

# UK Financial Services Trends 2026 - A Zensar PoV

Driven by economic change, regulation, and new technologies, the UK financial services sector is entering a pivotal phase. This PoV explores the forces reshaping banking.

 **Whitepaper**

# Table of Contents

## 01

### The UK Banking and Financial Services Market Outlook

Macro view and market highlights

## 02

### Key Indicators across the UK Banking and Financial Services

## 03

### Key Trends in the UK Banking and Financial Services

- Acceleration toward open finance
- Building a smarter, safer, and more connected payment ecosystem
- From caution to competition: Banks re-enter the lending race
- Advancing ESG growth while safeguarding trust and long-term returns
- The next wave of compliance transformation
- Building cyber-resilient banks in an AI-first world
- Programmable tokenized assets: The next frontier in banking

## 04

### Emerging Industry Trends to Watch

- Balancing regulatory oversight and Innovation with National Payments Vision(NPV)
- UK redefines the sterling for the digital era
- From copilots to agents: The shift to action



# The UK Financial Services Market Outlook

## Macro view

- UK GDP grew 1.3% YoY in Q3 2025; growth of around 1.4% expected in 2026, supporting strategic investments in open finance, lending innovation, and ESG initiatives.
- Consumer Price Index(CPI) at 3.2% in Nov 2025, trending toward 2% target; BoE cut rates to 3.75% in Dec 2025, easing measures to improve affordability and consumer confidence.
- Unemployment at 4.8%, wage growth near 4.6%; household resilience sustains spending and supports financial innovation adoption.
- Currency stability ensures predictable environment for cross-border payments, open banking expansion, and stronger macroeconomic credibility.

## Financial services market highlights

### Cash usage dropped to 9%

The UK has hit a major behavioral threshold: cash fell to 9% of all payments (the lowest ever recorded). Contactless accounted for 39% of all consumer transactions, with digital wallets expected to account for 58% of total UK online spending by 2030. This irreversible shift enables 2026 migration to A2A checkout, NPA real-time rails, branch footprint reduction, and biometric-led authentication.

### APP fraud crisis and mandatory reimbursement reshaped payments economics

APP fraud remained a major systemic risk, with £460Mn stolen in 2023-24 and no slowdown through 2024-25. The Payment Systems Regulator's Oct 2024 mandatory reimbursement rule made banks and PSPs jointly liable, driving a 25 – 40% increase in fraud-related OPEX due to upgraded controls and case handling.

### AML enforcement pivot: From "process" to "prevention" liability

The Dec 2025 £44Mn Nationwide fine marks a structural shift; the FCA is now penalizing the absence of real-time monitoring under the new Economic Crime Act (ECCTA) "Failure to Prevent Fraud" standards. With firms now facing strict liability for fraudulent acts by "associates," Tier-1 banks are moving beyond thematic reviews to active, data-led defense shields to mitigate uncapped criminal exposure.

### Regulators formalized AI expectations with rapidly scaling AI across functions

The BoE-FCA-PRA Joint Statement on AI (Oct 2024) and FCA AI Policy Update (Feb 2025) are setting expectations for model governance, explainability, bias controls, and data lineage. UK banks accelerated AI deployment across credit underwriting, transaction monitoring, fraud analytics, complaints triage, and servicing, with 30 - 60% faster decisioning and double-digit efficiency gains in case handling.

### Leader in promoting sustainable finance

The UK positioned itself as the "Sustainable Finance Capital of the World" with around £235Bn in sustainable fund assets (Q3 2025) and mandatory ESG fund-naming rules, thereby growing international demand for credible sustainability expertise.

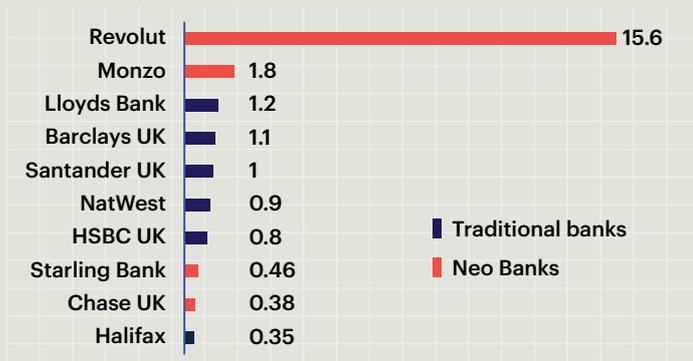
### UK lending market entered a measured recovery phase

UK lending is stabilizing as pressures ease. Mortgage advances topped £80Bn in Q3, with ~£1.7Tn outstanding residential lending. SME lending is also improving, with £4.6Bn in new Q1 credit from high-street banks.

# Key Indicators across the UK Banking and Financial Services

## Digital Banking

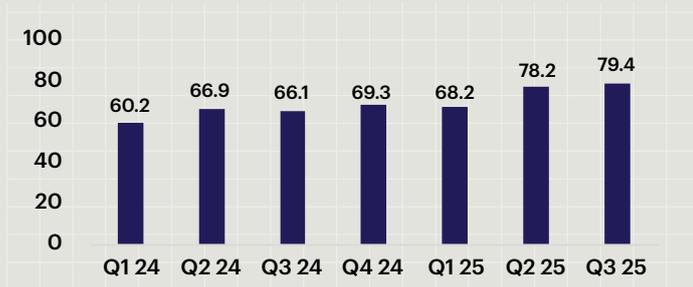
2024 Annual Download Volume (in Mn)



Neo banks like Revolut and Monzo, are leading the digital banking landscape, growing at 55% CAGR over the last five years and becoming the backbone of retail financial services adoption.

## Mortgage Lending

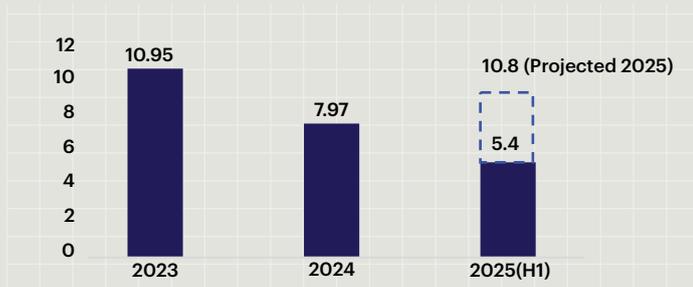
Mortgage lending (new commitments) (in £Bn)



Mortgage lending is stabilizing as easing of interest rates reduce household pressures, with new commitments holding near £66 – 67Bn, signaling improving demand and renewed liquidity across the housing market.

