ENHANCING THE UK'S APPROACH TO INNOVATION
in financial services

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FOREWORD

The UK has a history of leading the way in financial services. Its status is underpinned by several key strengths including multiple financial centres which can be found across the country and access to international markets. The co-location of finance, business, technology and government has given rise to deep pools of capital, and availability of highly skilled people.

FinTech encompasses innovation in financial technology provided by a variety of organisations including financial institutions, start-ups and large technology companies (also known as BigTechs). For the benefits of innovation to be realised, many firms must consider a collaborative, joined-up approach and we are now seeing increasing numbers of partnerships and joint ventures between firms of all sizes.

The UK's supportive regulatory landscape is a cornerstone of its FinTech success, and initiatives pioneered by the Financial Conduct Authority (FCA) in particular have been emulated by regulators worldwide. These have enabled the UK to build its reputation as a world leading FinTech hub, attracting and nurturing the companies that are setting the standard for the future of financial services.

The long-term impact of the evolving Covid-19 pandemic is impossible to predict, but we are already seeing the way people think about and use digital technology undergoing a radical transformation. This presents a pressing need to establish a regulatory approach to innovation which is robust but also internationally competitive. Doing so is vitally important to the ecosystem's post-Covid-19 recovery and will ensure it continues to meet the needs of customers and clients now and in the future.

Miles Celic
Chief Executive Officer, TheCityUK

EXECUTIVE SUMMARY

The UK is home to a world leading FinTech industry with over 1,600 FinTech firms operating across the country. It is also seeing the emergence of an increasingly sophisticated FinTech ecosystem as start-ups, technology firms and established operators step up their collaboration efforts.

The role of government and regulators has been fundamental to the success of the UK's FinTech industry and it is crucial that their efforts to maintain a fertile environment for innovation are continued. The FCA in particular has led the way, implementing world-leading initiatives such as the regulatory sandbox, TechSprints and thought leadership pieces on topics such as cryptoassets and machine learning.[1,2] Their work has inspired other bodies to do more to support innovative firms, and the UK now has multiple Innovation Hubs. Examples include the Information Commissioner's sandbox for firms utilising customer data, and the FinTech Alliance, a platform delivered in partnership with Department for International Trade (DIT) which aims to build links between UK FinTech bodies and provides a central location for a variety of support materials and resources.

But more could be done to ensure our approach to regulation and innovation remains world leading. This report explores the role of industry, government and regulators in ensuring innovative firms have the support needed to develop propositions and bring them to market, both in the UK and overseas. It finds that while UK regulators have shown leadership in driving forward a progressive approach to innovation in financial services, challenges around resource, delivery of support, integration and overseas expansion could be limiting the pace of change. The report therefore puts forward a mix of pragmatic and actionable recommendations which consider how government and industry can work in partnership with the regulators.

The report focuses on four key areas:

- clarifying regulatory support and engagement
- building on success by delivering new initiatives
- integrating innovation across the supervisory framework
- strengthening support of FinTech expansion into overseas markets

The UK has an outstanding track record as a global FinTech hub. The recommendations in this report are intended to build on this success, helping the UK to maintain its leadership position in this vital area at a time when international competition is becoming ever more intense.

[1] FCA, 'Machine Learning in UK Financial Services' (April 2020), available at: https://www.fca.org.uk/publication/research/research-note-on-machine-learning-in-uk-financial-services.pdf
[2] FCA, 'Discussion paper on distributed ledger technology', (April 2020), available at: https://www.fca.org.uk/publication/discussion/dp17-03.pdf

KEY FINDINGS & RECOMMENDATIONS

The content of the report draws on interviews with more than 20 individuals holding senior positions in UK, US and European FinTechs, financial institutions, and UK and US regulators. We are very grateful to them all, and we hope that the findings and recommendations in this report will help to strengthen and improve the UK's position as a world-leading centre for financial innovation.

Theme	Clarify regulatory support and engagement	
Findings	**There are often several stages to a new entrant's authorisation journey** For many new entrants, achieving full authorisation is a journey, and they will apply for additional permissions as they mature. Understanding the different options early in the journey would be an advantage.	
	Regulators' published statements and materials can be hard to understand Materials published by regulators are complex and hard to understand. This is compounded by websites which are hard to navigate, making it difficult to find relevant information.	
	Some firms do not know who to engage with There are several support mechanisms for innovative firms, but it can be hard to understand which service is most suitable for their company's requirements and stage of development.	
Recommendations	**Create publicly available 'guidebooks' to UK regulation** A clear introduction to UK regulation, and especially to the different authorisation options, would be a useful resource. This resource should also set out what support is available from regulators and other organisations.	Industry bodies, FinTech Alliance
	Improve the accessibility of regulatory materials, working with industry to identify potential improvements As well as improving the readability of their materials, regulators should look to improve their websites to enable easier discovery of relevant materials. The Bank of England's website is a good example of recently improved website design which other regulators should look to emulate.	UK regulators, industry bodies
	Create a forum or alumni network for innovative firms to share experiences of regulatory support Creating a regular forum for firms that have experienced regulatory support could have a range of benefits including greater awareness of how the process works and what support is available.	Industry bodies

Theme	Build on success by delivering new initiatives	
Findings	**Establishing partnerships remains challenging** Regulated firms that want to use innovative solutions bear the full regulatory burden, making it difficult for them to fully implement new technology. This is particularly relevant for B2B solutions where the FinTech firm does not require authorisation. **Investors use sandbox participation as a proxy for regulatory certainty** Acceptance into the FCA Sandbox can be seen favourably by investors which may have the unintended side effect of raising the profile of only a small number of firms and increasing the burden on the sandbox. **There are limitations to the regulatory sandbox model** Some firms do not feel the FCA Sandbox is suited to their needs. Examples include RegTech propositions and products that do not clearly fit within the existing framework. The FCA has also noted that large and mid-size players are less likely to use the sandbox.	
Recommendations	**Create a broader set of ratings or accreditations for FinTechs** A system of accreditation for all FinTech firms could help consumers and financial institutions understand firms' regulatory status and lower barriers to entry in the B2B space. It could also help widen access to investment for a broader set of firms. Efforts in this area would be supported by a greater understanding of the types of technologies regulators would like to see being adopted across the industry.	Industry bodies
	Deliver a digital sandbox in partnership with industry A shared platform which provides access to data for innovative firms and that enables other regulators and industry participants to observe and participate in off-market tests would be a valuable resource. The FCA should work to understand the needs of larger and mid-size players as well as new entrants.	FCA and industry bodies

Theme	Integrate innovation across the supervisory framework	
Findings	**Regulators are beginning to respond to the challenges posed by technological change** The industry faces real challenges in ensuring it has access to the talent and skills it requires in a period of technological change. Regulators are beginning to respond and have published strategies outlining how they intend to harness the power of data in support of their objectives. **Despite these efforts, few front-line regulatory staff have detailed knowledge of new business models** UK regulators are accelerating the recruitment of data science expertise, but they can still be clearer on the features, risks and benefits of innovative propositions.	
Recommendations	**Further the integration of Innovation Hub expertise across regulatory bodies** Innovation Hub approaches and expertise should be integrated to boost general understanding of innovative business models within regulatory bodies, and to support the adoption of an innovation mindset within front-line functions.	UK regulators

Theme	Strengthen support of FinTech expansion into overseas markets	
Findings	**There are a variety of approaches to FinTech engagement across different geographies, resulting in friction for new market entrants** Complex regulatory systems which differ from the UK model can result in friction for UK firms looking to expand into overseas markets. **Regulation is a significant barrier for B2C FinTechs trying to expand overseas, but it's not the only hurdle** Despite the complexities of overseas regulation, cultural, legal and other barriers to entry present higher hurdles for UK firms.	
Recommendations	**Build on existing resources to help firms understand overseas markets** To complement the guidebooks on the UK regulatory landscape, the government, working in partnership with industry and regulators, should develop resources outlining high level points about the cultural, legal, regulatory and tax landscapes in key overseas jurisdictions. This could act as a blueprint for adoption across members of the GFIN. **Continue to step up engagement with key regulatory counterparts** The FCA should continue its work on the global sandbox and look to better utilise the referral mechanisms which enable them to refer innovative firms to regulators in other jurisdictions.	HM Treasury (HMT), DIT and the Global Financial Innovation Network (GFIN) FCA and the GFIN

INTRODUCTION

The UK is a world leader in financial services innovation. London is the only city in Europe that ranks as one of the world's top five FinTech hubs[3] and in 2018 the industry received $3.3bn of investment. FinTechs employ 76,500 people in the UK, and this figure is predicted to reach 105,500 by 2030.[4]

Over the last few years the UK FinTech industry has grown and evolved. It no longer refers uniquely to the activity of start-ups. It includes innovation by financial institutions and large technology companies, not to mention the range of firms participating in partnerships and joint ventures. The FinTech umbrella also covers a growing variety of sub-sectors including RegTech, WealthTech, PayTech and InsurTech.

