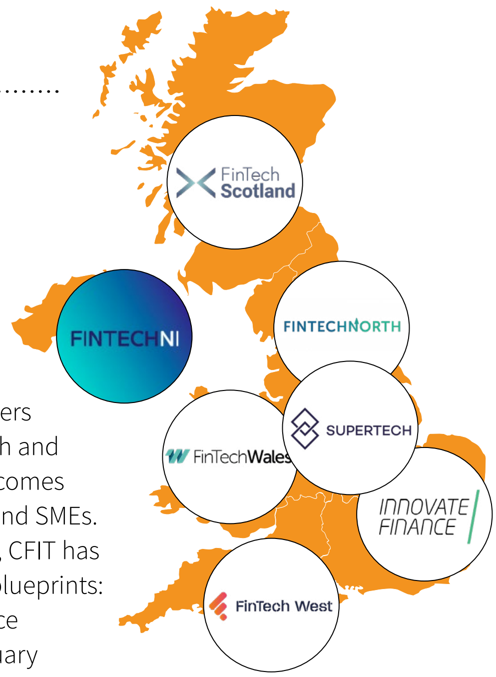
Regional FinTechs



Whilst London remains the UK's largest fintech hub, innovation has continued to decentralise into a range of established regional clusters including the North-West, the West Midlands and Scotland but also emerging hubs in Cardiff, Bristol, Cambridge, Northern Ireland and the North-East. Over recent years Whitecap Consulting has published over 20 reports on the UK's regional Fintech ecosystems, mainly located outside of London. These reports reflect the continued breadth and maturity of fintech outside the UK.[2] Innovate finance confirmed in 2025 that one third of the UK's Fintech firms are located outside of London.[3] The Northern Powerhouse Independent Economic Review outlines that a million additional jobs could be created in the North by 2050, and FinTech's remain central to that.

Regional collaboration takes place primarily through the FinTech National Network, co-ordinated by Innovate Finance, which connects Fintech hubs across the UK. The network support strategic approach to UK FinTech and enables greater access across financial services. Members include Innovate Finance, FinTech North, FinTech NI, FinTech Scotland, FinTech Wales, FinTech West and SuperTech in the West Midlands.

On 28 February 2023, the Centre for Finance, Innovation and Technology (CFIT) was launched in Leeds. Established following the Kalifa Review of FinTech (2021), CFIT brings together industry, regulators and government to unblock barriers to fintech growth and drive better outcomes for consumers and SMEs. Since its launch, CFIT has published two blueprints: the Open Finance Blueprint (February 2024), which brought together more than 60 organisations to set out how better outcomes could be created for UK consumers and SMEs through the extension of consent-based data sharing beyond Open Banking; and Fighting Economic Crime Through Digital Verification (March 2025), which builds on this work and advocates the introduction of a Digital Company ID to improve efficiency, security and trust in UK business.

There are numerous hubs, accelerators and databases across the UK that support technology and innovation in financial services; however, only the Investment Association's Engine is specifically focused on innovation within investment management.

FinTech Globally

The implementation of the right technology can lead to better client outcomes. Across investment management, tokenisation is increasingly viewed as central to the modernisation of the fund infrastructure and regulators are actively consulting on how fund tokenisation could be progressed to support innovation, a mission that is central to many Engine members. The advances in AI provide extensive opportunities in front, mid and back offices with regulators across the world looking at frameworks and regulation.

More internationally global jurisdictions are working with hubs to access the best solutions and there is considerable interest within the Middle East, Far East as well as African nations as markets seek to accelerate digital financial services and capital markets development.

FinTech initiatives are now central to international competitiveness and collaboration. Whilst the UK retains a strong reputation for financial innovation, other markets are using targeted incentives, national strategies and ecosystem-building programmes to attract technology solution providers and accelerate growth. For example, Saudi Arabia's fintech strategy targets 525 fintechs by 2030, and the Saudi Central Bank has reported rapid ecosystem expansion (rising from 82 firms at end-2022 to 281 by 2025) signalling the pace at which well-resourced national programmes can scale new hubs.[4]

Other regions renowned for their stance on innovation, such as, Singapore is spearheading the Project Guardian initiative; a collaboration with policy makers and the financial industry (in the UK, Japan and Switzerland) to explore feasibility of applications in asset tokenisation and DeFi.

The UK must work hard to maintain its position as a leader in FinTech. International relationships are key to building deeper ecosystems and opportunities whilst retaining the regulatory and business environment that encourages innovation and adoption.

Details of key international hubs can be found here.

Key takeaways

1. The UK is a significant FinTech powerhouse
2. The UK has multiple hubs and FinTech ecosystems
3. The FinTech sector has grown rapidly across the globe and competition is increasing
4. Digital experience and ease are cornerstone client requirements

PART 1 (For Investment Managers)

4. How FinTech is Changing the Industry: The Immediate Need for Change

Overview

The investment management industry is at a critical juncture, driven by the "great wealth transfer" and the distinct expectations of tech-native Gen Z and Millennial investors. With research showing that over 80% of next-generation heirs plan to move their assets away from their parents' traditional managers, the demand for seamless digital interfaces, mobile accessibility, and personalized service has become an existential requirement. To retain market share, firms must bridge the gap between traditional trusted advice and the intuitive, technology-led experiences that younger clients now consider standard.

Beyond the client experience, innovation is a vital tool for navigating an increasingly complex landscape of shifting regulations and economic volatility. By integrating modular FinTech solutions, firms can move away from rigid legacy systems toward more agile, "composable" operating models that are better suited to current political and social trends. This evolution allows managers to meet heightened standards for operational resilience and data security—such as the requirements set by DORA—while turning external pressures into opportunities for differentiation through superior service and transparency.

FinTech's impact on investment management has, and will continue to:

1) Enable disruptive ideas - driving forward innovation

2) Fast track access to the latest technologies

3) Increase agility and customer experience focus

4) Speed up time to market delivering cost efficiencies

Advancements in technologies such as Blockchain, AI, RPA, Big Data, and IOT provide significant opportunities within all aspects of the value chain, and will significantly change the way that investment managers conduct business. Examples include:

Figure 2: What are some of the most impactful technologies for our industry?

Blockchain

Distributed ledger technology (DLT) for transparent and secure asset tracking. Also enables cyrptocurrencies and will be used in the creation of some Central Bank Digital Currencies (CBDCs).

Tokenisation of assets and funds provides increased liquidity and accessibility, reduced transaction costs, enhanced security and transparency, and a more automated process.

Smart contracts for automated and efficient trade settlements.

Artificial Intelligence

AI-powered robo-advisors for automated portfolio management.

Natural language processing for sentiment analysis and news-driven investment strategies.

Generative AI models (for example, GPT-4) are designed to generate new and original content based on natural language inputs.

Language translation.

Robotic Process Automation (RPA)

(The automation of repetitive tasks using software robots)

RPA for streamlining investment operations and back-office processes.

Automated compliance. .checks and reporting using RPA systems.

Big Data and Analytics

Data analytics for risk assessment and portfolio optimisation.

Machine learning algorithms for predictive investment modeling.

Internet of Things (IoT)

(Connecting everyday objects to the internet for communication and control)

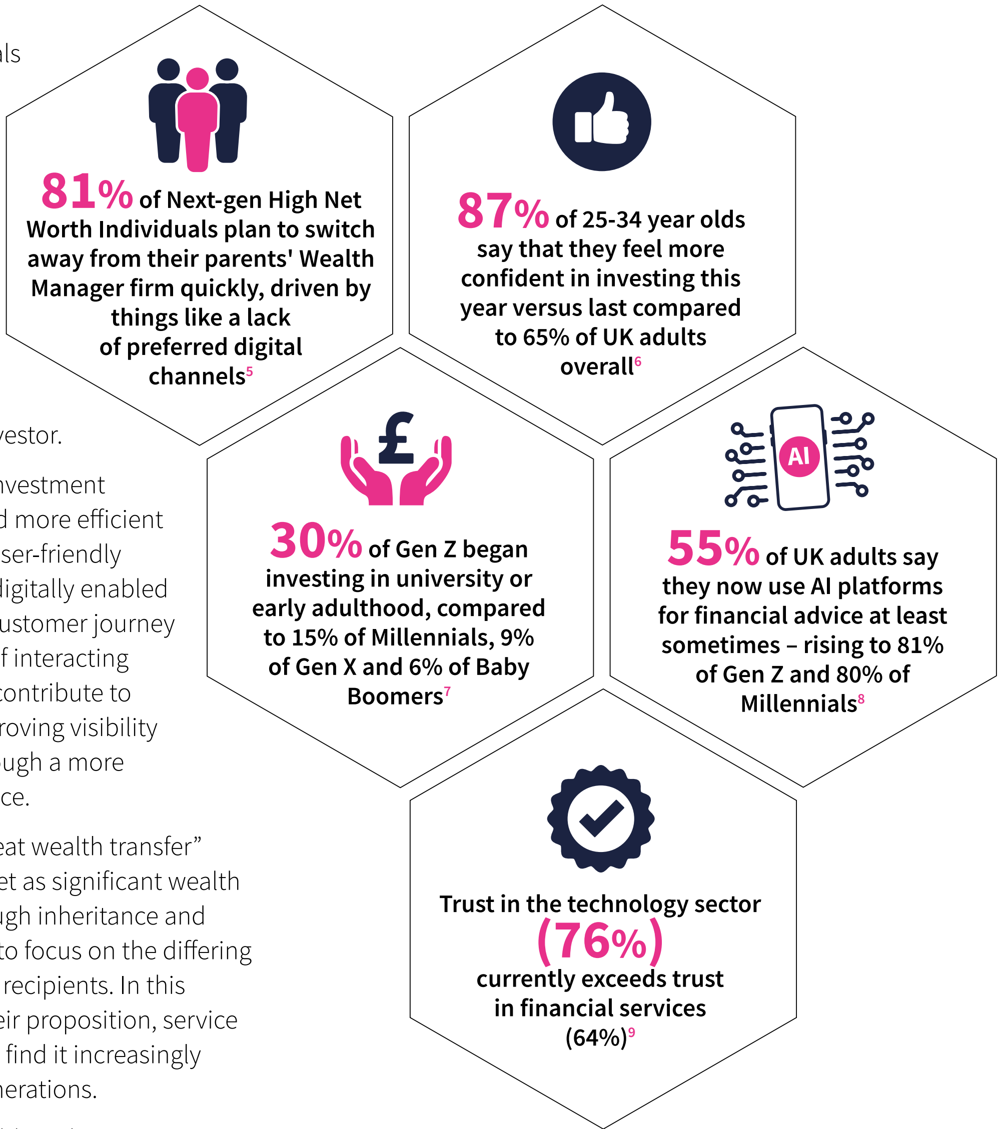
IoT sensors for real-time monitoring of investment assets.

Enables the gathering of environmental data which is crucial in determining the impact of certain environmental conditions.

Why Our Industry Must Innovate Now

Our industry must continue to innovate and embrace technology to meet the expectations of the next generation investor, including millennials and Gen Z, as well as a broader population that is becoming increasingly technology-reliant.

Figure 3: Infographic on Millenial and Gen-Z investors and savers



An increasing number of individuals and customers now seek intuitive mobile apps, seamless user experiences, and quick access to information and support. With so many aspects of daily life already transformed by technology, it is crucial that our industry continues to modernise and develop technologically to meet the needs of the continually evolving end investor.

By leveraging FinTech solutions, investment managers can provide simpler and more efficient investment interactions through user-friendly interfaces, mobile platforms and digitally enabled service models. Focusing on the customer journey and streamlining the experience of interacting with an investment manager will contribute to reaching a broader audience, improving visibility of services, and building trust through a more personalised and responsive service.

Over the next 20–30 years, the "great wealth transfer" will continue to reshape the market as significant wealth passes between generations through inheritance and gifting, further justifying the need to focus on the differing requirements and expectations of recipients. In this context, firms that fail to adapt their proposition, service model and digital experience may find it increasingly difficult to retain assets across generations.

