

NAIC Summer National Meeting

Innovation: experiences and lessons
learned from the UK

Paul Worthington, FCA Innovate

August 2018

FCA Objectives

Strategic Objective of **ensuring** that the relevant **markets function well**



To secure an appropriate degree of **protection for consumers**

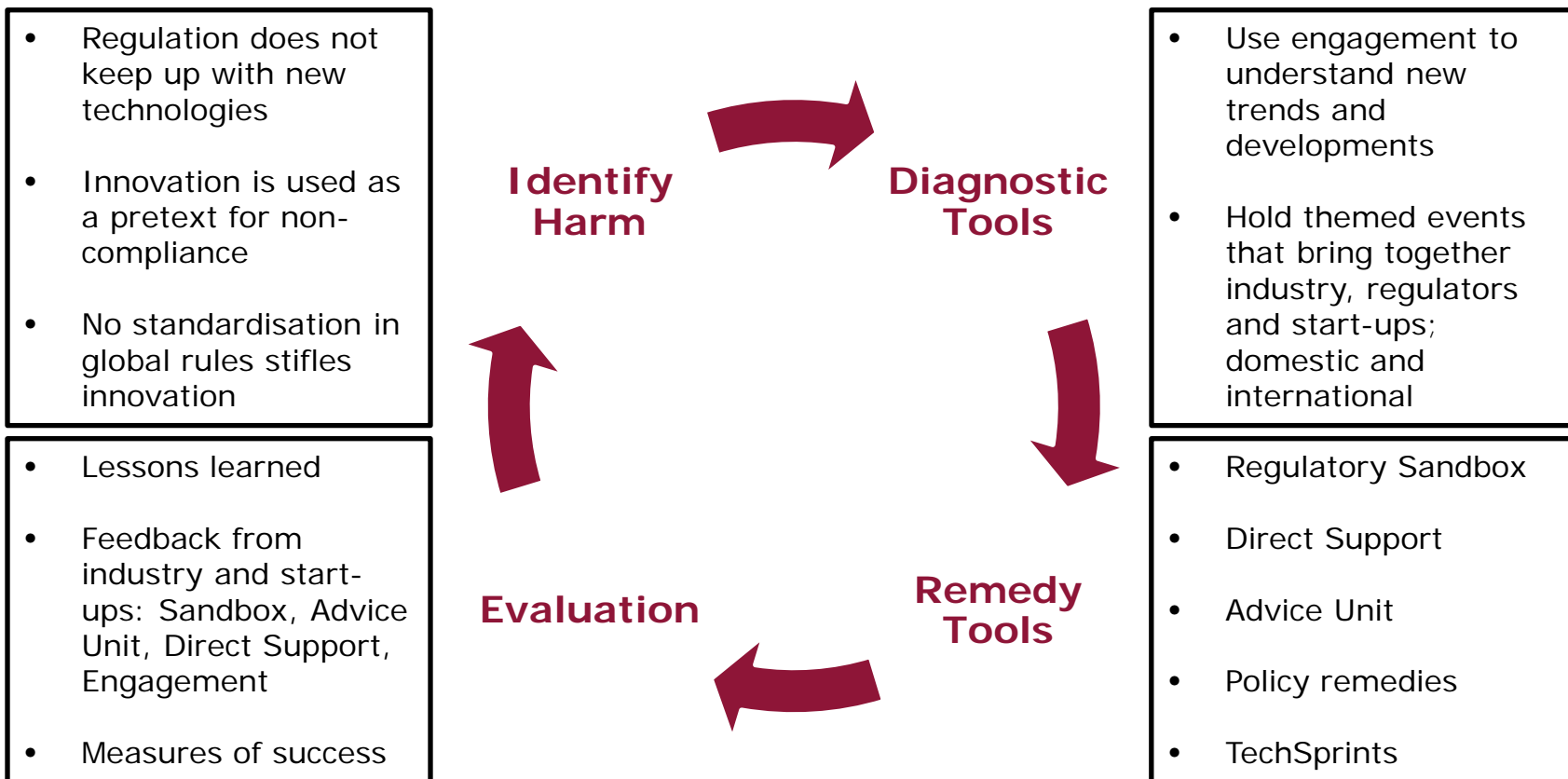


To **protect and enhance** the **integrity of the UK financial system**



Promote effective **competition** in the interests of consumers

Promoting Innovation



Measures of Success

1. Are we seeing more **innovative firms entering the market**?
2. Is there greater **innovation and competition** by, and between, incumbents?
3. Are **consumers benefiting** from innovation and competition in financial services?
4. Are we constantly evolving our approach as a **forward looking** regulator?

The Innovate Department



Direct Support

Sandbox

Policy & Engagement

Advice Unit

RegTech

What is the FCA's Regulatory Sandbox for?



Space for innovators to **test new ideas** with **real customers**



Open to **authorised** and **unauthorised** businesses and technology providers – as long as they pass our **'Eligibility Criteria'**



FCA closely **oversees trials** using a customised regulatory environment for each pilot – including **safeguards for consumers**



Provides the FCA with **intelligence** on developments, trends and emerging risks

The Sandbox has helped to stimulate innovation



Reducing the time and cost of getting innovative ideas to market



Facilitating greater access to finance for innovators



Enabling products to be **tested**



Working to ensure **appropriate consumer protection safeguards** are built in



Introducing **greater competition** to the market

InsurTech in the Sandbox

Firm	Test
Blink Innovation Limited	<ul style="list-style-type: none">• An insurance product with an automated claims process that allows travellers to instantly book a new ticket on their mobile device in the event of a flight cancellation.
AssetVault	<ul style="list-style-type: none">• AssetVault enables consumers to catalogue all of their assets in a secure online register and better understand their total value. AssetVault then works with insurance providers to protect the consumer and their assets with appropriate insurance products.
