FINANCIAL CONDUCT AUTHORITY

Feedback Statement

FS26/2

Supporting SME access to finance

September 2026

Contents

Chapter 1

Executive summary

1.1 Small and medium-sized enterprises (SMEs) – businesses with fewer than 250 employees and an annual turnover under £44 million – account for 60% of employment and 51% of turnover in the UK private sector. Their ability to access finance is, therefore important for economic growth. Yet only 21% of the total value of UK business loans are provided to SMEs and 54% of SMEs are not using external finance in any capacity.

1.2 SME access to finance is a key area of the Government's growth mission. We therefore examined whether our regulation creates significant barriers to SME access to finance and whether there may be opportunities to improve our regulatory framework.

1.3 We found no evidence that FCA regulation is a major barrier to SME access to finance. Nonetheless, SMEs face challenges accessing finance on both the demand-side and supply-side. These include:

- **i.** SME preparedness for accessing finance and issues with navigating the market.
- **ii.** Challenges in assessing risk and accessing suitable products.
- **iii.** Regulatory frictions relating to duplication in customer checks and Consumer Credit Act requirements.
- **iv.** Other issues relating to commission-based incentives steering micro-SMEs to parts of the alternative lending market, and personal guarantee requirements potentially discouraging some applications.

1.4 We will be focusing our next steps on 3 areas of the FCA's work, some of which is underway, which could help reduce regulatory frictions and some of the other challenges identified and promote economic growth:

- **i.** Monitor industry work to explore whether **digital verification** could reduce duplication in customer checks, while maintaining effective financial crime controls.
- **ii.** Deliver a proportionate regulatory regime as part of **Consumer Credit Act reform**.
- **iii.** Enable **open finance** to develop by prioritising high-impact use cases, including SME lending and consumer mortgages.

Our review and next steps complement other authorities' recent and ongoing initiatives, including HMT and the Bank of England's ('the Bank') work around access to finance for 'high potential growth firms' and responses to the Department for Business, Innovation, Science and Trade's (BIST) call for input on SME access to finance. These initiatives will address many of the other challenges raised during our review.

Figure 1: Planned FCA work on SME access to finance

Themes Identified

1 Micro-SME preparedness for accessing finance and market navigation issues
- Awareness of finance options
- Readiness and financial capability
- Referral and signposting
- Application process
- Reasons for declined applications

2 Challenges with risk assessment and suitable product availability
- Difficulties in accessing suitable products
- Intangible assets
- Underserved entrepreneurs
- Information for credit assessment

3 Regulatory barriers
- Duplication in customer checks
- CCA compliance costs
- Capital requirements

4 Other issues
- Alternative lending
- Personal guarantees

Planned FCA Activity

Enabling open finance to develop by prioritising high-impact use cases including SME lending and consumer mortgages

Explore ways to reduce duplication in customer checks, while maintaining effective financial crime controls

Delivering a proportionate regulatory regime through CCA reform

Wider Government and Industry Work

BBB	CFIT	BIST	HMT	BoE/PRA	UK Finance
Increased financial capacity of various schemes	Funding Health Checker	'Backing your business' plan for small and medium-sized businesses, Smart Data Sharing Strategy and personal guarantee mandatory code of conduct for Growth Guarantee Scheme Lenders	Reforms to the Bank Referral Scheme, Commercial Credit Data Sharing Scheme and Consumer Credit Act	Basel 3.1 SME lending adjustment	Voluntary digital verification service with banks

Source: FCA

1.5 We welcome stakeholders contributing to these different strands of work through engagement opportunities in due course.

Chapter 2

The purpose and scope of our work

SMEs are crucial for UK economic growth but face challenges when seeking to access finance

2.1 SMEs are an important driver of UK economic growth. Government estimates suggest accelerating SME growth by just one percentage point a year could deliver £320 billion to the UK economy by 2030.