This is particularly relevant in wealth and investment management, where younger and next-generation investors are demonstrating different expectations around access, personalisation and digital engagement. Recent research indicates that **81% of next-generation high-net-worth individuals plan to move away from their parents' wealth manager quickly**, citing factors including a lack of preferred digital channels, limited access to alternative investments, and inadequate value-added services. This underlines the importance of combining trusted advice with modern digital delivery and product relevance.

If firms do not recognise and adapt to the changing end investor, there is a significant risk of losing investors and market share to more accommodating firms, and to disruptive new market participants that have already taken steps to offer services and products that are growing in demand. This now extends beyond digital assets to broader digitally enabled propositions, including hybrid advice models, alternative investments, and AI-supported customer engagement.

Recent studies also suggest that younger investors are entering markets earlier and are more open to technology-enabled investing support. For example, one survey found that **30% of Gen Z began investing in university or early adulthood**, compared with lower proportions in older generations. The same research also found that **41% of Gen Z and Millennials would allow an AI assistant to manage their investments**, signalling growing openness to AI-enabled financial support when appropriately governed and trusted. In the UK, separate research indicates that **55% of adults use AI platforms for financial advice at least sometimes**, rising to **81% of Gen Z and 80% of Millennials**.

At the same time, trust remains a critical differentiator. While technology is increasingly central to client experience, firms should be mindful that public trust in the technology sector can exceed trust in financial services, reinforcing the need for investment managers to deploy technology in ways that are transparent, reliable and aligned with client outcomes. This is another area where FinTech partnerships and strong governance can help firms improve capability while maintaining trust and accountability.

There are a variety of external factors that impact the investment management industry. The following PESTLE analysis, figure 5, looks at some of the most impactful political, economic, social, technological, legal, and environmental points to consider.

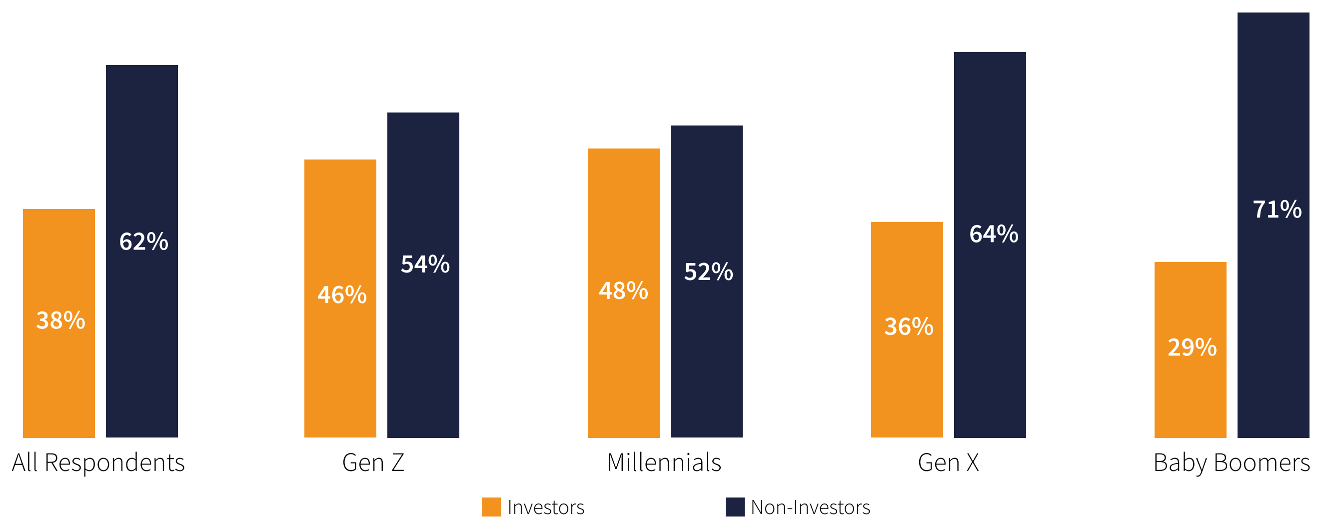
The investment management industry in the UK is profoundly shaped by a multitude of political factors. Regulatory changes, tax policies, and geopolitical events wield significant influence, necessitating firms to continually adjust their strategies to adhere to evolving regulations and navigate associated risks effectively.

Economic stability serves as a cornerstone, influencing investor confidence, decision-making processes, and the overall demand for investment services. Fluctuations in interest rates and market performance play pivotal roles, directly impacting investment strategies and shaping the financial landscape. Social trends, including demographic shifts and evolving investor preferences, continue to drive innovation within firms and the development of new products and services.

Technological advancements, particularly in the realm of FinTech, offer promising opportunities through innovative platforms, data capabilities and AI-enabled tools. However, increasing reliance on digitalisation also brings heightened concerns regarding cyber security, data protection, operational resilience, third-party dependencies and model risk, requiring strong governance, effective controls and ongoing testing. Legal and regulatory risks remain significant in the form of evolving requirements, supervisory expectations and potential liabilities, particularly in relation to outsourcing, operational resilience, AI governance and the use of critical third parties. While environmental considerations remain part of the broader landscape, the more immediate operational focus for many firms is on building secure, resilient and well-governed digital capabilities that support client outcomes and regulatory compliance.

FinTechs can play a crucial role in helping investment managers in the UK navigate these complexities, and those noted in figure 5 PESTLE, by offering innovative solutions that can quickly turn potential threats into opportunities, supporting agility and competitive advantage in a rapidly evolving landscape.

Figure 4: Generations of surveyed investors who hold an investment account



Source: The Investment Association & Opinium, Which, if any, of the following savings or investment accounts do you currently hold in your own name or jointly with someone else? Please select all that apply. Base: 2,000 Gen Z 252, Millennials 424, Gen X 590, Baby Boomers 650. Investment accounts defined as: Stocks & Shares ISAs and Junior ISAs, general investment accounts, a SIPP or self-managed pension or a share dealing account.

Figure 5: PESTLE for external environment of UK investment management industry

Political

- **Regulatory Environment:** The investment management industry in the UK is heavily regulated by government bodies like the Financial Conduct Authority (FCA). Changes in regulations and regimes, such as Consumer Duty and SDR, can have a significant impact on the industry.
- **Tax Policies:** Changes in tax policies, including capital gains tax and inheritance tax, can influence investment decisions and the attractiveness of investment products.
- **Geopolitics:** Factors such as trade agreements, diplomatic relations, and global tensions impact the UK investment management industry. Global geopolitical events introduce regulatory considerations and affect risk assessments, requiring adaptability in investment strategies.

Economic

- **Economic Stability:** The overall economic stability of the UK can affect investor confidence and the amount of disposable income available for investment.
- **Interest Rates:** Fluctuations in interest rates set by the Bank of England can influence investment strategies, especially for fixed-income products.
- **Market Performance:** The performance of the stock and bond markets directly affects investment returns and the demand for investment services.

Social

- **Demographic Trends:** The aging population in the UK has led to an increased demand for retirement and pension planning services.
- **Investor Preferences:** Changing social attitudes toward ethical investing and sustainable finance are shaping investment product offerings.
- **Education and Awareness:** The level of financial literacy and awareness among the population impacts the adoption of investment products.

Technological

- **Digitalisation:** Advancements in financial technology (FinTech), such as tokenisation and AI, are reshaping the industry, offering new investment platforms and tools.
- **Data Security:** Increasing reliance on digital platforms raises concerns about data security and cybersecurity threats.

Legal

- **Regulatory Changes:** Ongoing changes in financial regulations can impact the industry's operating environment.
- **Legal Liabilities:** Legal risks and liabilities related to investment decisions, disclosure, and fiduciary responsibilities can affect firms in the industry.

Environmental

- **Climate Change:** Growing concerns about climate change are leading to an increased focus on sustainable and environmentally responsible investments (ESG investments).

Key takeaways

1. **FinTech can:** assist investment managers in making better informed decisions, break down barriers to entry for investors, and enable more efficient processes, saving time and money
2. **Key technologies** that will impact our industry include Blockchain, AI, RPA, Big Data and Analytics, and Internet of Things
3. Firms must focus on providing more personalised and digitally streamlined services to meet the needs of the ever-changing end investor
4. If firms do not **embrace technology**, there is a risk that they could lose their competitive edge and market share to more disruptive and efficient firms

5. Investment Managers' Readiness for Engagement

In the investment management industry, client focus is key. Firms face pressure simultaneously to improve productivity, personalise client service and expand into private markets, all while managing cost and regulatory complexity. This requires creating an agile operating model that can adapt to clients' evolving needs and to the rapid maturation of technologies such as generative and agentic AI, advanced analytics and machine learning offered by FinTechs amongst others. At the same time, investment managers must balance these opportunities with workforce capabilities, organisational culture changes[10] and the heightened regulatory expectations around operational resilience from the FCA as well as from the EU's Digital Operational Resilience Act (DORA) and similar frameworks.

To address these many challenges, investment firms may look to engage their external ecosystem. The "2026 EY Future of Asset Management Study" maintains that the future of the asset management industry is one in which investment firms will be more integrated and more networked. Leveraging firms' external ecosystems is likely to be critical for success in the increasingly complex and changing, tech-enabled world that EY term "VUCA-plus", characterised as "Nonlinear, Accelerated, Volatile, Interconnected" (NAVI).[11]

To meet these significant challenges, genuine preparedness to engage externally becomes ever more critical. Indeed, introducing new technology from FinTechs not only requires technical readiness for integration and robust third-party risk management frameworks, but also organisational maturity in terms of data quality and governance, business model alignment, skills development and cultural adaptability.

Typically, firms have four main operating models available to them to fulfil capability gaps. The figure below shows how the options can be broken down into:

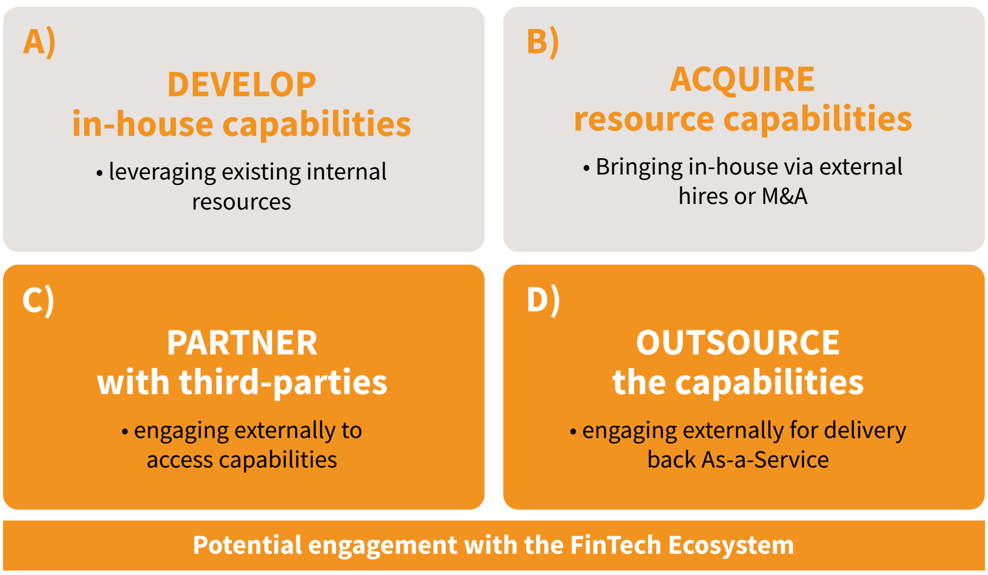
A) Develop capabilities (e.g. in-house build and/or internal upskilling)

B) Acquire capabilities (recruit or otherwise elicit expertise) and/or engage externally with third parties such as FinTechs through

C) Partnerships to access the capabilities

D) Through a full outsourcing model for the capabilities to be delivered back as a full service.

Figure 6: Operating models to extend capabilities



Source: Adapted from: Kwan, A. (2019) Architecting an operating model, Deloitte Insights[12]

As an Investment Management firm determines the requirements (levels) of each of these factors, the optimal operating model can be determined. In terms of technology-heavy solutions, the choice often comes down to deciding between "Build", "Partner" (engage with FinTechs), or increasingly, "Compose" – assembling best-of-breed solutions via APIs and modular architectures. The partnering and composing options often provide a good balance across all of these requirements.

