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By email

10 May 2019

Our Ref: FOI6385

### **Freedom of Information : Right to know request**

Thank you for your request under the Freedom of Information Act 2000 (the Act), dated 9 April 2019, for information about the Regulatory Sandbox programme. Please refer to Annex A for full details of your request.

Before responding to your request we would like to explain that since you submitted your request, FCA Innovate has published a [report](#) on "*The impact and effectiveness of Innovate*". Since launching FCA Innovate, we have received nearly 1,600 applications across all our support functions and have provided support to nearly 700 firms of varying shapes and sizes. With regards to distributed ledger technology (DLT), we would like to highlight our [DLT publication](#) FS17/4, the tripartite Cryptoasset Taskforce [report](#) (in conjunction with HMT and the Bank of England) and the recent [consultation paper CP19/3](#) on cryptoassets, particularly dealing with the perimeter question of cryptoasset-related activities. These publications should give a more holistic overview of the FCA's activities and policy thinking around DLT and cryptoassets. We further plan to issue a policy statement on the back of CP19/3 later this summer.

Further, in your request you refer to "*cryptocurrency-related*" business models. As we describe in CP 19/3, we do not use the term "cryptocurrency", and have developed our own cryptoasset taxonomy to help relevant firms to better assess the regulatory status of cryptoassets or services related to these (namely *exchange tokens, utility tokens and security tokens*). As stated in the Taskforce Report, we regard cryptoassets as one application of DLT. As all cryptoassets utilise some form of DLT, we regard these firms as "DLT-based".

Turning now to your request. For your information, the FCA sandbox program has received a total of 376 applications. Of these 376 firms, a total of 135 firms met our eligibility criteria for acceptance and developed towards testing. Of these 135, 52 firms use DLT-based technologies (see also 8.10 of the evaluation report). These 52 DLT-based business models have been accepted to develop towards testing. As the FCA website sets out, these propositions include various different types of business models: As you are already aware - on a cohort basis - we publish the sandbox firms' names (and business activities) and just recently updated the website with [cohort 5 firms](#).

We are unable to provide the information for questions 1 and 2 on a financial year basis, but we can provide this information on a cohort basis. Therefore, below is the number of

DLT-based firms on a cohort basis that were accepted towards developing tests within the sandbox framework:

Cohort 1: 24 firms accepted to develop towards testing, of which 11 were DLT-based

Cohort 2: 25 firms accepted to develop towards testing, of which 12 were DLT-based

Cohort 3: 21 firms accepted to develop towards testing, of which 7 were DLT-based

Cohort 4: 34 firm accepted to develop towards testing, of which 13 were DLT-based

Cohort 5: 31 firms accepted to develop towards testing, of which 9 were DLT-based

We hope the above information and (the recently published) papers give a comprehensive overview of the FCA's engagement with DLT-based firms within the sandbox framework.

Yours sincerely

**Information Disclosure Team**

## **Annex A**

Request received on 9 April 2019:

*"In reference to the following from the FCA's website:*

*<https://www.fca.org.uk/firms/regulatory-sandbox/regulatory-sandbox-cohort-4-businesses>*

*Under the Freedom of Information Act, I would like to know:*

- 1. The number of applications received by the FCA from cryptocurrency-related businesses for acceptance into the Regulatory Sandbox programme*
- 2. If possible, the number of applications from cryptocurrency-related businesses that have been accepted to develop towards testing*

*Please provide the data for each year of the last five years with a year-end 31<sup>st</sup> March or whichever year-end is most convenient. If you cannot provide data for each of the last five years, then please provide data for each of the last three years. If that is not possible, then please provide data for each of the most recent two years.*

*If it is not possible to provide the data broken down by year, then please provide it broken down by "Cohort".*