

FCA Innovate

May 2018

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FCA Objectives

Strategic Objective of **ensuring** that the relevant **markets function well**



To secure an appropriate degree of **protection** for consumers



To **protect and enhance** the **integrity** of the **UK financial system**



Promote effective **competition** in the interests of consumers

The Evolution of Innovate



October 2014 – FCA officially launches Project Innovate following publication of Project Innovate Feedback Statement

May 2016 – First Cohorts of the Regulatory Sandbox and the Advice Unit open for applications

November 2016 – First Cohort of firms participating in the Regulatory Sandbox to test innovation in a live environment announced

June 2017 – Advice Unit scope expanded to include firms developing automated models in the mortgage, general insurance, and debt sectors

October 2018 – Green FinTech Challenge launched to provide support to firms developing green solutions

January 2019 – GFIN is formally launched by 29 participating organisations

April 2019 – Pilot cohort of firms participating in cross-border testing through GFIN announced



Support

September 2015 – First Innovate event held on Robo-Advice

March 2016 – First FinTech Cooperation Agreement Signed with Australian Securities and Investments Commission (ASIC)

April 2016 – First TechSprint held on Consumer Access to Financial Services

March 2017 – Event held on InsurTech and TechSprint held on Financial Services and Mental Health

February 2018 – 10th FinTech Cooperation Agreement signed with the US Commodity Futures Trading Commission (CFTC)

October 2018 – Event held on Innovating for a Greener Great Britain to coincide with launch of Green FinTech Challenge



Engagement

March 2016 – Feedback Statement on digital and mobile solutions published

July 2016 – Finalised Guidance on outsourcing to cloud published and Feedback Statement on supporting the development and adopters of RegTech published

October 2017 – Lessons learned from the first two cohorts of the Regulatory Sandbox published

December 2017 – Feedback Statement on Distributed Ledger Technology published

February 2018 – Consultation on global sandbox proposal published

August 2018 – Consultation on Global Financial Innovation Network published in conjunction with 11 other international regulatory bodies

October 2018 – Final Report of the Cryptoassets Taskforce published in conjunction with HM Treasury and the Bank of England

January 2019 – Guidance consultation on cryptoassets published



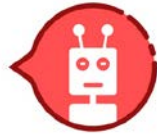
Policy

Innovate

**Regulatory
Sandbox**



Advice Unit



Direct Support



**Policy &
Engagement**



RegTech



Sandbox- Cohort 5

We received **99 applications** - largest number of applications we have received to date

Applications from UK and overseas

Majority in the wholesale and retail banking sectors.

We have taken forward 29 businesses to test



But..... does it work?



The Impact and Effectiveness of Innovate

On April 29th 2019 we published a report on the past 5 years of Innovate.

Innovate supports firms with innovative business models:

to **understand** the regulatory **considerations** relevant to their **developments**;

by producing **policy** to ensure the UK **regulatory** framework is fit for the **future**;

by **engaging** widely to better **understand** trends and further promote **innovation** in the interests of **consumers**



1. Regulatory Certainty

gives firms the regulatory certainty they need to develop their innovations and deliver them at speed

support provided

1,563 applications for support

686 firms supported

149 informal steers

101 authorisations or variations of permissions

~40% reduction in time to determine authorisation application

success in market

start-ups in **Sandbox cohort 1** receiving **£135m** total equity funding

~80% of firms that **successfully** tested in the **Sandbox** are still in operation

2. Improving Consumer Outcomes

improves outcomes for consumers by firms we support bringing innovation to market and incumbents responding to compete harder and improve their own offerings

incumbents are responding

- development of **innovation hubs/units**
- partnerships with **private accelerators**
- partnerships with **FinTechs** (~50% of **Sandbox tests** involved a partnership between an incumbent and a start-up)
- **imitation of disruptive innovation** by incumbents

our support is broad

- firms supported from across **all sectors**
- increase in number of **large firms** applying to Sandbox (**9** in cohort 5)
- increase in number of **regional** and **international** applications to Sandbox (**46** in cohort 5)

3. Positive Innovation

encourages positive innovation domestically and internationally

creating a supportive regulatory environment

- through policy publications such as guidance on **Distributed Ledger Technology (DLT)** and **cryptoassets**
- increasing focus on areas where we think **innovation** can be particularly beneficial e.g. **Green FinTech Challenge** and **six themed events**

collaboration and leadership on a global scale

- promoting **collaboration** through the Global Financial Innovation Network
- signing **11 co-operation agreements** with international regulators
- involving international peers in our **RegTech** work and **TechSprints**
- working with international standard setters to develop **global standards**



G F i N

GLOBAL FINANCIAL INNOVATION NETWORK



We are keen to gather views on the feasibility of developing the **Global Financial Innovation Network**



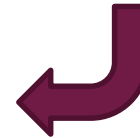
National sandboxes currently only allows firms to test in their home market



We recognise this is an **ambitious goal** – how might it work best?



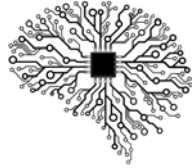
Collaboration amongst regulators is key





GFiN

GLOBAL FINANCIAL INNOVATION NETWORK



- Invite firms to address **pre-identified regulatory and policy challenges**
 - Regulators could set out areas where cross-border testing would be most beneficial
- Support specific firms wanting to **test in multiple jurisdictions concurrently**
 - Support for firms wanting to grow at scale in different markets
- Facilitate joint **policy and regulatory approaches to common challenges**
 - Regulators could organise joint events and collaborate on joint policy papers addressing emerging trends and challenges
 - Not about the harmonisation of standards across borders
- **Establish an international college of regulators** having their own sandboxes
 - Firms working with one regulator could gain access to multiple regulators



www.fca.org.uk