2.2 Securing external finance allows businesses to start up, grow and scale. Given the economic importance of SMEs, their ability to effectively access finance benefits wider UK growth.

2.3 However, evidence suggests prolonged low investment into UK SMEs. Currently, only 21% of the total value of UK business loans go to SMEs and 54% of SMEs are not using external finance in any capacity.

2.4 Despite SMEs' importance to economic growth, only 6% of UK smaller businesses believe the current provision of credit is sufficient to meet their needs – 26% highlight that accessing SME credit is complex and 39% cite the high costs of credit.

2.5 The British Business Bank (BBB) estimates that the outstanding stock of bank lending to SMEs was 22% lower in real terms in 2025 than in 2012. It was concerned that an apparent reluctance among some SMEs to seek external finance and the long-term decline in lending to SMEs could affect SMEs' ability to invest, innovate and grow.

2.6 A lack of borrowing does not necessarily indicate a problem with access to finance. Many microbusinesses operate successfully without external finance because they do not need it or choose not to borrow. The relevant issue is whether viable SMEs that could benefit from finance are unable or discouraged from seeking it, cannot identify a suitable product or provider, or cannot obtain finance on acceptable terms.

SMEs are an economic priority for the Government with a variety of initiatives currently ongoing

2.7 SME access to finance is a key area of Government focus. For example, through *Backing your business: our plan for small and medium-sized businesses*, work to address late payments, reviews of the Commercial Credit Data Sharing Scheme and Bank Referral Scheme, and reforms to support continued SME lending. At the Spending Review, the Government also announced an increase in the BBB financial capacity to £25.6 billion, enabling a significant expansion in support for UK businesses.

2.8 In addition, several initiatives aim to improve access to finance for underserved entrepreneurs, including support for disabled, female and other underrepresented business founders.

2.9 We have considered these wider initiatives when conducting our review so that our work complements broader government efforts to improve SME access to finance.

Our work to support SME access to finance

2.10 In March 2026, we launched our work to understand how our regulation affects SME access to finance, including its impact on different firms and sectors. Through research and stakeholder engagement, we asked whether FCA regulation imposed any significant barriers and whether we should prioritise using any of our levers to improve SME access to finance, given other work and actions in the sector.

2.11 Our work focused on business lending of £25,000 or less to sole traders and small partnerships (but not to limited companies), because this activity falls within the FCA's consumer credit regulatory perimeter. For example, a £20,000 business loan to a sole trader may fall within the consumer credit regulatory perimeter, whereas the same loan to a limited company would not. Business lending above £25,000 would generally fall outside this perimeter. Overall, around 60% of SMEs that had sought finance in the previous 3 years sought less than £25,000 on the last occasion. This suggests that the consumer credit regulatory perimeter may be relevant to a sizeable proportion of lower-value SME finance.

2.12 We received some stakeholder feedback which extends to wider SME lending, including corporate lending over £25,000 and lending to limited companies. Where relevant, we shared those insights with the relevant government departments.

2.13 We collected feedback through a number of channels – our informal call for input, to which we received 19 written responses; bilateral engagements with trade associations, SME representatives, intermediaries, and government bodies; and a roundtable attended by over 40 organisations. Our findings are also informed by financial analysis of retail banks' microbusiness lending and academic research carried out by Middlesex University that benchmarked SME lending in the UK against global comparators to identify strengths and gaps.

Chapter 3

Findings

The relative importance of different funding channels changes as SMEs grow

3.1 SMEs differ significantly in size, maturity, sector, business model, location and growth ambitions. As a result, their funding needs and constraints vary, from sole traders seeking working capital to larger SMEs seeking growth finance and pursuing expansion or a public listing (see figure 2).