Increasing collaboration between start-ups, scale-ups and large incumbents is another key feature of the market and is helping to create a complex and vibrant FinTech ecosystem. Fifty-six per cent of traditional financial institutions have technology-related disruption listed at the heart of their strategy, and 82% of financial incumbents expect to increase their FinTech partnerships over the next three to five years.[5] While recent challenges may cause some to revisit their short-term strategies, in the long-term, FinTech still plays a vital role in the success of the entire financial sector and the economy as a whole.

The progressive approach of regulators has been a key ingredient of the UK's success. The FCA, in particular, has shown consistent leadership in this area, and its approach has been widely emulated around the world. The UK's FinTech sector will also be the subject of a government review, which was announced by Chancellor of the Exchequer, the Rt Hon Rishi Sunak MP, in his most recent Budget.[6] The review aims to support the growth and competitiveness of UK FinTech, and is closely aligned to the objective of this report.

[3] Cambridge Judge Business School, 'The Future of Finance is Emerging: New Hubs, New Landscapes', (June 2018), available at: https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2018-ccaf-global-fintech-hub-report-eng.pdf

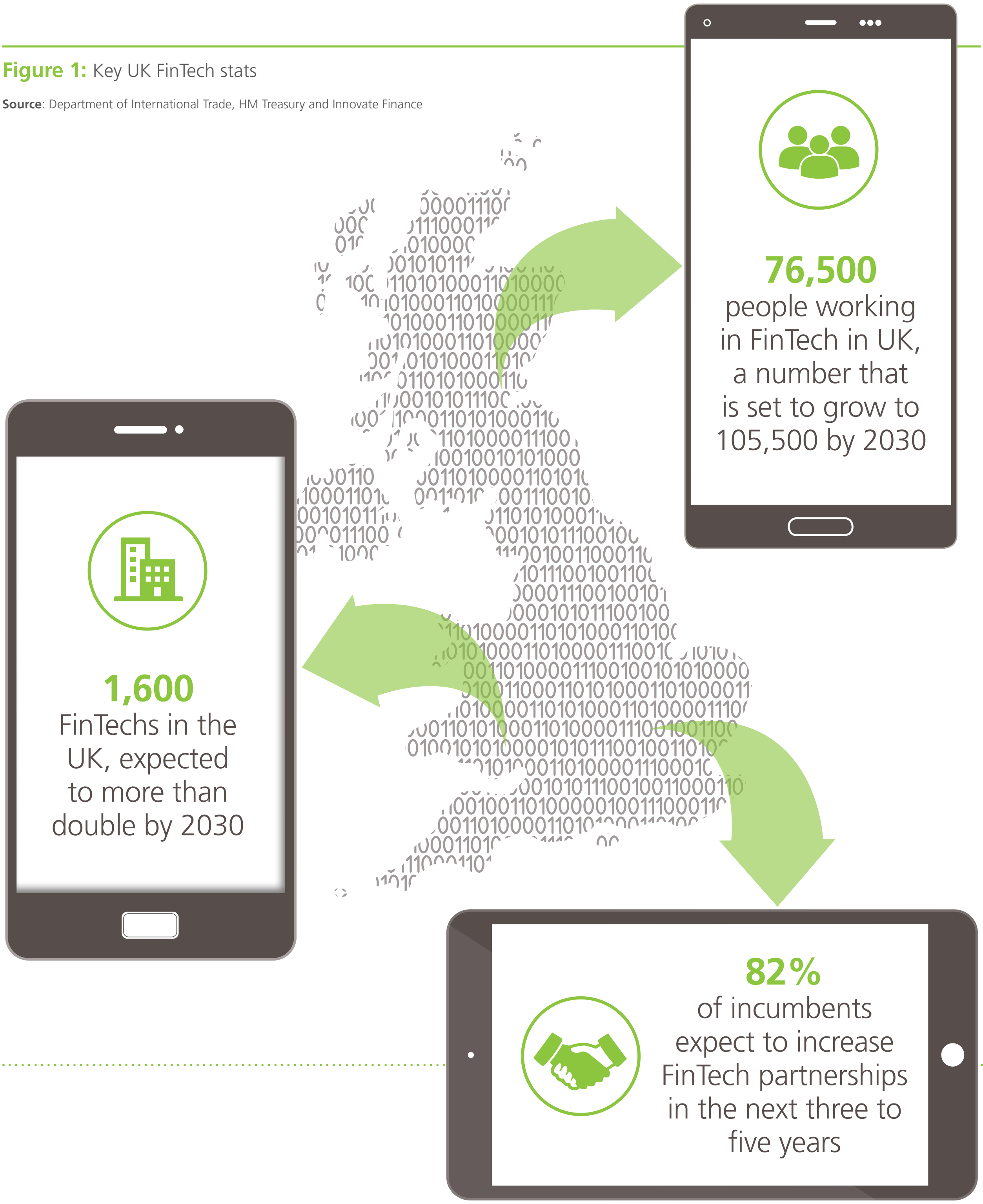
[4] Department of International Trade, HM Treasury and Innovate Finance, 'UK FinTech State of the Nation Report', (May 2019), available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/801277/UK-fintech-state-of-the-nation.pdf

[5] Ibid.

[6] HM Treasury, 'Budget 2020', (April 2020), available at: https://www.gov.uk/government/publications/budget-2020-documents/budget-2020

Figure 1: Key UK FinTech stats

Source: Department of International Trade, HM Treasury and Innovate Finance



UK authorities are working to encourage innovation

The last five years have seen UK authorities implement a series of initiatives promoting collaboration with the FinTech industry. The FCA has taken its competition mandate to heart, developing a reputation as a global leader in relation to its progressive approach to FinTech and the UK now hosts multiple Innovation Hubs.

Innovation Hubs

Innovation Hubs aim to promote collaboration and knowledge-sharing on FinTech. They typically seek to engage with bodies of all sizes across the public and private sectors. The UK's public sector Innovation Hubs for FinTech include:

FCA Innovate – the Innovation Hub of the Financial Conduct Authority, comprised of the Regulatory Sandbox, Direct Support, the Advice Unit, and Policy and Engagement functions.

Bank of England FinTech Hub – the Bank of England's own Innovation Hub.

New Bank Start-up Unit – jointly run by the FCA and the PRA to provide guidance to start-ups who want to get a banking licence.

The FinTech Alliance – a non-profit organisation that partners with HMT and DIT, aiming to build links between UK FinTech bodies and the global FinTech industry.

Tech Nation FinTech Programme – a 6-month programme aimed at company founders. The programme includes educational sessions, networking events and international showcases. Tech Nation is part-funded by the Department for Digital, Culture, Media and Sport.

These initiatives have had several benefits. First, they have fast-tracked authorisations (including 19 banking licences provided to UK start-up banks since 2013) and provided regulatory clarity for firms implementing innovative propositions, helping the FinTech industry to flourish.[7] Second, they have given UK regulators unrivalled insight into products, business models and risk management – and, accordingly, into how regulatory frameworks should be updated. They have also supported firms bringing new propositions to market resulting in greater choice for consumers.

The changes have not been without their challenges, including the FCA's need to strike a balance between supporting innovation, promoting competition and preventing consumer harm. Nonetheless, the UK approach has attracted plaudits. Christopher Giancarlo, former chairman of the US Commodities and Futures Trading Commission (CFTC), has described UK initiatives as "the gold standard in thoughtful regulatory engagement with emerging technological innovation."[8] Furthermore, former Deputy Comptroller of the Currency, Jo Ann Barefoot, said "I am a tremendous admirer of the FCA. They are bringing a kind of leadership that is very rare for regulators".

[7] Bank of England, 'New Bank Start-up Unit Seminar', (October 2019), available at: https://www.bankofengland.co.uk/prudential-regulation/new-bank-start-up-unit

[8] U.S. Commodity Futures Trading Commission, 'US CFTC and UK FCA Sign Arrangement to Collaborate on FinTech Innovation', (February 2019), available at: https://www.cftc.gov/PressRoom/PressReleases/pr7698-18

There are several regulators that have jurisdiction over UK FinTechs but for many, the FCA is the primary regulator. In a 2019 report, it was found that 50% of respondents were regulated by the FCA whilst only 4% were regulated by the PRA. The remaining firms were not regulated either because they do not require it or because they are in the process of seeking authorisation.[9]

The FCA launched Project Innovate in October 2014, with the aim of tackling regulatory barriers to innovation. The initiative has now expanded to include three primary industry-facing strands, known as Innovate. This includes the Regulatory Sandbox which was launched in 2016 following HMT's recommendation to develop a safe space where businesses could test innovative services. Innovate also has a Policy and Engagement team, responsible for developing innovation-related policy and engaging with stakeholders globally.