## Fintech Investments

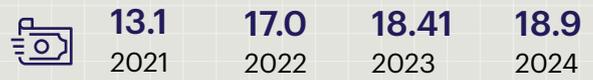
Fintech Ecosystem Annual Investment Volume (£Bn)



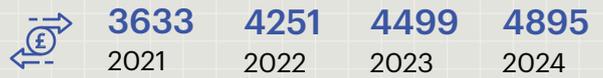
Fintech investment specifically H1 2025 momentum (£5.4Bn) projecting to ~£10.8Bn annualized, signals strong investor confidence recovery and renewed appetite for digital innovations fueling business transformation.

## Payments Outlook

Number of contactless payment (in Bn)



Faster Payments (Volume in £ Bn)



Contactless payments remain stable with a modest upward trend, supported by a shift toward mobile wallets. Faster Payments show steady ~10% YoY growth, reflecting sustained demand for instant digital transfers.

## SME Lending

Gross lending to SMEs (in Bn)



Growth-oriented borrowing and a 15% YoY rebound in demand are fostering competitive lending, expanding capital access, and strengthening UK small-business investment and resilience.



# Key Trends in the UK Banking and Financial Services

01

## Acceleration toward open finance

Smart data reforms and BaaS adoption extend open banking into credit, insurance, and pensions, reshaping competitive dynamics across the UK market.

02

## Building a smarter, safer, and more connected payment ecosystem

Empowering customers with greater choices with security and convenience.

03

## From caution to competition: Banks re-enter the lending race

How stabilizing rates and technology are reshaping UK lending strategies.

04

## Advancing ESG growth while safeguarding trust and long-term returns

Scaling climate finance commitments while balancing scrutiny, greenwashing risks, and profitability.

05

## The next wave of compliance transformation

FCA supervision and regtech maturity are pushing compliance toward real-time, auditable operating infrastructure.

06

## Building cyber-resilient banks in an AI-first world

Strengthening defenses against fraud, cyberattacks, and third-party risks amid tighter regulations.

07

## Programmable tokenized assets: The next frontier in banking

Distributed ledger technology innovation will reshape asset markets and unlock liquidity through programmable tokenized assets.

### Emerging industry trends to watch

- Balancing regulatory oversight and innovations with National Payments Vision(NPV)
- UK redefines the sterling for the digital era
- From copilots to agents: The shift to action





# 01 Acceleration toward Open Finance

Smart data reforms and BaaS adoption extend open banking into credit, insurance, and pensions, reshaping competitive dynamics

## Key Market Trends

### 01

#### Open banking is mainstream now

Open banking has become one of the fastest growing rails with 15.2Mn UK users, 29.9Mn payments, and 2.04Bn API calls in July 2025 alone, signaling the readiness for broader open finance adoption.

### 03

#### Adoption of embedded finance

The UK embedded finance market is projected to reach £26.1Bn by 2030 (7.7% CAGR). This shift moves value from traditional channels toward platforms offering integrated financial products.

### 02

#### Open banking → Open finance

The Data (Use and Access) Act 2025 extends regulated data sharing, unlocking a significantly larger financial services data pool, laying the groundwork for full open finance competition.

### 04

#### BaaS emerges as high-growth infra

The UK BaaS platform market is set for hyper-growth, soaring from £1.6Bn in 2025 to £7.7Bn by 2035. This 16.8% CAGR allows banks with scalable APIs to capture high-margin infra-led revenue.

## Potential

- **Smart data monetization:** FS25/4 and DUAA 2025 shift open finance from compliance to revenue-driven. The Smart data framework plus pensions dashboards will extend today's account/payment data to pensions, savings, credit, and insurance, enabling cash flow-based lending, holistic PFM/wealth, etc.
- **Profit pools shift across the value chain to platforms and rails:** With UK embedded finance and BaaS nearly tripling by 2033, profit is spread across the broader value chain – banks, BaaS providers, payment rails, fintech platforms – and not solely to traditional financial institutions, reflecting new intermediaries monetizing APIs, data, and infra.

## What regulators are driving



FCA and HM Treasury are driving UK-wide open finance through the **Data Use and Access Act (DUAA) 2025**, extending smart data to credit, savings, insurance, and pensions. **FS25/4** formalizes the Open Banking Future Entity and strengthens API quality and liability rules.



HM Treasury

FCA is also accelerating **commercial VRP**, Pay-by-Bank adoption, and **pensions dashboards (deadline: Oct 31, 2026)** to enable cross-product data portability.

## What big players are doing



**NatWest** is commercializing banking infrastructure via **Boxed** to power embedded savings/lending journeys for partners like Saga and AA, enabling deposit mobilization.



**ClearBank** partnership with Alibra expands embedded banking and real-time clearing, strengthening its position as a scalable BaaS infrastructure provider for corporates and fintechs.



**Starling** (with Engine) is commercializing its **cloud-native core as SaaS (Engine)**, clearing 167Mn+ payments and serving 13Mn+ accounts, providing real-time accounts, virtual accounts, and FPS access to fintechs, merchants, and platforms.

## Key Imperatives



### Enable smart data with unified consent and identity

Build a unified consent and data-sharing stack (identity, consent orchestration, auditable data lineage) to plug into DUAA/open finance schemes while meeting ICO expectations.



### Focus on revenue-led designs (beyond regulatory tick-boxes)

Prioritize high-repeat journeys such as VRP (Variable Recurring Payments) for bills/subscriptions, SME receivables, cash-flow lending, and integrated PFM/wealth, anchored in clear consumer protections.



