



Please regulate us more, says the fintech boss



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For years, one of fintech's favourite hobbies has been complaining about regulation.

Every new rule is another obstacle. Another compliance cost. Another reason why innovation was supposedly impossible. Startups would proudly describe themselves as moving fast and breaking things, while regulators were portrayed as the people standing in the way of progress.

Then something interesting happened. Fintech firms stopped fighting regulation and started embracing it. This may sound counterintuitive, but regulation is one of the best things that has ever happened to fintech, and the reason is simple which is that finance is built on trust.

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Technology can make things faster, cheaper and more convenient, but it cannot replace trust.

When people deposit their savings, invest their money or make payments, they want confidence that someone is overseeing the system. They want assurance that their money will still be there tomorrow.

This is why banking has always been heavily regulated. It is not because governments enjoy creating paperwork or that banks want more regulations. It is because financial failures have consequences that spread far beyond a single company and, without regulation, finance becomes a race to the bottom.

The irony is that some of the most successful fintech businesses owe their existence to regulation. Open Banking is the obvious example. The UK's Competition and Markets Authority forced banks to open access to customer data through APIs. Many banks hated the idea yet, without that regulatory intervention, a huge ecosystem of fintech innovation would never have emerged. Account aggregation, account-to-account payments, all of the financial management apps we used, embedded finance and invisible banking, all grew because regulators deliberately created a level playing field.

Europe's PSD2 legislation, the Second Payment Services Directive, has done the same thing on a broader scale across Europe. It compelled incumbents to share access whilst creating opportunities for new entrants. Regulation did not suppress innovation. It created it.

The same story can be seen in financial markets. The European Union's Markets in Financial Instruments Directive, better known as MiFID, was introduced to increase transparency, competition and investor protection across European capital markets.

Before MiFID, trading was concentrated in a handful of exchanges and dominated by well-established players like the London Stock Exchange who, effectively, had a lock on the markets.

MiFID opened markets to greater competition, enabling new trading venues, electronic platforms and fintech-driven investment services to emerge. Robo-advisers, digital wealth managers and innovative brokerage platforms all benefited from a framework that encouraged competition whilst protecting investors.

More recently, the European Union introduced the Markets in Crypto-Assets Regulation, known as MiCA. This is perhaps one of the most important regulatory developments of the past decade.

For years, crypto firms operated in a fragmented landscape where every country applied different rules. Entrepreneurs complained that regulation would kill innovation. Instead, MiCA has done the opposite. By creating a single rulebook for crypto-assets, stablecoins and digital asset service providers across the European Union, it gives firms clarity about what they can do and how they can do it.



The result is that investors gain confidence, institutions gain certainty and markets gain legitimacy.

This is a pattern repeated throughout financial history. The most successful innovations tend to emerge not when there are no rules, but when there are clear and consistent rules.

Know Your Customer requirements, Anti-Money Laundering regulations and operational resilience standards are often viewed as burdens and yet they are also the barriers to entry that separate serious businesses from opportunists.

Investors are far more likely to back a fintech that demonstrates strong governance than one that treats compliance as an afterthought and enterprise customers are far more willing to partner with firms that understand regulatory obligations. In fact, one of the most important lessons of the past decade is that regulation has become a competitive advantage.

The early fintech narrative was that startups would disrupt banks because banks were constrained by regulation. The reality is that many successful fintechs eventually discover that they need to become regulated, so they apply for banking licences, they hire compliance teams, they build risk functions and they spend millions on governance frameworks.

Why?

Because regulation provides legitimacy.

A banking licence is not merely permission to operate but, more than this, it is a signal to customers, investors and partners that the organisation can be trusted. It says that the company has reached a level of maturity where it can handle money responsibly.

This is why firms such as Revolut have spent years pursuing banking licences across different markets. It is not because regulation is fashionable. It is because regulation creates credibility.

The next wave of fintech innovation will make this even more important.

Artificial intelligence, digital identity, tokenised assets, stablecoins and programmable money all introduce new risks alongside new opportunities. Consumers will not adopt these innovations at scale simply because the technology is clever. They will adopt them when they trust them.

That trust will require clear rules.

MiFID showed how regulation can open markets and encourage competition. MiCA is demonstrating how regulation can bring order, confidence and institutional participation to digital assets. Open Banking and PSD2 showed how regulation can force incumbents to innovate, and also create a single payments area for Europe called SEPA.



Together, these frameworks illustrate a simple truth which is that good regulation does not protect the past. It enables the future.

The history of finance shows that the most successful innovations are rarely those that operate outside the system. The winners are usually those that find ways to work within the system, whilst making it better.

Regulation is often portrayed as the enemy of innovation. In reality, good regulation is innovation's best friend. It creates confidence, establishes standards, attracts investment and enables adoption.

The same evolution is now taking place in other parts of the world, particularly the United States.

For years, America has struggled with regulatory ambiguity around digital assets. Entrepreneurs complained that innovation was being held back by uncertainty. The problem was not that there were too many rules. The problem was that no one could understand the rules.

That is beginning to change.

The Guiding and Establishing National Innovation for U.S. Stablecoins Act, better known as the GENIUS Act, creates a framework for dollar-backed stablecoins. In simple terms, it establishes rules around reserve backing, consumer protection, supervision and transparency for issuers of digital dollars. Rather than leaving stablecoins in a regulatory grey area, the Act provides a path for legitimate financial institutions and technology firms to participate with confidence.

Alongside this sits the Digital Asset Market Clarity Act, generally referred to as the CLARITY Act.

The purpose of the legislation is exactly what its name suggests: to provide clarity around which digital assets should be regulated as securities and which should be regulated as commodities, whilst defining the responsibilities of regulators overseeing the market.

For years, one of the biggest barriers to institutional adoption of crypto-assets in the United States has been uncertainty over regulatory jurisdiction. CLARITY seeks to address that issue.

Taken together, the GENIUS Act and the CLARITY Act mirror what Europe has attempted with MiCA. They recognise that digital assets are no longer a niche experiment. They are becoming part of mainstream finance. As a result, investors, institutions and consumers need certainty about how these markets operate.

The next phase of fintech will not be defined by who has the best technology. It will be defined by who has the best understanding of how technology and regulation work together.



About the Author



Chris Skinner is an award-winning speaker and one of the most influential people in technology, as well as a best-selling author. He is an independent commentator on the financial markets and fintech through his blog, *The Finanser*, which is updated daily. He helped to found one of the first mobile banks in the world, and has advised CEOs and leaders from every continent of the world including the United Nations, the White House, the World Bank and the World Economic Forum. In 2024 Chris was voted Thought Leader in Finance, Climate Change, Ecosystems and in 2023 he was recognised with a Lifetime Achievement Award by The Payments Association, the largest community in payments.

Chris has recently been added to The Mad 33 List of Inspirational change and transformation leaders – making a difference – making the future a reality.

Mr. Skinner is a visiting lecturer with Cambridge University as well as a TEDx speaker. In recent years, he has been voted one of the UK's foremost fintech observers by *The Telegraph* and one of the most influential people in financial technology by *The Wall Street Journal's Financial News* and *Thompson Reuters*. Chris also runs a not-for-profit, the Portrait Foundation, which focuses on unleashing the creative talent of children.

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