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FinTech Outlook 2026: Key trends to watch

1. Introduction

Throughout 2025, the fintech sector went through a very turbulent year marked by regained level of industry optimism, high level of innovation in various key areas as well as positive developments on the regulatory front. As in the entire financial services industry, the topic that constantly occupied headlines was artificial intelligence (AI) followed by the regained optimism in the crypto-industry sparked by a radical shift in approach to the regulation of crypto-assets in the United States (US). Another catalyst for this resurgence in popularity of crypto-assets (going way beyond altcoins and classic cryptocurrencies) was also the growing interest of incumbent financial institutions in stablecoin adoption.

The industry is moving into 2026 with a reasonably high level of optimism on several fronts: from the increasing regulatory clarity on some fronts and more positive funding environment (at least for some) to pending finalisation of some key regulatory initiatives that shall open the doors for further innovation in some novelty areas.

2. Fundraising and market developments

2025 started with a high level of optimism that quickly experienced sharp decline amid turbulent geopolitical environment impacting the public markets and global trade. Despite shaken up investor confidence at the beginning of the year, the fintech industry in Europe (incl. the UK) has managed to complete the year with an overall 7% year-on-year increase in capital invested to reach $8.8 billion ($3.6 billion in the UK alone) across the region.[1] The fact that $3.6 billion out of this figure was raised in the UK alone, signals that relative to the EU, fintechs in the UK still manage to attract much more capital than their peers operating across the EU, which from the EU standpoint shall remain a reason for concern.

In 2026, investors are expected to increase their focus on profitability especially when it comes to fintech companies that despite the recent resurgence in fundraising as well as positive climate on the regulatory front (especially in the crypto sector) are struggling to achieve some reasonable scale in Europe. Therefore, some consolidation in the market is highly likely, which will inevitably result in clear differentiation between the fintech companies that can stand out in today's environment and others.

In terms of the sector focus, the payments sector will continue to stay a darling of venture capital investors due to the increased competition amongst incumbent institutions, fintech scale-ups that are yet to prove their valuations to their investors and the market and the new entrants. Pending regulatory reform in the EU combined with the increasing number of providers looking to leverage innovative technology for payment purposes (from stablecoins to agentic AI) will be some of the primary catalysts for this. On the other side, the maturing crypto-ecosystem in the EU is also expected to serve as a fertile breeding ground for the growth of European fintechs operating in the crypto-sectors that is not expected to stop at the regulatory perimeter of the EU Markets in Crypto-Assets (MiCA) Regulation. Hence, the growing interest of both incumbents and fintech companies in asset tokenisation, sparked by looming regulatory change that may open the gates for the entrance of fintech companies in the tokenised financial instrument trading space will be another trend to watch in 2026. Whilst AI and open finance will remain on the agenda for the fintech industry in 2026, financial infrastructure is expected to be the trend that many in the industry will increasingly focus on. See more on all these trends in subchapters below.

[1] Innovate Finance UK Report: https://www.innovatefinance.com/announcements/global-fintech-investment-rises-21-in-2025-reaching-53-billion-across-5918-deals-the-uk-re-claims-second-spot-in-global-rankings/

3. Maturing crypto-regulatory framework

Despite the fact that as of 30 December 2024 the MiCA-Regulation has become fully applicable, the vast majority of EU Member States have opted to introduce transitional periods that would allow the industry to prepare for the new regulatory framework. This has proven especially helpful for crypto-asset service providers (CASPs) that were operating prior to the MiCA go-live date based on a simple anti-money laundering registration (AML) regime in accordance with the 5th AML Directive (the so called VASP registration regime).

In 2026, these transitional periods will come to end, and the new rules will become effectively applicable across the EU 27. Whilst the length of transitional periods varies between EU Member States (from 6 to 18 months)[2], they all are due to end by no later than 1 June 2026. Therefore, many prospective CASPs that were operating in the EU based on the VASP registration alone, are currently entering the final stage of their authorisation process under the MiCA-Regulation (if not authorised already). Others, looking to start with their expansion plans to the EU in 2026 despite not being able to benefit from the transitional period, will be in the position to leverage a clearer regulatory landscape at all levels. In 2025, the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA) have managed to complete the level2 rules complementing the MiCA-Regulation as well as to provide some helpful guidance for the industry on several important topics.