An evaluation to estimate the potential costs of building in-house (for both initial implementation and ongoing maintenance) is usually undertaken as part of a wider cost/benefit analysis. A key component of this is the assessment as to whether an internal build could deliver a value-add or competitive advantage for the firm. This analysis provides a useful baseline when considering FinTech partners.

The advent of generative and agentic AI in recent years may have increased the consideration of in-house development options, but partnering with a Fintech as a third party remains a common choice. This is due to common Fintech advantages of speed of delivery as well as ongoing access to the latest industry best practise, innovation and specialised SME skills which may not be available in-house.

In this context, an evaluation to estimate the potential costs of building in house (under option A above) is usually undertaken as part of a wider cost/benefit analysis.

A key component of this is the assessment of whether an internal build could deliver a real value add (such as future agility if frequent bespoke changes are expected), or other competitive advantage for the investment firm (such as proprietary data, uniqueness of client offering through AI capabilities supporting differentiated portfolio management or client personalisation).

Cost estimations in the analysis should cover both initial implementation and ongoing maintenance thereafter (a three to five year horizon, for example). This analysis provides a useful baseline for considering FinTech partners.

The Journey to FinTech Engagement

As investment management firms adapt to ever changing customer demands, market conditions and regulatory changes, gaps in the organisation's capabilities to meet these challenges inevitably emerge. Prior to starting the FinTech engagement journey, it is therefore prudent for an investment manager to carry out a comprehensive gap analysis to ensure organisational self-awareness and to feed into mitigation planning.

The gaps can show in a broad range of areas, including but not limited to:

1. Data foundations and governance

Building a robust data foundation and implementing effective governance mechanisms are pivotal for the success of investment management firms. Clean, well governed data is the bedrock for making well informed investment decisions, accurately assessing risks and staying compliant with regulatory requirements, especially when AI and advanced analytics are in scope. When data is effectively managed, it enables a deeper understanding of client preferences and market trends, empowering the firm to tailor investment strategies to individual needs and seize opportunities promptly, while providing a reliable foundation for any AI enabled innovation. Robust data lineage, quality assurance, model governance and explainability is critical, especially in efforts to mitigate any bias in AI-driven workflows.

2. Business model strategy

A well defined business model strategy lays the groundwork for long term success. This involves not only devising revenue growth strategies, but also carefully planning asset allocation strategies to maximise returns and minimise risks across public and private markets. With the rapidly evolving FinTech landscape – including in particular generative and agentic AI, real-time data interoperability, digital distribution platforms and tokenisation solutions for fund administration and private market access – firms need to stay on top of technologies that are reshaping investment processes and client expectations.

As the AI technological revolution gathers momentum, investment managers have a real opportunity to maintain competitiveness and boost profitability in the face of the fundamental pressures weighing on growth by incorporating AI into their operations to support what BCG has termed the "three Ps" of productivity, personalisation and private markets.[13]

3. Assessing and addressing workforce capability gaps

An expert and adaptable workforce is vital for staying relevant in a technology driven world. Firms increasingly need talent that combines domain expertise with data literacy and practical understanding of AI and model oversight. Identifying and addressing capability gaps ensures that employees possess the necessary skills and knowledge to leverage cutting edge tools and technologies, and to challenge and supervise them appropriately.

Training programmes and upskilling initiatives can help employees remain competent and stay ahead of the curve, including developing practical skills in data literacy, AI and model governance, prompt engineering for generative AI and cross functional collaboration across compliance, risk and technology teams.

4. Organisational culture alignment with target operating model

The success of any transformational initiative hinges on the alignment of the organisational culture with the target operating model. Emphasising a client centric culture throughout the organisation fosters an environment where client needs and satisfaction take precedence. Furthermore, cultivating an agile and innovative culture enables the organisation to adapt quickly to changing market dynamics and client demands, making it more resilient and competitive in the long run.

This can be facilitated by creating safe "test and learn" environments for experimenting with FinTechs and AI in controlled settings. Examples include use of sandboxes in internal innovation labs or leveraging the FCA's Supercharged AI Sandbox[14] Strong leadership that champions the values of collaboration, innovation and adaptability plays a critical role in driving this cultural transformation. There is also the importance of embedding principles of transparency, accountability and human oversight of any AI-driven decisions.

Maturity Assessment Where Are You Now and What is The Possible Future?

Investment management firms across the industry vary in the maturity of their engagement with FinTechs. This can range from basic, ad hoc engagement (Level 1), or more formal and regular collaboration (Level 2), through to more strategic and fully integrated engagement (Level 3), with particular focus on data platform readiness, AI adoption and tokenisation capability. The following diagram provides a high-level overview of these levels:

Figure 7: Organisational maturity levels

Level 1: Initial Stage	**Level 2:** Developing Stage	**Level 3:** Advanced Stage
Cautious exploration of FinTech with a tentative approach to change	Active engagement with FinTech innovation in certain departments	Full immersion in FinTech with a robust culture of innovation
Leadership aware but not fully engaged in FinTech integration	Leadership begins integrating FinTech into the firm's strategy	Deep leadership involvement, ensuring alignment with strategic vision
Organisational and technological infrastructures not optimised for FinTech	Efforts to modernise infrastructures and bridge internal expertise gaps	Agile organisational structure, state of the art technology significant in house expertise in data, AI and FinTech partnerships
Irregular engagement with FinTech, building trust, and partial goal alignment	More structured FinTech engagement, growing trust, and better goal alignment	Comprehensive engagement, high trust, and goal alignment across the organisation

The organisational maturity level 1 (Initial Stage) above is often characterised by fragmented data estates and limited cloud adoption, typically with limited pilots of digital tools and little enterprise integration.

Level 2 (Developing Stage) may involve a growing portfolio of proofs of concept and pilots in areas such as data management, analytics and generative AI. Executive sponsorship is present which helps with FinTech readiness areas such as the maturing of data governance frameworks and larger scale migration to cloud platforms. More structured FinTech engagement is supported by formal third-party risk assessment processes.

Level 3 (Advanced Stage) is often evidenced by scalable cloud-native data platforms, enterprise AI capabilities and tokenisation infrastructure where relevant. There is Board-level oversight of data, AI and other technology risks. Strong third party risk and operational resilience frameworks support strategic FinTech partnerships. Engagement is comprehensive with mature vendor management, co-innovation programmes and integration into enterprise architecture and risk frameworks.

By investment managers systematically evaluating their maturity across key dimensions, they can position themselves to engage more effectively with FinTechs and capitalise on the opportunities. Figure 8 highlights key dimensions for consideration.

Figure 8: Key Dimensions of a Maturity Assessment

Strategy and Leadership

- Aligned strategy
- Executive sponsorship
- Clear AI and data strategy aligned to client and regulatory

Capabilities and Resources

- Tech infrastructure
- People, talent and skills
- Integration capabilities
- Data quality and governance

Culture

- Openness to change
- Risk appetite for innovation balanced with strong risk and compliance oversight and clear accountability for AI and FinTech decisions
- Willingness for external collaboration and co-innovation with FinTech partners
- Cultural compatibility

Structures and Processes

- Innovation / change management
- Third-party management
- Scouting and evaluation processes
- Procurement and onboarding
- Delivery management
- Collaboration of internal teams

Refer to the *Appendix B* for an example Organisation Maturity Assessment. It provides example questions in each of the four assessment dimensions in Figure 8, along with potential responses mapped to the different maturity levels (1–3) described above. As noted in guidance from the FCA and Bank of England on AI and outsourcing such structured assessments can support more consistent risk management and governance when engaging with FinTech providers.

Investment managers can utilise such a framework with the following objectives:

Assessing Current State: Evaluating the current maturity level across all dimensions, including data, AI and operational resilience, in line with good practice and regulatory expectations under frameworks such as DORA and FCA operational resilience requirements.

Identifying Gaps: Highlighting the differences between the current state and desired future state, with particular attention to areas such as AI model governance, data quality, cloud readiness and tokenisation capability where relevant to the firm's strategy.

Developing Action Plans: For each dimension, developing specific initiatives to move to the next level of maturity, prioritised by strategic importance, regulatory urgency and client impact.

Implementing Changes: Executing action plans, monitoring progress and adjusting as necessary, with appropriate governance and risk oversight throughout the transformation journey.

Reviewing and Refining: Regularly revisiting the assessment to reflect changes in the FinTech, AI and regulatory landscape and in the firm's strategic goals, echoing the iterative approach to transformation frequently recommended for continuous innovation and adaptive operating models in investment management.

Figure 9: Key actions to transition through the Maturity Levels

Level 1: Initial Stage → **Level 2:** Developing Stage → **Level 3:** Advanced Stage

Transitioning From Level 1 to 2

1. **Strengthen Leadership Engagement:** Involve leaders in FinTech; integrate goals into vision
2. **Invest in Technology and Talent:** Upgrade tech; hire or train in FinTech expertise
3. **Develop Structured FinTech Engagement Plans:** Draft actionable strategies; include metrics, scale innovations

Transitioning From Level 2 to 3

1. **Cultivate a Culture of Innovation:** Promote change, reward ideas, share FinTech successes
2. **Enhance Agile Organisational Structures:** Make structure agile for faster FinTech innovation
3. **Leverage Data and AI with Robust Governance:** Implement data frameworks; drive AI strategies, optimise productivity and personalisation

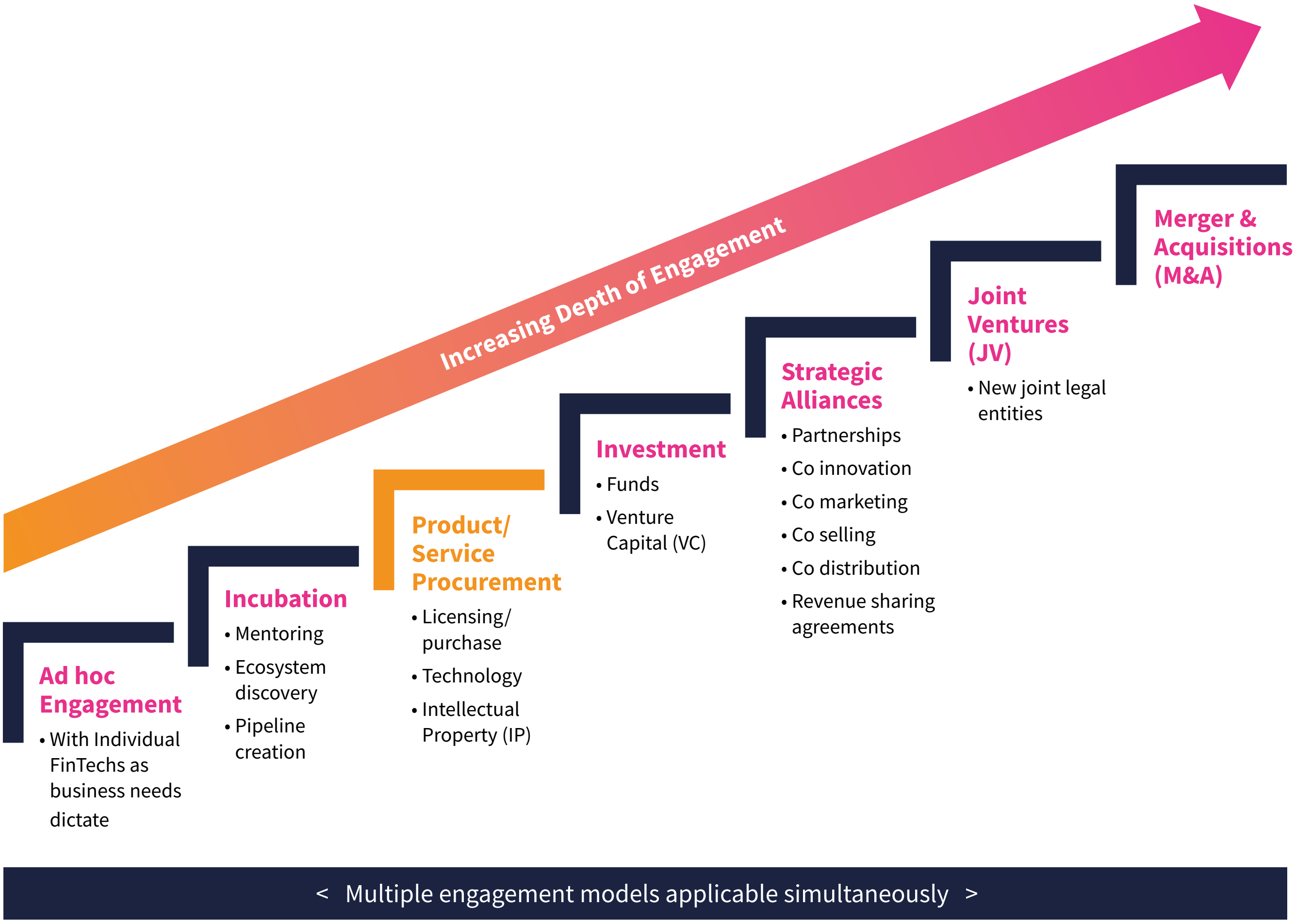
Partnering: FinTech Engagement Models

Where the decision has been made to partner externally and with a FinTech, an investment manager has a range of options to structure engagements, with co-innovation partnerships increasingly being considered a valuable opportunity. The diagram below provides examples of the options available. These vary in terms of depth of engagement as well as corresponding benefits and risks.

