



Project Innovate

**Anna Wallace, Head of Innovation Hub
UK Financial Conduct Authority**



About the FCA

- Independent regulatory body.
- Consumer protection, financial system integrity *and* competition objectives.
- Regulates more than 70,000 firms.

Types of firms regulated by the FCA

- Deposit taking institutions (e.g. banks)
- Investment banks
- Insurance companies
- Peer-to-peer lending platforms
- Equity crowdfunding platforms
- Insurance brokers
- Financial advisers
- Consumer credit firms
- Payment services providers
- Credit reference agencies
- ...and many more.

Project Innovate

Project Innovate went live at the FCA in October 2014. Our aim is to:

- **Encourage innovation in the interests of consumers.**
- **Promote competition through disruptive innovation** – innovation that offers new services to customers and challenges existing business models.

Why focus on innovation?

- Wave of innovation in financial services, due to the increasing application of digital technology and the corresponding **growth of the fintech sector**.
- Innovation can be a **powerful driver of effective competition** in the interests of consumers.
- Direct engagement with the fintech sector allows the regulator to:
 - Have a **better understanding of possible benefits and risks to consumers**.
 - **keep pace** with developments in innovation.

Role of the Innovation Hub

Two main roles:

- **Direct support** to innovators that meet our eligibility criteria.
- **Policy and processes:** Use intelligence from direct support with firms and engagement with fintech ecosystem to understand whether regulatory policies and processes can better support innovation.

Direct support - Eligibility

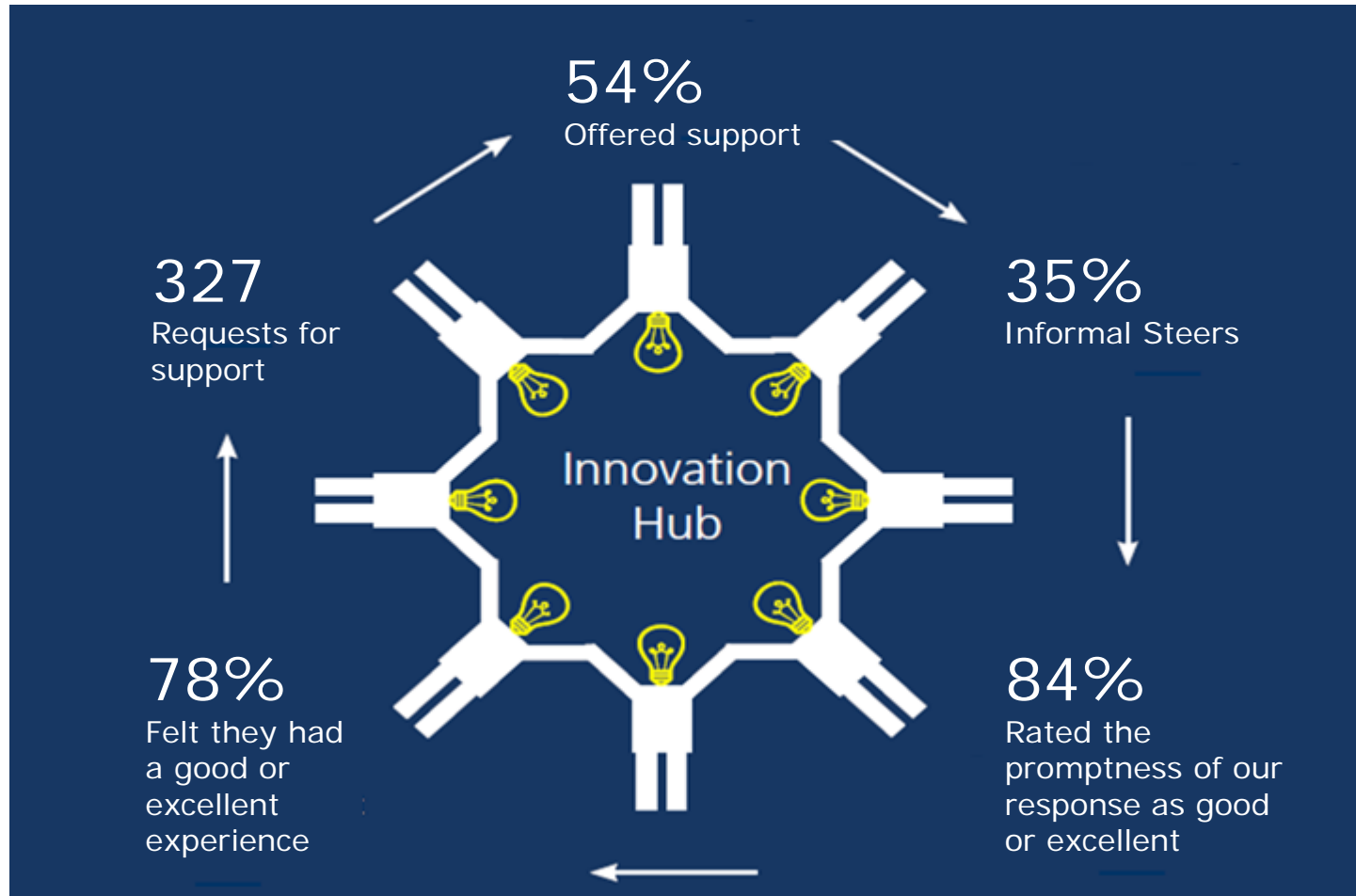
- Concept is genuinely innovative.
- Innovation prospectively benefits consumers-directly or via competition.
- Innovator has done some background research into the regulatory position.
- Innovator can demonstrate a need for support.

What we can offer

- Advice/clarification
- 'Informal steers'
- Meetings with relevant departments



Direct support provided



Examples of firm supported

- **CUVVA** – insurance firm that aims to provide ultra-short term car insurance, allowing users to buy car insurance covering a period of a few hours.
- **Aire** – a firm tackling thin credit files. You can provide information about your academic background, social media activity or salary. They can even assess your writing style. All of these metrics are used to paint a richer picture of your ability to repay.

Policy and process change

Intelligence from innovators and the fintech ecosystem has led to a series of policy and process changes:

- **Regulatory sandbox**
- Themed weeks
- “RegTech”
- The Cloud
- Barriers to digital and mobile solutions

Regulatory sandbox

- Published plans to implement a regulatory sandbox and engaging with industry in December 2015.
- ***“A safe space for businesses to test out innovative ideas with real people.”***
- Plans propose:
 - FCA options – restricted authorisation, no action letters, waivers and individual guidance.
 - Industry options – virtual sandbox, authorised firm umbrella.
- FCA to open sandbox in spring 2016.

Next steps: advancing Project Innovate

- **End-to-end service for new market entrants** - seamless experience of regulatory processes for innovators, minimising risk of unnecessary delay.
- **International engagement** – support fintech firms in the UK launch their businesses or products globally and help non-UK innovators enter the UK market.
- **Engagement with incumbent institutions** - proactive engagement with incumbents, to make sure their potential for consumer-friendly innovation is not being held back by regulation.



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