In 2025 many firms have managed to obtain their licenses under the MiCA-framework with Germany leading the way in the number of issued licenses, albeit this largely comes thanks to the equivalence regime for financial institutions and the fast track procedure introduced under the national law for entities that had a license under the old German national framework in accordance with the German Banking Act (which was effectively a MiFID II license for crypto-businesses). In 2026, we expect to see the number of authorised CASPs growing especially across some other EU Member States where the transitional period is soon to expire and where no equivalent authorisation framework was in place before the MiCA-framework. The numbers may also be partially influenced by expansion plans of the business from the US, which may be particularly driven by the (still) positive climate on the regulatory front across the pond, which may improve fundraising prospects for crypto-startups looking to expand to the EU. Incumbent financial institutions from the US may also start (even) feeling more comfortable stepping into the crypto-space conscious of the decreasing level of the regulatory and primarily enforcement risk in their home jurisdiction.

[2] https://www.esma.europa.eu/sites/default/files/2024-12/List_of_MiCA_grandfathering_periods_art._143_3.pdf

Some non-EU businesses may also look to expand to the EU by acquiring licensed CASPs, an opportunity that might appear quite tempting for some EU CASPs that are struggling to secure financing for the scale-up phase in today's market environment as well. Nonetheless, US buyers shall remain mindful of the regulatory complexity tied to the M&A transactions in the regulated crypto-space that require careful navigation of the complex regulatory framework impacting M&A transaction approvals. See more on this in our previous publication "Fintech Fundraising: Mind the Regulatory Gap".

On the regulatory front, ESMA and EBA expected to continue playing an important role aiming to remove unnecessary frictions in interpretation of the MiCA-Regulation across the EU. Their task however will be increasingly challenging given that some key points that need further clarification go well beyond their supervisory competence. Approach of other regulators and policy makers to the regulation of areas of the crypto-industry that are not regulated under the MiCA-Regulation, like crypto lending and borrowing or recently proposed qualifying staking in the UK, may be just some of many areas that the industry will be interested in getting more clarity on in the coming period.

4. Tokenisation 2.0

In 2026, we are also expecting to see the opening of a new chapter when it comes to the tokenisation of financial assets. This is expected to be driven by two main factors:

First, incumbent institutions have become more than aware of the potential that hides behind tokenisation of financial assets and are openly advocating now for it by simultaneously staking up their technical and human resources in DLT space. This is only expected to continue throughout 2026 as we already now witness issuing and trading of tokenised financial instruments of various types across the EU, that unlike a few years ago is no longer reserved for trailblazing oriented startups.

Second, conscious of the limitations of the DLT Pilot Regime, as part of its Markets Integration and Supervision Package, the EU Commission has proposed targeted amendments to the DLT Pilot Regime Regulation that shall enable the regime to achieve some descent scale – the result that the original framework has clearly failed to achieve. Given that one of the main weaknesses of the existing regime were instrument caps, and very low overall trading thresholds, which kept large institutions away, this shall be amended as part of the proposed changes. Nonetheless, there are two problems when it comes to this: First, some see the lack of interoperability between different DLT infrastructure ecosystems across the EU as at least as problematic as frictions in the regulatory framework – the proposed reform will not address the problems arising from the former. Second, whilst the EU Commission has a strong intention to get the proposed reform through the EU legislative making process as soon as possible, this will be a rather challenging task. Some other parts of the proposed package are expected to experience quite a substantial pushback both in the EU Parliament and the Council which may prolong or even put into question the feasibility of the entire initiative at some point. Hence, expecting the reform to find its way through the EU legislative making procedure by the end of the year, would be (modestly put) rather optimistic.

5. The year of a long-awaited payment regulatory reform

Almost 3 years since the publication of the first drafts of the Third Payment Services Directive (PSD3) and the very First Payment Services Regulation (PSR), in 2026 we expect to see these two important legislative proposals finding their way through the EU legislative making process.

The PSD3/PSR reform is aimed at reshaping the existing payment services and e-money regulatory framework applicable in the EU that are based on the Second Payment Services Directive (PSD2) and the E-Money Directive (EMD) that are complemented by national transposition legislation in individual EU Member States. Given that this structure has led to conflicting interpretations of the scope of the PSD2 and EMD respectively, the EU Commission has proposed in June 2023 the reform that would provide for the higher level of harmonisation across the EU.