Multiple types of engagement may be undertaken simultaneously with a given FinTech; for example, software licence procurement or AI-as-a-Service arrangements from a FinTech in which the investment management firm has also invested.

In the next section, we will drill down on what is perhaps the most common level of engagement, product/service procurement, highlighted in the diagram below. In the next section, we will drill down on what is perhaps the most common level of engagement, product/service procurement, highlighted in the diagram below.

Figure 10: Engagement Models



Incubation and ecosystem discovery indicated in the diagram can take the form of engagement with Fintech accelerators such as the Investment Association's IA Engine or with FCA innovation initiatives. These routes can go a long way to facilitating creating future pipelines of potential Fintech partners.

The growing prevalence of FinTech partnerships around the world is underlined by the 2025 research initiative, "The Future of Global Fintech", from the University of Cambridge and the World Economic Forum. In their research, 84% of Fintechs reported partnering with incumbent financial institutions, with Application Programming Interface (API) integration and co-branding being amongst the most common collaboration drivers.[15]

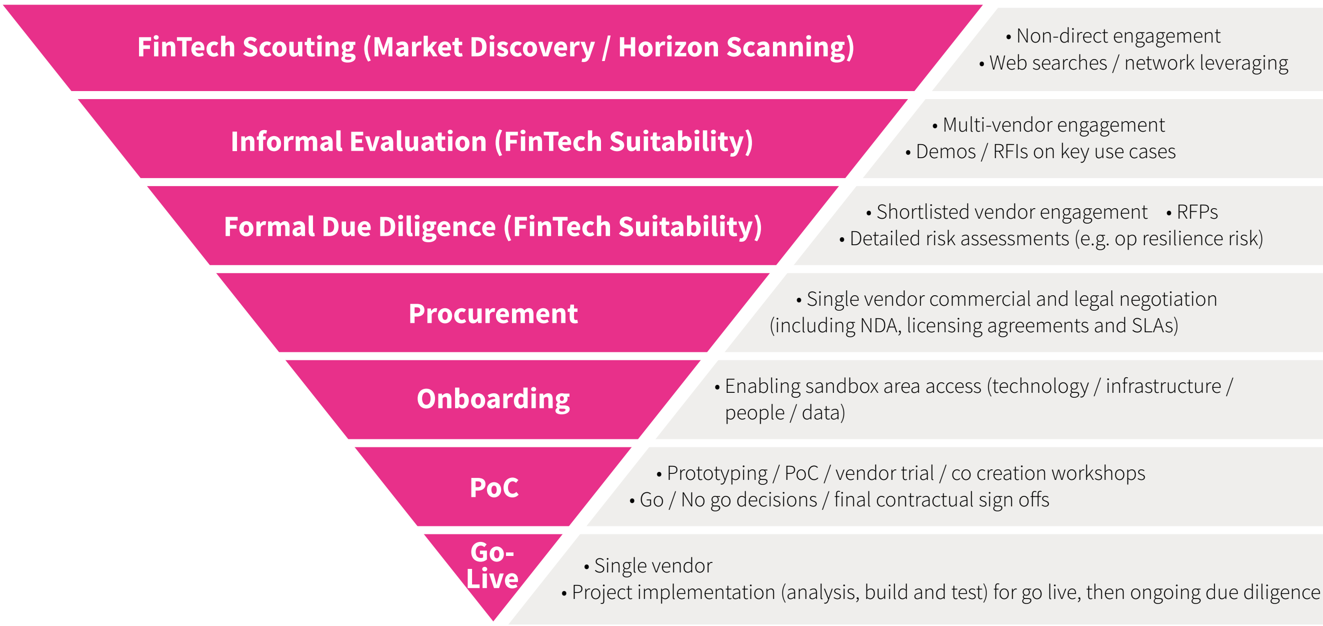
Given that Alpha FMC's 2025 Asset & Wealth Management Outlook found that only 1 in 3 firms consider themselves strong innovators, co innovation (the co-development of tokenised fund solutions with a Fintech, for example) becomes a particularly attractive avenue for consideration for an investment manager wishing to expand its in-house capabilities.[16]

The FinTech Engagement Process

On the path to engage with a FinTech for product/service procurement, the engagement process normally involves several phases from FinTech Scouting (market discovery / horizon scanning) and FinTech Evaluation, through to narrowing down to a single FinTech for implementation and go live of the product/service.

Figure 11 outlines the typical steps of the FinTech selection process for an investment manager. The process can be viewed as a funnel of discovery as the search narrows.

Figure 11: Typical Funnel of FinTech Selection / Engagement



At each stage, the depth of due diligence and the involvement of specialist functions (technology, compliance, legal, procurement, information security) increases. The introduction of DORA in the EU and the UK's critical third-party regime has added new requirements at the due diligence and onboarding stages, particularly around ICT risk management, incident reporting, and exit planning for critical technology providers.

Key Challenges and Common Pitfalls

A number of key challenges may arise during engagement:

Resource Quality & Continuity

- Safeguarding/ringfencing staff for continuity
- Effective knowledge transfer between e.g. pre-sales and implementation teams within a FinTech and handovers where changes in resourcing occur, in order to avoid key person risks or gaps/rework

Regulatory and Compliance Complexity

The regulatory landscape has evolved materially. In the EU, the Digital Operational Resilience Act (DORA) came into force in January 2025, imposing obligations on investment firms and their technology providers regarding ICT risk management, incident reporting, and third-party oversight. In the UK, the FCA's operational resilience framework and the critical third-party regime (also effective January 2025) create parallel requirements. These regulations have changed how firms must approach FinTech due diligence, onboarding, and ongoing oversight.

AI Governance and Model Risk

As AI-powered FinTech solutions become more prevalent, firms face new challenges around model validation, explainability, and regulatory expectations for AI oversight. The EU AI Act, alongside sector-specific guidance from bodies such as BaFin and the FCA, is establishing a framework for responsible AI use in financial services. Firms should ensure that their FinTech assessment processes include evaluation of vendors' AI governance practices.

Data Sovereignty and Cloud Concentration Risk

Increasing reliance on cloud-based FinTech solutions raises questions about data residency, concentration risk with major cloud providers, and business continuity planning. Assess your exposure to single points of failure and ensure your FinTech partners have credible plans for continuity and data recovery.

Integration Complexity at Scale

As firms move from individual FinTech pilots to multi-vendor ecosystems, the complexity of integration, data flows, and vendor management increases significantly. Orchestrating multiple FinTech relationships requires robust integration architecture, clear data governance, and effective vendor management capabilities.

FinTech Counterparty Risk

As with any third-party relationship, there is inherent counterparty risk. FinTechs, particularly earlier-stage firms, may face funding challenges, leadership changes, or in extreme cases, insolvency. Firms should assess the financial viability of FinTech partners as part of due diligence and on an ongoing basis, and ensure that contractual provisions address scenarios including business failure, change of control, and service discontinuity.

Vendor Lock-In and Data Portability

As with any third-party relationship, there is inherent counterparty risk. FinTechs, particularly earlier-stage firms, may face Dependency on a single FinTech provider can create significant switching costs and operational risk. From the outset, firms should consider data portability, IP ownership for any co-developed solutions, and the practical feasibility of migrating to an alternative provider. Exit planning is not just a DORA requirement – it is sound commercial practice. Ensure that contracts address data extraction rights, transition support obligations, and reasonable notice periods.

Recommendations for Investment Managers

A number of steps may be taken by Investment Management firms to mitigate the risk of potential pitfalls and improve engagement. These include the following:

1. **Establish a central innovation unit** by creating a use case team internally to review the potential of FinTech in various areas of the business

2. **Ensure end-user centricity** with a focus on understanding the key pain points

3. **Ensure a common understanding** with a focus on:
   - Domain knowledge of investment management context
   - Explanation of key terminology
   - Cloud computing knowledge (given the ubiquity of SaaS solutions)
   - AI and data literacy – understanding how AI models work, their limitations, and how to evaluate AI-driven solutions

4. **MVPs including all mandatory scope** especially regarding data requirements, integration points, and security standards

5. **POCs to allow some onboarding to be carried out early on** (required later for implementation). There are less stringent requirements if the offering is SaaS rather than products entering into an Investment Manager's estate. Define data governance and security requirements as part of POC scoping, reflecting DORA and UK operational resilience expectations.

6. **Scalability** including non-functional testing. For AI-powered solutions, assess whether the vendor's capabilities can scale alongside the firm's evolving requirements.

7. **Establish a regulatory and compliance framework for FinTech engagement.** With the introduction of DORA and the UK's critical third-party regime, ensure that due diligence, onboarding, and ongoing oversight processes are aligned with current regulatory expectations. This includes ICT risk management, incident reporting protocols, and exit planning for critical technology providers.

8. **Develop an AI governance framework**. As AI-powered solutions become central to operations, establish clear policies for model validation, bias monitoring, explainability, and accountability. Integrate this into your broader FinTech assessment and onboarding process.

9. **Plan for exit and data portability from day one.** Ensure that contracts address data ownership, extraction rights, IP ownership for co-developed solutions, transition support, and reasonable notice periods. An exit plan is not a sign of distrust – it is sound risk management and a DORA requirement for critical providers.

In the next section, we will focus on the following two key areas from the above:

1. FinTech Scouting (Market Discovery / Horizon Scanning)
2. FinTech Suitability (informal valuation and Formal Due Diligence)

Key takeaways

1. Culture and Change/Risk Appetite:

Foster a culture that embraces digital and AI enabled innovation and possesses a healthy appetite for calculated risks, underpinned by clear principles for client protection and regulatory compliance, including transparency, accountability and human oversight of AI-driven decisions.

