



Lara Kaplan

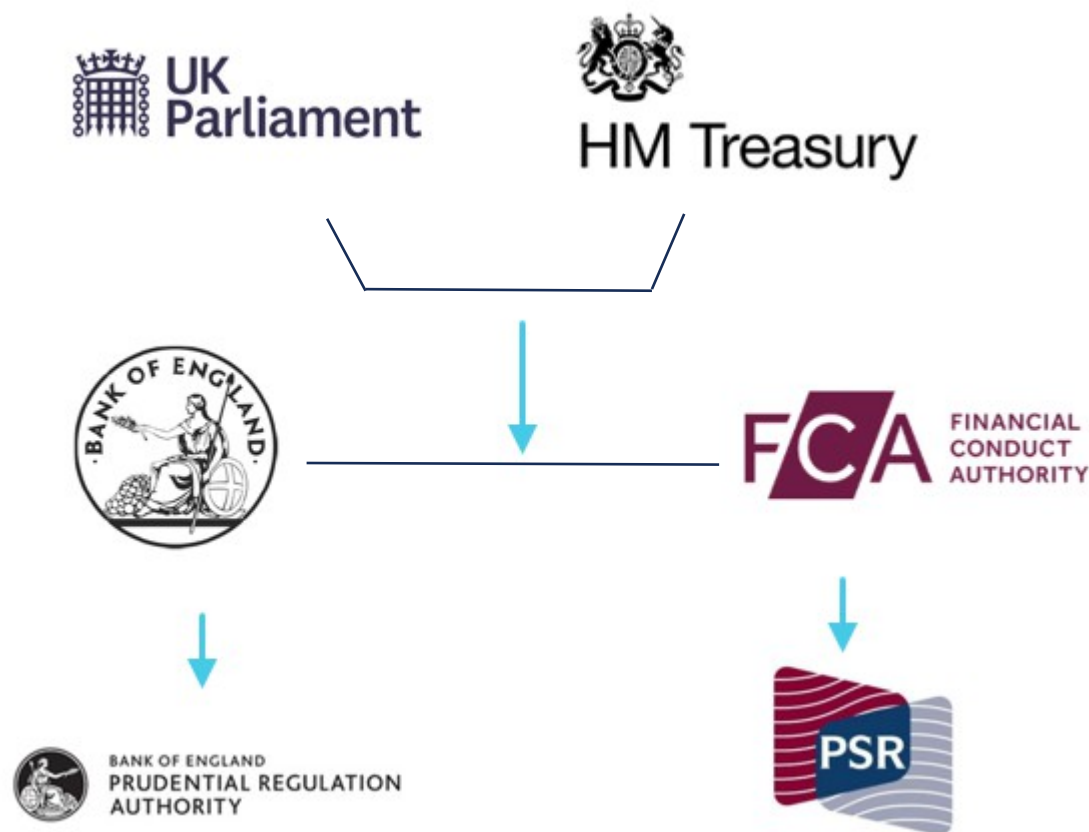
Lara Kaplan Background

- Financial Services Regulatory Lawyer qualified in England & Wales
- FinTech and Payments Group, Paul Hastings in Washington DC*
- Finance & Innovation Global Group, World Bank Consultant
- Previously a Lawyer at the Financial Conduct Authority in London
- Experience in the UK Parliament and European Parliament



*not admitted to the bar in Washington DC

Uk regulatory landscape for fintech firms



FCA FOCUS ON FinTech

OBJECTIVES

APPROACH



INNOVATION
HUB

- Began as Project Innovate in 2014
- Innovation at scale in the UK
- Direct support to firms



Fca sandbox

What is it?

- ❖ In-market testing environment
- ❖ Predefined restrictions and regulatory dialogue

Why have one?