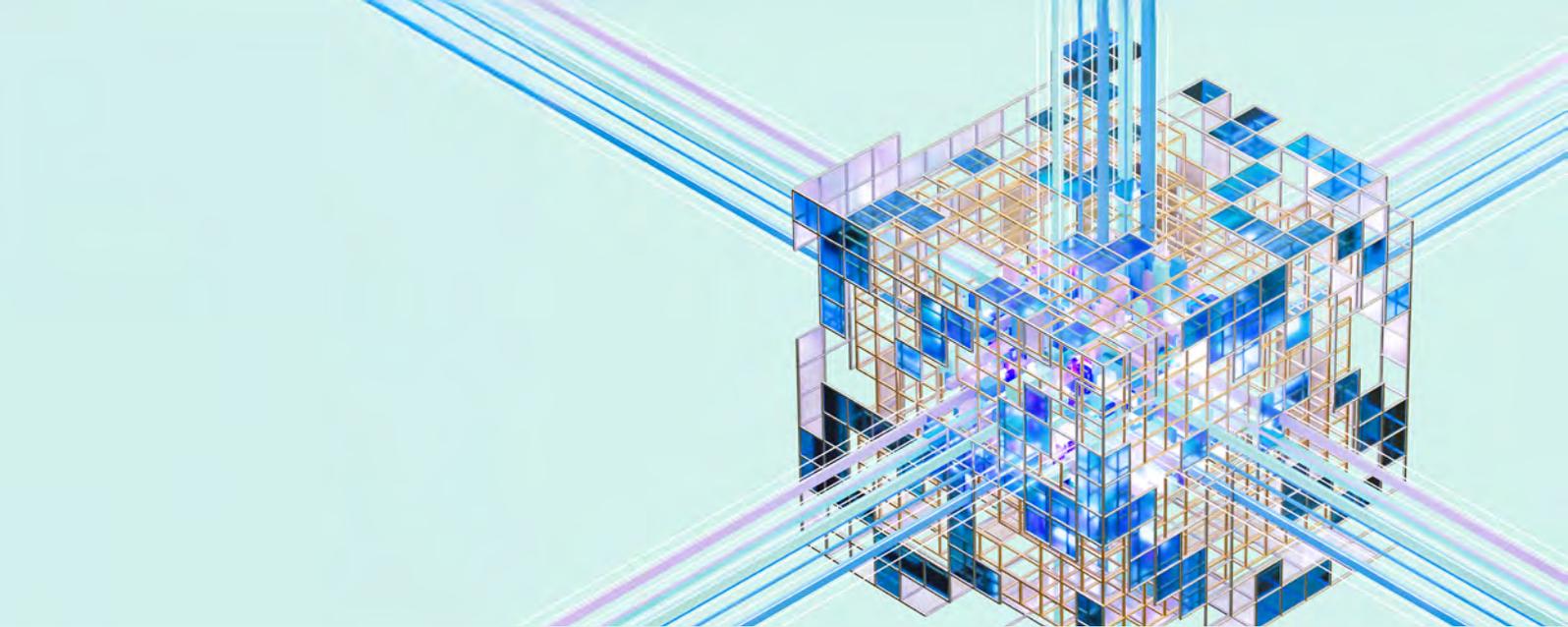
### Resilience + Scalable + Reliable = Competitive advantage

Treat open-API uptime, latency, and failure-rate SLAs as competitive differentiators; publish reliability metrics and invest in developer experience.



### Pre-build pensions/wealth journeys

Get dashboard-ready propositions (consolidation nudges, advice, transfers) in the market before 2026 to capture first-mover advantage in open finance adjacencies.



## 02 Building a Smarter, Safer, and More Connected Payment Ecosystem

Empowering customers with greater choices with security and convenience

### Key Market Trends

#### 01

##### Card payments lead the market

In 2024 card payments accounted for **64%** of all payments in the UK. Debit cards were the most used payment method with **26.1Bn** payments, accounting for half of all payments.

#### 03

##### Open banking (A2A) for cross-border – smarter scheme-like rails

Cards are universal but A2A is likely to outperform scheme-led rails on intelligence, cost, and controls, with strong appetite of merchants/PSPs for “Pay by Bank” solutions.

#### 02

##### Rising contactless payments

Contactless payments account for 39% of all payments. This is driven by contactless card payments and the growing popularity of **digital wallets and smart wearables**.

#### 04

##### Fraud and consumer protection

**On Oct 7, 2024, the mandatory reimbursement regime** came into force (PSR) for APP fraud victims, asking sending and receiving PSPs to share the liability cost burden for customers (50/50 split).

### Potential

- **Faster payments service** during 2024 increased by 14% compared with the previous year, to reach 5.6Bn payments, making it the second most used payment method (8.5Bn in 2034 projected).
- **Contactless payments** are expected to account for 43% of all payments by 2034.
- **Virtual cards** are expected to see a CAGR of 17 – 21% through 2030, with B2B and remote payments leading adoption.
- PSD3 and Payment Systems Regulator (PSR) turn A2A from a compliance obligation to scheme-like payment rail.

## What big players are doing



**Lloyds launched PayFrom Bank A2A** solution for commercial banking. It comes with one-click refund capability for customers.



**Natwest's PayIt open-banking (A2A)**-powered solution works through faster payment rails (or equivalent) allowing fast, simple, and secure payments.



**Mastercard's AI-based Consumer Fraud Risk (CFR)** is used by multiple UK banks (15) to detect real-time scams, including APP fraud.



**GoCardless joins industry coalition** to support merchant/SMEs wanting to decouple from cards and use bank-based flows.



**London-based fintech** launched Curve Pay, allowing users tap-to-pay and manage cards in one place, offering insights, rewards stacking, and card-switching – directly competing with Apple Pay and Google Pay.

## Key Imperatives



### Modernize card propositions for smarter and safer payments

Leverage tokenization, smart routing, cloud-native processing, and virtual card capabilities to enhance security, reduce declines, and deliver seamless, future-ready card experiences.



### Prioritize omnichannel acceptance and ultra-low friction payment journeys

Build tap-to-phone, tap-on-glass for SMEs, wearables, and IOT payment journeys, along with behavioral biometrics and device intelligence to reduce friction and drop-off.



### Build liability-aware controls and deploy AI-led fraud detection

Embed real-time intelligence sharing between PSPs and automated re-imbursement (PSR mandates), along with AI-powered mule detection and customer nudges such as warnings.



### Target high-value B2B and merchant use cases

Supplier, salary, and gig economy payments allow A2A to build alternative payment rails for cross-border payments (by leveraging faster payment interoperability). Embed A2A into checkout and payout journeys.



