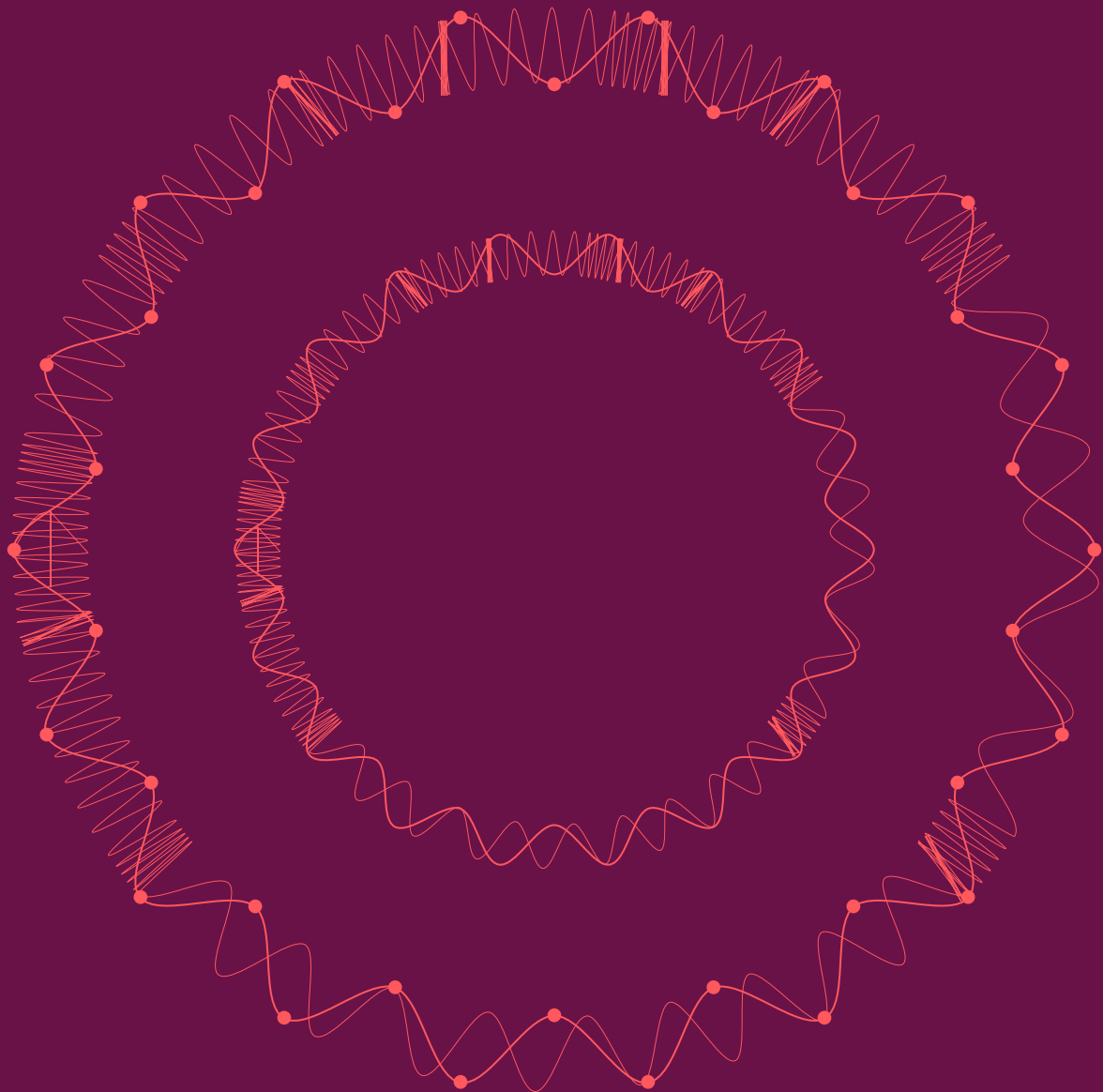


FCA Regulatory Sandbox Application guide



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Getting started

The Regulatory Sandbox enables businesses to test innovative propositions in a live environment.

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This guide contains information to help you answer each of the questions in the online application form.

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We assess regulatory sandbox applications against our [eligibility criteria](#).

Once you are satisfied with your answers please complete the [online application form](#). You will hear back from us within 2-3 weeks of submission of your application. We will either be looking for further information on your proposition or letting you know that your application has been unsuccessful.

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You can contact us at sandbox@fca.org.uk



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About Your Firm

In this section you will need to provide the following information.

Where applicable, we have provided guidance on certain questions to help with your application.