- ❖ Reduce existing regulatory barriers
- ❖ Maintain consumer safeguards
- ❖ Benefits such as increased understanding

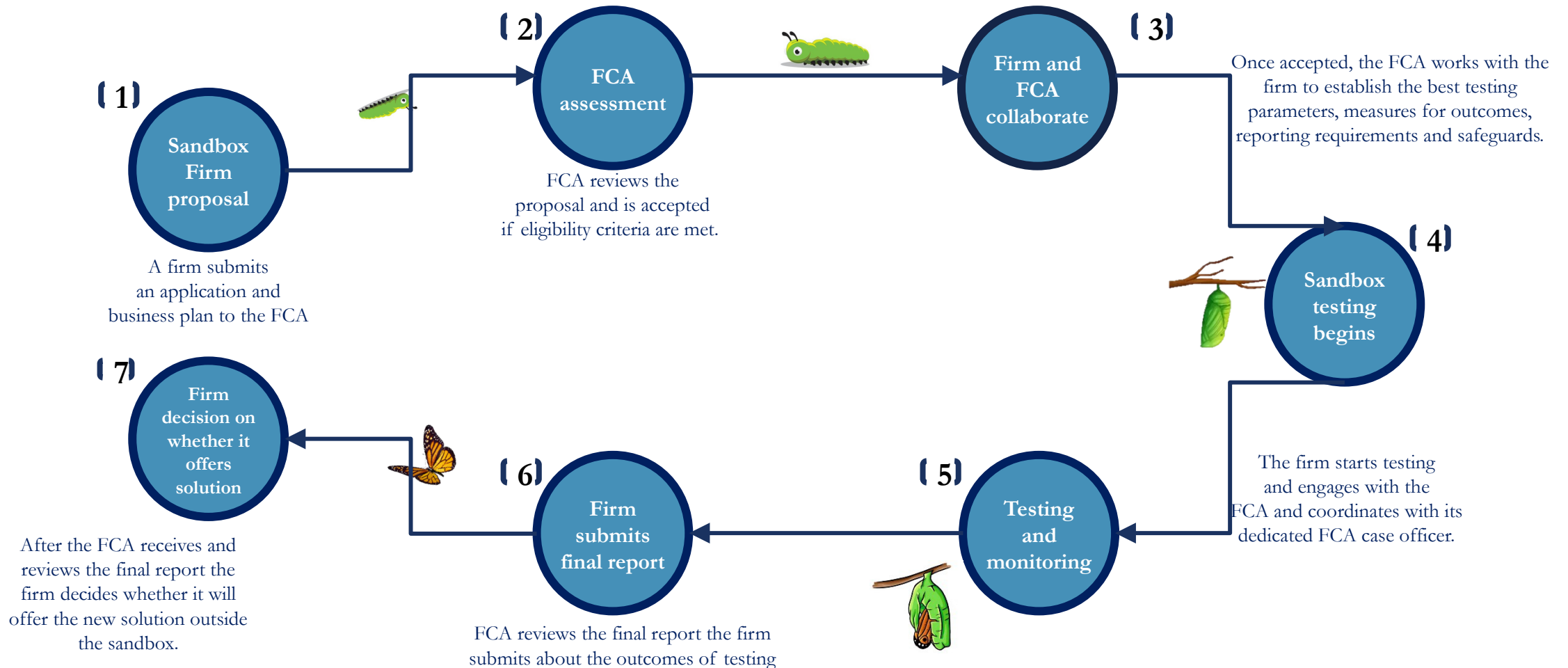
How do you set one up?