# 03 From Caution to Competition: Banks Re-enter the Lending Race

How stabilizing rates and technology are reshaping lending strategies

## Key Market Trends

### 01

#### Interest rates still elevated but easing

While the Bank of England base rate remains above pre-2022 levels, expectations of gradual cuts are improving market sentiment and borrower confidence.

### 02

#### Business lending gaining momentum

Bank lending to businesses is forecast to rise from **~2.9% growth in 2024 to ~4.5% in 2025**. This trend reflects stronger SME and corporate borrowing as confidence improves.

### 03

#### Retirement-linked lending

The later-life mortgage market is surging in 2025, with **~38.5k new loans** in Q1 alone totaling **~£6.1Bn (up 42.6%)**. Aging demographics, weak pensions, and demand for flexible borrowing especially among HNW clients are driving the trend.

### 04

#### Digital and AI-driven lending

PropTech and AI underwriting are transforming mortgage origination, enabling faster approvals and better risk management. As many as 60% of first-time buyers use at least one digital tool pre-application.

## Potential

- The UK mortgage market is projected to grow at **11 – 13% CAGR**, reaching **£87.048Bn by 2033**; gross lending forecast at £260Bn in 2025.
- BNPL adoption is rising rapidly; the UK BNPL market is projected to grow to **~ £43.75Bn by 2030 (8.8% CAGR 2025-30)**.
- Retirement-linked products and green mortgages will dominate innovation, supported by FCA compliance sustainability goals.

## What regulators are driving



**AI Live Testing** program launched, helping financial institutions get tailored support from regulatory and technical teams to develop, access, and deploy AI systems in the UK market.

## What big players are doing



**HSBC:** Cutting mortgage rates across residential ranges; expanding digital mortgage platforms and green lending products.



**Natwestgroup:** Actively growing its business and SME lending with a steady increase in its corporate loan book. Improved profits show that the bank is confident about expanding into the UK business.



**Santander:** Extended its partnership with Legal & General (L&G), a retail bank, to offer later-life mortgage options to its target customers aged 55 and above.



**Lloyds:** Introduced **Athena**, its first large-scale Gen AI product, to support its customer service and online banking teams by reducing the time colleagues spend searching for information and reducing the overall waiting time of customers.

## Key Imperatives



### Turn rate relief into profitable growth

Adjust pricing models and risk frameworks to capture demand as rates ease while maintaining margin discipline.



### Power the golden years

Expand later-life mortgage products and advisory services tailored to aging demographics and HNW clients.



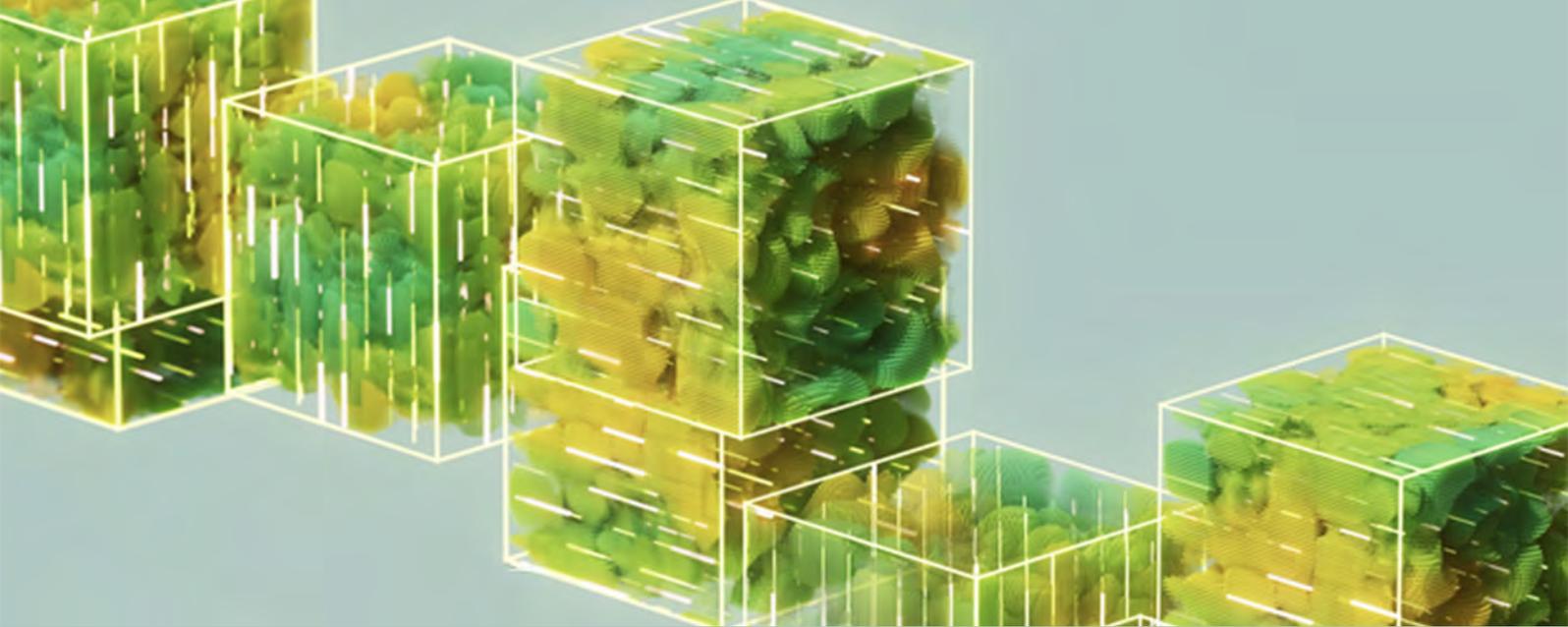
### Fuel SME growth

Fuel SME growth by expanding flexible credit lines and streamlining digital onboarding, informed by rising BNPL adoption that signals increasing demand for seamless, consumer-friendly financing experiences.



### Automate to accelerate

Invest in AI underwriting, open banking APIs, and Prop Tech partnerships to deliver faster, smarter lending experiences.



