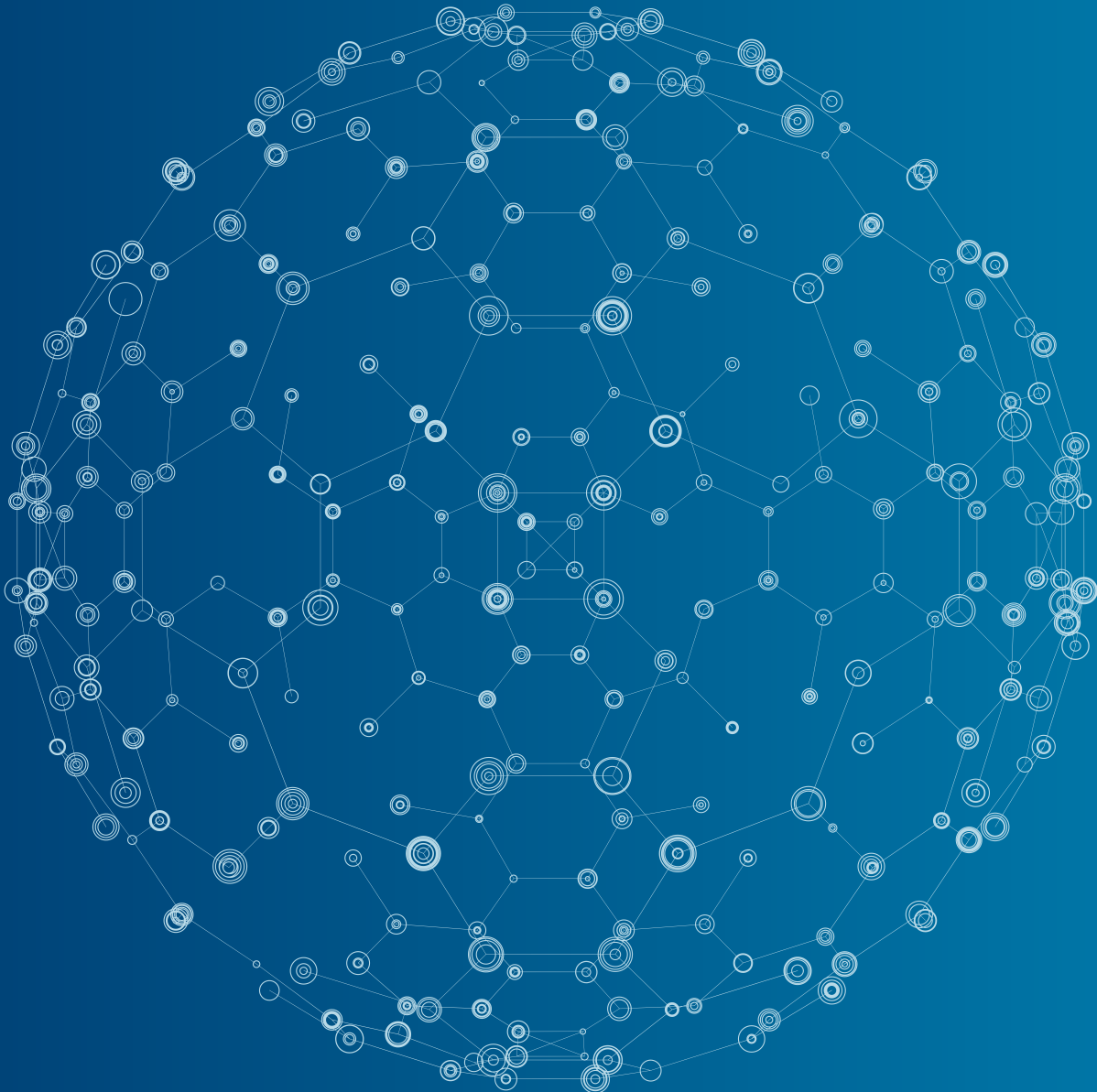


# FCA Regulatory Sandbox



# Contents

- 3** What is the Regulatory Sandbox?
- 4** How to apply and sign up for application support
- 5** Our eligibility criteria
- 6** Journey through our Regulatory Sandbox
- 7** Pre-application
- 8** Application
- 9** Testing
- 10** Exit
- 11** FAQs

# What is the Regulatory Sandbox?

## The Regulatory Sandbox...

...allows businesses to test **innovative** propositions in the market with **real consumers**.

-

...is open to **authorised** firms, **unauthorised** firms that require authorisation and **technology** firms partnering with, or providing services to, UK firms doing regulated activities.

-

...provides firms with support in identifying appropriate **consumer protection safeguards**.

-

...tests are expected to have a **clear objective** (eg. reducing costs to consumers) and to be conducted on a **small scale** ie. firms will test their innovation for limited duration with a limited number of customers.

-

...requires firms which want to test products / services which are regulated activities to be authorised or registered with the FCA **before** starting the test.

-

...is not a regulatory exempt space.

-

...will not offer bespoke set of rules for firms.

# How to apply

The sandbox is open to applications from all sectors of the financial services market and is available throughout the year.

The [sandbox application form](#) asks firms to explain their product/service; how it meets our eligibility criteria; and to outline the proposed testing plan including what sandbox tools they require.

## **Sign up for application support**

We hold regular support sessions on how to complete an effective application. These sessions are not to discuss your innovation or to answer any regulatory questions.

To sign up for our application support sessions, please email [Regulatory Sandbox Application Support](#).

## **Contact us**

If you have any questions about the sandbox please email us at [sandbox@fca.org.uk](mailto:sandbox@fca.org.uk).

For more information

- > [Our eligibility criteria](#)
- > [What Sandbox tools are available](#)

# Our eligibility criteria

## **In scope**

We only support proposals intended for the UK financial services market. This means your proposition must either involve regulated activities or support firms doing regulated activities.