Figure 2: Funding ladder for SMEs

	Micro/Start-Up Firms	Small Firms	Medium-Sized Firms
UK Government Definition	Sole trader or 1-9 employees	10-49 employees	50-249 employees
EU Definition (Same employee numbers as UK definition)	Turnover ≤ €2m Balance Sheet ≤ €2m	€2m < Turnover ≤ €10m €2m < Balance Sheet ≤ €10m	€10m < Turnover ≤ €50m €10m < Balance Sheet ≤ €43m
Number of Firms	Sole trader: 4.274m (75.2%) 1-9 employees: 1.151m (20.3%)	220,000 (3.9%)	38,000 (0.7%)
Typical Funding Amounts	Sole trader: 17% borrow > £25,000 1-9 employees: 36% borrow > £25,000	57% borrow > £25,000	76% borrow > £25,000
Primary Funding Types	Bank Lending	Bank Lending	Bank Lending
		Alternative Lending	Alternative Lending
	Personal Funds		
		Venture Capital	Venture Capital
Secondary Funding Types	• Seed Grants • Venture Capital • Business Angels	• Seed Grants • Business Angels	• Private Equity • Alternative Investment Market

Source: FCA research

3.2 These differences shape how SMEs access finance and the barriers they face. Some SMEs can provide detailed financial information, collateral and a trading history, others cannot. This affects both SMEs' confidence in seeking finance and lenders' assessment of risk. Consequently, barriers to finance vary across the SME population, ranging from awareness and readiness to the complexity, cost or availability of suitable finance.

3.3 **Micro/start-up SMEs (fewer than 10 employees):** Representing 95.5% of all SMEs, this group is the least likely to use external finance. Among those that had sought finance in the 3 years to December 2025, only 17% of sole traders and 36% of micro-SMEs borrowed more than £25,000, which would generally fall outside of the Consumer Credit Act's (CCA) regulatory protections. They primarily rely on bank lending and personal funds, supplemented by seed grants, venture capital and business angels. Limited financial data can make finance more costly and difficult to access, particularly without professional support when producing finance applications.

3.4 **Small SMEs (10-49 employees):** More likely to use external finance, particularly where they are pursuing growth. Among those that had sought finance in the 3 years to December 2025, 57% borrowed more than £25,000 by Q4 2025. Alongside bank lending, they use alternative lending and venture capital, with seed grants and business angels providing additional funding options. Many continue to find finance markets difficult to navigate and compare few providers.

3.5 **Medium-sized SMEs (50-249 employees):** Generally able to access a wider range of funding sources, covering bank and non-bank lending, venture capital, and other forms of alternative lending. This is supplemented by private equity and the alternative investment market. Among those that had sought finance in the 3 years to December 2025, 76% had borrowed more than £25,000. However, some may still face challenges accessing sufficient patient capital for longer-term R&D investment.

3.6 The research literature suggests that debt finance frictions are most acute for micro and start-up SMEs with limited financial records, collateral or internal financial capability, particularly when seeking lower-value or unsecured lending. Barriers include declined applications, fear of rejection, difficulty identifying suitable products or providers, and unattractive lending terms. Among small and medium-sized SMEs, some scale-ups and businesses requiring long-term investment may face difficulties accessing capital.

3.7 Our research on regional financial development and growth suggests that access to finance challenges are not evenly distributed across the SME population. This evidence points to greater potential frictions for SMEs outside London and the South East of England. Regional differences are also evident in equity finance, with London accounting for 61% of UK equity investment value and 47% of equity deals in 2024. Weaker local financial development, thinner financial networks or reduced proximity to financial institutions may limit lending relationships. These effects are likely to matter most for smaller and less established SMEs. These firms are often more dependent on relationship-based finance, have less collateral or financial track record, and may have less access to specialist advice or alternative funding channels. The research supports the wider finding that micro, start-up and regionally located SMEs may be among the segments most exposed to access-to-finance barriers.

