



Regulation and Innovation

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The FCA and Project Innovate

- Tens of thousands of regulated players in the financial sector
- FCA statutory objectives:
 - Financial consumer protection
 - Integrity of the financial system (inc. reducing its susceptibility to financial crime)
 - *Promotion of competition in the interests of consumers*
- Project Innovate – designed to promote competition by making the regulatory system more innovation-friendly
- Two main strands:
 - Direct engagement with innovative businesses (inc. one-to-one regulatory advice via Innovation Hub)
 - Pro-innovation process and policy improvement (e.g. “informal steers”, regulatory “sandbox”, end-to-end process (managed transitions from Hub to Authorisation to Supervision))

Direct support

Eligibility:

- Concept is genuinely innovative
- Innovation prospectively benefits consumers (directly or via competition)
- Innovator has done some research into regulatory position
- Innovator needs support

Statistics for 14 months:

- 413 requests for support
- 52% supported
- 18 new firms authorised and 21 in authorisation process

Policy and process improvement

- Engagement with innovators via themed weeks - “robo-advice”
- “Regtech”
- The Cloud
- Barriers to innovation in digital & mobile solutions
- Regulatory sandbox...

Regulatory sandbox – objectives

Regulatory sandbox - safe space for businesses to test out innovative ideas with real people.

Objectives:

- Reduced time-to-market at potentially lower cost
- Better access to finance
- More innovative products reaching the market
- Appropriate consumer protection safeguards built in to new products and services

Regulatory sandbox – options

Unauthorised firms

- Barrier to testing: unauthorised firms providing financial services – criminal offence
- Sandbox option: restricted authorisation

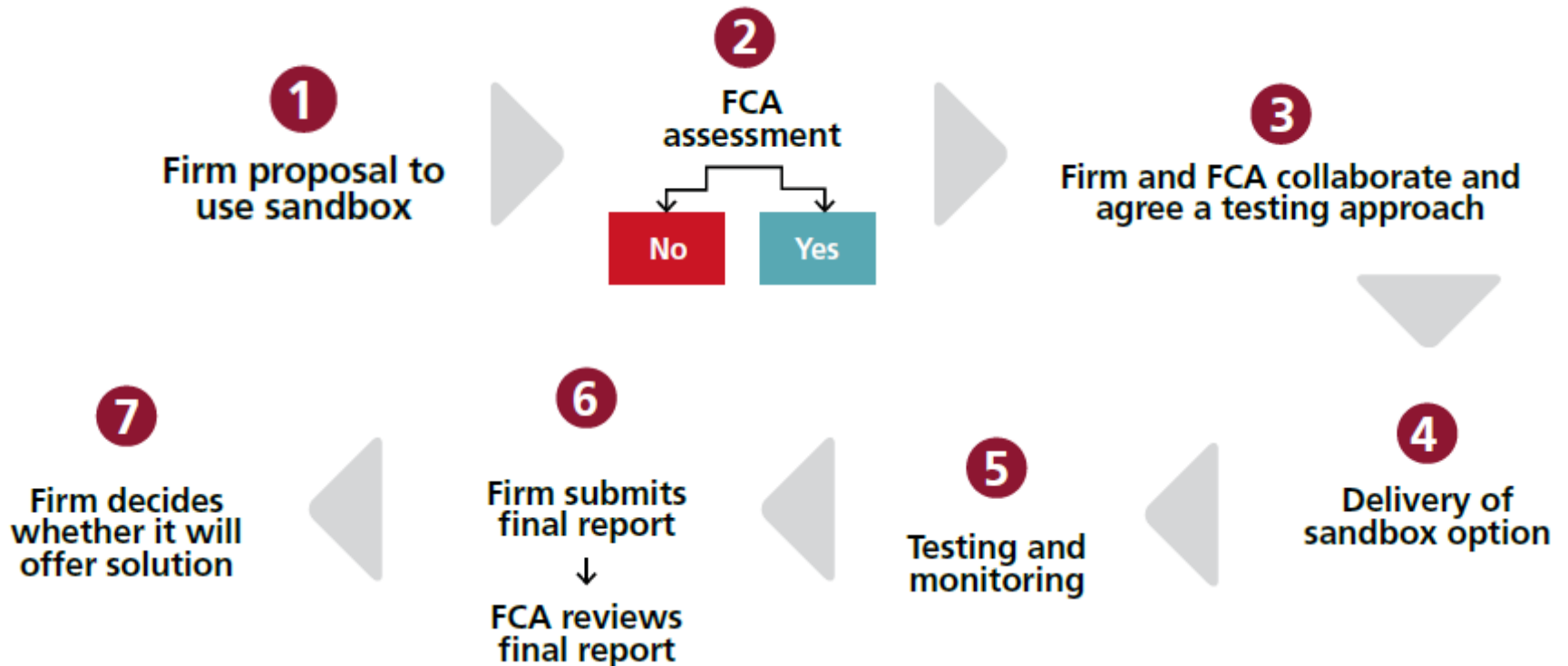
Unauthorised and authorised firms

- Barrier to testing: concern regarding FCA reaction to new solutions
- Sandbox options:
 - No enforcement action letters
 - Individual guidance
 - Waivers

Regulatory sandbox – firm journey

Criteria for using Sandbox

Firm in scope / Genuine innovation / Consumer benefit
Need for Sandbox / Background research



Next steps

- New market entrants: an end-to-end experience
- International engagement
- Engagement with large incumbent institutions
- Follow up on digital & mobile solutions call for input
- Get sandbox up and running