## **Genuine innovation**

An innovative business can be something completely unprecedented, a new spin on an existing idea, or an idea that has yet to gain traction in the wider market. For example, it can be a new way of allowing underserved consumers to get access to financial services, or it can be a new market for existing products.

## **Consumer benefit**

All proposals that we support must benefit consumers, and not expose them to undue risk. This can mean anything from making an existing service cheaper or more efficient, making it more widely available, or aiming a service at groups who are not well-served by existing markets - for example, firms looking to encourage diversity and inclusion in financial services.

## **Need for sandbox**

We expect firms to demonstrate that they have a genuine need for FCA support. A firm might need the sandbox because the innovation does not easily fit within the existing regulatory framework, making it difficult or costly to get the innovation to market. Firms can request to use one or more of a range of sandbox tools to conduct a live test with the FCA's oversight.

## **Readiness**

Generally, we expect firms to have built a version of the proposition they are looking to test in the sandbox at the point of application. Firms should also have given some consideration to the applicable regulations and understand what is involved in becoming authorised (if required). We expect firms to have a clear objective for their sandbox test and have given some thought to risks and success measures. Equally important is ensuring that testing partners that are necessary to facilitate the test, are happy and ready to participate in the test when it begins.

> Visit our website for a list of positive and negative indicators for each of our eligibility criteria

# 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.

# Journey through our Regulatory Sandbox

## **Pre-application**

Firms need to be ready for sandbox testing as set out in our 'readiness' criterion. Generally, firms will have built a version of the proposition they are looking to test in the sandbox and begun operationalising the business model (e.g. secured contractual agreements with partners, recruited the core team and raised the funds needed for the sandbox test).

- Firms need to know which regulated activities they may be carrying out during their sandbox test. [PERG 2.7](#) in our Handbook provides a broad outline of the activities the FCA regulates.
- Firms looking to provide payment services should review our [Approach to Payment Services](#) and Electronic Money. Page 18 provides an overview of what activities constitute payment services.
- Firms must meet our [Threshold Conditions](#) to be authorised.



# Journey through our Regulatory Sandbox

## Application

Firms complete the application explaining why they meet sandbox eligibility criteria, with details of their proposed testing plan.

The sandbox team assesses the application against the eligibility criteria.

- The sandbox team will continue to work with firms that are assessed as potentially eligible, to further develop their testing plans.
- Firms that do not meet the criteria will be informed that they are ineligible.

The potentially eligible firms will then refine the submitted testing plan, with support from the sandbox team. Firms can select from a range of sandbox tools (informal steer, individual guidance, restricted authorisation, waivers, no enforcement action letters).

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





# Journey through our Regulatory Sandbox

## Testing

The requested sandbox tool(s) will be issued to firms eg. restricted authorisation. If the sandbox test involves conducting a regulated activity, the firm will need to apply for authorisation to hold relevant permissions to carry out the test.

Authorisation must be approved before the test begins.

Authorisation for testing in the sandbox will typically have a restriction attached. For example, we may restrict the number or type of customers that a firm may serve during their test.

The sandbox test generally lasts up to 6 months.

The test is closely monitored by the sandbox team.



# Journey through our Regulatory Sandbox

## **Exit**

Firms submit end of testing report, exits sandbox and agrees on next steps. These may include to apply for a [Variation of Permission \(VOP\)](#) to continue the activity without the restriction(s) on their permission(s).



# FAQs

## **What is a restricted authorisation?**

To conduct a regulated activity in the UK, a firm must be authorised or registered by us, unless exemptions apply. Firms that are accepted into the sandbox will need to apply for the relevant authorisation in order to test, assuming the test involves conducting a regulated activity.

We have a tailored, more proportionate authorisation process for firms accepted into the sandbox. Any authorisation or registration will be restricted to allow firms to test pre-agreed activities which are set out in the firm's testing plan. For example, we may restrict the number or type of customers that a firm may serve during their test.

This proportionate approach should make it easier for firms to meet our authorisations requirements which will reduce the cost and time to get the test up and running.

## **Is there a fee for applying or being accepted into the sandbox?**

There is no charge for applying for or being accepted into the sandbox, or for any of Innovate's services. However, firms that need to be authorised or registered, including to conduct their sandbox test, will need to pay the standard authorisation or registration fee. More information on fees can be found on our [website](#). The fees for full authorisation are the same as the fees for restricted authorisation.

## **Do I need to be capitalised before I apply?**

You don't need to be capitalised before applying for sandbox, and you don't need to be capitalised before applying for authorisation. However, you will need to satisfy our Authorisations team that you can get sufficient funding, and you will need to capitalise your firm before final authorisation can be granted. Required capitalisation will vary depending on the actual business model. You may wish to start the process of getting a business bank account well in advance of applying for authorisation.

# FAQs

## **What types of firms are not suitable for the sandbox?**

The sandbox is not suitable for firms that are in very early stages of development and have not yet built their model. Our other support services, such as [Innovation Pathways](#), may be more suitable for firms in this stage of development - for example, in helping a firm to determine what regulated activities they are proposing to carry out.

On the other hand, firms that have a well-developed proposition that is ready to launch in the market may not need the support of the sandbox. If firms have already tested their proposition in the market or resolved any regulatory queries, they may prefer to apply directly for [authorisation](#).

Due to the complexity of the following services and the associated regulatory requirements, the sandbox does not facilitate tests that include:

- deposit taking
- underwriting insurance
- operating a multilateral trading facility (MTF) or organised trading facility (OTF)

Firms which want to engage in deposit taking can contact the [New Bank Startup Unit](#). Prospective insurers can contact the [New Insurer Startup Unit](#).

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