International evidence on finance for small and medium-sized SMEs

3.8 Private debt and equity finance are important sources of growth finance for some SMEs. This is particularly so for SMEs experiencing significant, sustained growth and businesses that fall outside traditional banks' risk appetites. Over the last 15 years, debt funds and other non-bank providers have expanded SME funding options. Since 2016, non-bank business lending and asset finance increased from a combined £6.1 billion to £13.1 billion in 2025. Equity investment was weaker, totalling £7 billion in the first 3 quarters of 2025. This was 20% below the equivalent period in 2024 and broadly in line with 2019 levels. The largest declines were among SMEs seeking later-stage growth finance.

3.9 Our international benchmarking research identified venture capital and non-bank lending as relative strengths of the UK SME finance market. It found that the UK is a significant global venture capital market and the largest in Europe, with high deal activity compared with European peers. It also found that non-bank lenders broaden the range of finance available to SMEs and support competition alongside bank lending.

3.10 However, the benchmarking study found that these strengths do not benefit all SMEs equally. The receipt of venture capital remained concentrated among a small proportion of SMEs, with continuing gaps in later-stage, patient capital for some scale-ups. It also found that non-bank lenders depend more heavily on market-based funding than banks, which may make their funding less stable during periods of market stress.

3.11 As HMT has committed to a review of the regulations for venture capital funds, with a view to possible reforms including to FCA regulations, we did not examine in detail the extent to which FCA regulation affects access to venture capital. We therefore do not draw substantive conclusions on the impact of FCA regulation on access to venture capital as part of this review.

There are recognised challenges for micro-SMEs accessing debt finance, including some regulatory frictions

3.12 Stakeholder feedback suggested that access-to-finance challenges are more pronounced for micro-SMEs than for small and medium-sized SMEs. However, some of the challenges identified below may affect SMEs of different sizes. Some of these issues relate to areas within the FCA's regulatory perimeter.

3.13 Stakeholders identified several continuing barriers to accessing suitable finance. These fall into 4 broad categories: preparedness for accessing finance and issues with navigating the market; challenges in assessing risk and accessing suitable products; regulatory frictions; and other issues relating to alternative lending and personal guarantees.

Preparedness for accessing finance and issues with navigating the market

3.14 **Lack of awareness about financing options:** Stakeholders identified limited awareness of financing options as a key barrier for some SMEs, particularly micro-SMEs. They said some firms have limited awareness of providers beyond their existing bank and find the increasingly diverse range of lenders and products difficult to navigate and compare.

3.15 **SMEs' readiness for finance:** Stakeholders highlighted low confidence, perceived complexity and limited financial capability as barriers to preparing a financial application to secure finance. They said this can affect whether firms seek finance, when they do so, and the quality of their applications. Some stakeholders also identified insufficient support for firms preparing for equity raises.

3.16 **Complexity and length of application process:** SME representatives said that some SMEs perceive debt finance as expensive and the application process as overly complex and time-consuming. These demands can be particularly burdensome for microbusinesses without dedicated financial staff. Representatives attributed this to the amount of financial and supporting information required, repeated requests for information and differing documentation requirements across lenders and products.

3.17 **Insufficient reasoning for declined applications:** SME representatives told us that lenders often provide limited or non-specific reasons for declining finance applications. They said this can make it difficult for firms to understand the reasons for rejection and improve future applications, potentially contributing to repeated declines and discouraging future applications. Stakeholders linked this to increased automation in credit assessment and reduced relationship banking. Lenders noted that applications may be declined for lender-specific reasons, such as sector appetite, which may not indicate a weakness in the firm's application or prospects of obtaining finance elsewhere.

3.18 **Inefficient referral arrangements/signposting:** Stakeholders told us that referral and signposting arrangements following declined applications do not always provide an effective route to alternative sources of finance.

Challenges in assessing risk and availability of suitable products

3.19 **Difficulties accessing suitable products:** SME representatives told us that some SMEs may still struggle to access suitable finance, although a range of finance products are available. Stakeholders said this may reflect micro-SMEs being unable to demonstrate eligibility for certain products, as well as the comparatively high underwriting and customer-support costs associated with smaller or more complex loans, which can make serving some SME market segments commercially unattractive for lenders. Limited awareness or preparedness may also lead some firms to use less suitable or higher-cost finance.