1.1 Name of Organisation

1.1.1 Companies House number

1.1.2 Address of registered head office

1.2 Respondent full name

1.2.1 Position in the organisation

1.2.2 Respondent contact number

1.2.3 Respondent email

1.3 Type of organisation

1.3.1 Sector

1.3.2 Firm Reference Number FRN (if applicable)

1.3.3 Are you, your business or associated entities authorised or registered by the FCA?

If yes, you will have to provide us with your Firm Reference Number(s) (FRN) or Individual Reference Number(s) and any details.

1.3.4 Is your business already active in the UK?

Consider the following

- *Do you already have UK customers?*
- *Are your operations based in the UK?*
- *Do you (actively) market your services or products in the UK?*
- *Does the provision of your services and products require an FCA authorisation?*

1.3.5 What is the size of your firm?

How many employees does your firm have?

1.3.6 Are you planning to work with other firms to undertake this test?

Consider the following

- *Do you rely on third-parties to carry out your testing activities, such as FCA-regulated entities, KYC validator services or cloud providers?*
- *Do you already have access to banking services, such as appropriate bank accounts?*
- *Are there outstanding dependences regarding those relationships?*

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About Your Innovation

In this section you will need to provide the following information.

Where applicable, we have provided guidance on certain questions to help with your application.

2.1 Provide a summary of your proposition and its stage of development

Consider the following

- *What is the area you are innovating in?*
- *What is the problem you are trying to fix and for whom will it bring benefits?*
- *Can you provide an overview on how your innovation works?*
- *Do you anticipate regulatory challenges in providing this innovative service or product?*
- *At what stage is the product or service at, from a technical, legal and regulatory perspective?*
- *When could you launch an MVP test with FCA oversight?*
- *What input would you need from FCA Innovate?*

2.2 Please provide an indication of the main technology that is used to enable your innovation

Provide a short explanation if possible.

2.3 Please provide an indication of the type of innovation your firm could categorise under

[Add list of technologies] Please select from this list - feel free to select multiple options and to self define in your own words if necessary.

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Meeting our eligibility criteria

When we assess your application against each of these criteria, we will consider several positive and negative indicators to reach a decision on whether you are eligible for the regulatory sandbox. Please see the Annex of this document where these criteria are listed.

3.1 In scope

Explain how your idea is a regulated activity or supports regulated business in the UK financial services market. Your response should consider where you believe your idea fits within the regulatory perimeter.

Consider the following

- *Is your innovation intended for the UK market? And which market segment are you targeting and how?*
- *Will your service or product require FCA authorisation before carrying on the business in the UK?*

3.2 Genuine innovation

Explain how your idea is new or a significantly different offering in the marketplace. Please include reference to any competitors in the market you are targeting.

Consider the following

- *What situation / issue does your innovation improve on?*
- *Why is your innovation new or a significantly different offering in the marketplace?*
- *How does it differ from the current way this business is operated?*
- *How does your innovation work? What does the customer journey look like?*
- *Does your innovation address certain risks compared to the traditional model?*
- *How do you mitigate (new) risks?*
- *What is the revenue model? Can you provide an overview on the payments flows?*

3.3 Consumer benefit

Explain how your idea provides benefit to consumers. This also includes benefits to businesses, or markets in general.

Consider the following

- *Does the innovation offer a good prospect of identifiable benefit to consumers?*
- *What are the benefits of your innovation and to which segment of the market do they most accrue to?*
- *What are the risks associated with your innovation and how do you mitigate those?*

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Meeting our eligibility criteria

When we assess your application against each of these criteria, we will consider several positive and negative indicators to reach a decision on whether you are eligible for the regulatory sandbox. Please see the Annex of this document where these criteria are listed.

3.4 Need for sandbox testing

Explain why you need to test the innovation in our regulatory sandbox. Include details about specific regulatory support you are seeking from us. Please note that we will not be able to endorse your business proposition, provide horizon scanning for all regulations applicable to your business, or introduce you to potential business partners or investors.

Consider the following

- *Do you have a genuine need to test the innovation in our sandbox?*
- *Would you require a sandbox tool to carry out testing (e.g. restricted FCA authorisation or a waiver)?*
- *Do you anticipate regulatory challenges in providing this innovative service or product?*
- *Do you envisage your innovation to be in a "regulatory grey area" in which you would appreciate FCA engagement? If you feel that your innovation falls squarely "inside or outside FCA rules", what difference will the FCA make? Why do you think the FCA should have an interest in your testing proposition?*

3.5 Readiness

Explain your readiness to test the innovation in the real market with real consumers. Include details of actions you need to take before you can test your proposition, and how you will resource your regulatory sandbox test.