2. Strategic Alignment and Executive Support:

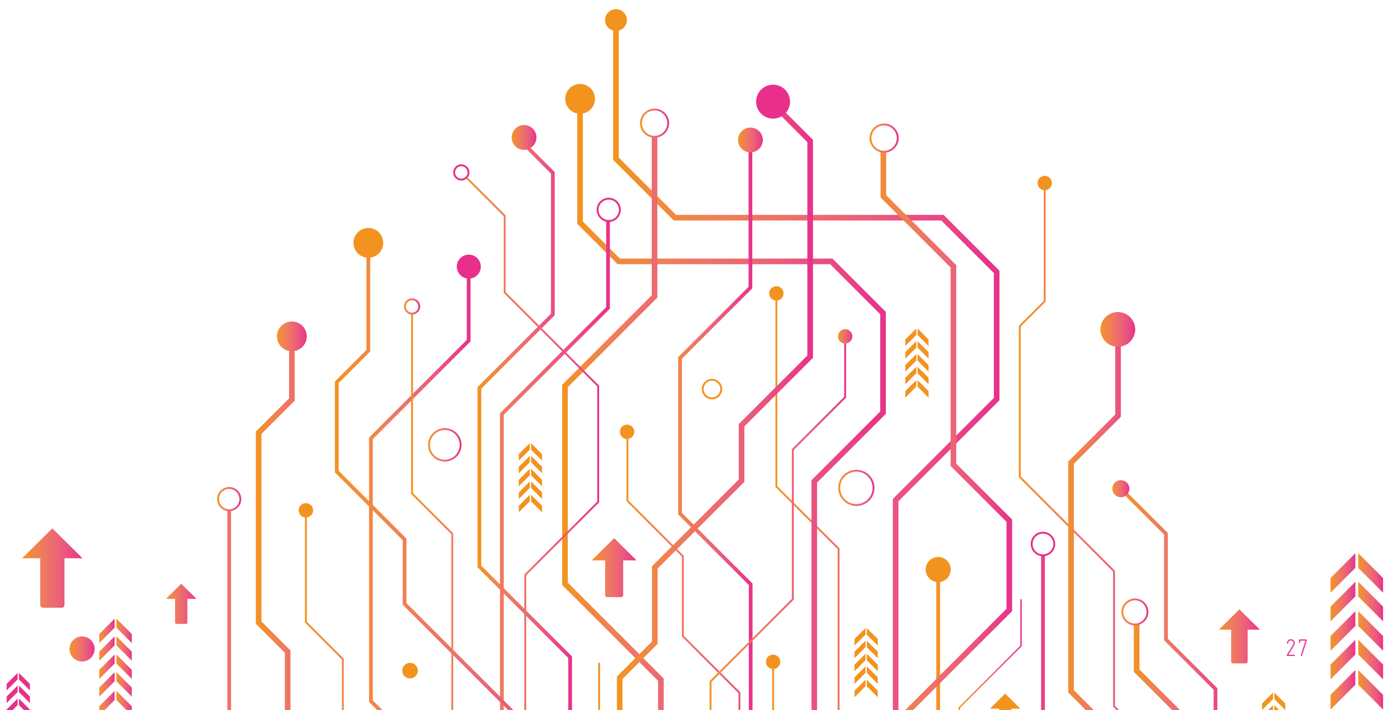
FinTech and data/AI initiatives need to be strategically aligned with the firm's goals and have strong backing from executive leadership and board-level oversight to guarantee focus and resources, with clear ownership of AI, data and FinTech strategies at senior management level.

3. Organisational Capabilities and Resources:

Build robust technological infrastructure and cultivating a talent pool with the skills necessary for integrating and maximising FinTech and AI partnerships, including effective model oversight and data governance, with particular emphasis on generative AI literacy, data quality assurance and cross-functional collaboration between investment, risk, compliance and technology teams.

4. Structures and Processes:

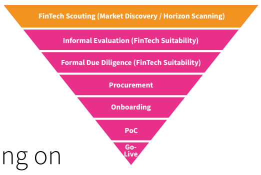
Implement agile structures and processes that promote cross functional collaboration and streamline the scouting, evaluation and integration of FinTech solutions, including AI risk governance, operational resilience and third party risk management, with clear escalation paths, ongoing monitoring and regular reviews aligned to the pace of technological and regulatory change.



6. FinTech Scouting & Solution Suitability

Introduction:

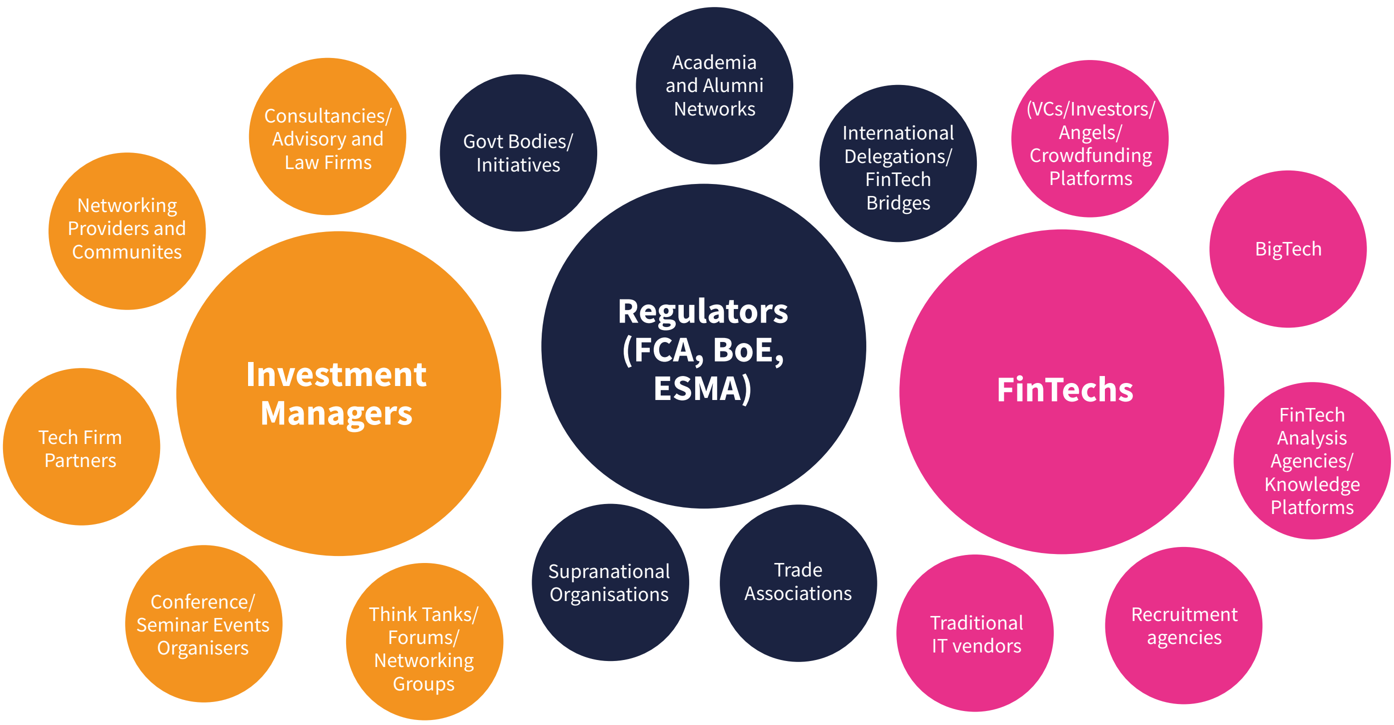
In the rapidly evolving landscape of the financial world, FinTech (financial technology) stands at the forefront, leading waves of innovative solutions. For investment management firms, recognising the potential of these technologies can be the differentiator between lagging behind and leaping forward. But how do you find the right FinTech solutions? And more importantly, how do you ensure suitability for your firm?



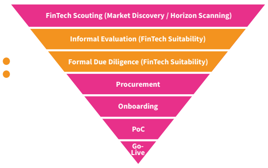
1. FinTech Scouting: Start the Journey

- **Know Your Needs:** Before embarking on the FinTech journey, list down specific problems or inefficiencies you'd like to address. Is it automating processes, enhancing client engagement, accessing new data streams, improving compliance monitoring, or unlocking entirely new capabilities through AI?
- **Be Alive to New Opportunities:** Don't get caught in a legacy rut – what could a process look like if you started from a blank page? It's crucial to move beyond existing legacy systems and visualise what a reimagined, technology-first approach might look like. The rapid advancement of generative and agentic AI has significantly expanded the realm of what is possible. Innovation stems from breaking free from traditional moulds.
- **Leverage Industry Organisations and Events:** Engage, network, and collect insights. Regular participation in FinTech summits, webinars, and conferences is not just about gaining knowledge, it's about collecting valuable connections, sharing insights, and identifying potential collaborations whilst also discovering new technologies. Industry bodies such as the Investment Association, Engine and Innovate Finance are a hive of information, activity, and support for FinTechs and the innovation ecosystem surrounding Investment Management firms and their partners.

Figure 12: FinTech Ecosystem in Investment Management



- **Tap Into FinTech Hubs and Accelerators:** These are places where start-ups gather to grow. By collaborating or simply engaging with these hubs, you'll get first-hand access to the latest innovations. Sector-specific accelerators focused on investment management and capital markets are increasingly common. Connecting with hubs and accelerators outside of the UK can also be beneficial as it will provide you with a broader understanding of global FinTech capabilities.
- **Research and Online Platforms:** Research far and wide to find your FinTechs and solutions. There are many websites, reports, and newsletters which can offer a wealth of information about start-ups, their functionalities, and reviews. Pay particular attention to AI-native FinTechs – firms built from the ground up around AI capabilities, rather than retrofitting AI onto existing products.



2. Solution Suitability: Pick the Best Fit

- **Align With Your Strategic Goals:** Every FinTech solution, irrespective of its merits, must align with the firm's overarching goals. A great tech solution that doesn't align with your firm's goals can be a costly distraction. Always map potential FinTech solutions to your long-term strategic objectives.
- **Integration & Compatibility:** Consider how easily the solution can be integrated into your existing systems. Emphasis should be on robust API support, well-documented data models, and a credible integration roadmap, ensuring smooth data exchange and processes.
- **Security and Regulatory Compliance:** Financial data is sensitive. Ensure the FinTech solution follows the highest security standards; adherence to international security standards is non-negotiable. Where applicable, evaluate compliance with DORA requirements for ICT risk management and third-party oversight. Conduct due diligence, ask for certifications, and if possible, get third-party security audits.
- **Scalability:** Think long-term. Will the solution scale as your firm grows? FinTech solutions should not just serve present needs but also anticipate future growth trajectories, adapting as the firm expands. For AI-powered solutions, consider whether the vendor has a credible AI roadmap.

3. Areas of Opportunity

Rather than the age-old approach of looking for problem areas within the business, a more productive approach may be to look for the areas of opportunity. While it's essential to address pain points, the real growth lies in identifying opportunities. Investment managers can redefine entire processes, rather than just fixing parts of them.

Sometimes it is easiest to spot a specific issue or problem within a process that you believe FinTech could address, but in looking for opportunity areas instead you can think more so about how the whole process could be improved by FinTech rather than addressing a specific challenge within the current way of operating.

Here are some steps and considerations to help you identify these areas of opportunity:

- **Engage with Different Business Areas:** Start by engaging with various departments and teams within your organisation. Each department may have unique technology needs and insights into where FinTech solutions can make a difference.
- **Listen Actively:** Understand existing workflows and where teams feel technology can enhance efficiency or create new opportunities.
- **Think Holistically:** Take a holistic view of how entire processes can be improved. This might involve reimagining the entire workflow rather than just making incremental fixes. Consider how FinTech, and particularly AI, can transform the way the business operates.
- **Identify Tech Priorities:** Determine which areas have the most potential for improvement and growth through FinTech solutions. Prioritise these opportunities based on their potential impact on the business.
- **Find Key Stakeholders:** Look for key stakeholders or champions within the organisation who can support and advocate for these initiatives. Building a coalition of support is essential for driving change and securing resources.
- **Create Business Cases:** Work with your key stakeholders to develop compelling business cases for the identified opportunities. Outline the expected benefits, ROI, and how FinTech solutions can align with the overall business strategy.

- **Continuous Monitoring and Adaptation:** Once you implement FinTech solutions, continuously monitor their impact and adapt as needed. Technology and business environments evolve, so it's important to stay agile and responsive.
- **Collaborate and Iterate:** Encourage collaboration between different business areas and IT teams to ensure the successful implementation and ongoing optimisation of FinTech solutions. Iterate on processes and technologies to maximise their effectiveness.

By adopting this approach, you can proactively leverage FinTech to not only address existing challenges but also to identify and capitalise on new opportunities for growth and efficiency within your business.

Areas of innovation: Product Differentiation, Operational Efficiency, Data Management & AI, ESG / Sustainability, Client Experience & Personalisation, RegTech & Compliance Automation, Generative & Agentic AI, Tokenisation & Digital Assets, Operational Resilience, Embedded Finance, Open Finance

4. Importance of a Structured Approach

Structuring your approach to FinTech or start-up scouting enables your team and the organisation to operate and innovate more effectively. You are then able to ensure your scouting aligns with the wider strategy, by structuring your approach to target and prioritise the most relevant solutions. A structured approach also enables you to effectively analyse a solution's strengths and weaknesses, alongside how it can benefit your organisation.