The three industry-facing strands of FCA Innovate

- A Direct Support Service, which helps new entrants to understand regulation and assists with authorisation applications.
- An Advice Unit which provides feedback to firms specialising in providing low cost financial advice to consumers.
- A Regulatory Sandbox, which provides a framework for testing of innovative products and business models.

The FCA's Regulatory Sandbox (FCA Sandbox) has attracted a lot of attention from regulatory bodies across the world. It provides regulatory guidance and informal steers on the interpretation of rules as well as procedure modifications and tailored authorisations. The FCA cannot waive laws, but it can waive its own rules and reduce unduly burdensome rules such as high capital requirements. It seeks to provide firms with the ability to test products and services in a controlled environment, reduce the time and cost of going to market, support in identifying appropriate consumer protection safeguards to build into new products and better access to finance. Firms are invited to apply to join different cohorts, with 118 out of 375 applicants being accepted into the sandbox's first five cohorts. The FCA's 2019 report, 'Impact and Effectiveness of Innovate', highlighted the positive impact of the sandbox programme, with 80% of firms who have participated in the programme still in operation and 'Cohort 1' start-ups receiving £135m in total of equity funding.[10] Another measure of the sandbox's success is that it has been widely emulated by other major financial supervisors around the world, and inspired the formation of the GFIN, an international group of financial regulators and organisations committed to supporting innovation in financial services.

"We accompanied a few FinTechs through the process [of the regulatory sandbox], and I think it definitely sped up the process for them." – Interviewee

[9] EY, 'UK FinTech Censes 2019', (June 2019), available at: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/topics/banking-and-capital-markets/uk-fintech-census-2019/ey-uk-fintech-census-2019.pdf?download

[10] The FCA, 'The Impact and Effectiveness of Innovate', (April 2019), available at: https://www.fca.org.uk/publication/research/the-impact-and-effectiveness-of-innovate.pdf

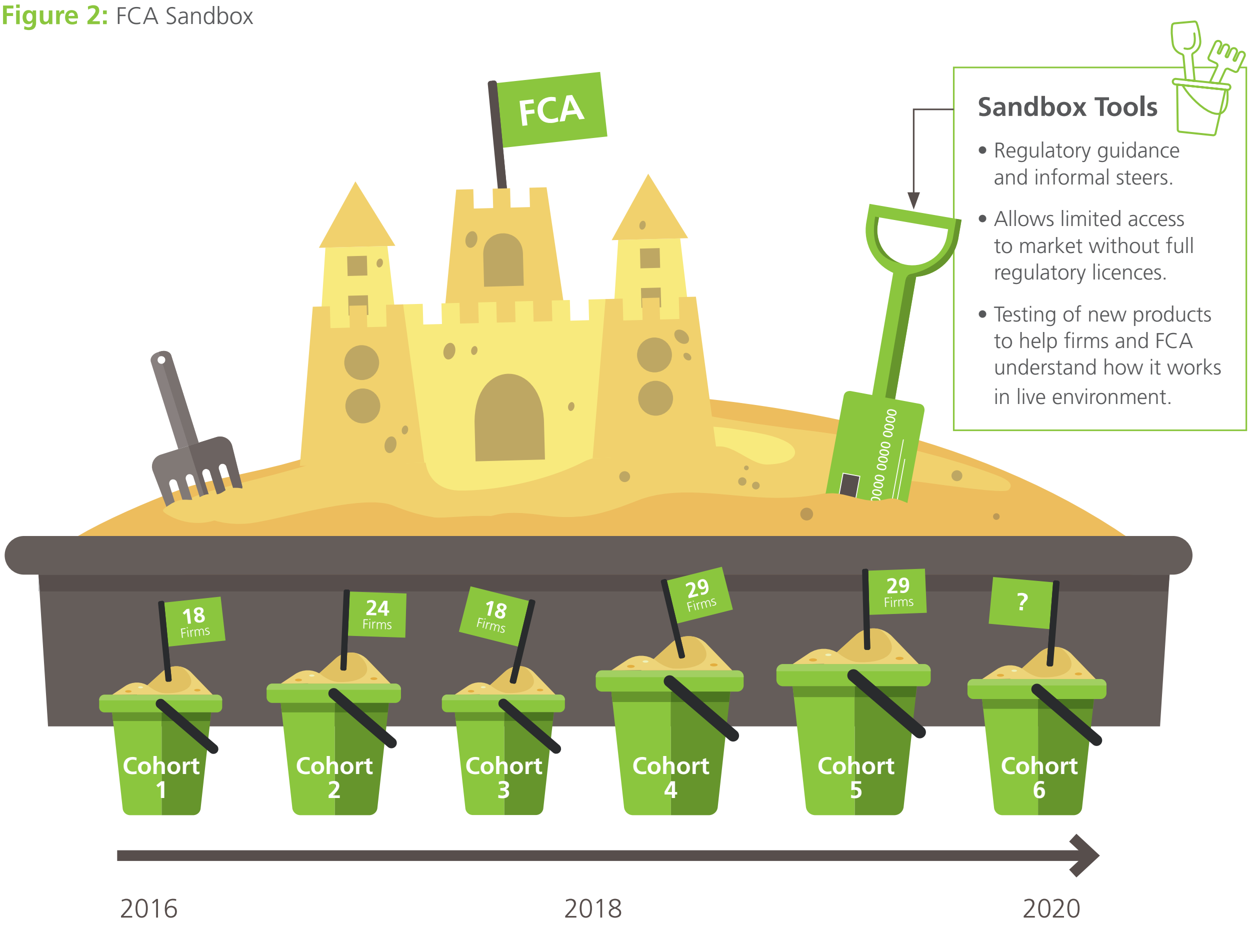
Other UK initiatives include new start-up units and infrastructure upgrades

Beyond Innovate, the FCA has worked with the PRA to streamline regulatory authorisations by creating the New Bank Start-up Unit, the New Insurer Start-up Unit and the Asset Management Authorisation Hub. The Information Commissioner's Office has also set up its own regulatory sandbox to support firms that are using personal data at the heart of their propositions.

In April 2019, HMT announced the launch of the FinTech Alliance, a non-profit organisation that partners with the Department for International Trade, aiming to build links between UK FinTech bodies and the global FinTech industry.

UK regulators are upgrading 'hard' infrastructure, including the Bank of England's renewal of the Real Time Gross Settlement (RTGS) programme. The Bank of England has launched innovation initiatives including the FinTech Accelerator, which ran several cohorts of proof of concepts with firms to explore distributed ledger technology (DLT), machine learning and other technologies. In addition, UK authorities have put significant effort into understanding RegTech – technology that aims to ease compliance burdens and enhance regulatory oversight – and have started recruiting data scientists to support their use of data.

Figure 2: FCA Sandbox



International regulatory collaboration is high up the agenda

As the UK's FinTech market has grown, so too has the need to find ways of easing overseas expansion. Different jurisdictions inevitably take contrasting approaches to financial services regulation and engagement with FinTechs, potentially creating friction for FinTechs looking to launch their products and services across borders. It can also make it hard for regulators to cooperate on international efforts to fight financial crime, enhance customer outcomes and promote financial stability.

UK regulators are therefore involved in extensive strategic contact with their counterparts in other markets. The FCA has identified international collaboration with other regulators as a key workstream within its 2019/20 Business Plan. This builds on the progress of recent years, which has seen the FCA sign 11 cooperation agreements with international regulators, play a key role in creating the GFIN, and open its RegTech Techsprints to companies from 23 countries. Similarly, the Bank of England has engaged frequently with international partners. This includes providing training on FinTech regulation to central banks from over 23 jurisdictions through their Centre for Central Banking Studies.

There are good reasons for UK regulators to pursue international collaboration; cooperating in the fight against financial crime chief among them. More specifically, sharing ideas and data – including common standards for FinTech – could be a valuable way to reduce risk and harm in the global financial system. This has become evermore important given the immediate and longer-term challenges posed by Covid-19. Other benefits include promoting UK regulators' reputations as thought leaders, understanding the implications of global BigTech firms entering financial services, and helping the UK to shape global financial frameworks.

THEME: CLARIFYING REGULATORY SUPPORT AND ENGAGEMENT

Finding: There are often many stages to a FinTech's authorisation journey

For many new entrants, the road to full authorisation is a journey, and they will apply for additional permissions as they mature. For example, several challenger banks started by applying for Authorised Representative E-money licenses before progressing through to full banking licenses.

