SUBMITTED VIA EMAIL: hlfinservreg@parliament.uk

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To whom it may concern,

Re: House of Lords Financial Services Regulation Committee Consultation on Regulatory sandboxes in financial services

About Global Digital Finance (GDF)

Global Digital Finance (GDF) is a global membership association advocating and accelerating the adoption of best practices for digital assets and digital finance technologies through the development of conduct standards, policy engagement and collaboration between industry, policymakers and regulators.

Our membership spans the digital finance ecosystem, including financial institutions, market infrastructure providers, digital asset firms, technology providers, payment firms, custodians and other participants in digital markets.

This response reflects GDF's Global Stablecoin Regulatory Playbook, previous UK stablecoin submissions, member evidence and discussion at GDF's Bank of England roundtable on 10 September 2026. Member comments are presented on an aggregated and non-attributed basis unless otherwise agreed.

This response has been prepared on behalf of the GDF membership. As always, GDF, our members and global community remain at the disposal of the Bank of England and the FCA for any further questions or clarifications and would welcome a meeting to discuss this response.

GDF consents to publication of its name as a respondent to this consultation. Individual member contributions are not attributed.

Yours faithfully,

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Executive summary

GDF supports well-designed sandboxes where they resolve a genuine uncertainty and deliver benefits beyond the test itself. Member experience is varied: collaborative testing has helped firms prepare for regulatory obligations, while other members question whether the cost, restrictions and uncertain commercial benefits justify participation. Sandboxes should complement proportionate permanent regulation and accessible alternatives. Their value should be measured through outcomes for firms, consumers and markets, rather than admission numbers or successful demonstrations alone.

1. Define the purpose of each sandbox. Technical experimentation, supervised live testing and testing under modified legislation require different entry conditions, safeguards and measures of success.

2. Make progression and exit predictable. Publish the evidence required to move between stages, expected decision times and the route into an enduring regulatory framework, without guaranteeing approval.

3. Assess public outcomes over time. Track costs, consumer outcomes, market adoption and regulatory changes, using comparable non-participants where feasible and recording unsuccessful tests as well as successes.

4. Protect fair access and competition. Use transparent selection criteria, give unsuccessful applicants useful feedback and avoid treating participation as a regulatory endorsement. Sandbox participation should not become an unnecessary condition for ordinary market entry. Where a transitional framework requires testing, provide fair access and a clear route into the permanent regime.

5. Test connected market functions. For tokenised securities, include the operational links between issuance, trading, custody, settlement, cash and collateral, while observing each programme's legal perimeter.

6. Turn learning into action. Publish anonymised findings and explain whether they warrant guidance, rule changes, legislative changes or no change. Share benefits with firms outside the sandbox.

7. Match safeguards to actual risks. For agentic AI, test authority to act, limits on transactions, human intervention, security, auditability and responsibility for losses before expanding autonomy.

8. Provide proportionate alternatives and room to adapt. Assess targeted relief, capped activity and provisional permissions alongside sandboxes. Allow changes within agreed limits without repeated approval, and explain the residual risk authorities are prepared to accept in pursuit of innovation.

9. Invest in effective delivery. Provide transparent processes, sufficient testing time, coordinated supervision and secure digital tools that reduce repeated reporting. Use evidence to inform proportionate licensing and permanent rules.

Responses to the Committee questions

The responses below follow the numbering of the call for evidence. Question headings summarise the Committee's questions, including the supplementary questions under Questions 1, 2 and 8.

Question 1 Purpose and evolution since 2016

1.1 Sandboxes should resolve a defined uncertainty that cannot be addressed as effectively through ordinary supervision, published guidance or private testing. They allow firms to test an innovation within agreed boundaries and enable regulators to observe risks, controls and customer outcomes before wider deployment.

1.2 Sandboxes can also test obligations that only work between firms. One member reports that in 2023 it ran a Travel Rule testnet in the FCA Regulatory Sandbox: two rounds over four months, with nine UK cryptoasset firms, ahead of the Travel Rule taking effect on 1 September 2023. The interaction between independent counterparties could not be tested fully by a single firm acting alone. The Travel Rule requires the sending and receiving firms to exchange information, so the uncertainty sat in the interaction between firms rather than in any one product.

1.3 The different models should be assessed separately. The FCA Regulatory Sandbox supports controlled testing involving real customers; its Digital Sandbox supports development through data and technical resources. The Digital Securities Sandbox (DSS) allows specified securities infrastructure activities under a modified legal framework. The latter can inform changes to legislation as well as supervisory practice.

1.4 The practical value of a sandbox also depends on the legal tools available. Applicants should understand whether the support consists of guidance, restricted authorisation, a waiver or modification of particular rules, or testing under legislation specifically modified for the programme. These tools provide different levels of certainty and cannot be used interchangeably. The FCA's ordinary Regulatory Sandbox cannot waive national or international law, and a no-enforcement-action letter does not remove liabilities to consumers. For each test, regulators should record the relevant legal obstacle, the support available, its conditions and duration, and any issue requiring government action. This would help firms assess whether participation can resolve their problem before committing significant resources.