5. How Should you Structure your Approach?

- Ensure your scouting is aligned to the firm's wider business strategy. To do so you can spend time speaking to senior figures to understand priority areas that have an opportunity for technology innovation. For example – Is the strategy to grow one specific area of the business? How could FinTech solutions support this?
- Speak to different business areas to identify and understand where there is demand and opportunity for FinTech solutions. This also helps identify internal business sponsors.
- Follow industry trends and competitor activity – if other firms are announcing partnerships in a specific area, perhaps it could be worth researching further or looking for areas of collaboration.
- Develop your own framework to analyse FinTech solutions and how they can potentially work with and benefit your organisation.

Also, it pays to be 'FinTech ready' by having clear and understandable onboarding and operational processes (including procurement, NDA setup, agreement, signing) and initial engagement steps defined and made clear so the FinTech can deliver or negotiate towards known expectations. Financial terms should be understood and payment early and swift as cashflow is often critical to a FinTech's early days.

6. Putting Together an Assessment Framework

With numerous FinTech solutions vying for attention, having a well-defined assessment matrix is paramount. Having an assessment framework allows you to objectively analyse and evaluate solutions, support the decision-making process, as well as contribute to risk mitigation.

Assessment points that could be included in your framework (non-exhaustive):

Solution Fit:

- Determine if the FinTech solution can seamlessly integrate with your current technology stack.
- Evaluate whether it conforms to industry standards and regulatory requirements, including DORA (for EU operations) and the UK's operational resilience framework.
- Consider how the solution addresses business continuity and disaster recovery needs.
- Assess ICT risk management, incident reporting capabilities, and exit planning provisions.

Team & Domain Expertise:

- Assess whether the FinTech team possesses relevant industry experience, particularly within the investment management sector.
- Determine if they have worked in regulated environments, as understanding regulatory requirements is crucial for compliance.
- Check if they have clients in your industry, as their experience with similar clients can be advantageous.
- Evaluate their AI and data science capabilities, including approach to model governance and explainability.

AI and Data Governance

- Evaluate the vendor's approach to AI governance, including model validation, data privacy, bias detection, and explainability.
- Assess data handling practices, including data residency, encryption standards, and compliance with relevant data protection regulations.
- Consider the vendor's track record in managing AI-related risks and their investment in responsible AI practices.

Operational Resilience

- Assess the vendor's business continuity planning and disaster recovery capabilities.
- Evaluate incident response procedures and alignment with DORA / UK operational resilience requirements.
- Consider dependency on third-party infrastructure providers and associated concentration risk.

Sustainability, DEI and ESG Alignment

- Examine the supplier's commitment to sustainability, DEI (Diversity, Equity and Inclusion), and ESG (Environmental, Social and Governance) principles. Assess their track record in promoting environmental responsibility, social equity, and corporate governance.
- Inquire about their sustainability initiatives, such as efforts to reduce carbon emissions, minimise waste, or support renewable energy sources.
- Investigate their diversity and inclusion practices, including workforce diversity, equitable hiring and promotion practices, and initiatives to foster an inclusive workplace culture.
- Consider whether the supplier's products or services align with ESG criteria, such as ethical sourcing of materials, responsible manufacturing processes, or transparent governance structures.
- Request information on any relevant certifications or recognitions related to sustainability, DEI, or ESG compliance that the supplier has obtained.

Although a FinTech / Start-up may be early in their journey towards a sustainable approach, by including this point in your evaluation framework you can encourage good stewardship and ensure that your chosen supplier is aligned with your organisation's values and goals related to sustainability, DEI, and ESG; contributing to a more socially responsible and environmentally conscious partnership.

Capabilities and Requirements:

- Evaluate whether the FinTech product aligns with the specific project requirements of your investment firm.
- Ensure that the product's capabilities meet your firm's needs, including any customisation or integration requirements.

Coverage and Presence:

- Determine if the FinTech solution is designed for local, regional, or global use. Typical variations to consider here are support models, language, regulation, personalisation and compliance.
- Consider the geographical footprint and the ability of the solution to cater to a multinational investment firm's diverse needs.

Growth and Development:

- Investigate the FinTech's growth trajectory, including its funding history and financial stability.
- Analyse how the product has evolved over time, as this can indicate its commitment to innovation and future potential.

Commercial and Delivery Model:

- Examine the pricing model of the FinTech solution to ensure it aligns with your budget and cost expectations.
- Inquire about their track record in implementing projects of a similar scale or complexity.
- Understand the support and maintenance requirements for the solution.
- Discuss the engagement and delivery model, including the process for Proof of Concept (PoC), success criteria, and implementation risk management.
- Gain insights into the change management process and the handling of software upgrades or database changes.

By thoroughly evaluating these assessment points, investment firms can make well-informed decisions when selecting a FinTech solution that not only meets their immediate needs but also aligns with their long-term strategic goals. This structured approach helps mitigate risks and ensures a successful partnership with the chosen FinTech provider.

The framework should be documented as solutions are analysed, iterated over time as the firm learns from start-up engagement i.e., are some factors more important than others?

Once you have set your assessment framework this serves as the consistent standard for all assessments going forward. Remember to maintain the assessment framework and update it over time to keep it 'alive' and reflect any change either within or outside your organisation.

Decisions: One final thing to consider and agree up front is once the assessment is completed be very clear who decides, why and how! An agreed approval to proceed process will then consistently assess and unlock the potential.

7. Ongoing Partnership Management

Selection is only the beginning. Successful FinTech engagement requires active, ongoing management of the relationship. This is an area where firms frequently underinvest, and where problems tend to surface months or years after implementation.

- **Regular performance reviews:** Establish a cadence of formal reviews against agreed KPIs, SLAs, and success criteria. Don’t wait for contract renewal to assess whether the solution is delivering value.
- **Ongoing due diligence:** A FinTech’s risk profile can change over time – funding rounds, leadership changes, acquisitions, or regulatory actions can all affect the relationship. Conduct periodic reassessments, not just at onboarding.
- **Roadmap alignment:** Stay close to the FinTech’s product roadmap and development priorities. Ensure they continue to align with your firm’s strategic direction and that you have input into future development where appropriate.
- **Incident and escalation management:** Ensure clear protocols are in place for reporting and managing incidents, in line with DORA and UK operational resilience requirements. Test these protocols periodically.
- **Exit readiness:** Maintain a practical exit plan for each critical FinTech relationship. This should cover data extraction, transition timelines, and alternative providers. An exit plan you never need to use is far better than needing one you don’t have.

8. Being a Good Partner: A Two-way Street

Successful FinTech engagement is a two-way relationship. Investment managers that are recognised as good partners attract better FinTech talent, receive priority attention, and often benefit from co-development opportunities. From a FinTech’s perspective, the following make a material difference:

- **Clear and realistic timelines:** Be upfront about procurement cycles, compliance requirements, and decision-making timelines. FinTechs, particularly smaller firms, need to plan their resources and cashflow around your engagement.
- **Accessible decision-makers:** Ensure that the right people are available and empowered to make decisions at each stage of the engagement. Protracted internal approvals can stall promising partnerships.
- **Fair commercial terms:** Recognise that FinTechs are businesses too. Extended payment terms, excessive free POC demands, or one-sided contractual provisions can damage the relationship before it starts.
- **Constructive feedback:** If a FinTech is not selected, explain why. This costs nothing and helps the broader ecosystem improve. If selected, provide honest feedback throughout the engagement.
- **Internal sponsorship:** Appoint a clear internal sponsor for each FinTech engagement. Without visible senior support, initiatives can lose momentum and fail to achieve adoption.

9. For Those Just Starting Out

Embarking on the FinTech journey can seem daunting, but remember, every investment management firm was once at this starting line. Take small, calculated steps. Start by attending a local FinTech event or setting up a brainstorming session within your firm to identify key pain points. FinTech is as much about the journey as the destination. Embrace the adventure, learn continuously, and stay agile.

Top Tips:

A number of steps may be taken by investment management firms to mitigate the risk of potential pitfalls and improve FinTech engagement through all the phases including the following:

1. **Engage Your Team:** Solutions are only as good as their users. Including end-users in the decision-making process ensures the solution addresses real challenges. The people who will be using the solution day-to-day can offer invaluable insights. From your IT team to frontline staff, their feedback is gold.
2. **Test Before You Invest:** Engaging in a trial phase can highlight unforeseen challenges, ensuring smoother full-scale integration later. Where possible, opt for a pilot phase or a trial period. This allows you to gauge the solution's effectiveness without full-scale commitment. Be aware onboarding for a PoC needs to be thought through and can be a substantial commitment and cost to the FinTech. In such a proof of concept / PoC always agree success criteria upfront and be transparent with your acceptance process. Some start-ups will naturally need to charge, cover costs or have a commitment to proceed upon success for any PoC to take place. Ideally successful completion should be a gateway to both further engagement, contract and payment.
3. **Stay Updated:** The FinTech world moves fast. Create a small innovation team or designate a 'FinTech champion' within your firm to keep abreast of the latest developments.
4. **Build Relationships:** FinTech scouting isn't a one-time activity. Build lasting relationships with FinTech providers. It's a two-way street; as they grow, you benefit.
5. **Clear Honest Communication:** Don't lead FinTechs on, be clear about the opportunity, the potential and the reality of a deal. This is a win-win for both sides as no time, effort or precious funding is wasted.

Investment Management rejuvenation and transformation offers investment managers a ticket to higher efficiency, deeper insights, and improved client relations. Scouting the right solutions and ensuring their suitability is key.

The fusion of finance and technology in today's world presents unparalleled opportunities for growth, efficiency, and innovation. For investment management firms, tapping into the potential of FinTech solutions is not just a matter of choice but a necessity to remain competitive in the market.

The process of FinTech scouting and ensuring solution suitability might appear complicated. However, with a systematic and structured approach, it can be streamlined and effective. Always starting with a clear understanding of your firm's needs, engaging with the larger FinTech ecosystem, and maintaining an ongoing relationship with FinTech providers are all crucial steps in this journey.

The focus should not only be on addressing current challenges but also on identifying areas of opportunity. This proactive approach will position investment management firms at the vanguard of industry advancements. The regulatory landscape – DORA, the UK's critical third-party regime, and evolving AI governance expectations – should be seen not as a barrier but as a framework that, when embedded into your approach, builds trust and resilience.

While technology is a significant driver, the human element remains indispensable. Encouraging team engagement, understanding user perspectives, and building a culture of continuous learning and adaptability will fortify a firm's FinTech endeavours.

In the dynamic world of FinTech, the race doesn't go to the swift but to those who are prepared. And with the right strategies, investment management firms can harness the wave of technological advancements to propel themselves into a brighter, more efficient, and innovative future.

PART 2 (for FinTechs)

7. **FinTech Perspective:** Procurement with Investment Managers

Since this guidance was first written in 2024, the operating environment for both FinTechs and investment managers has shifted materially. Security expectations have hardened, procurement scrutiny has increased, and budget ownership has become more centralised.

At the same time, cloud-first architectures are now assumed, vendor concentration risk is actively managed, and claims of innovation, particularly in areas such as AI, are treated with scepticism unless backed by production-grade evidence. Whilst it is recognised by the ecosystem that AI is game changing, perhaps unintuitively, AI should not be a FinTechs core pitch. Fintech's should stick to simply solving real use cases.

The Sales Process

Despite the pressing desire of investment managers to transform their businesses and adopt new technologies, it's common for FinTechs serving the buy-side to experience sales cycles that stretch into years. Part of this can reflect the maturing of a FinTech's product, product but this is also a sign that not all investment managers are 'FinTech ready'. Below we identify important considerations in positioning FinTech services to the buy-side.

Navigating What can be a Closed Industry

Creating the opportunity for a conversation to pitch your fintech with the right person in a target firm is the number one challenge.