## 04 Advancing ESG Growth While Safeguarding Trust and Long-Term Returns

Scaling climate finance commitments while balancing scrutiny, greenwashing risks, and profitability

### Key Market Trends

#### 01

##### ESG market size and growth

UK sustainable finance market projected to grow from £55Bn in 2024 to £178Bn by 2030 (~21.5% CAGR). Green finance market expected to reach £252Bn by 2034.

#### 03

##### Growth of green bonds and sustainable instruments

London Stock Exchange lists £316Bn in SBM (mid-2025). Surge in green bond issuance by corporates and government, along with preferential-rate green mortgage discounts (~9 - 35 basis points).

#### 02

##### Guidance → Mandatory rules

FCA introduced SDR and investment labels in FY23-24 to combat greenwashing and improve transparency. Scrutiny has increased on ESG claims, with firms facing litigation risks if misleading plans are found.

#### 04

##### ESG ratings regulation

FCA and HM Treasury are introducing a regulatory regime for ESG ratings providers to ensure consistency and reliability in ESG scoring. Expect more scrutiny of third-party scores.

### Potential

- **UK moving to International Sustainability Standards Board (ISSB) frameworks:** IFRS S1 (General sustainability disclosures) and IFRS S2 (climate-related disclosures).
- **ESG integration in financial services:** Net Zero Banking Alliance and GFANZ commitments remain central, despite global anti-ESG headwinds.

## What big players are doing



To facilitate \$750Bn – \$1Tn in sustainable finance by 2030, and \$447.7Bn achieved by mid-2025. Clients must have transition plans aligned with net zero by 2050.



\$1Tn sustainable and transition financing by 2030; £100Bn green financing milestone reached; introduced Transition Finance Framework and BlueTrack™ methodology for portfolio decarbonization.



£15Bn sustainable finance for corporates by 2024. Focus on green mortgages, SME decarbonization, nature-positive farming finance.



£100Bn climate and sustainable funding by 2030. Innovation-carbon accounting tools for SMEs; green home loans.

## Key Imperatives



### Enable adoption of internationally aligned ESG rules

Steady movement toward more coherent and internationally aligned ESG reg framework by adoption of IISB-based standards, anti-greenwashing rules, and oversight of ESG-rating providers.



### Embracing capital mobilization for net zero

Capital mobilization through transition finance, sustainability-linked instruments, and a clearer regulatory framework, including credible disclosures and de-risking mechanism.



### Nature-positive finance as the next frontier

Nature is becoming a financial risk factor and strategic investment. Nature-related financial disclosure to follow climate SDR Regime.



### Leverage tech integration for ESG transparency and risk management

Data-driven sustainability approach for building a cloud data solution, such as integrated data platforms and data visualization tools.



# 05 The Next Wave of Compliance Transformation

FCA supervision and regtech maturity are pushing compliance toward real-time, auditable operating infrastructure

## Key Market Trends

### 01 Data-led continuous supervision

The FCA is moving supervision to continuous, with **machine-readable, structured data** via RegData and digital returns. 52,000+ UK firms are impacted, reducing tolerance for manual, narrative reporting and driving automated, near-real-time regulatory submissions.

### 03 Accelerated regtech adoption curve

The **FCA Sandbox and Innovation pathways** support 200+ UK regtech firms, accelerating adoption of AI-powered AML, automated reporting, and real-time transaction monitoring.

### 02 Integrated regulatory controls

To survive the "Failure to Prevent Fraud" mandate, UK firms are merging AML, fraud, and Operational Resilience (OpRes) into a single "Digital Defense Shield" to ensure critical services are resilient and intrinsically shielded from the criminal liability of undetected financial crime.

### 04 Evidence-led resilience enforcement

From Mar 31, 2025, firms must **evidence ability to stay within impact tolerances for critical services**. This requires real-time controls, automated resilience testing, and stronger third-party oversight under PRA/FCA.

## Potential

- Regtech to become a £22 – £25Bn global market by 2027 (UK: Approx. 15 - 18%, i.e., £3.5 – £4.5Bn).
- By 2026, over 60% of UK banks are expected to automate large parts of AML, KYC, and transaction monitoring.
- AI-native compliance tools will reduce false alerts by more than 50%, lower operational risk, and help banks pivot compliance from a cost center to a strategic growth enabler.

## What regulators are driving



**FCA is piloting** next-generation regdata capabilities with a machine-readable data platform, enabling automated submissions and analytics for UK firms.

## What big players are doing



**Barclays** has launched an **AI-driven transaction monitoring upgrade** in 2025 using real-time anomaly detection, reducing false positives by **40%** and enhancing AML accuracy.



**HSBC is partnering with Quantexa** for network analytics-based financial crime detection, improving cross-entity visibility and faster case resolution.

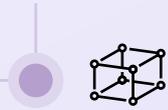


**The Natwest Group** is implementing an **automated compliance reporting engine** integrated with its BaaS and open banking data layer, cutting regulatory reporting turnaround.



**Standard Chartered** has expanded its global regtech lab in London, focusing on AI-enabled trade surveillance; pilot results show 35% manual review reduction.

## Key Imperatives



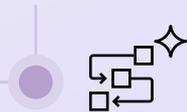
### Unify compliance into one operating model

Stop running AML, Consumer Duty, credit risk, and OpRes as parallel programs. Regulators will test consistency of evidence across regimes. Firms must operate a single regulatory data and control spine or face supervisory challenge or remediation drag.



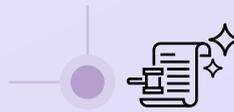
### Make control performance observable in real time

Move from retrospective reporting to **live control telemetry**, service uptime, tolerance breaches, transaction anomalies, and third-party failures. If control effectiveness cannot be evidenced continuously, it will be challenged during supervision.



### Industrialize regtech patterns proven by regulators

Adopt regtech capabilities validated through FCA pathways, automated reporting, real-time monitoring, explainable analytics, etc. Competitive advantage is in **production adoption**, not experimental pilots.



### Govern data, AI models, and vendors as regulated assets

Treat regulatory data pipelines, AI models, and critical vendors as **regulated infrastructure** with ownership, lineage, explainability, and exit plans. Uncontrolled dependencies now translate directly into supervisory findings and approval delays.