3.20 **Intangible assets:** Some business and finance respondents noted that, despite the growing economic importance of intangible investment, mainstream lending practices often do not reflect the value of intellectual property and intangible assets, such as copyright, patents or trademarks, as collateral when making lending decisions.

Stakeholders said this can make finance harder or more costly to obtain for asset-light and intangible-led businesses.

3.21 **Underserved entrepreneurs:** SME representatives told us that some entrepreneurs (for example, women, ethnic minorities, disabled entrepreneurs and entrepreneurs operating businesses in deprived areas) face persistent and disproportionate challenges in navigating the business landscape and securing suitable lending.

3.22 **Informational barriers:** Stakeholders said lenders can struggle to assess the riskiness of SMEs with limited trading histories, financial records or tangible assets because conventional underwriting relies primarily on historical performance and annual accounts. These approaches may be less suited to data-rich, asset-light or intangible-led businesses and may not fully reflect their business models or future potential. Stakeholders suggested that improved access to data, including open finance, commercial credit data and relevant government-held information, could help lenders assess SME lending risk.

Regulatory frictions

3.23 **Duplication in customer checks:** Stakeholders told us that SMEs may be asked to provide similar information to brokers and multiple lenders during finance applications. This can increase processing time and cost, particularly where firms cannot rely on checks undertaken by another party. Stakeholders said this may make it harder for SMEs to compare providers and products and, in some cases, discourage them from completing the application process.

3.24 **Consumer Credit Act (CCA) compliance costs:** Lenders raised concerns that CCA information and communication requirements, together with sanctions for technical non-compliance, increase the cost and complexity of regulated SME lending. Stakeholders said these requirements can affect the commercial viability of some regulated lending products and may influence firms' willingness to offer them. They also raised concerns about the scope of CCA-regulated business lending and how it fits alongside the wider regulatory framework.

3.25 **Capital requirements:** Some lenders identified capital requirements as barriers to SME lending. One lender said that an additional capital requirement arising from the geographic concentration of its lending in the UK overlapped with other requirements intended to address risks from a UK economic downturn. Stakeholders also said that higher capital requirements and changes to accounting standards have increased the capital intensity of providing overdrafts and term loans, including where collateral is available. However, the Bank's research found that while capital requirements affect the economics of SME lending, they are unlikely to be the main constraint on banks' willingness to lend to SMEs. The Bank's research concluded that lower returns on SME lending relative to large corporate lending are driven mainly by higher operating and impairment costs rather than capital requirements. Our analysis of retail bank SME lending data reached a similar conclusion.

3.26 **Equity funding routes:** Two stakeholders identified compliance costs associated with certain equity funding routes. One stakeholder mentioned fund authorisation requirements, particularly for overseas fund managers, while another cited AIM admission and ongoing obligations as costly for SMEs seeking public equity finance. However, our stakeholder engagement did not indicate that these were significant barriers warranting further exploration.

Other issues

3.27 **Alternative lending:** Stakeholders said that microbusinesses whose applications are declined by a bank may seek finance from alternative lenders, either directly or through brokers. Stakeholders raised concerns that limited transparency and commission-based incentives for unregulated brokers may, in some cases, steer micro-SMEs towards high-cost, short-term products that are not well suited to their needs. This lending generally falls outside our perimeter. We have shared these insights with the relevant government departments.

3.28 **Personal guarantees:** SME representatives said that personal guarantee requirements can be a significant barrier to seeking finance. They explained that personal guarantees are commonly required where businesses lack collateral, including in the service sector and among newer firms.

Chapter 4

How can the FCA support SME access to finance?

4.1 Stakeholder feedback suggests that FCA regulation is not a major barrier to SMEs accessing finance. Many of the demand-side and supply-side challenges identified in Chapter 3 instead reflect the underlying economics of lending and are not driven or affected by regulation.