Individuals within large firms are discouraged from engaging with little-known vendors unless there is clear internal sponsorship or trusted third-party validation (such as via the IA Engine or existing customers). Buying software rather than building it was the preferred approach for firms until the advent of AI powered software development slashed the cost of building and maintaining software in-house.

Making the most of networks can be a powerful entry point, but the reality is it takes much more than one contact in a firm to progress an opportunity. Traditional business development processes, such as cold emails and calls, often yield limited success. Although a research-driven approach can help to cut through the barriers. For example, using meticulous research to identify a relevant contact, being highly personal in your approach and ensuring absolute relevance to them, ideally via a warm introduction.

Thought-leadership and content-driven approaches when executed to a high standard are useful for opening doors, while case studies and any track record of clients helps further to establish credibility. A vibrant industry exists to streamline and enhance your sales and marketing processes. But be careful not to over-engineer your approach if your product is still maturing. Your addressable market may also be too small for anything resembling a 'numbers game'.

Achieve Buy-In from the Users and Architects

For a sale to occur, FinTechs must gain buy-in from both the relevant business area (and users) as well as those involved in the planning of their technology and operations architecture.

Often, a user champion may not be aware of their own organisation's planning processes (nor buying procedures). In fact, it's not uncommon for user champions to ask a FinTech for help in creating a business case to lobby their internal stakeholders. Meanwhile, those responsible for the big picture may not appreciate the pain points experienced in some parts of their organisation. They may also focus on how your solution sits within a wider ecosystem, rather than the specific problem you solve.

FinTechs should explicitly identify three distinct roles: the operational user, the economic buyer who owns budget, and the risk owner who signs off on control frameworks (typically procurement). These roles are rarely held by the same individual, and failure to manage this triangle is a common cause of late-stage deal failure or at best will cause unforeseen delays.

A firm's systems architecture may also be influenced by technology consultants that help asset managers to arrive at targeting operating models and the accompanying technologies to underpin that. This can add another dimension into the sales process and stakeholders to influence.

Ultimately, FinTechs must be well-versed at conversing with and convincing different levels and areas of an organisation and bringing those different stakeholders together.

Overcoming 'Conway's Law'

Conway's law infers that the systems of an organisation will mimic their communication and divisional structures. Put another way, legacy technologies have often been built to serve individual teams, not transform a business.

By nature, the services offered by FinTechs won't often fit into an organisation's current technology, team and cultural structures - it may stretch beyond a siloed function. This complicates the process of identifying user champions and ensuring your service fits into the architecture plans. It also complicates finding cost sponsors - your service may not naturally align to a single division's budget, rather a mix of many. FinTechs facing this challenge (and being truly transformative) should turn this into an opportunity by bringing it into the forefront of their product positioning and the value-add they offer.

Where a solution cuts across silos, FinTechs should assume no single team feels accountable for purchasing it without senior executive sponsorship.

To Demo or Not to Demo…

A software sales textbook will tell you to hold back a product demo until only after discovery is complete and you have a complete understanding of your prospect's pain points. In practice, when to demo may depend on the situation and individual.

Investment managers are time precious. Getting a door open or developing interest in a call or meeting may have been a long time in the making. A simple practicality is that creating extra steps between discovery and demo can add months into your sales process simply because of diarising those additional meetings or calls. Ultimately, FinTechs must be respectful of their prospect's time and need to be flexible in applying their sales process. For instance, do not assume you've earnt the right to conduct deep discovery with a fresh contact. They may be expecting to hear about you first.

Never treat discovery as a substitute for research that could have been conducted independently. Prior to any call with a contact, you should have gained good knowledge on their firm, their role and how that relates to the services you provide. Tactics also need to adjust to the individual you're talking to. For example, a conversation with a C-suite representative will be vastly different to a technical user. Finally, ensure your meetings align to the expectations of your prospect. If a meeting was arranged off the back of a marketing campaign and specific 'call to action', then ensure that is what's delivered.

Increasingly, investment managers expect early demonstrations to be delivered using anonymised or synthetic data. Recording restrictions are common, and follow-up security or architecture questions often arise immediately after initial demos. FinTechs should prepare demo environments accordingly and avoid reliance on live client data.

Understanding the journey for investment managers

The buying journey below is indicative rather than prescriptive. Timelines vary widely, but loss of momentum most commonly occurs during security review, procurement engagement, and final budget approval.

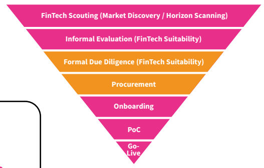
Figure 13:

Phase	Key Action	Timeline	Who will be involved?	Completed by*
Review & Selection	Client need clarified	4 weeks+		
	Technical team aligned			
	Key stakeholder presentation(s)	2 weeks+		
	Final Questions/Review			
	Final Approval			
Financial Approval	Final proposal delivered	2 weeks+		
	Internal review of pricing			
	Financial approval of solution			
Security Approval	Security & architecture review	2 weeks+		
	Security & architecture approval			
Execution	Mutual delivery plan agreed	1 week+		
Legal & Contracts	Procurement engaged	3 weeks+		
	MSA & SoW delivered			
	Legal review/redlines			
	Contract Signed			
Delivery & Go-live	Implementation	2 weeks+		
	UAT & Training			
	Go-live			
	Project 1			

Top tips:

1. It's important to develop your brand to build reputation, this can be achieved through building a strong network, having a cohesive marketing approach, and positioning yourself as thought leaders.
2. FinTechs must gain buy-in from both the relevant business area (and users) as well as those involved in the planning of their technology and operations architecture.
3. Research prospect client firms and individuals before speaking to them and always tailor your approach to the conversation.
4. Understand the buying journey and guide your client through it.

Navigating Procurement



There is no point selling the latest and greatest FinTech software if your target market cannot buy it.

Asset managers are regulated; and thus, subject to strict requirements on how they manage systems and data. This means that you, their vendor, are automatically subject to a subset of their regulations if you wish for them to buy your solution.

The more sensitive and business critical your service is to the asset manager, the more you will be grilled on your Information Security (aka "InfoSec") and general business process and policy.

Each asset manager will have their own set of procurement and InfoSec questions. The questions are delivered to FinTechs in two ways. The two most common are:

A spreadsheet of up to 200 questions across multiple tabs

A procurement platform that has a wizard style interface for firing questions at you one at a time.

Here are some examples of common due diligence questions asset managers will ask:

- How do you secure customer data? Describe your encryption methods.
- What is your backup policy and frequency?
- Have you had any data breaches in the past 3 years?
- Can you host in our Azure/AWS environment rather than your own?
- Do you hold ISO 27001 certification or SOC 2 Type II? Which jurisdictions do they apply to?
- Do you have a SOC2 or ISO27001 audit certification?
- Who are your key cyber insurance providers and coverage levels?
- Provide a summary of your financial performance over the past 2 years.
- What SLAs do you offer for system uptime and response times?
- How many customers have you onboarded in the past 12 months?
- Can you provide two reference customers we can contact?

Refer to Appendix A to view a more detailed list of due diligence requirements

The process is long, arduous and time consuming -- but it's all that stands between you landing a new client who is ready to buy your software.

So best to prepare for it and get through it as quickly as possible because after all -- time kills deals and contracts cannot be signed with your shiny new client until procurement give you the green light.

Procurement people are usually brought in towards the end of the sales cycle. At a well organised asset manager, they'll be aware of your intention to supply and ready to receive you, especially if there's been a formal RFP. Otherwise, expect to have to explain your company background and solution at a high level to an entirely new set of individuals who do not know you from Adam.

The order of the procurement steps might differ slightly but at a high level the steps to navigate are:

Complete RFP/ Sales Process

RFPs often include critical procurement questions including baseline InfoSec to rule out firms who cannot pass InfoSec at RFP stage.

Complete the Commercials

a) Contract minimum term

b) Fees – expect your fees to be scrutinised again, even if they've been agreed in principle

c) Delivery timelines

Share Draft Contracts and go Through a Redlining Process

Sometimes the investment manager will supply their framework draft agreement to start from, but most expect you to have a draft contract. It's usually more efficient (read faster) to start from the investment manager's framework agreement. Expect significant back and forth on liability clauses, IP protection, data security terms and more before landing on a mutually acceptable contract.

What You Will be Expected to Evidence

Most questions will ask for some form of evidence. For the majority of questions, you will need to supply a few lines on how you meet the criteria or provide information about your business.

However, some of the questions will need to be backed up with relevant paperwork that evidence work performed behind the scenes to meet one or more requirements.

The minimum you can expect to be asked for as documentation and evidence:

1. **Full accounts for the past two full years of trading:** Firms prefer the accounts to be audited, but generally recognise that most small firms will not be audited. A letter from your accountant is usually sufficient for the audit request.
2. **Reference clients:** A minimum of 1, but ideally 2 or 3. Better still, firms that are similar in size and shape to the firm asking for references. Some firms have a sign off process for their staff to provide references which can take weeks to complete – so if you need to ask for a reference, best to do so well in advance.
3. **Insurance:** (PLI, ELI, Professional Indemnity, Cyber, Employee Theft) from a reputable insurer
4. **Valid and audited:** ISO 27001 or SOC II. Cyber Essentials Plus is a nice to have. (Here are some step-by-step guides on *ISO 27001 certification* and *SOC II*).
5. **Business Continuity Plans / Disaster Recovery / Information Security Policy:** All three of these are included in an ISO 27001 Information Security Management System.
6. **Penetration tests by a 3rd party:** Performed at least annually and after every large change to your solution's architecture
7. **Your supplier code of conduct:** Including modern slavery, employee conduct, anti-bribery and other high-level information about how your FinTech operates ethically and sustainably
8. **Service level agreements:** Outlining your commitments for system uptime, response times, technical support, etc.
9. **Data protection and privacy policies:** Documenting how you handle sensitive customer information

Preparing for the Procurement Puzzle

There is plenty of work you can do to prepare your business for the level of scrutiny most asset managers will perform on it as part of procurement.

The reality is that if you are relatively new (trading under two years) you will struggle to deliver on all of the above evidence, so below we have set out the minimums you might be able to present to firms.

For new FinTechs, having strong customer references and testimonials will be crucial to building trust during procurement. Identify a few friendly early adopters who can take reference calls and vouch for your capabilities. Also seek out procurement "champions" or sponsors within asset managers who can advise you on requirements and smooth the onboarding process.

Regardless, having clear and robust security, privacy and compliance policies will help streamline procurement. Offering certifications like ISO 27001 also goes a long way.

You should aim to meet the level of good across all the elements below at a minimum otherwise firms may struggle to onboard you.

Reference clients

You need references (idea: give out free PoCs in return for a reference).
Some firms struggle to provide references due to company policy or protracted reference sign off processes, others are less sensitive

Good ★☆☆	Better ★★☆	Best ★★★
You've performed a PoC for a client or two, they're happy with it and are considering taking it forward. They are happy to provide an email reference to confirm this is true.	You've fully delivered your solution to at least one happy client who will provide an email or telephone reference.	You have a range of pre-written statements on how good your system is and contacts who are on hand from at least 2-3 firms of varying sizes who will email or telephone your prospect.

Business backing

Backing from senior sponsors helps smooth out bumps in procurement processes. The more widespread and senior the buy in is from the business side, the more they can pull rank to get you through procurement.

Good ★☆☆	Better ★★☆	Best ★★★
The department you are engaged with loves your product and is evangelising up to senior decision makers for you.	The senior decision maker has met you, has budget, and is ready to buy you.	The entire business from the CEO down is bought in to your solution and everybody is ready to move forward after procurement.

Information Security evidence

Get your paperwork in order prior to starting the procurement process. Some of the evidence will take months to create (e.g. ISO 27001).

Find a consultant to give you a boilerplate ISMS for your ISO 27001. It's typically not expensive because it is just a pack of Word/Excel documents. This means you do not have to start the ISMS from scratch. Most of the ISMS documents are standard across all FinTechs and just need to be tailored to your specific setup. You can even ask other FinTechs who have ISO 27001 if they would mind sharing their starting templates.