## 06 Building Cyber-Resilient Banks in an AI-First World

Banking is entering into a new era of cyber resilience driven by AI intelligence, zero-trust frameworks, and robust vendor controls

### Key Market Trends

01

#### AI-powered cyber defense

Focusing on using AI/ML to detect, predict, and respond to cyber threats in real time enables faster threat detection and fraud prevention. Organizations using AI in cyber defence **save £1.31 million per breach on average**, compared to those without AI.

03

#### Zero trust and cloud security

Enforces continuous verification of users and devices, combined with cloud security for hybrid banking. Cloud models secured **64.1%** of the UK cybersecurity market share in **2024; 10.8% CAGR** expected by 2030.

02

#### Third-party risk management

Managing vulnerabilities from vendors and partners by implementing continuous monitoring, risk scoring, and compliance checks to prevent supply chain attacks. Third-party involvement in breaches doubled to **~30% of incidents in 2025**

04

#### Extended detection and response

XDR (extended detection and response) integrates multiple security layers, which include endpoint, network, and cloud, into a single platform for threat detection and faster remediation. Tier 1 banks are investing in XDR platforms.

### Potential

- UK cybersecurity market to hit £9.59Bn in 2025 → £16.01Bn by **2030 (CAGR of 10.8%)**, with **64% spend on cloud security**.
- UK Cyber Resilience Bill and FCA mandates will push banks to invest heavily in compliance and resilience frameworks.
- The **global TPRM market** is projected to grow from **£4.54Bn in 2023 to £16.68Bn by 2032**, at a **15% CAGR**, driven by rising supply chain cyber threats and regulatory mandates.

## What regulators are driving



**Bank of England's** supplier engagement program cut cyber risk by 25% in a year, proving that a proactive TPRM (Third Party Risk Management Program) significantly reduces exposure. The bank has partnered with Orpheus Cyber, a UK-accredited cyber threat intelligence provider.

## What big players are doing



**Secure Trust Bank** is rolling out **AI-driven fraud detection** and **XDR platforms** to strengthen real-time threat visibility and response.



Starling bank has launched a **Scam Intelligence** tool in partnership with Google cloud and powered by **Google's Gemini chatbot** to detect Scam Marketplace listings.



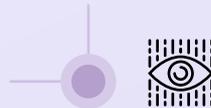
Lloyds Bank secured a **patent (Q1 25)** for its AI-driven **GCE(Global Correlation Engine)** designed to enhance threat detection and reduce false positives in cybersecurity alerts.

## Key Imperatives



### Leveraging AI for cyber defense

Embed AI-driven threat detection into Security Operations Centers (SOCs) and automate incident response workflows.



### Zero trust design for infrastructure

Adopt zero-trust principles across all access points and enforce identity-based authentication for infra workloads. Implement continuous verification and encryption to meet FCA compliance.



### Assessing third-party risk in real time

Establish continuous vendor risk scoring and integrate third-party monitoring tools across the life cycle.



### Unify detection and response across the enterprise

Adopt Integrated XDR controls to improve threat visibility and strengthen service resilience during cyber incidents.



# 07 Programmable Tokenized Assets: The Next Frontier in Banking

Distributed ledger technology innovation will reshape asset markets and unlock liquidity through programmable tokenized assets

## Key Market Trends

### 01

#### Acceleration in tokenization adoption

Institutions are expected to hit **£225Bn+** tokenized assets by 2030, driven by sovereign issuances, corporate debt, and commercial real-estate adoption.

### 03

#### RWA tokenization unlocks deep liquidity

Scaling tokenized real-world assets (£17.93Bn in 2025), will result in increased liquidity to real estate, private credit, trade finance, and 50-60% increased market penetration by 2030.

### 02

#### Smart contracts reshape liquidity and compliance

Tokenized money-market instruments (£5.38Bn in 2025), will enable automated yield distribution, compliance checks, & corporate actions in real time.

### 04

#### Tokenization modernizing settlement infrastructure

Tokenized clearing rails (**~£222.6Bn globally; 2025**) could reduce settlement times to T+2 cycles, cutting costs and enabling 24/7/365 markets by 2030.

## Potential

- Global tokenized \*RWA asset markets could grow from £17.93Bn (2025) to £1.48T (2030), with the **UK emerging as a regulatory-aligned hub** due to regulatory compatibility and financial market depth.
- Global tokenized assets projection: **~£466Bn → ~£4.3T (2024-30)**, led by institutions, sovereigns, and private markets.
- Tokenization and smart contracts expected to reduce post-trade costs, operational overheads, and unlock round-the-clock liquidity.

## What regulators are driving



**FCA** digital asset frameworks and sandboxes support regulated tokenized securities and smart-contract-based operations across institutional markets.



**BoE's digital pound** design supports real-time programmable payments that interoperate with tokenized assets, enabling instant settlement and embedded compliance.

## What big players are doing



**Lloyds Banking Group** successfully executed the UK's first regulated tokenized-asset transactions, demonstrating cross-platform interoperability and post-trade automation.



**HSBC Digital Vault and Citi Tokenization Services:** Banks are offering custody, tokenization, and direct settlement for tokenized assets across real estate, private credit, and other institutional portfolios.



## Key Imperatives



### Build token issuance capabilities

Develop in-house or partnered platforms for token issuance, custody, and secondary market support to capture first-mover advantage.



### Design smart contract logic and compliance frameworks

Invest in smart contract engines that embed regulatory compliance, automated settlement, and customizable yield logic.



### Enable liquidity and interoperability

With increasing tokenized RWAs adoption, liquidity is now the adoption bottleneck. Banks must enable regulated secondary markets fractional trading, and 24/7 access to unlock higher tradable depth.



### AI-enhanced compliance for tokenized assets

Apply AI to automate risk scoring, AML/KYC checks, and anomaly detection across tokenized asset workflows, boosting real-time compliance, cutting manual effort, and supporting scalable, trusted RWA adoption.

# Emerging Industry Trends to Watch

## Balancing regulatory oversight and innovation with National Payments Vision(NPV)

Policy-led reset of the payments ecosystem based on 3 pillars – competition, innovation, and security

- **Reset of payments governance:** NPV (Nov 14, 2024) responds directly to the Future of Payments Review, acknowledging fragmentation, regulatory congestion, and slow infrastructure change.
- **Shift to ecosystem redesign and innovation:** NPV moves beyond point upgrades (FPS, open banking) toward **end-to-end reform**, governance, infrastructure, regulation, and competition.
- **Infrastructure agility becomes a strategic priority:** The Vision calls for **next-generation payment rails**, interoperability, and a faster innovation cycle (VRP, digital money, and embedded payments).
- **Competition and choice elevated as key outcomes:** NPV reframes competition as a design goal, with **multiple payment methods**, new PSP entrants, and reduced dependency on legacy card models.

