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Home > Regulatory sandbox

Regulatory sandbox

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The regulatory sandbox aims to create a 'safe space' in which businesses can test innovative products, services, business models and delivery mechanisms in a live environment without immediately incurring all the normal regulatory consequences of engaging in the activity in question.

Firms can apply for the first cohort of the regulatory sandbox until **8 July 2016**. The application form and instructions on how to apply are available below.

Christopher Woolard, our director of strategy and competition, [explained the sandbox in a speech](#) [3] on 11 April 2016.

Who the sandbox is for

Unauthorised businesses

The sandbox may be useful for unauthorised firms that need to become authorised before being able to test their innovation in a live environment.

We have set up a tailored authorisation process for unauthorised firms that want to join the sandbox. Successful firms will be granted restricted authorisation that only allows them to test their ideas. These firms will still need to apply for authorisation and meet threshold conditions, but only for the limited purposes of the sandbox test.

This should make it easier for firms to meet our requirements, and reduce the cost and time to get the test up and running.

This restricted authorisation option is not available to firms looking for a banking license. Firms looking to become a bank should contact the FCA and Prudential Regulation Authority's (PRA) joint [New Bank Start-up Unit](#) [4].

Authorised businesses

The sandbox may be useful for authorised firms looking for clarity around applicable rules before testing an idea that does not easily fit into the existing regulatory framework.

We can help in the following ways:

- **Individual guidance:** setting out how we interpret relevant rules in the context of the test. This creates a safe space because, if you act in accordance with this guidance, we will proceed on the basis that you have complied with the aspects of our rules that the guidance relates to.
- **Waivers or modifications to our rules:** if your test might breach one of our rules we may be able to waive or modify it where it is unduly burdensome or not achieving its purpose, and waiver or modification would not adversely affect the advancement of any of our objectives. We are not able to waive national or international law.
- **No enforcement action letters:** this letter would give firms some comfort that as long as they dealt with us openly, kept to the agreed testing parameters and treated customers fairly, we accept that unexpected issues may arise and we would not expect to take disciplinary action.

We would only use this tool for cases where we are not able to issue individual guidance or waivers but we believe it is

justified in light of the particular circumstances and characteristics of different sandbox tests. The letter would only apply for the duration of the sandbox test, only to our disciplinary action and will not seek to limit any liabilities to consumers. We have not used this tool before, so we do not have examples of particular circumstances where these letters may be appropriate.

Technology businesses supporting financial services

Technology businesses that want to provide services to FCA regulated firms (eg, through outsourcing agreements) can also apply for the sandbox and the above tools if they need clarity around applicable rules before testing.

How to apply for sandbox

You can apply to be part of the first sandbox cohort until 8 July 2016.

We will also run a second cohort with applications accepted from November to mid-January 2017.

To apply for the sandbox you must complete the [sandbox application form](#) [5] and email it to sandbox@fca.org.uk [6].

In the application form you have to explain your proposition and how it meets the [sandbox eligibility criteria](#) [7].

Your application must show that:

- the firm is in scope
- the idea is a genuine innovation
- there is a consumer benefit
- there is a need for sandbox, including which tool and why
- the firm is ready for testing

Ready for testing

The requirement for a firm to be ready for testing is a particularly important part of your application as we will select firms with the most feasible tests for the first cohorts.

For this criterion we will be interested in:

1. whether your idea is in a stage of development where it can be tested in a live environment (including if you have done any testing so far)
2. your testing objective and testing plan

We will agree the exact testing parameters and customer safeguards with each sandbox firm on a case-by-case basis depending on the type of customers engaged in the test, and the size, scale and risk of the trial. To help you start thinking about your test, we have developed some [default standards](#) [8] that will be our starting-point.

How we assess applications

We will assess sandbox applications after 8 July 2016 and select a small number of firms based on the eligibility criteria.

We will contact all applicants by mid-August to tell them whether they have been accepted into the sandbox programme. If you are accepted, we will start working with you to agree the details of the test and then issue the sandbox tool.

For dual-regulated firms, we will work with the PRA to agree the appropriate sandbox tools. Where necessary, these will be delivered in consultation or with the consent of the PRA in line with the terms of our Memorandum of Understanding.

Monitoring sandbox tests

We will agree with you on the reporting requirements that are appropriate for your test. Our starting position is that firms will generally have to report each week on agreed testing milestones, key findings and risk management during testing.

If you fail to report to the Innovation Hub or do not comply with [Principle 11 of the FCA Handbook](#) [9], we reserve the right to end the test.

After the test is completed, you will have four weeks to produce and submit a final report. We will give written feedback on the report but we will not certify business models or sign off products or services.

We will also look to publish findings from sandbox testing to educate the industry on any learnings. However, we will have to review what we can publish on a case-by-case basis to ensure that any confidential information is protected.

Contact us

If you have any questions about the sandbox, you can email sandbox@fca.org.uk [6] or call 020 7066 4488.

Project Innovate and Innovation Hub [10]

Objectives of Innovation Hub	[11]
Project Innovate: next steps	[12]
Project Innovate: RegTech	[13]
Project Innovate: themed weeks	[14]
Regulatory sandbox	[15]
Eligibility for Innovation Hub	[16]
Request Innovation Hub support	[17]
Advice Unit	[18]
Loan-based crowdfunding platforms: summary of our rules	[19]
Test customer communication ideas	[20]
Innovation Hub events	[21]
Contact the Innovation Hub	[22]

Introduction to Innovation Hub

What is the Innovation Hub?	[23]
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Source URL: <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/regulatory-sandbox>

Links

- [1] <https://www.the-fca.org.uk/print/firms/project-innovate-innovation-hub/regulatory-sandbox>
- [3] <http://www.fca.org.uk/news/innovate-finance-global-summit>
- [4] <http://www.bankofengland.co.uk/pr/nbsu/Pages/default.aspx>
- [5] <http://www.fca.org.uk/your-fca/documents/forms/regulatory-sandbox-application-form>
- [7] <http://www.fca.org.uk/your-fca/documents/sandbox-eligibility-criteria>
- [8] <http://www.fca.org.uk/your-fca/documents/default-standards-for-sandbox-testing-parameters>
- [9] <https://www.the-fca.org.uk/about/principles-good-regulation>
- [10] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub>
- [11] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/objectives>
- [12] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/next-steps>
- [13] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/regtech>
- [14] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/themed-weeks>
- [15] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/regulatory-sandbox>
- [16] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/eligibility>
- [17] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/request-support>
- [18] <https://www.the-fca.org.uk/firms/project-innovate-and-innovation-hub/advice-unit>
- [19] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/loan-based-crowdfunding-platforms-summary-our-rules>

- [20] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/test-customer-communication-ideas>
- [21] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/events>
- [22] <https://www.the-fca.org.uk/firms/project-innovate-innovation-hub/contact>
- [23] <http://play.buto.tv/DWCTY>

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