The new framework based on the proposed PSD3 and PSR will be structured as follows:

a) The PSD3 will contain provisions on authorization and supervision of payment institutions (including those that are defined under the existing framework as e-money institutions "EMIs"). EMIs will become a sub-category of payment institutions (PIs) under the new framework;

b) The PSR will contain conduct requirements applicable to payment institutions (including those issuing e-money), the transparency and information requirements as well as provisions on the respective rights and obligations of payment and electronic money service users. Further, requirements on strong customer authentication (SCA) will be from now on contained in the PSR as well.

See our dedicated publication for more detail on the PSD3/PSR reform.

Amongst other, the PSR will establish a definitive list of definitions and exclusions as a directly applicable Regulation, providing greater legal and regulatory certainty for PIs and EMIs operating across more than one EU Member State, (incl. with respect to often debatable definitions of payment instruments, the commercial agent exclusion, the limited network exclusion and e-money). The revised framework also introduces stricter fraud prevention requirements for payment institutions whilst imposing new obligations on online platform operators, who will face potential liability to payment service providers if they fail to remove fraudulent content after being informed of its presence. In the area of open banking, PSR will significantly limit the ability of payment data gatekeepers, predominantly banks, to obstruct data access for payment initiation and account information service providers by establishing a prohibited list of barriers to such access. Under the revised framework, online platform operator and search engines will face novel compliance challenges as they will only be permitted to advertise financial services to EU consumers if the service provider holds proper authorisation or exemption in the relevant Member State where consumers reside.

In addition, the PSR shall also provide for a simplified authorisation for CASPs. This comes against the backdrop of the EBA opinion[3] provided in June 2025, which has clarified that certain crypto-asset related activities are deemed as payment services subject to PSD2 authorisation (incl. transferring and safeguarding of e-money tokens). Until the new framework becomes operational though (see more on this below), some CASPs with sufficient financial resources may be inclined towards establishing cooperation arrangements with existing PIs or even acquiring PIs with the PSD2 license.

The revised framework is expected to provide PIs and EMIs operating in multiple EU Member States with a higher level of legal and regulatory certainty, given that they will be able to operate based on a more harmonised rulebook that is less subject to national gold-platting than the existing PSD2 framework. This will especially ease up the expansion process for non-EU businesses eyeing the EU market that are oftentimes very confused (if not annoyed) by the regulatory divergences in the EU at the EU Member State level.

On 27 November 2025, the EU Parliament and the Council have agreed on a compromise text[4] that will form the basis for the official adoption of the package that is expected to take place in the coming weeks. Whilst the PSD3/PSR reform is expected to be officially finalised in 2026, it will not become operational since the proposals provide for an 18-month transitional period. Therefore, the new rules are not expected to become applicable before Q3/Q4 2027. Nonetheless, businesses impacted by PSD3/PSR shall use 2026 wisely to prepare for the new framework in time.

[3] Opinion EBA/Op/2025/08: https://www.eba.europa.eu/publications-and-media/press-releases/eba-publishes-no-action-letter-interplay-between-payment-services-directive-psd23-and-markets-crypto

[4] https://www.europarl.europa.eu/news/de/press-room/20251121IPR31540/payment-services-deal-more-protection-from-online-fraud-and-hidden-fees

6. Nearing closer to open finance

This year we also expect to see a long-awaited finalisation of the EU open finance framework, based on the proposal for a Financial Data Access Regulation (FIDA Regulation) which was proposed together with the PSD3/PSR reform in June 2023.

The FIDA Regulation is set to create a regulatory framework that would enable consent-based sharing and using of financial data of customers in the EU, commonly known as "open finance". Broadly speaking, open finance is a concept that builds on the lessons learned from the open banking framework introduced by PSD2, that shall enable individuals and businesses to access, share, and control of data across a wide range of financial products and services. This includes not only data related to payment accounts, as seen with PSD2 and open banking, but also data related to savings, investments, pensions, mortgages, insurance policies, and other financial contracts.