4.2 Ongoing work across Government and industry will address a number of these issues:

i. **SME preparedness for accessing finance and issues with navigating the market:** BIST is enhancing the Business Growth Service through personalised guidance on business.gov.uk and the Business Academy, alongside support for Growth Hubs and regional investment programmes. The Government has also increased the BBB's financial capacity, including through the ENABLE Guarantee, Growth Guarantee Scheme and Start Up Loans programme, to expand the finance available to SMEs. The Centre for Finance, Innovation and Technology's (CFIT) Funding Health Checker aims to help SMEs understand their financial position and readiness for finance, while HMT's reform of the Bank Referral Scheme seeks to improve support and signposting following declined applications.

ii. **Challenges in assessing risk and availability of suitable products:** BIST's Smart Data Strategy and HMT's reform of the Commercial Credit Data Sharing Scheme aim to improve the information available to lenders when assessing SME risk. The Government is also increasing support for SMEs that may struggle to access mainstream lending, including by scaling Community Development Finance Institutions and using the BBB's ENABLE Guarantee capacity to support finance for intellectual property-rich smaller businesses. Wider initiatives, including the Investor Pathways scheme, the Disability Finance Code for Enterprise and support for female founders and investors, seek to improve access for underserved entrepreneurs.

iii. **Regulatory frictions:** UK Finance is supporting retail banks and building societies to develop a voluntary digital verification service, which could reduce the need for customers to provide the same identity documents repeatedly when opening accounts and accessing services. HMT's reform of the Consumer Credit Act will repeal prescriptive information requirements and associated sanctions, enabling a more flexible and outcomes-based regime through FCA rules while retaining key protections. The PRA's SME lending adjustment is intended to ensure that the removal of the existing SME support factor under Basel 3.1 does not increase overall capital requirements for eligible SME lending.

iv. **Other issues:** BIST is introducing a mandatory code of conduct for accredited lenders using the Growth Guarantee Scheme, to ensure that communications about personal guarantees are clear and their use under the scheme is fair and transparent.

4.3 Three FCA initiatives, some of which are underway, could help address regulatory frictions:

- **i.** Monitor industry work to explore whether digital verification could reduce duplication in customer checks, while maintaining effective financial crime controls.
- **ii.** Deliver a proportionate regulatory regime as part of Consumer Credit Act reform.
- **iii.** Enable open finance to develop by prioritising high-impact use cases, including SME lending and consumer mortgages.

Digital verification

4.4 UK Finance is supporting banks and building societies to develop a voluntary digital verification service, which could help reduce repeated requests for identity information. We are monitoring and learning from this industry-led work. Its design, practical application and potential coverage, including its relevance to SME finance, are still being developed. Any approach would need to maintain effective financial crime controls and allow firms to meet their legal and regulatory obligations.

Deliver a proportionate regulatory regime as part of Consumer Credit Act reform

4.5 HMT is currently reforming the Consumer Credit Act 1974 (CCA). Its stated objective for the reform is to support a modernised and flexible consumer credit market by enabling a more outcomes-based regime, while ensuring borrowers have robust protections. HMT expects the reforms to enable firms to better tailor credit products and consumer journeys to achieve good consumer outcomes. This includes SME borrowers covered by consumer credit regulation.

4.6 As part of the reforms, HMT is repealing the CCA's prescriptive information requirements and associated sanctions. It is also repealing certain rights and protections, for example cancellation and withdrawal, termination of agreements and early settlement so that they can be recast into FCA rules (as appropriate and subject to consultation). However, certain key CCA protections, such as the CCA's unfair relationship provisions, are being retained.

4.7 These reforms may address stakeholder concerns identified in Chapter 3 that prescriptive information and communication requirements, together with sanctions for non-compliance, can increase the cost and complexity of regulated SME lending and affect the commercial viability of some products. Their repeal provides an opportunity to deliver a more proportionate regime while retaining appropriate protections for SME borrowers.