- ❖ Public consultation
- ❖ Internal political hurdle

Crypto examples in the sandbox



STAGES OF A SANDBOX JOURNEY



Sandbox tools



Individual
Guidance



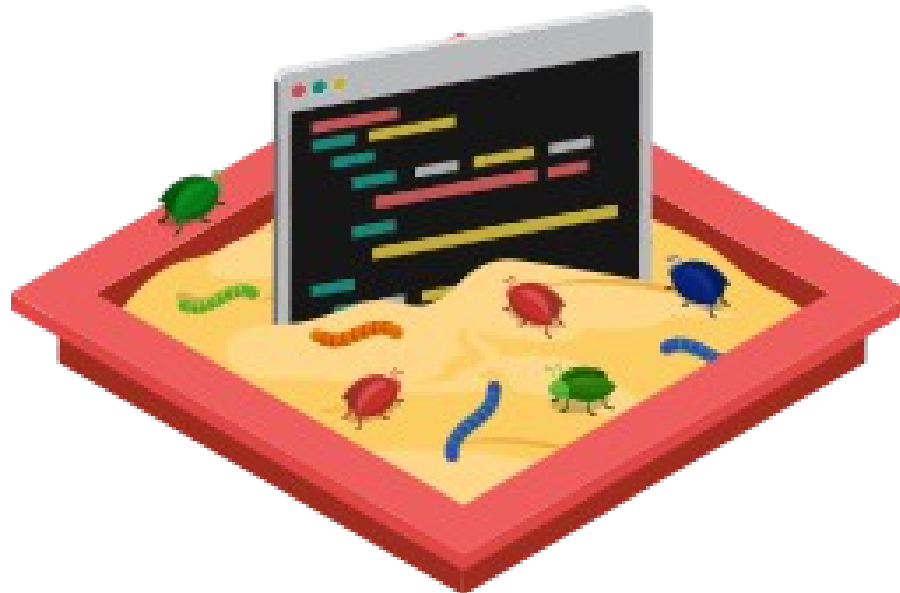
Informal Steer



No Action Letters



Waivers



Restricted
Authorisation



Benefits of a Sandbox

Regulator Benefits:

- ❖ Learn technology
- ❖ Increase knowledge
- ❖ Help develop supervisory techniques



Consumer Benefits:

- ❖ More effective competition
- ❖ Innovative products
- ❖ Ensures safeguards

Firm benefits:

- ❖ Early dialogue with regulator
- ❖ Flexible regulatory environment
- ❖ Regulatory clarity

Designing your own Sandbox: Risks & Consumer Protection

Risks with a sandbox:

- ❖ Limited regulatory capacity
- ❖ Uneven playing field
- ❖ Liability issues



Four potential approaches to protecting consumers in a sandbox

1. Notify customers of potential risks and available compensation; or
2. Regulator agrees on a case-by-case basis any necessary disclosure, protection and compensation appropriate to the testing activity of the firm; or
3. Customers have the same rights as customers who engage with other authorised firms; or
4. Firms in the sandbox are required to compensate any losses including investment loss to customers and demonstrate they have the capital to do so to be eligible for the sandbox.

Global financial innovation network

How it was established:

- ❖ Co-ordination
- ❖ Consultation



Projects:

- ❖ Sandbox
- ❖ Regtech
- ❖ Anti-money laundering



Aims:

- ❖ Network
- ❖ Co-operation & sharing information



To join:

- ❖ Open
- ❖ Terms of Reference
- ❖ Application

Global sandbox? Cross border testing

Operation of the Global Sandbox:

- ❖ Meet application requirements in all jurisdictions
- ❖ Each regulator ensure own safeguards and firm eligible
- ❖ Dedicated team to collaborate between firms and regulators
- ❖ Pilot test run for 6 months
- ❖ Want firm feedback

- ❖ 44 applications, 17 participating regulators
- ❖ Majority were in RegTech and crypto-asset related business models
- ❖ Test for regulators as much as for firms
- ❖ Concurrent testing across multiple jurisdictions
- ❖ Joint policy discussions and events



Example:

Tradle: a blockchain based KYC and onboarding platform that uses artificial intelligence and cloud services to help institutions meet regulatory obligations. They are working on self-executing cross-border KYC policies. The relevant regulators are: Abu Dhabi Global Market (ADGM) and FCA.



Any questions?



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