Becoming an Authorised Representative allows a firm to act as an agent of another firm, known as the principle. The principle firm is directly authorised by the FCA and is responsible for conducting the necessary checks to ensure the Appointed Representative is compliant. Some FinTechs view this route as a quicker and cheaper route to market, but most tend to move on to secure their own direct authorisation from the FCA.

As firms look to scale-up and expand overseas, many establish partnerships with incumbent firms. A recent example is Revolut's expansion into the US market in partnership with Metropolitan Commercial Bank.

Understanding the different authorisation options available in the journey would be an advantage.

Finding: Regulators' published statements and materials can be hard to understand

Materials published by regulators are complex and hard to understand, particularly for new companies with less compliance expertise than large financial institutions. For example, many current regulatory handbooks and guidance notes are hundreds of pages long. They are also heavy on regulatory jargon which is hard to understand without legal or compliance expertise.

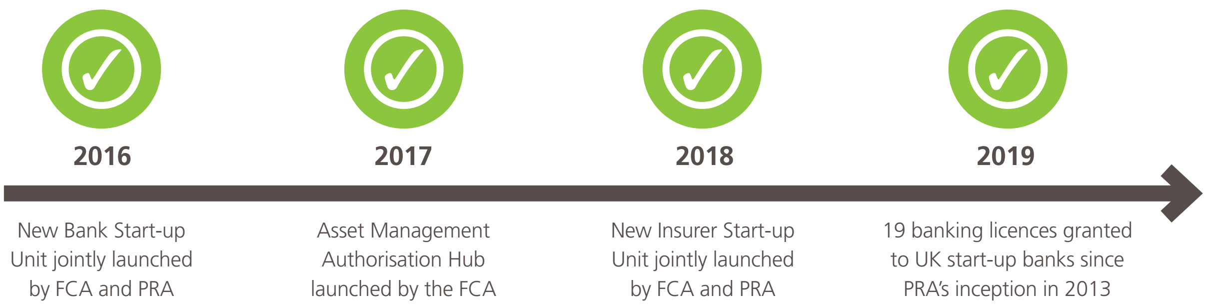
This is compounded by websites which are hard to navigate, making it difficult to find relevant information.

One exception to this rule is the guidance for new banks provided by the New Bank Start-Up Unit. This concise document explains the key steps and requirements of the UK banking authorisation process in clear English.

New Bank Start-Up Unit

The New Bank Start-Up Unit is jointly run by the FCA and PRA. It provides guidance to start-ups with a useful introduction to the regulatory framework for banking and the information they will need before applying for a banking licence. Since the unit's inception in 2013, it has had introductory meetings with over 110 start-ups, received formal applications from 32 start-ups and granted 19 new banking licences. The unit has published a 37-page guide which consolidates all the information that a new start-up needs to know to apply for a banking licence.

Figure 3: Start-up unit timeline



Finding: Some firms do not know who to engage with

UK regulators' Innovation Hubs provide a range of potential points of contact for start-ups and more established firms, but some find it hard to know where – and to whom – they should turn to for guidance and information.

It is clear from our interviews that the FCA Sandbox is the most well-known initiative, although it only accounts for around 17% of the overall number of firms supported by FCA Innovate as a whole.

This imbalance may be feeding the perception that the FCA Sandbox is the only way a firm can engage with the regulator if they don't already have a dedicated supervisor, therefore limiting the number of firms that seek to access regulatory support. It may also contribute to a misunderstanding about what sandboxes can and cannot do.

Recommendation: Create publicly available 'guidebooks' to UK regulation

A clear introduction to UK regulation, and especially to the different authorisation options for new entrants, would be a valuable resource.

A good example of what could be developed are the short guides for new banks and insurers published by the New Bank and New Insurer Start-Up Units. These guides help FinTechs to understand where their business model fits into the regulatory spectrum. However, they focus on full banking and insurance licences and most FinTechs – even if they may one day become fully licenced – follow a more gradual journey through regulatory authorisation, often starting with authorised representative models or E-Money licences first, as they increase their experience and capabilities.

Making these guides readily available online would allow them to be updated as regulatory thinking evolves. This would not only help FinTechs to more effectively plan but also to calibrate their understanding of their regulatory status as their businesses develop. It may also reduce the burden on regulatory bodies which often have to answer basic questions about the regulatory landscape.

> *"It should be tough to get regulated, but in terms of the assessment criteria, rather than the application process. i.e. the exam should be difficult, but it should be easy to obtain the textbook and it should be understandable."* – Interviewee

Industry bodies may be best placed to create this material, working in partnership with regulators to clarify technical information. To ensure the guide is well advertised and easily accessible, the guides could be hosted on a single UK landing page, for example, the FinTech Alliance. Regulatory bodies could reference the guides on their websites to increase awareness.

Recommendation: Improve the accessibility of regulatory materials, working with industry to identify potential improvements

As well as improving the readability of their materials, regulators should look to improve their websites to enable easier discovery of relevant materials.

In particular, the FCA's website is felt to be difficult to navigate. The lack of a coherent user experience means that innovative firms can find it hard to find the documents and information most relevant to their specific situation. The Bank of England's website is a good example of recently improved website design which other regulators should look to emulate.

The difficulty of navigating the FCA's site may seem a minor point, but clearer, easier access and explanations would be an easy way to improve engagement. It would also allow the FCA to make the most of other enhancements in the quality of written materials.

Regulators could consider working with the industry to identify which changes would make the most difference to innovative firms.

Recommendation: Create a forum or alumni network for innovative firms to share experiences of regulatory support

The FCA has acknowledged more could be done to create a cohort community between sandbox participants – something that some firms believe is currently lacking when compared to the alumni of commercial incubators.

Creating a regular forum for firms that have taken advantage of support provided by regulators to share their experience with others could have a range of benefits, especially if this were opened to past and future applicants. Those benefits could include limiting any competitive advantage conferred on participants; increasing the collegiate feel between cohorts of the sandbox; and strengthening collaboration across the FinTech ecosystem.

Given regulatory authorities limited resource and remit, it would be better for an industry body or trade association to oversee the coordination of this community. It would also mean they can draw on their large memberships and are able to be involved in regulatory discussions without legal challenges.

> *"You can dramatically expand the sandbox and maybe raise the bar to make companies give something back in return for the marketing value they receive. Make them agree to join some consortium, help consumers in some way." –* **John D'Agostino, Global Leader in Investor Engagement, DMS Governance**

As it develops, the forum could transition into a more sophisticated alumni network offering lasting benefits to member organisations. This would encourage firms to become actively involved in mentoring the next generation of FinTech entrepreneurs.

THEME: BUILD ON THE SUCCESS OF EXISTING INITIATIVES, IN PARTNERSHIP WITH INDUSTRY

Finding: Establishing partnerships remains challenging

Regulated financial services firms that want to use FinTech solutions bear the full regulatory burden, making it difficult for them to fully implement new technology. This is particularly relevant for B2B solutions where the FinTech firm does not require authorisation by the FCA or PRA.

Finding: Investors use sandbox participation as a proxy for regulatory certainty

Acceptance into a sandbox programme can be seen favourably by investors. This may have the unintended side-effect of raising the profile of only a small number of firms and increasing the burden on sandbox programmes to provide a 'stamp of approval'.

In the case of the FCA Sandbox, firms typically benefit from greater brand recognition and find it easier to meet investors and gain financial backing. In part, this is due to the weight that industry places on the sandbox, which could be based on a misunderstanding of its purpose.

Several interviewees believe that firms joining the FCA Sandbox receive a competitive advantage. Certainly, many in the FinTech community view joining the sandbox as a 'badge of honour', and the FCA itself has published statistics suggesting that the sandbox can help to attract investment. Financial institutions have also noted that joining the sandbox can add to the appeal of a potential partner:

> *"For these B2C FinTechs, participation in the FCA Sandbox is a big plus [when considering a partnership]."*
> – Carla Antunes Da Silva, Group Strategy, Corporate Development & Investor Relations Director, Lloyds Banking Group

It is clear that the FCA does not intend to confer a competitive advantage on sandbox entrants. In an interview with the Financial Times, Anna Wallace (head of the FCA's Innnovate department) was quoted as saying "The regulatory sandbox is not a stamp of approval. We've been very clear about that since conception. It is a place to test things out in a safe environment".[11] The FCA has also taken steps to ensure that firms which drop out of the sandbox before performing any tests don't describe themselves as 'successful sandbox firms'.

Even so, the industry's perception of the sandbox may have the unintended side-effect of increasing the profile of a small number of firms which may result in artificially high valuations. This could inhibit the progress of innovation across the industry if regulated incumbents have to think more carefully before investing in or acquiring a FinTech, due to the capital requirements placed on them.

