

Global Financial Innovation Network (GFIN) publication – August 2018

Background

- **Concept:** In February 2018 the Financial Conduct Authority (FCA) proposed the idea of a 'global sandbox', designed to provide a space for innovative firms looking to test ideas in more than one jurisdiction. It would also seek to promote coordination and collaboration between regulators on key emerging trends.
- **Consultation:** In March 2018, the FCA ran a short consultation from which it received 50 responses, split evenly between those based in the UK and abroad. There was broad enthusiasm for the idea from industry, and from a number of regulators.
- **Regulatory involvement:** This was followed up with an event in London in March which was attended by a number of regulators, standard setting bodies, and other stakeholders. As result of the event, a group of stakeholders agreed to work on next steps in taking the project forward. The consultation published today is the result of this activity.

Questions and answers

1. What is the publication on GFIN about?

Today we have published a consultation on the idea of creating a GFIN between interested regulators and other stakeholders, building on the work done earlier this year. This consultation is designed to gather further feedback as we look to develop the idea further, including deciding on what the final proposed structure for the GFIN will look like.

The GFIN is a collaborative policy and knowledge sharing initiative aimed at advancing areas including financial integrity, competition, consumer wellbeing and protection, financial inclusion, and financial stability through innovation in financial services, by sharing experiences, working jointly on emerging policy issues and facilitating responsible cross-border experimentation of new ideas. The GFIN reflects the broad range of remits regulators involved possess.

2. Why has the name changed from global sandbox?

The working project title has changed to GFIN to reflect the fact the activities involved go beyond just the idea of sandbox tests. In addition, the group recognises that not every regulator possesses a sandbox, and this should not be a barrier to joining the network itself.

3. How do I get involved in the GFIN?

We encourage any interested stakeholder to respond to the consultation and to reach out to the working group via GFIN@fca.org.uk or the contacts set out in the document.

4. What is the proposed model for GFIN?

The GFIN will seek to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between countries as they look to scale new ideas. It will also create a new framework for co-operation between financial services regulators on innovation related topics, sharing different experiences and approaches.

The consultation sets out three proposed functions for the GFIN:

- act as a network of regulators to collaborate and share experience of innovation in respective markets, including emerging technologies and business models;
- provide a forum for joint policy work and discussions; and
- provide firms with an environment in which to trial cross-border solutions.

5. What are the potential benefits of GFIN?

We feel the GFIN could offer a broad range of benefits to consumers, firms and policy makers or regulators. Some of these benefits could include:

- a. Reducing the time and cost of getting innovative ideas to market
- b. Facilitating greater access to finance for innovators
- c. Enabling products to be tested and introduced to multiple market
- d. Working to ensure appropriate consumer protection safeguards are built into innovators products and services
- e. Improve collaboration and information sharing between regulators.

We recognise that many incumbent financial institutions operate in different jurisdictions, who may want to use the GFIN as an environment to bring new innovations to the attention of the different regulators around the world. Feedback in the first part of the consultation from these types of firms highlighted this fact.

The GFIN would also provide a potential forum in which regulators and firms could come together to work collaboratively on key questions facing the sector on a global level (e.g. KYC/AML).

This could potentially lead the way for greater coordination and understanding of new trends between regulators. In certain circumstances, this would replace a firm having to approach a number of regulators individually.

6. Does this mean you want to harmonise FinTech regulation?

The GFIN is not proposing a harmonisation of regulatory standards across different jurisdictions. We recognise that question is a long-term issue. The GFIN will need to be clear in its focus and remit, reflecting the different legal frameworks and responsibilities regulators hold around the world. We are also aware that any multi-jurisdiction testing will take time to design and launch, with lots of legal and practical challenges to be addressed.

7. What are the next steps?

We are asking for feedback on the consultation questions by **14 October 2018**. Over the course of the next two months we will engage with interested parties across the different jurisdictions involved in the project. This will also include the chance for stakeholders to provide informal feedback through a range of engagement activities the authorities listed in this document will undertake. We are also keen to hear from stakeholders from other jurisdictions not listed in this document.

In the autumn, we will review feedback and agree on next steps, including a timeline for when we expect to be in a position to launch the GFIN.