4.8 Following the repeal of those CCA provisions, we will be responsible for delivering a reformed regime in our Handbook, where appropriate. We intend to consult on the key elements of the consumer credit framework, accounting for the legislative provisions that are being repealed. Our proposals will be supported by evidence, including a cost benefit analysis and stakeholder feedback.

Open finance

4.9 Open finance sits at the heart of the Government's ambition for smart data. The National Payments Vision sets out the goal for the UK to be a world leader in open finance. Supporting its development is one of our priorities. In our 2025-2030 strategy, we committed to a delivery plan to help unlock open finance and prioritise high-impact use cases including SME lending and consumer mortgages.

4.10 In April 2026, we published our roadmap, outlining our vision for consumers and SMEs to have greater control over their financial data, enabling faster and more personalised financial services, and strengthening competition, innovation and growth.

4.11 Open finance presents a real opportunity to address challenges in SME lending, particularly where limited financial information or credit histories make it difficult for lenders to assess risk. More complete and timely information could reduce application friction, support more informed lending decisions and help SMEs access more suitable products. Examples of the potential benefits across the lending journey are set out in figure 3.

Figure 3: Potential benefits of open finance across the lending journey

Journey stage	Potential benefit
Pre-application	SMEs could have a clearer, more complete picture of their finances, helping to forecast cash flow and identify lending needs and suitable products more efficiently.
Application	Could reduce cost, friction and duplication for both SMEs and lenders during the application process.
Decision	Better access to information could help lenders make more informed decisions and allocate capital more efficiently.

Source: the FCA

4.12 Our most recent SME Finance TechSprint saw innovation progress. Seven participating firms tested their open finance proof-of-concepts with synthetic data to see how they could operate in real-world scenarios. We also heard from stakeholders across the SME lending ecosystem in our June 2026 roundtable, which explored how open finance could improve lending outcomes and the potential barriers to adoption.

4.13 The findings from this engagement have informed our upcoming discussion paper, which we'll publish in early 2027. It will outline options and considerations for delivering a framework for the first open finance scheme, with SME lending identified as one of two prioritised use cases. We'll also continue engaging with industry and representatives for SMEs and consumers and hold further rounds of infrastructure testing and TechSprints. This work, together with the Government's recent measures to support SME finance, including a planned consultation on open finance next year, will help us shape a proportionate long-term regulatory framework for open finance. It will also support the Government's wider Smart Data Strategy.

Other FCA initiatives

4.14 Alongside these targeted actions, we have been leading several other initiatives which may support SME access to finance. These include:

- **i.** Our project on clarifying the application of the Consumer Duty and firms' responsibilities while maintaining strong consumer protections.
- **ii.** Our proposed changes to the UK's Alternative Investment Fund Managers regulatory framework and fund reporting regime, supporting a regulatory framework that promotes growth and international competitiveness whilst protecting consumers and market integrity. These reforms will affect venture capital and debt fund managers, in addition to alternative funds that lend or provide equity to businesses such as private equity and private credit firms.
- **iii.** Our scale-up unit, set up jointly with the Prudential Regulation Authority (PRA), to support financial services firms through their critical growth phase. This can better deliver sustainable growth, competitiveness and innovation in financial services, which benefit the market overall.

Annex 1

Abbreviations used in this paper

Abbreviation	Description
AML	Anti-money laundering
BBB	The British Business Bank
BIST	The Department for Business, Innovation, Science and Trade
CCA	The Consumer Credit Act 1974
CDD	Customer due diligence
CFIT	The Centre for Finance, Innovation and Technology
HMT	His Majesty's Treasury
KYC	Know Your Customer
PRA	Prudential Regulation Authority
R&D	Research and development
SME	Small and medium-sized enterprises (fewer than 250 employees and an annual turnover less than £44m)
The Bank	The Bank of England

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