[11] Financial Times, 'A "fintech sandbox" might sound like a harmless idea. It's not', (March 2020) available at: https://ftalphaville.ft.com/2018/12/05/1543986004000/A--fintech-sandbox--might-sound-like-a-harmless-idea--It-s-not/

Finding: There are limitations to the regulatory sandbox model

In his November 2019 speech ‘Meeting the pace of technological change’ delivered at the Chief Data Officer Exchange Financial Services conference in London, Nick Cook, Director of Innovation at the FCA, acknowledged that while the FCA Sandbox has been successful, it has not supported many firms in sectors such as asset management and retirement savings, or large and mid-size players that are delivering innovation at scale.[12] RegTech is another area which has been underserved by the regulatory sandbox, suggesting that the sandbox model is not appropriate for every firm.

This sentiment was echoed in some of our interviews. For example, some firms viewed the FCA Sandbox as being less able to test products that do not clearly fit within the existing regulatory framework.

There is a natural tension between the need for FinTechs to move at pace, and the regulators’ need to carefully consider its interventions. Like any supervisor, the FCA must operate within national and EU laws and regulations, and in accordance with its own statutory remit. This places obvious limitations on how flexible Innovate can be when dealing with a new business model that does not clearly fit within existing regulatory frameworks.

> *"The FCA do have a competition objective, but they don’t appear to have the ability to agree to ideas unless they are clearly written in the legislation or regulation… At times we felt we were in a back and forth of legal opinions going nowhere fast. The problem was that trying to be disruptive means there is often no legal precedent so you are just arguing different opinions over the existing law"* – Interviewee

Recommendation: Create a broader set of ratings or accreditations for FinTechs

A ratings framework for the whole UK FinTech market would help consumers and financial institutions to understand where each firm is on their regulatory journey and could broaden access to investment and partnerships for different types of FinTechs. It would instil greater confidence in new FinTechs and potentially reduce the level of regulatory due diligence that larger organisations must do when they engage with B2B FinTechs in particular.

> *“FinTechs can struggle with the burden of proof to fit into our rigorous risk framework. This is a challenge because we must manage our business to the highest standards, in line with regulatory and customer expectations. This doesn’t mesh well in the experimental space when we want to collaborate with FinTechs.” –*
> Carla Antunes Da Silva, Corporate Development & Investor Relations Director, Lloyds Banking Group

It is not within UK regulators’ remits to authorise technology providers who carry out unregulated activities, but the lack of a mechanism for B2B FinTechs to prove they are legitimate is inhibiting their ability to come to market. An accreditations programme could be rolled out by an industry body who would be able to independently assess the maturity of new start-ups and provide them with the appropriate rating.

> *“There is always regulatory uncertainty when engaging with FinTechs. Something which objectively shows where they are on their journey, maybe stages one to five, would be very valuable.”* – Interviewee

[12] The FCA, ‘Meeting the pace of technological change’, (November 2019), available at: https://www.fca.org.uk/news/speeches/meeting-pace-technological-change

FinTech accreditation would make it much easier for FinTechs to cooperate with financial institutions. The overall effect would be to lower barriers to entry and enhance the vibrancy of UK financial innovation.

> *"We need to get FinTechs accredited so that companies can work with them more easily. Otherwise the big banks must audit them so heavily that it becomes impossible to work together."* – Interviewee

Recommendation: Deliver a digital sandbox in partnership with industry

Following our interview with Nick Cook, Director of Innovation at the FCA, the FCA announced that it is looking at ways to better support RegTech solutions through the creation of a 'digital sandbox'.[13]

Although it is not yet clear what form the digital sandbox will take, the FCA should look to create a shared platform which enables regulators and industry participants to observe and participate in off-market tests. This would support regulatory understanding of nascent technology, act as a transition route to live market sandbox tests and encourage industry collaboration and adoption.

> *"We know there is strong market demand for firms to be able to test new technologies with synthetic data."* – Nick Cook, Director of Innovation, FCA

The digital sandbox concept will provide benefits to firms developing RegTech propositions. However, it could also provide an environment for UK regulators to observe tests of the most disruptive consumer-facing products before they transition to a live market test. This would help regulators understand the potential risks and benefits of a proposition and could make it easier to identify firms whose business models currently fall into 'grey areas' where the application of existing laws and regulations is unclear. That would reduce the risk of rejecting unfamiliar ideas from the traditional sandbox and allow time for wider consultation over changes to existing regulations. It would also encourage different types of firms to test new products and business models and increase the breadth of supervisors' understanding.

> *"An agnostic data testbed would be much more valuable for the community. Currently they test a bit and look at the company. The things they end up approving are the obvious products but never that cutting edge."* – Interviewee

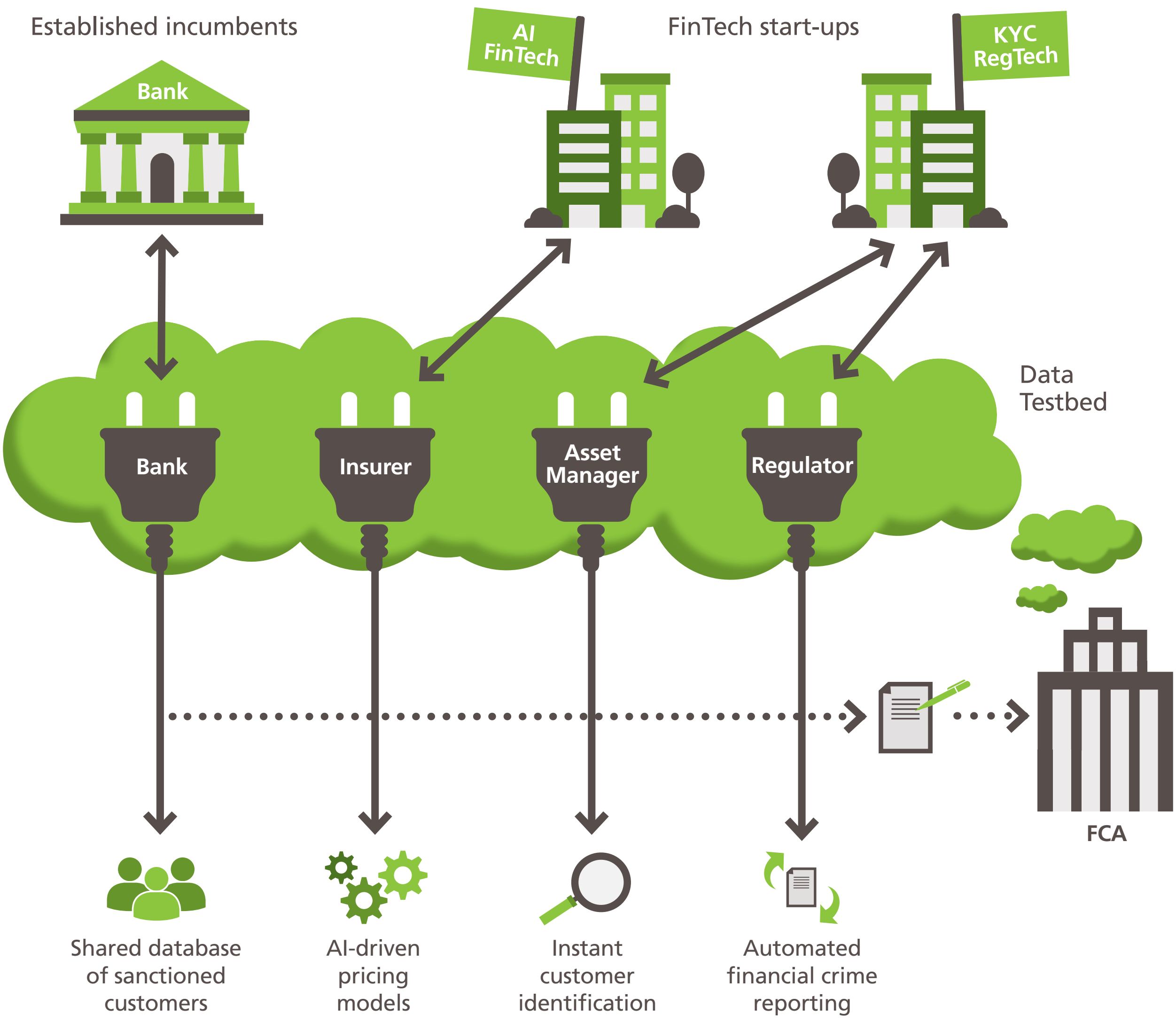
It could be complemented by the creation of a framework which sets standards and provides guidance for how industry operators can create and share anonymised data to test analytics tools and other data-driven applications. In time, this could provide the template for more sophisticated shared utilities, platforms or functions that would benefit the entire UK financial industry.