**Barclays and HSBC: Expanding Pay-by-Bank, VRP, and real-time payments capabilities aligned with NPV's competition and consumer choice objectives.**

**Treat NPV as a structural reset, not a compliance update:** Banks must reassess their payments strategy across rails, regulation, and partnerships – prioritizing **interoperability**, API-driven payments **innovation**, and **choice** in terms of payment methods.

## UK redefines the sterling for the digital era

BoE advances digital pound while FCA brings stablecoins into the regulated payments and settlement perimeter

- **Digital pound in design phase:** BoE and HM Treasury plan to **publish a blueprint in 2026**, articulating a detailed design, operational model, and potential roles for private-sector partners. No launch decision yet; go/no-go expected later this decade.
- **Stablecoins move inside regulation:** Under the Financial Services Market Act 2000(FSMA), the UK is bringing fiat-backed stablecoins into the regulated payments perimeter, with FCA and BoE supervising issuance, reserves, and settlement.
- **Tokenised money creates new bank profit pools:** Global regulated stablecoins exceed \$150B; the UK expects tokenized money to coexist with deposits and central bank money, shifting bank opportunity toward custody, settlement, and compliance.

**Barclays, HSBC, NatWest, Lloyds Banking Group, and Nationwide are piloting tokenized sterling deposits, executing real-money settlement, programmability, and integration with existing banking infrastructure.**

Banks should **prepare for coexistence**. Designing systems to handle deposits, tokenized money, and potentially central bank digital currency side by side. Early focus should be on **infrastructure readiness, custody, settlement integration, and regulatory compliance**.

## From copilots to agents: The shift to action

Agentic systems move beyond advice to trigger actions independently under defined limits and human oversight

- **AI moves from decision support to supervised action:** UK Tier-1 banks have begun live pilots of agentic AI in fraud operations and service management, where AI coordinates tasks and triggers workflows with mandatory human approval, moving beyond chatbots and analytics.
- **Operational scale forces adoption, not innovation:** Financial crime alert volumes at major UK banks are growing by 20 – 30% YoY, while headcount remains flat. Agentic AI is being trialled to orchestrate investigations and control testing, not to replace judgement.
- **Governance sets the adoption ceiling:** Under the Senior Managers and Certification Regime (SMCR), Consumer Duty, and OpRes, UK banks restrict the use of agentic AI to controlled use cases. Early deployments deliver 25 – 40% efficiency gains, with governance slowing wider rollout.

**Lloyds Banking Group is piloting agentic AI financial assistants across 21Mn accounts; UK banks such as NatWest, Lloyds, and others are racing autonomous AI trials for customer workflows under FCA oversight.**

With agentic AI initiating **actions**, **FIs must define where autonomy is allowed, who is accountable, how actions are audited**, reviewed, and reversed, before scaling agentic AI beyond controlled production use cases. Else, it can outpace control, accountability, and regulatory defensibility.

## About us

This paper is published by the BFS Industry Solutions Group (ISG) at Zensar, presenting our view of the top banking and financial services trends in the UK market.

## Who is Zensar?

Zensar stands out as a premier technology consulting and services company, embracing an experience-led everything philosophy. We are creators, thinkers, and problem solvers, passionate about designing digital experiences that we engineer into scale-ready solutions to deliver superior engagement for high-growth companies.

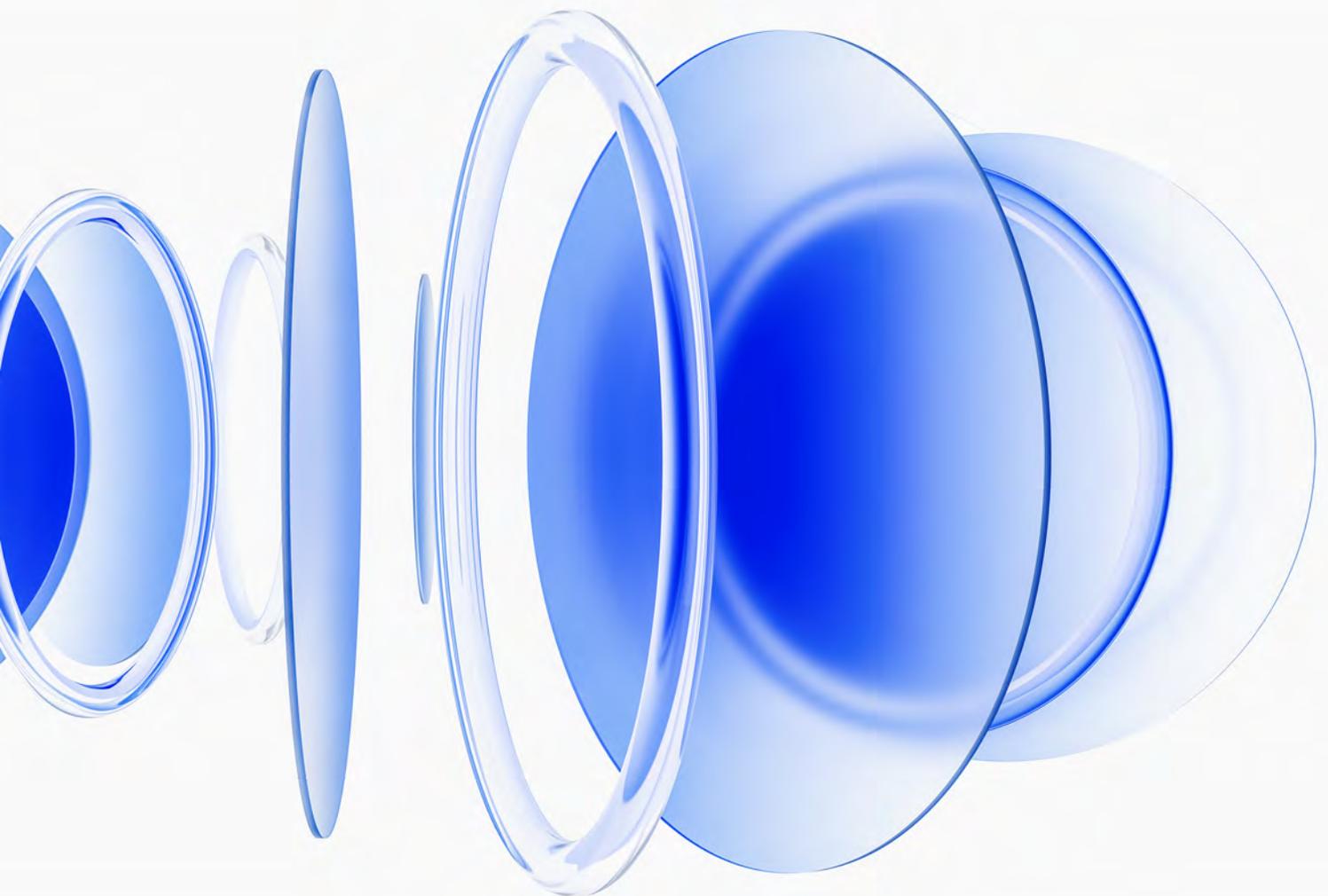
**10000+ employees**  
**30+ locations worldwide**  
**130+ global clients**  
**\$624.5 Mn FY25 revenue**