1.5 The agenda has therefore broadened since 2016. It now includes market infrastructure and advanced AI alongside individual products and services. For digital finance, the next priority is to establish when a successful test can support sustainable commercial activity and which lessons should improve the framework for the whole market. A sandbox should not become an indefinite holding arrangement for activities that could be addressed through ordinary authorisation or a permanent regime.

Question 2 Impact and long-term evaluation

2.1 There is evidence of benefits, but different outcomes must not be conflated. The FCA's 2017 assessment reported that around 90% of firms completing first-cohort testing had progressed towards a wider market launch. This was an early indicator, not evidence of long-term commercial success or economy-wide benefit. A BIS working paper examining UK fintechs between 2014 and 2019 estimated that sandbox entry increased capital raised by approximately 15% and the probability of raising capital by approximately 50% in relative terms, not 50 percentage points. The funding benefits were particularly pronounced for smaller and younger firms, with findings consistent with reduced regulatory uncertainty and information barriers between firms and investors. This provides substantive support for sandboxes as

a means of helping viable innovation attract investment. However, these estimates concern a particular sample and period; they do not establish equivalent benefits for every programme or demonstrate that additional funding translates into better consumer outcomes. The appropriate response is to build on this evidence through longer-term evaluation, rather than treat the absence of comprehensive evidence as evidence of no benefit.

2.2 GDF recommends evaluation at entry, exit and at one, three and five years after exit. Relevant measures include time and cost to reach authorisation or launch; product use; survival and growth; complaints and losses; operational incidents; and changes in price, access and service quality. Wholesale programmes should also measure settlement reliability, reconciliation costs, collateral availability and actual use by institutions.

2.3 Measures of success should match what a test was designed to do. Not every test is about launching a product. Some help firms prepare for a new regulatory obligation before it takes effect. For these tests, the useful questions are whether participants were able to comply on time, and which issues remained after the rule came into force. Member experience suggests that outputs meant for the wider market, such as a practical guide drawn from what participants learned, should be kept in the test plan, because they carry the benefit beyond the firms that took part.

2.4 Evaluation should distinguish the effect of sandbox support from the quality of firms selected and wider market conditions. Where feasible, it should compare participants with similar eligible non-participants. Authorities should disclose aggregate programme costs, supervisory resources and participant burdens, together with tests discontinued because they revealed unacceptable risks. Such findings can be valuable even where no product launches.

Question 3 Innovation and competition

3.1 Sandboxes can support innovation by reducing uncertainty and enabling smaller firms to demonstrate a proposition to regulators and potential partners. Whether this improves competition depends on entry conditions, access to essential services and whether learning is made available beyond a small group of participants.

3.2 For tokenised markets, a technically successful issuance will have limited competitive value if investors cannot obtain custody, settlement assets or reliable connections to other infrastructure. Testing should therefore include interactions between providers and the ability to move assets and data between systems. It should not presuppose a particular ledger architecture or vendor.

3.3 The same applies beyond tokenisation. Where a regulatory obligation or service depends on several firms working together, as with payments, data-sharing or compliance messaging, a test can show that one firm’s system works without showing whether the market as a whole does. Member experience shows that the main barriers often sit between firms, for example when they use different technical standards or providers that do not connect, rather than inside any single firm’s controls. Tests that involve several providers and counterparties, rather than one provider and its customers, would surface these gaps earlier, and would show whether further action is needed on common standards.

3.4 Technology neutrality should include a genuine opportunity to test services using public permissionless networks where the activity is legally eligible and the proposed controls are credible. Assessment should focus on settlement finality, governance, operational resilience, financial crime controls and the ability of the regulated firm to meet its obligations. Different architectures may require different safeguards to achieve those outcomes. A firm should identify which risks it can control directly,

which depend on other participants and how residual risks would be managed. Testing should establish whether those arrangements are effective, without treating either an open or a closed network as inherently sufficient to meet regulatory requirements.

3.5 Regulators should assess whether programmes lower entry barriers or inadvertently favour firms with established regulatory teams, funding and incumbent partners. Where an activity can lawfully proceed through ordinary regulatory routes, sandbox participation should not become an additional condition for market access. Where a test supports a general clarification, that clarification should be published so competitors can benefit on equal terms.

3.6 Successful technical testing does not by itself establish institutional readiness. Progression to commercial use also depends on settlement assets, liquidity and collateral arrangements, interoperability, governance and institutions' own risk frameworks. Evaluation should distinguish legal or supervisory obstacles from commercial adoption decisions and assess whether sandbox findings help firms outside the programme overcome the same barriers.

Question 4 Public benefit and value for money

4.1 Public benefit should be assessed against realistic alternatives. Sandboxes are justified where controlled experimentation produces evidence that guidance, supervisory discussions or industry testing cannot provide. Where firms mainly need an explanation of existing rules, a published answer or timely authorisation process may be more effective and less costly.