[13] The FCA, 'Meeting the pace of technological change', (November 2019), available at: https://www.fca.org.uk/news/speeches/meeting-pace-technological-change

Developing this type of resource is beyond the capabilities of individual FinTechs and poses data privacy obstacles for larger firms. The FCA would not need to own or operate such platforms, but it could play a crucial co-ordinating role as the arbiter of a controlled framework. A digital sandbox would allow approved firms to share data point-to-point, testing new products without breaching standard compliance requirements – the FCA is aware that this could be valuable for the industry.

"A more open and tiered model for engagement and experimentation could reduce the initial workload for the FCA and further increase capacity for learning" – **Stephen Dury, Director of Innovation, Santander**

Figure 4: The Data Testbed



THEME: INTEGRATE INNOVATION ACROSS THE SUPERVISORY FRAMEWORK

Finding: Regulators are beginning to respond to the challenges posed by technological change

The Financial Services Skills Taskforce published its final report in January 2020 and identified the challenges faced by the industry in ensuring it has access to the talent and skills it requires to continue to thrive.[14] In particular, the sector will face an increased reliance on higher skilled talent, significant growth in technical and digital roles, the need for colleagues to adopt a future-based skill sets and fiercer competition for talent.

Recent activity suggests regulators are beginning to respond to these challenges. For example, in January 2020, the FCA and the Bank of England announced plans to develop their data and analytics capabilities to ensure both regulators are equipped to harness the power of data and advanced analytics in support of their objectives. The FCA's Data Strategy outlined its intention to invest in both technology and skills, for example by recruiting staff with data science expertise.[15]

Finding: Despite these efforts, few front-line regulatory staff have detailed knowledge of new business models

While the technical capability of the FCA's and PRA's Innovation Hubs are undoubtedly world leading, firms are concerned that many functions within the UK regulators do not have the same levels of technological understanding as these Innovation Hubs. One example cited by several interviewees was that, once a FinTech has been through the FCA Sandbox, it is typically 'chucked over the fence' to core supervisory teams with a far lesser understanding of new technologies and emerging business models.

These uneven handovers can undo a lot of the good work done by Innovation Hubs. It is highly frustrating for firms, since they have to go through the education process with the regulator all over again. It also creates a greater risk of supervisory errors if teams do not fully understand the business model of the regulated firm.

A desire to be 'technology agnostic' means that – until recently – UK regulators saw little need to hire staff with a deep understanding of emerging technologies such as AI, DLT or cloud computing. The complexities of financial services regulation also put a premium on experienced staff, including both regulators and those with a background in industry compliance.

[14] TheCityUK, 'Financial Services Skills Taskforce: Final Report', (January 2020), available at: https://www.thecityuk.com/assets/2020/Reports/43e976fdcd/Financial-Services-Skills-Taskforce-final-report.pdf

[15] The FCA, 'FCA and Bank of England announce proposals for data reforms across the UK financial sector' (January 2020), available at: https://www.fca.org.uk/news/press-releases/fca-and-boe-announce-proposals-data-reforms-across-uk-financial-sector

However, the FCA's recruitment of data scientists and technologists is increasing, and it now has one of the highest ratios of technology specialists on its payroll of any regulator in the world. Although this recruitment drive will increase the use of data analytics to diagnose problems and identify risk, it does not address the need for supervisors and policymakers to have a base level of knowledge about innovative business models.

> *"There is a strategic focus on the data and analytics transformation agenda of the organisation [FCA] and that will include building capability in areas well beyond the innovation function."* – Nick Cook, Director of Innovation, FCA

The FCA has done an exemplary job engaging with the FinTech community, which includes supporting over 686 firms through Innovate.[16] However, key market-wide rulings and supervisory decisions can be implemented by departments in the regulators who do not have the same level of specialised knowledge as the Innovation arm. With financial technologies evolving rapidly, a lack of integrated technological expertise can make it hard for supervisors to act quickly and reach informed decisions about unfamiliar business models.

Failure to do so could lead to sub-optimal outcomes for consumers and the economy. For example, banks' credit functions are keen to adopt data-driven models that make fewer assumptions about creditworthiness. This could increase banks' ability to lend safely – but they are less likely to adopt these new technologies if they are concerned their supervisory team in the regulator is not comfortable with them. It also has the potential to slow down authorisations, creating a barrier for new entrants with products and services that have the potential to improve outcomes for consumers.

Peer-to-peer lending

The FCA's decision to put a 10% cap on the level of investable assets peer-to-peer (P2P) lenders can accept from new investors was widely seen as misunderstanding P2P lenders, a group of technology platforms that share similar technology but have a range of business models, each with very different underlying credit profiles.

- *"Regulating any new industry is a challenge and P2P lending is no different, especially when you have business models with different levels of risk. The investment limit is a speed bump, but the wider package of regulation will help P2P investing become a mainstream asset class."* – Rhydian Lewis, CEO, RateSetter
- *"To limit P2P as a lending class is the wrong way to think about a risk. P2P has tremendous resiliency if they're appropriately diversified… This demonstrates a misunderstanding of risk, they've focused on P2P technology rather than the underlying risk of the differing business models involved."* – John D'Agostino, Global Leader in Investor Engagement, DMS Governance

[16] The FCA, 'The Impact and Effectiveness of Innovate', (April 2019), available at: https://www.fca.org.uk/publication/research/the-impact-and-effectiveness-of-innovate.pdf

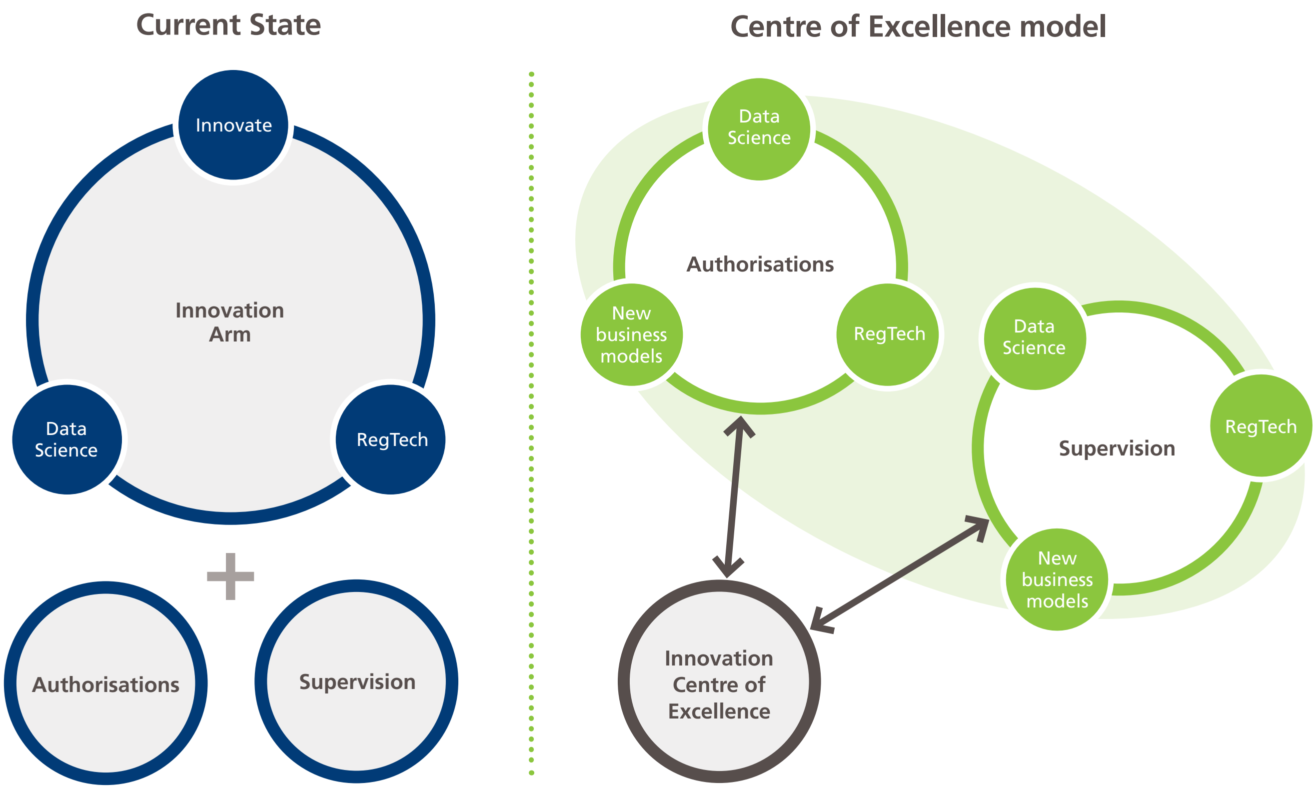
Recommendation: Further the integration of Innovation Hub expertise into regulatory bodies

While the growth in analytics capability is a positive step, regulators should not overlook the need to embed Innovation Hub expertise into the rest of their organisation. This will help boost general understanding of innovative business models within front-line functions and aid interactions with regulated firms.