Consider the following

- *Is your innovation ready to be tested on a small scale in a live environment? This includes technical, legal, regulatory and operational aspects of your proposition.*
- *What are the outstanding dependences you need to solve before testing can begin?*
- *Do you have enough funding to finance an FCA authorisations process (where necessary) and the entirety of envisaged sandbox testing?*
- *If you do require an FCA license, do you have also enough human resources to ensure you can meet the FCA threshold conditions?*
- *Does an FCA authorisation require you to have your HQ and senior management team in the UK?*
- *Have you carefully thought about the proposed testing setup, evaluated possible risks to your firm and consumers, and developed appropriate risk mitigation strategies?*

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Your Testing Plan

In this section you will need to provide the following information.

Where applicable, we have provided guidance on certain questions to help with your application.

4.1 Describe the test you are proposing to carry out in the regulatory sandbox, including the regulatory tool(s) required (e.g. restricted authorisation)

Consider the following

- *Have you clearly stated who is doing what and how?*
- *Who will be your customer? Who will be your testing partners?*
- *How will you restrict testing activities to manage potential risks better?*
- *What FCA support would be most helpful? Which FCA tool do you require?*
- *What is the testing hypothesis you want to validate?*
- *What is the expected testing outcome?*

4.2 Describe the timeline and key milestones of your proposed test

Consider the following

- *Have you clearly stated the envisaged timeline for your test activities?*
- *Have you introduced defined testing stages and milestones?*
- *How much time do you need to prepare testing and how much time do you see fit for actual testing?*

4.3 What are your outstanding dependencies to finalise before testing (e.g. finalising an agreement with a partner)?

Consider the following

- *Have you got all testing partner agreements in place?*
- *Do you have sufficient funding for testing activities?*
- *Do you have access to operational services such as banking facilities or technical infrastructure?*
- *Do you have sufficient clarity on your legal and regulatory position already?*

4.4 What are your key testing objectives?

Consider the following

- *Why are you proposing to test your innovation? What is your testing hypothesis you want to validate?*
- *What results do you expect to see?*
- *What are your counterfactuals to compare those results to?*
- *How do you best validate your testing hypothesis? Which measures are most useful?*

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Your Testing Plan

In this section you will need to provide the following information.

Where applicable, we have provided guidance on certain questions to help with your application.

4.5 Outline your quantitative and qualitative measures of success:

Quantitative

Consider the following

- *Which quantitative success measures / KPI will be vital to validate your results? Might include cost, time, behavioural analytics, etc.*

Qualitative

Consider the following

- *Which type of qualitative data will you use to validate your hypothesis? Might include customer surveys, interviews, etc*

4.6 What type of customers will participate in your test and how do you intend to source these?

Consider the following

- *What type of customer will you be engaging for testing purposes? Please describe them in more detail, including the consumer categories, such as retail investors or professional investors.*
- *Why is the selected consumer segment the appropriate audience for the test and your product or service?*
- *How will you source them? Might include advertisement, via partners or already existing waiting lists.*
- *How will you communicate with customers effectively? How will you handle customer complaints?*
- *How will you market your service or product to the selected customer group?*

4.7 How many customers will participate in your test?

Consider the following

- *How many consumers will you want to test with to ensure a meaningful testing result without exposing too many consumers to the inherent testing risks?*
- *Have you considered a staged approach to testing?*

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Your Testing Plan

In this section you will need to provide the following information.

Where applicable, we have provided guidance on certain questions to help with your application.

4.8 Summarise the key risks (to both consumers and your business) your proposition and the proposed test may involve, and the safeguards in place to mitigate these.

A well-thought-out risk assessment and mitigation will help to demonstrate your readiness for testing.

Consider the following

- *Think carefully about the risks to your consumers, e.g. if something goes wrong?*
- *What can consumer lose and how can you mitigate those risks appropriately?*
- *What are the risks to your business in general? What are the test specific risks?*

4.9 What is your exit plan (i.e. how will you wind down your test) if it is forced to end earlier than anticipated?

Consider the following

- *What are your business continuity management provisions to ensure the safety of your business and all its customers at all times?*
- *Would you be able to safely discontinue your testing activities at any stage?*
- *How do you deal with customers that have already received your product or service?*
- *How do you manage the communication between your firm and your customers?*
- *How will you handle customer claims?*

4.10 What are your next steps upon conclusion of the test?

Consider the following

- *Would you envisage to scale up your operations after successful testing?*
- *Are considering partnering with other firms?*
- *Do you consider closing the business after successful testing?*



Diversity & Inclusion

The FCA considers diversity and inclusion to be [regulatory issues](#), and this extends to the support we offer in the sandbox. Diversity of experience, thought, and participation at senior levels leads to well-rounded decisionmaking, enabling firms to better meet the needs of all consumers. We consider diversity important to the health of the FinTech ecosystem, and we welcome applications from underrepresented groups (including female and minority-led firms).

We have an interest in understanding the extent to which sandbox applicants have implemented working practices aimed to promote diversity and inclusion. We encourage applicants to share details of any policy documents outlining their approach to these topics.