The FIDA Regulation was proposed in 2023 with the idea of the EU becoming the first jurisdiction that would introduce a regulatory framework on open finance. However, in July 2025[5] the EU has already lost this race to the United Arab Emirates (UAE) that has introduced arguably the first comprehensive regulatory framework on open finance worldwide. This comes against the backdrop that the proposal has already experienced several setbacks primarily driven by the aggressive lobbying of some incumbent financial institutions. Beginning of 2025, after initial speculations of the EU Commission's U-turn on the proposal, the FIDA-Regulation has reappeared on the EU Commission's Action Plan. In May 2025, some further simplification of the proposal was unofficially announced raising doubts about its feasibility in practice. See more on this in our dedicated article.

In 2026, we expect to see this proposal finally managing to find its way through the EU legislative making maze after 3 turbulent years. This will be a positive sign for fintech companies as well as infrastructure and data service providers (see more on this below) looking to establish a footprint in the open finance ecosystem. This will especially be of relevance to smaller and medium size fintech companies, amid the recent limitations introduced by the EU Parliament and the Council on the participation of big-tech companies in the open finance ecosystem in the EU (see more in the hyperlinked article above).

Nonetheless, even if adopted in 2026 the rules on open finance will become applicable after 18-month (or even potentially 24-month) transitional period – leaving the FIDA Regulation as an important topic for the fintech industry in 2027.

[5] Central Bank of the UAE, Open Finance Circular: https://rulebook.centralbank.ae/en/rulebook/open-finance-regulation-0

7. Financial infrastructure in focus

Another trend to watch in 2026 will be the increasingly important role played by digital infrastructure providers supplying digital pipelines for digital finance services industry of today.

From providers of automated program interfaces (APIs), cloud infrastructure and payment infrastructure to providers of DLT and AI based infrastructures, technical service providers are expected to remain in focus of both investors and the regulators throughout 2026. By operating at the outskirts of the financial services sector, they are most usually not required to obtain an authorisation as regulated entities, but their role is becoming increasingly essential for the proper functioning of the financial services industry. As their importance in the financial services industry of today continuously grows, these specialised entities are increasingly in focus of investors as well, that see tempting investment opportunities in this area.

Nonetheless, their activities are no longer entirely outside of the EU regulatory remit: the Digital Operational Resilience Act (DORA) which has introduced a harmonised regulatory framework on digital operational resilience in the EU as of 17 January 2025 will remain of key importance for these businesses throughout 2026. This will require both of them (known under the DORA framework as ICT service providers) as well as financial entities using their services and products to stay mindful of the evolving supervisory landscape across the EU. This will be particularly important when it comes to upcoming obligations on threat led penetration testing, that will face both technical service providers and financial entities with some operational and technical challenges. The providers operating in more than one jurisdiction, will additionally be required to navigate different regulatory frameworks on operational resilience and cyber security (like the EU DORA framework and the new UK operational resilience framework) which will be everything but a simple task. For more on DORA, see our dedicated article.

8. AI

Throughout 2026, AI is expected to stay one of the key topics that the fintech industry will be dealing with, but the outcome of the application of AI systems appears to be less predictable from this standpoint than a year ago. Whilst the agentic AI that enables autonomous decision making and task execution (e.g. prompt based online purchases or securities order execution), is promising to open a new chapter for the financial services industry, regulatory constraints are yet to be tested. The limitations of the existing PSD2 (and the future PSD3/PSR framework) that might impact the use of agentic AI in the payments sector is just one example of many potential challenges that financial institutions may face when trying to move fast and break things when it comes to the use of AI. In 2026, many institutions will also need to show tangible added value that the use of AI is bringing to their business before to getting approvals on increased AI budgets for the coming period.

Fintech companies specialising in this area, shall stay mindful of this and on the lookout for supervisory guidance that may impact the appetite of incumbent financial institutions for the utilisation of AI in different areas. Whilst the application of the EU AI Act is already a known compliance challenge for the industry, any further guidance coming from the regulators (at both the EU and the EU Member States level) may have a significant impact on the direction of travel of AI based system's use in the financial services industry. Ensuring compliance with the above mentioned digital operational resilience framework when procuring AI systems and products from external vendors, will be another key point that fintech companies shall be mindful of throughout 2026. For more on the use of AI in the financial services sector, see our dedicated article.

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