## Who is ISG?

ISG (Industry Solutions Group) is the cornerstone of our engagements at Zensar, differentiating with 'domain-driven everything,' innovation, and empowering client engagement.

## Authors

- **Ashutosh Sharma**, Global Head - BFS Industry Solutions Group
- **Visweshwaran N, Global Head** - Cards and Payments, BFS-ISG
- **Ramesh Chandra Soni** - Principal Consultant, BFS-ISG
- **Rupesh Dwivedi** - Managing Consultant, BFS-ISG
- **Tanushree Saha** - Sr. Business Consultant, BFS-ISG
- **Ashwini Mishra** - Sr. Business Consultant, BFS-ISG
- **Shreyash Marotkar** - Management Trainee, BFS-ISG



## References

- Design of the Future Entity for UK Open Banking: Design of the Future Entity for UK Open Banking
- HM Treasury Financial Services Growth: HM Treasury Financial services growth & competitiveness strategy
- Open Banking Users/API Calls: Open Banking Limited (OBL) Monthly Insights
- Data Use and Access Act (DUAA) 2025: GOV.UK – Data Use and Access Act 2025 Guidance
- FCA FS25/4 (Open Banking Future): FCA – Future of Open Banking (FS25/4)
- NatWest Boxed / ClearBank / Starling Engine: Natwest Boxed | ClearBank
- UK Card Payments: UK Finance – Payment Markets Report 2024/25
- Mandatory APP Fraud Reimbursement: APP Fraud | Reimbursement Protections
- Mastercard AI-Based Fraud Risk (CFR): Mastercard Newsroom – AI Fraud Prevention
- Lloyds PayFrom Bank (A2A): Lloyds Bank Commercial – Open Banking Solutions
- PSD2, PSD3 & Payment Systems Regulator (PSR): European Commission Payment Services | Payment Services Directive
- AI Cyber Defense Savings: IBM – Cost of a Data Breach Report 2025
- UK Cybersecurity Market: UK Cyber Security Sectoral Analysis 2025 | UK Gov Strategy
- TPRM Market Projections: Gartner – Third-Party Risk Management Trends
- Bank of England Orpheus Cyber Partnership: Bank of England – Cyber Resilience Strategy
- UK Cyber Resilience Bill / FCA Mandates: GOV.UK – Cyber Resilience Bill Announcement
- BoE–FCA Joint Policy Statement on DSS: Bank of England and FCA joint approach to the Digital Securities Sandbox | Bank of England
- FCA DSS overview: Digital Securities Sandbox (DSS) | FCA
- Lloyds completing UK's first tokenised deposit: UK's first public blockchain transaction - Lloyds Banking Group plc
- HSBC custody for tokenised securities: HSBC to launch custody services for tokenized securities
- UK Government Tokenisation Strategy: Keynote address at the Tokenisation Summit: UK government approach to tokenisation and regulation
- UK Sustainable Finance Market: LSEG – Sustainable Finance Trends 2025
- FCA SDR & Anti-Greenwashing Rules: FCA – Sustainability Disclosure Requirements (SDR)
- London Stock Exchange (SBM) £316Bn Total: LSEG – Sustainable Bond Market
- HSBC/Barclays Transition Finance Goals: HSBC – Net Zero Transition Plan | Barclays – BlueTrack Methodology
- FCA RegData & Machine-Readable Pilot, Sandbox: FCA – Digital Regulatory Reporting (DRR)| FCA Regulatory Sandbox
- Operational Resilience (OpRes) Enforcement (March 2025): FCA – Operational Resilience Implementation
- Quantexa / HSBC Partnership (Financial Crime): Quantexa – HSBC Decision Intelligence
- RegTech Market Projections: FCA – RegTech & Call for Input
- Retirement-Linked Mortgage Market Statistics: UK Finance – Mortgages for Older Borrowers | Joined up approach
- UK Mortgage Market: Statista – UK Mortgage Market Forecasts
- Lloyds Athena GenAI Product: Lloyds Banking Group – Digital Transformation News
- AI Research Note: FCA – AI in Financial Services (DP5/22)
- UK Tokenization: techUK – Vision for a Digital Assets Economy 2030
- FCA Digital Securities Sandbox: FCA – Digital Securities Sandbox (DSS) Guidance
- BoE Digital Pound Design: Bank of England – The Digital Pound Consultation| BoE – Digital Pound Update
- Citi Tokenization Services: Citi – Digital Asset Innovations
- National Payments Vision (Nov 14, 2024): GOV.UK – National Payments Vision (HM Treasury)
- Lloyds Pilot: Lloyds Banking Group – AI & Technology
- Senior Managers & Certification Regime (SMCR) AI Governance: FCA – Senior Managers and Certification Regime
- BoE speeches reaffirming tokenization as strategic priority: Not just token gestures – speech by Sarah Breeden | Bank of England