To gauge the balance of representation in senior leadership, we are taking a holistic approach by requesting data covering the [protected characteristics](#) of gender, race, sexuality, religion, age and disability, whilst also seeking insight into the social backgrounds of senior leaders in FinTech.

We understand that some firms may not already capture all (or part) of the requested information, so please answer the questions to the extent that you are able.

An applicant's inability to provide this information, or preference not to share, will not adversely impact any element of the decision to be made regarding the application.

Annex

Journey through our Regulatory Sandbox



01 Firm completes application form. Resources available on FCA Sandbox webpage to assist with the process. Firm will hear back from the sandbox team within 2-3 weeks of submission of application.



02 Applications assessed against our eligibility criteria.



03 Eligible firms refine the submitted testing plan, with support from the sandbox team. Firms can select from a range of sandbox tools.



04 Firms are accepted into the sandbox once their testing plans have been agreed.



05 Testing phase (~ 6 months) and issuance of agreed sandbox tool(s).



06 Test is closely monitored by the sandbox team.



07 Firm submits its end of testing report, exits the regulatory sandbox and agrees on next steps.

Positive and Negative Indicators

In Scope

Does the firm intend to provide or to support regulated financial services in the UK?

Positive indicators

- The firm's innovation proposal is intended for the UK market
- The firm's relevant activity is regulated by the FCA or may be used or is intended for use by FCA regulated firms

Negative indicators

- The firm's innovation proposal does not appear to be intended for use in the UK
- The firm's relevant activity is not within the scope of the FCA's regulatory regime or intended for FCA regulated firms

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Genuine Innovation

Is the firm's innovation proposal substantially different from existing offerings / solutions in the market?

Positive indicators

- There are few or no comparable offerings established in the market or there has been limited adoption of existing offerings
- FCA internal experts believe that the firm's innovation proposal constitutes a genuinely innovative technology / approach / product / service / model
- The firm's innovation proposal falls under or is related to a theme of particular focus for the FCA

Negative indicators

- There are numerous examples of similar offerings already established on the market from which the innovation proposal is not substantially different
- FCA internal experts believes the firm's innovation proposal is not particularly innovative

Positive and Negative Indicators

Consumer Benefit

Does the firm's innovation proposal offer a prospect of identifiable benefit to consumers?

Positive indicators

- The firm's innovation proposal is likely to lead to a better outcome for consumers directly or indirectly - for example, through lower costs
- The firm has evidenced an understanding of its target market, identified potential consumer risks, and proposed suitable mitigations
- The firm's innovation proposal will promote effective competition
- The firm promotes diversity & inclusion or seeks to address issues of diversity & inclusion in financial services and/or to meet the needs of underserved consumers

Negative indicators

- The firm's innovation proposal may have a detrimental impact on consumers, regulated markets, or the financial system at large.
- The firm's innovation proposal appears to be designed to circumvent regulatory or fiscal obligations
- The innovation proposal is targeted at consumers that are currently well served by existing offerings
- The proposed customer safeguards and mitigants are inadequate and/or appropriate redress cannot be provided by the firm

-

Need for Support

Does the firm have a genuine need for the support that it has applied for and has clearly set out what support is required?

Positive indicators

- The business has no other means of engaging with the FCA
- The innovation does not easily fit the FCA's existing regulatory framework and raises questions that cannot be easily resolved through existing FCA guidance or rules
- The firm has evidenced their understanding of regulatory obligations as far as appropriate
- The proposal is clear, and the firm has a specific query, need or issue that requires FCA input or the use of an FCA tool (rather than internal or external compliance resource)
- There is a clear need for a sandbox tool in order to test

Positive and Negative Indicators

Negative indicators

- Firm has a dedicated supervisor who could answer the query
- The innovation easily fits within the FCA's existing regulatory framework
- Little effort made to understand relevant regulations
- Firm is asking for business development advice, endorsement, kite-marking, or any kind of broad regulatory sign-off
- Queries would more appropriately be answered by a compliance consultant - for example, 'how do I comply with this rule?'

-

Readiness

Has the firm developed a clear proposal and considered how regulations may apply to their model?

Positive indicators

- The firm has provided a well-developed testing plan that has clear objectives and criteria and outlines the consumer journey, consumer outcomes, and how potential risks will be mitigated
- The firm has invested appropriate resources in understanding the regulations in relation to its own position
- The firm has evidenced it has sufficient resources to enable testing
- Some testing has been conducted to date

Negative indicators

- The firm has provided insufficient evidence of having developed a thorough proposal or testing plan nor has it well-considered consumer related issues/concerns
- Little to no regard has been given to regulatory obligations and the specific areas where support is required
- Little to no testing has been conducted to date
- The firm has not evidenced that it has sufficient resources to enable testing

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