FCA Innovate
May 2018

Laura Royle
Manager, Innovate
Financial Conduct Authority
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
- **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
- **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
- **January 2019** – Guidance consultation on cryptoassets published
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

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<thead>
<tr>
<th>support provided</th>
<th>success in market</th>
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<tbody>
<tr>
<td><strong>1,563</strong> applications for <strong>support</strong></td>
<td><strong>start-ups in Sandbox cohort 1</strong> receiving <strong>£135m</strong> total equity funding</td>
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<td><strong>686</strong> firms <strong>supported</strong></td>
<td>~<strong>80%</strong> of firms that <strong>successfully</strong> tested in the <strong>Sandbox</strong> are still in operation</td>
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<tr>
<td><strong>149</strong> informal steers</td>
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<td><strong>101</strong> authorisations or variations of permissions</td>
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<td>~<strong>40%</strong> reduction in time to determine authorisation application</td>
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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.

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<th>incubents are responding</th>
<th>our support is broad</th>
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<tr>
<td>• development of innovation hubs/units</td>
<td>• firms supported from across all sectors</td>
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<td>• partnerships with private accelerators</td>
<td>• increase in number of large firms applying to Sandbox (9 in cohort 5)</td>
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<td>• partnerships with FinTechs (~50% of Sandbox tests involved a partnership between an incumbent and a start-up)</td>
<td>• increase in number of regional and international applications to Sandbox (46 in cohort 5)</td>
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<td>• imitation of disruptive innovation by incumbents</td>
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## 3. Positive Innovation

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<th><strong>encourages positive innovation domestically and internationally</strong></th>
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<td><strong>creating a supportive regulatory environment</strong></td>
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<td>- through policy publications such as guidance on <strong>Distributed Ledger Technology</strong> (DLT) and <strong>cryptoassets</strong></td>
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<td>- increasing focus on areas where we think <strong>innovation</strong> can be particularly beneficial e.g. <strong>Green FinTech Challenge</strong> and <strong>six themed events</strong></td>
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<td><strong>collaboration and leadership on a global scale</strong></td>
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<tr>
<td>- promoting <strong>collaboration</strong> through the Global Financial Innovation Network</td>
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<td>- signing <strong>11 co-operation agreements</strong> with international regulators</td>
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<td>- involving international peers in our <strong>RegTech</strong> work and <strong>TechSprints</strong></td>
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<td>- working with international standard setters to develop <strong>global standards</strong></td>
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We are keen to gather views on the feasibility of developing the Global Financial Innovation Network.

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

Collaboration amongst regulators is key.

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