For example, the FCA could consider turning Innovate into a Centre of Excellence (CoE) which sets standards for the cross-organisation integrated innovation capability. Innovate services could be employed by supervisors where appropriate, with experts from the CoE providing support and guidance.

Without reducing the capability of the Innovation Hubs, this approach would help to accelerate the spread of innovative thinking across the regulatory framework and ensure a coherent approach. It would add to the number of staff with FinTech expertise entering core supervisory and authorisation teams, helping to boost understanding at senior levels. The CoEs could also provide innovation training to core teams, sharing regulatory learnings from the sandbox and insights into key new technologies. Recent initiatives at the FCA include Data Week, where they ran over 50 coding and analytics classes for the whole organisation, showing they are already moving towards this model. It will, however, take time for the effects to be felt in front-line engagement with regulated firms.

Figure 5: Centre of Excellence Model



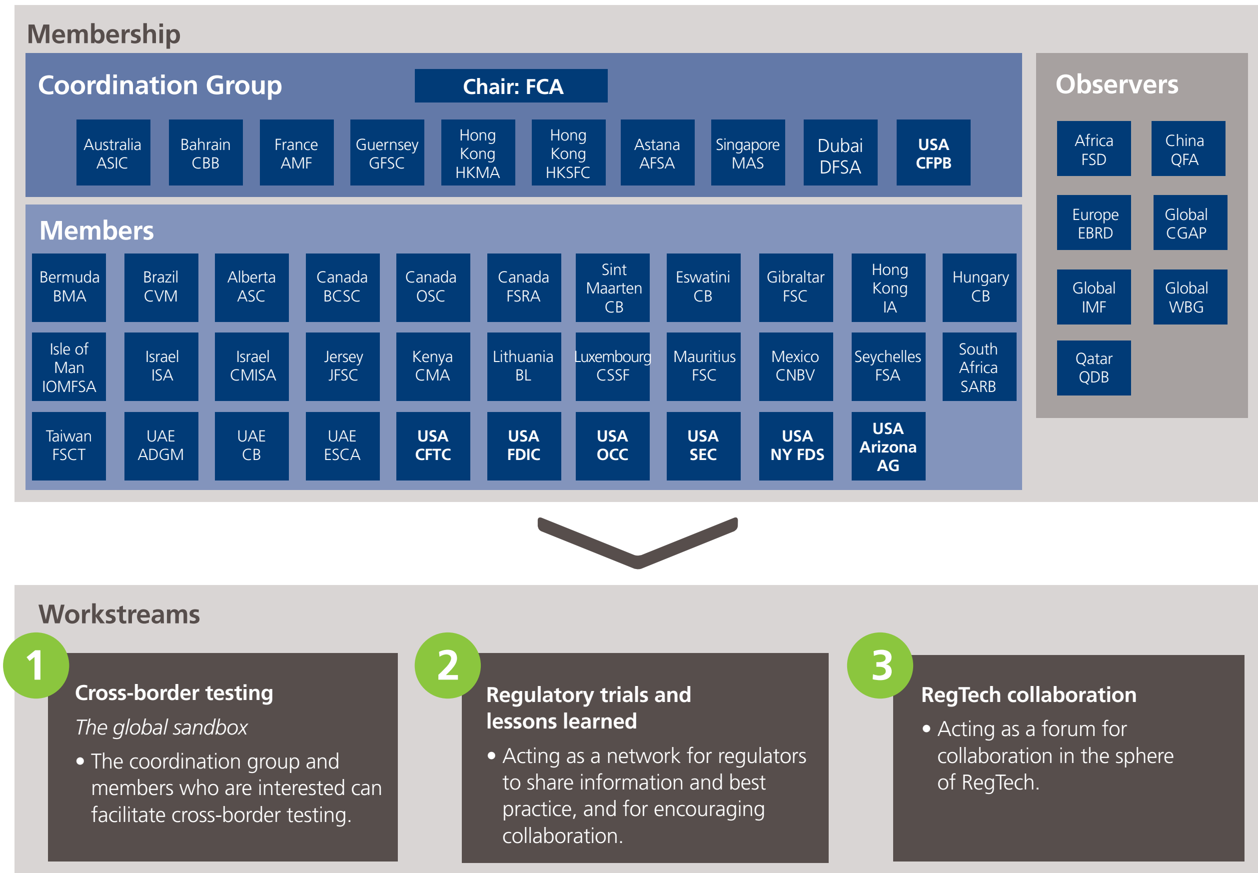
THEME: STRENGTHEN SUPPORT OF FINTECH EXPANSION INTO OVERSEAS MARKETS

Finding: There are contrasting approaches to FinTech regulation and engagement across different jurisdictions, resulting in friction for new market entrants

The regulatory approach to innovation varies across jurisdictions. The impact of this is that UK-based FinTechs find it hard to know who to engage with and where to find relevant information, despite activity by UK regulators to encourage cross-border collaboration.

The FCA-led GFIN was formed to provide a more effective way for innovative firms to engage with regulators, with the aim of helping them navigate between countries as they scale. One of the key areas of focus for the GFIN has been the development of a global sandbox to enable innovative firms to test propositions in multiple jurisdictions simultaneously. In January 2020, the GFIN published their lessons learned from the first GFIN cross-border testing cohort. Out of 44 applications, eight firms were taken forward to work with GFIN on cross-border tests. At the time of publication, no firms had progressed to testing, reflecting the challenges posed by the varying approaches to regulating FinTech.[17]

Figure 6: Structure of the Global Financial Innovation Network



[17] The GFIN, 'Cross-border testing: lessons learned', (January 2020), available at: https://static1.squarespace.com/static/5db7cdf53d173c0e010e8f68/t/5e1ef8c3c7a87d3abb5c7bc6/1579088083585/GFIN+CBT+Pilot+lessons+Learned+publication+09012020+-+FINAL.pdf

The FCA has also signed several cooperation agreements with overseas regulators including in Australia, Singapore, Hong Kong, Canada, Japan and the United States. These agreements form part of the government-led FinTech Bridges and allow innovative firms in either jurisdiction to be referred to the regulator in the other to help them understand the regulatory framework and how it applies to them. But, due to lack of awareness, few firms know how to utilise these resources, and their potential is not being fully realised.

Finding: Regulation is a significant barrier for many FinTechs trying to expand overseas, but it's not the only hurdle

On top of the regulatory complexities faced by many FinTech firms, cultural differences, local market characteristics and differences in tax treatments and legal frameworks are just some of the things that can make expansion into overseas markets challenging.

DIT's FinTech Bridge programme, currently being piloted across Australia and Hong Kong, seeks to provide support to cohorts of UK companies looking to expand into overseas markets. Successful companies are provided with mentorship, connectivity to regulators and industry, business development and brand promotion support throughout the programme, recognising that new entrants face a range of challenges when expanding into a new market.

DEEP DIVE – US REGULATORY LANDSCAPE

The US is a key focus for UK regulators and FinTechs

UK regulators have increased their engagement with US authorities on FinTech topics. Examples include the FCA's agreement with LabCFTC to cooperate in supporting FinTechs through their respective programmes, and the inclusion of the US Consumer Financial Protection Bureau in the coordinating group of the GFIN, along with six other US regulators enrolled as members.

UK FinTechs have also begun to develop their commercial links to the US. Several UK-based firms are currently launching or preparing to launch there, reflecting a strong desire within the industry to break into this globally important market. British challenger banks have previously struggled to gain a foothold in the US, but there is growing conviction that this is about to change with recent research predicting the 10 largest banks will have lost $160bn in deposits to smaller competitors in 2019.[18]

Expansion into the US

UK FinTechs that have recently expanded into the US include Monzo, TransferWise and Revolut:

- Monzo launched in the USA in June 2019, starting with events in California and New York to build up publicity for the neobank.
- TransferWise launched in the USA in June 2019, starting with their borderless account for consumers and following up with their TransferWise for banks, a service which allows financial institutions to integrate with the TransferWise API so their customers can make international transfers at TransferWise prices.
- Revolut expanded into the US in March 2020 in partnership with US firm, Metropolitan Commercial Bank.

US barriers to entry vary significantly for B2C and B2B FinTechs

Regulation represents a significant barrier particularly for B2C FinTechs trying to expand to the US. To take banking as an example, it typically takes three to four years and significant expense to acquire banking licenses in all 50 states. UK banking FinTechs entering the US typically use the same solution as their US counterparts: acting as an Authorised Representative in partnership with a federally regulated bank while applying for individual state banking licences. Given the fact that no new federal banking licences have been issued since the financial crisis, applying for such a licence is not seen as a practical alternative.