Laka	<ul style="list-style-type: none">• An alternative insurance business model where the consumer makes payments at the end of the month, based on the exact cost of claims settled during that period.
Etherisc	<ul style="list-style-type: none">• Service that uses smart contracts on a blockchain to provide fully automated, decentralised flight delay insurance.
Meet Mia	<ul style="list-style-type: none">• Chatbot on Facebook Messenger that allows customers to buy and manage travel insurance. Policies are written in plain English and customers can 'ask' the chatbot what they are covered for. Group discounts and automated claims handling also available.

Consumer safeguards

Safeguard	Example seen in sandbox tests
Required consent from consumers	Firm provided explanation of test and the sandbox to consumer before obtaining their explicit consent to take part
Additional professional oversight	Authorised financial advisor reviewed output of automated system
Additional capital requirements	Funds held to cover 100% of potential losses to consumers
Additional systems testing	Penetration tests of a firm's systems carried out by independent third party
Limitations on products and services offered	Platform restricted to only offer FCA regulated firms to consumers using service
Limitation on customer type	Product or service not offered to any customer firm identified as vulnerable

... But there are also some limitations to testing



Meeting **FCA conditions** for authorisation



Access to consumer **data and API integration**



Access to **banking services**



On-boarding of start-ups by large firms

Global Sandbox

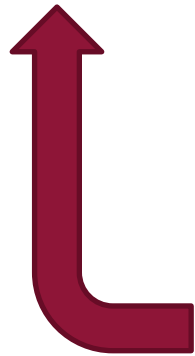
We are working to gather views on the feasibility of developing a **Global Sandbox**



We recognise this is an **ambitious goal** – how might it work best?



National sandboxes **currently only allows** firms to test in their home market



Collaboration amongst regulators is key to tackle emerging challenges



Further information/Questions

Website:

www.fca.org.uk/firms/fca-innovate

Email:

innovationhub@fca.org.uk