Good ★☆☆	Better ★★☆	Best ★★★
You have basic BCP, Disaster Recovery, and Information Security documents in place. Your founders/directors are regularly managing and updating these documents.	You have, or are working towards an ISO 27001 and/or SOC II and have a third-party auditor lined up ready to review you or have completed your first review.	You've been audited for ISO 27001 and/or SOC II more than once, and can supply paperwork from the audit. You also hold additional accreditations such as Cyber Essentials Plus.

Finances

Expect to be asked for two years of full accounts (not just those that are publicly available).

Good ★☆☆	Better ★★☆	Best ★★★
You've been trading two years and can supply accounts for this period.	You've been trading at least two years and can supply accounts and a letter on the financial situation of the business from a reputable accountant.	You've been trading at least two years and can supply fully audited accounts.

Penetration tests (aka "PenTests") and vulnerability assessments

Good ★☆☆	Better ★★☆	Best ★★★
You can supply a PenTest less than 12 months old from one of your in-house team, ideally somebody who has security expertise.	You can supply a PenTest less than 12 months old from one of your in-house team who is a security expert and you run vulnerability monitoring and reporting software.	You can supply a PenTest from a third party and you run vulnerability monitoring and reporting software.

Technical and security best practice

There are several best practice technical architecture baselines you must build into your solution.

Given that these are all easy to implement in modern cloud architecture at little to no cost there's no reason not to have these in place from the outset:

1) Single Sign On

2) Encryption at rest and in transit

3) Password hashing

4) Data separation – even on a multi tenanted setup you probably want each client to have their own database

5) Data retention – each customer might wish for you to have a specific data retention policy for their data so you may wish to make this configurable.

6) Backup policy with backup restoration times should something go wrong

Top tips for Shortening the Procurement Process

Each time you successfully progress through a procurement process you and your business will mature and grow. Here are some hints and tips that will help you on the journey:

1. Be transparent with your business contact at the asset manager about what stage of maturity your business is at but also be confident in your approach. If you are solving a genuine problem, they will find ways to help you through the procurement process if you are proactive.

2. Ask your business contacts early on what the procurement process looks like and what the "gotchas" are. It does not make you look naive to ask this, each firm is unique and it's sensible to find out upfront.

3. Procurement teams are often on a bonus driven by their ability to squeeze further discounts out of vendors during the procurement process. Keep at least 10%, perhaps 20% if you can, in your margins to play around for these negotiations after the business has signed off your fee structure.

4. Be extremely responsive to information requests and questions from procurement teams. Quick turnaround shows you are organised.

5. Make sure your policies and technical documentation are current and comply with all regulations upfront. No scrambling delays.

6. Demonstrate transparency on service issues and roadmap plans. Unexpected surprises hurt trust.

7. Offer to walk through your security and operational processes via screenshare before paperwork starts.

8. Suggest reasonable compromises on contract terms when there are sticking points. Don't let perfect be the enemy of good.

9. Highlight references from firms with similar requirements and risk profiles.

10. Ask for feedback on how you could improve for future due diligence processes.

FinTechs should be realistic about how investment managers allocate budget. Interest in innovation does not equate to funding approval. Many firms operate annual vendor rationalisation cycles, limit the number of strategic suppliers, and prioritise extensions to existing platforms over new entrants.

Early enthusiasm should therefore be tested against budget ownership, timing within the firm's financial calendar, and the presence of an executive sponsor with authority to proceed.

8. Concluding Remarks

As this whitepaper has demonstrated, the investment management industry and FinTech ecosystem both have their complexities, but the opportunities are vast. Collaboration is becoming more crucial for the innovation that firms need to survive in this ever evolving and competitive world.

We urge you to use this guide within your organisations to streamline processes and adopt best practices which will ultimately expedite time to market and quality of our products to clients and end-investors.

Additional Support is Available from the Investment Association and Engine Teams

Investment Managers:

- **Visit Engine's Solution Directory:** If you are an investment manager looking for innovative FinTech solutions, visit Engine's solution directory, a filterable database that allows you to search for FinTech solutions by asset and business class, tech area, or value chain position.
- **Find Out More About IA Membership:** The Investment Association (IA) support more than 270 investment managers through membership. Current members of the IA have access to a knowledge centre with consultation responses, guidance and stats relating to a broad range of industry topics including innovation. If you are a current member that would like to connect with the IA's innovation policy leads, or if you are not a member but would like to better understand the benefits of membership, please contact members@theia.org

FinTech Firms:

- **Find Out More About Engine Membership:** Engine supports over 150 FinTech firms through membership and assists in promoting their solutions to the investment management industry. Engine also provides a variety of initiatives to support firms through their growth journey, from event opportunities to raise the profile of the firm and their expertise, through to open sessions and software discounts. View our Engine information pack to find out more about the benefits of Engine membership, or contact info@theiaengine.com to discuss options with the team directly.

9. Appendices

Appendix A

Financial Services FinTech Due Diligence Requirements			
Requirement	**Summary of Data**	**Possible Data Sources**	**Group**
Legal Name	The official registered name of the FinTech entity	Company registries, government websites, business filings	Basic Business Information
Business Type	The legal structure or form of the business entity (e.g., corporation, LLC, partnership)	Company registries, government records	Basic Business Information
Registration Number	The unique identifier assigned to the business entity by government authorities	Company registries, government records	Basic Business Information
Jurisdiction	The geographic location (country, state, etc.) where the FinTech is registered or incorporated	Company registries, government records	Basic Business Information
Date of Incorporation	The date on which the FinTech company was officially incorporated or registered	Company registries, government records	Basic Business Information
Ownership Structure	Information about the ownership structure, including major shareholders and beneficial owners	Shareholder registers, ownership records, beneficial owner declarations	Ownership and Governance
Beneficial Owners	Names and details of individuals or entities considered beneficial owners with significant control or ownership interest	Beneficial ownership declarations, shareholder records	Ownership and Governance
Regulatory Status	Confirmation of the FinTech's regulatory status, licenses, and approvals	Regulatory authority websites, licenses and permits databases	Regulatory Compliance
Regulatory Compliance	Details about compliance with specific industry regulations and licensing requirements	Regulatory authority records, compliance certificates	Regulatory Compliance
AML/KYC Policies	Information on the FinTech's anti-money laundering (AML) and know your customer (KYC) policies and procedures	Internal policy documents, public disclosures	Regulatory Compliance
Sanctions Screening	Confirmation of compliance with sanctions-related regulations and results of sanctions screening	Sanctions lists, government databases, compliance reports	Risk Assessment
PEPs (Politically Exposed Persons)	Verification of checks for politically exposed persons (PEPs) and their associations	PEPs databases, public disclosures, internal checks	Risk Assessment
Financial Statements	Financial data, including balance sheets, income statements, cash flow statements, and financial performance indicators	Financial reports, audited financial statements	Financial Information
Funding History	Information on past funding rounds, investors, and valuation details	Funding announcements, investor disclosures, press releases	Financial Information
Credit Scores	Creditworthiness assessments and credit scores of the FinTech entity	Credit reporting agencies, credit reports	Financial Information

Financial Services FinTech Due Diligence Requirements			
Requirement	**Summary of Data**	**Possible Data Sources**	**Group**
Operational Risk	Roles, risk classification, outsourced activities & reporting	Internal documentation, disaster recovery plans	Operational Resilience
Data Security and Privacy	Information on data security measures, encryption methods, and data handling policies. Compliance with data privacy regulations	Security certifications, privacy policies, GDPR compliance	Operational Resilience
Security Certifications	Mention of security certifications such as SOC 2 or ISO 27001 certifications	Security audit reports, certifications	Operational Resilience
Incident Response Plan	Description of the FinTech's incident response plan in the event of security breaches or incidents	Incident response documentation	Operational Resilience
Insurance Policies	Details about insurance coverage, including cyber insurance and liability coverage	Insurance policies, coverage documentation	Operational Resilience
Cybersecurity Policy	Information on the FinTech's cybersecurity policy, including security protocols and measures	Internal cybersecurity policies, documentation	Operational Resilience
Business Continuity Plan	Information on the business continuity plan outlining how the fintech ensures operations during disruptions	Internal business continuity plans	Operational Resilience
Disaster Recovery	Details on the disaster recovery strategy, including recovery processes in case of system failure	Internal disaster recovery plans	Operational Resilience
Pen Testing	Information on penetration testing conducted to assess cybersecurity vulnerabilities	Pen testing reports, assessments	Operational Resilience

Appendix B

Example Organisational Maturity Assessment

Culture and Change/Risk Appetite

How open to change is your organization?

(Level 1) Resistance to change is common, and innovation initiatives are sporadic. Example: New software tools are often met with scepticism unless proven elsewhere.

(Level 2) There's general openness, with some departments more receptive than others. Example: The marketing department regularly experiments with new digital tools.

(Level 3) Change is embraced organization-wide, fostering a culture of innovation. Example: A company-wide hackathon is held annually to generate and prototype new ideas.

How would you describe your organisation's level of trust and risk appetite in FinTech strategies and their execution across your organization?

(Level 1) Emerging trust. Example: Previous FinTech failures have left some stakeholders wary.

(Level 2) Growing trust and confidence. Example: Recent FinTech project successes have begun to rebuild confidence.

(Level 3) High trust and widespread confidence. Example: A track record of successful FinTech implementations underpins a culture of innovation and trust.

Strategic Alignment and Executive Support

Does your leadership actively support and direct FinTech initiatives?

(Level 1) Leadership is aware but not actively involved. Example: Leadership mentions FinTech in speeches but allocates no budget.

(Level 2) Supportive with some involvement in key decisions. Example: A C-level executive is designated as the FinTech innovation champion.

(Level 3) Fully engaged, providing clear support and direction. Example: The board approves a significant annual budget for FinTech R&D and pilot projects.

Is there a shared understanding and goal alignment on FinTech initiatives within your organization?

(Level 1) Partial alignment. Example: Misalignment between the tech team's capabilities and the business's FinTech aspirations.

(Level 2) Good alignment, with some areas of disconnect. Example: Departmental FinTech champions work to align goals and strategies across the organization.

(Level 3) Full alignment and collaboration. Example: FinTech objectives are integrated into the company's core values and performance metrics.

Organisational Capabilities and Resources

How would you describe your organizational structure's support for FinTech integration and innovation?

(Level 1) Rigid, traditional structure. Example: Departments operate in silos, hindering cross-functional FinTech innovation efforts.

(Level 2) Some adjustments made for more flexibility. Example: Temporary task forces are created for exploring specific FinTech opportunities.

(Level 3) Agile and conducive to rapid innovation. Example: Permanent cross-functional teams focus on continuous FinTech integration and innovation.

Can your technology infrastructure and integration capabilities support FinTech innovation?

(Level 1) Outdated IT infrastructure. Example: Frequent downtime and incompatibilities with newer FinTech solutions.

(Level 2) Modern infrastructure with some integration capabilities. Example: Investment in middleware to facilitate integration with a range of FinTech APIs.

(Level 3) State-of-the-art technology infrastructure. Example: Adoption of microservices architecture to ensure flexibility and rapid integration of FinTech innovations.

How effective are your data management practices and policies and governance in supporting business requirements and technology solutions?

(Level 1): Implementing basic data governance and improving data access.

(Level 2): Good data policies and governance, with reliable quality data readily available in some areas.

(Level 3): Advanced data management practices and governance, with widespread access to high-quality data.

Do you have the talent and skills necessary for FinTech innovation?

(Level 1) Limited FinTech expertise. Example: Most FinTech-related tasks are outsourced due to a lack of in-house expertise.

(Level 2) Some in-house FinTech expertise; training provided occasionally. Example: A dedicated FinTech liaison officer is appointed to bridge gaps between IT and business units.

(Level 3) Rich FinTech expertise and continuous learning. Example: In-house FinTech incubator program that nurtures talent and fosters innovation.

Structures and Processes

Do you have clear engagement plans for FinTech initiatives?

(Level 1) Engagement is ad-hoc. Example: FinTech initiatives are pursued based on the whims of individual team leaders.

(Level 2) Some structured engagement plans. Example: Annual FinTech strategy sessions to identify and prioritize initiatives.

(Level 3) Comprehensive, dynamic engagement strategies. Example: A strategic FinTech partnership framework is in place, enabling quick and effective collaborations.

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