[18] CG42, 'Retail Banking Vulnerability Study', (June 2018), available at: http://cg42.com/publications/us-retail-banking/

Indeed, enterprise technology firms often focus their design efforts on niche unregulated areas where a neat technology solution can create significant value. RegTechs in particular face far fewer regulatory barriers to entry. That not only reflects the nature of their services, but also the FCA and PRA's support for innovation in this area.

> *"There are large pockets in FinTech that don't need regulatory approval. There's enough innovation that can happen in the FinTech space that doesn't require regulation."* – Kartik Varma, MD of Techstars

That is not to say that B2B firms are immune from regulatory concerns. They often develop location-specific solutions that reflect local regulations – something which can make it hard to expand into new markets.

Regulation is not the only barrier to entering the US

However, regulation is not the only barrier to firms entering the US. In many cases, regulation is likely to be secondary to more fundamental factors. Cultural differences, local market characteristics and differences in tax treatments and legal frameworks are just some of the things that can make the US a challenging market for UK FinTechs. For example, UK neobanks whose primary products are current accounts with debit cards may struggle to overcome US consumers' greater familiarity with credit cards.

Monzo

Neobank Monzo's UK growth has been largely based on customers' use of its prepaid or debit cards. Monzo has recently entered the US market in partnership with Ohio-based Sutton Bank. While retaining many of its features, such as instant spending notifications, Monzo has also said that its app will need to be significantly redesigned to reflect US customer expectations – a process it will undertake in consultation with local consumers.

This is not only true in the B2C space. For instance, the infrastructure and processes of the US residential mortgage market are very different to those of the UK. And, just as in the UK, US banks are wary of providing B2B FinTechs seeking partners with access to their proprietary data. The need to demonstrate a track record of applying their solutions to large, relevant data sets is a major challenge for UK B2B firms.

> *"Regulation is a lesser order effect. Any bank needs each B2B FinTech to have reached a certain level of maturity before they can approach a bank."* – Interviewee

The FCA's work with US regulators puts UK firms in a strong position

UK RegTech firms can find the US a more receptive market than other FinTechs – something for which the FCA deserves significant credit.

Innovations in RegTech need to work not only for regulated bodies but also for regulators themselves. That means that public bodies play a vital role in the development of new services, particularly when it comes to setting agreed standards and supporting open source technology.

The FCA has a well-deserved reputation as a world leader in this field, with a track record of promoting RegTech innovation and encouraging its application around the world. In particular, it has pioneered the use of collaborative RegTech development through its TechSprint events. Engaging with US bodies on RegTech not only helps the FCA to explore new ways to enhance its core activities. It has also helped to smooth the path of UK RegTechs hoping to build relationships with US financial institutions.

Techsprints

Techsprints are events that focus on developing technology-based solutions designed to help regulators, supervisors and the institutions they oversee. The FCA's first Techsprint in 2016 brought together 25 people from seven firms to work on building RegTech propositions to promote Consumer Access. The FCA has now hosted seven Techsprints, each focusing on a range of use cases including regulatory reporting, financial crime and privacy technologies, and the participants have grown to 260 people from 106 companies across 23 countries.

Recommendation: Build on existing resources to help firms understand overseas markets

More is being done by government and regulators to help FinTechs expand into overseas markets. However, these initiatives are in their early stages of development and more could be done to maximise uptake and effectiveness.

Earlier in this report we recommended creating a publicly available guide for FinTech companies to catalogue the support available for innovative firms and to provide a central location for other resources. To further enhance this resource in support of FinTech expansion into overseas markets, the government, in partnership with industry bodies and regulators, should develop a set of guides to key overseas jurisdictions setting out high level points about the cultural, legal, regulatory and tax landscapes, and should aim to set a blueprint for adoption more widely across members of the GFIN. This resource should be accessible from a central location and could build upon the work conducted by the GFIN, which recently launched a regulatory compendium on their website which catalogues the innovation services offered by each participating regulatory body, and the FinTech Alliance, which offers a central platform for FinTech news, information and opportunities. If regulators across the GFIN adopted this approach, it would make it easier and more consistent for firms considering international expansion.

In the context of the US, the Financial Innovation Partnership (FIP), an agreement to further collaboration between the US Department of the Treasury and HMT, has created a resource which fulfills this brief. However, it is essential that they work in partnership with regulators and other industry bodies, such as the GFIN and the FinTech Alliance, to ensure the guide is well promoted and recognised as a core part of the regulatory literature.

Recommendation: Continue to step up engagement with key regulatory counterparts

The FCA's work on the GFIN is a prime example of how regulators can take active steps to encourage closer international cooperation. Although the pilot cohort of the global sandbox did not result in any tests, the FCA has set out several actions it is taking to improve the process in advance of the launch of the next cohort.

As part of this work, the FCA should look to highlight and better utilise the referral mechanisms which enable it to refer firms to regulators in other jurisdictions. This could be a vital resource for companies looking to expand into overseas jurisdictions, particularly if they don't require the specific regulatory support offered by the sandbox. To make the most of this service, the FCA should clarify how firms can access it and what requirements they must meet.

CONCLUSION

In the past decade since the global financial crisis UK regulators, and in particular the FCA, have laid the foundation for a new kind of financial services regulator – one that fosters and promotes innovation, rather than stifling it. In this time the FCA has taken huge strides in its innovation journey and we have witnessed profound regulatory transformation, including the creation of the world's first regulatory sandbox, pioneering of Techsprints, and the creation of a global network of regulators united in their aim to promote innovation in the interests of consumers. This has led to many people calling them the most progressive regulator in the world.

However the industry cannot rest on its laurels, and there remains a huge amount to be done. We are only at the beginning of this transformational journey and there is a significant opportunity for industry, regulators and government to work together to build on the success of recent years and secure the UK's future as a global centre for innovation in financial services.

The industry faces a significant challenge in responding to the evolving Covid-19 pandemic. Although the long-term impacts remain unclear, we are already seeing changes to the way people think about and use digital technology. We believe that the next five years will be a crucial time in the UK's innovation journey and by 2025 we hope that:

- A more harmonious and consistent regulatory ecosystem will exist across borders, enabling continued trade, expansion and innovation. The balance between activity- and entity-based regulation will ensure firms of all types can innovate and it will be quicker and safer than ever before to launch new products and businesses to market. This will bring more choice to consumers in a vibrant financial services market.
- Automated regulatory reporting will be increasingly common and the FCA's and PRA's strategic focus on data will have paid dividends. This will allow firms to more easily report regulatory data returns to the FCA in real-time, providing greater transparency, accuracy and confidence in the systemic risk profile of the industry.
- RegTech will have come of age. The industry will comply with regulation in a more seamless and cost-effective manner through technology-enabled solutions. The proliferation of RegTech will help to resolve systemic risks that have historically plagued the industry. We envisage that by 2025 RegTech will be at the heart of the global effort to combat financial crime.

If this vision of the future is to be realised, the UK-based FinTech ecosystem must find ways of amplifying and accelerating the work of UK government and regulators. This will ensure continued growth in a sector which is vital to the ongoing competitiveness of the UK's financial and related professional services industry.

GLOSSARY

API – Application Programming Interface – A communication protocol which can provide developers with programmatic access to a proprietary software application.

CFPB – Consumer Financial Protection Bureau – US federal bureau which was created in the wake of the financial crisis with the goal of promoting consumer protection in the financial sector.

CFTC – Commodity Futures Trading Commission – US federal regulator which oversees futures and options.

FDIC – Federal Deposit Insurance Corporation – US federal regulator which oversees State-chartered banks that are not FRS members.

Federal Reserve – US federal regulator, responsible for conducting monitory policy and supervising State-chartered banks that are members of the Federal Reserve System (FRS).

FIP – Financial Innovation Partnership – A bilateral initiative from the UK HM Treasury USA Department of the Treasury to collaborate on promoting innovation in financial services via their commercial and regulatory workstreams.

GFIN – Global Financial Innovation Network – A network of financial regulators and related organisations from around the world, currently chaired by the FCA, with the goal of aligning regulatory practises to promote financial innovation.

OCC – Office of the Comptroller of the Currency – US federal regulator which charters and regulates all national banks.

Peer-to-Peer (P2P) lending – Peer-to-Peer Lending – The practise of lending money to individuals or businesses through online platforms which match lenders with borrowers.

Regulatory Sandbox – A regulatory programme, pioneered by the FCA, which permits testing of new innovative financial products through guidance and informal steers, as well as rule modifications and tailored authorisations.

RegTech – Technology solutions that aim to reduce compliance burdens and/or improve the quality of prudential, conduct or systemic regulation.

SEC – Securities and Exchange Commission – US federal regulator which oversees securities firms and markets

TechSprint – A regulatory initiative, pioneered by the FCA, which focus on developing technology-based solutions in collaborative sprints designed to help regulators, supervisors and the institutions they oversee.

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