4.2 Some members favour greater use of flexible, outcomes-based rules and limited regulatory relief for new products, including acceptance of a bounded increase in risk to enable experimentation. Others identify value in supervised collaborative tests that cannot be conducted effectively by one firm alone. The Committee should consider both experiences. Reducing administrative duplication alone does not address how much uncertainty and risk authorities should be willing to tolerate.

4.3 Alternatives should include published guidance, targeted rule waivers where legally available, proportionate permissions and legally established exemptions for suitable limited activities. Any capped route should define its scope, aggregate exposures, duration and progression requirements, and guard against artificial fragmentation to remain below thresholds. The small electronic money institution framework illustrates differentiated treatment by scale; it does not itself create a stablecoin exemption. These routes should provide meaningful scope to develop products with customers and suppliers, without recreating the same administrative burdens under a different label.

4.4 The Financial Services and Markets Bill propose temporary FCA permissions for up to two years. The explanatory notes describe a requirement to meet threshold conditions for that temporary period, with eligible activities to be specified. GDF recommends clarity on whether new cryptoasset activities will qualify, the practical relief offered and how evidence will carry forward to full authorisation. The proposed route should avoid an unnecessary additional sandbox stage and provide a credible transition or orderly exit. It is a legislative proposal, not an available permission today.

4.5 Expected benefits should be specified at the outset and tested against outcomes. These might include lower transaction costs, improved fraud prevention, better access to services or more resilient market infrastructure. Commercial gains for a participant do not automatically establish public value: the evaluation should ask whether gains reach customers, investors or other market users.

4.6 GDF recommends periodic independent evaluation covering direct expenditure, staff time, compliance costs and the opportunity cost of regulatory resources. The assessment should also recognise

the value of identifying an unsafe model before broad deployment. Results should inform whether a programme is continued, redesigned or closed.

4.7 Effective delivery requires stable staffing, clear governance and processes that survive changes in individual leadership. Secure digital application and case-management tools, reusable data templates and proportionate API reporting can reduce administrative work and help supervisors identify issues promptly. Shared infrastructure can support several thematic tracks, where resources and demand justify them. Monitoring frequency and integration costs should reflect the test's risks; a particular platform or continuous reporting should not be a universal condition of participation.

Question 5 Reasons to apply or not apply

5.1 Firms may apply to obtain focused regulatory engagement, test customer behaviour, demonstrate controls or clarify how a new operating model fits the rules. For infrastructure projects, the ability to test with counterparties under defined legal conditions may be particularly valuable.

5.2 Potential deterrents include application costs, uncertain timelines, restrictions that prevent a commercially meaningful test, confidentiality concerns and uncertainty about what happens afterwards. Some firms may need assistance from several authorities or access to banking, settlement or data services that admission alone cannot provide. These are issues on which the Committee should seek evidence, rather than assume that non-participation reflects a lack of innovation.

5.3 Access to essential services is an evidenced constraint. In its 2017 lessons-learned report, the FCA recorded difficulties obtaining banking services among sandbox firms, particularly those using DLT or developing payment and electronic money services; some could not test as planned. Regulators should therefore identify critical banking, custody and settlement dependencies when agreeing a test and record whether these prevent an accepted project from proceeding. Where obstacles arise from uncertainty about regulatory status, clearer explanations of the permitted activity and safeguards could support informed assessments by service providers. Sandbox admission should not guarantee a commercial relationship, but sector-wide refusals should not substitute for an assessment of the particular firm and its risks.

5.4 Member experience shows that firms' time is a practical limit, even when participation is free and the topic is a priority. In collaborative tests, some participants could not commit time to every session. Short, scheduled sessions with clear asks helped.

5.5 One member developing a new financial service emphasised that product design evolves through work with customers and suppliers, including banking and backing-asset providers. Repeated pre-approval of changes can impede that process. This is evidence from a firm at the beginning of engagement, rather than a completed sandbox assessment, and should not be treated as quantified evidence of duplicated checks.

5.6 Testing arrangements should permit iteration within agreed exposure and activity limits, with a clear distinction between changes requiring approval and those requiring notification only. Authorities should specify response times and a route for resolving delays. Test duration should reflect the evidence needed, including customer adoption and operational cycles, rather than be too short to establish whether a model works.

5.7 Authorities should provide an accessible initial discussion, clear routing to the appropriate programme and an early explanation of what support is available. They should distinguish a firm that is not ready to test from a proposition that does not need a sandbox and provide a proportionate route for each.

Question 6 Eligibility and selection

6.1 Eligibility should follow the programme's objective, the uncertainty to be tested, the potential benefit and the applicant's ability to manage the test safely. Selection should not depend on novelty alone. A practical improvement to an existing service may deliver more value than a new technology with no demonstrated user need.

6.2 Regulators should publish understandable criteria, expected decision times and aggregate information on applications and reasons for rejection. Applicants should receive useful reasons and an opportunity to correct misunderstandings. Where places or supervisory capacity are limited, the basis for prioritisation should be explicit.

6.3 Eligibility must also be assessed against the support available in practice. As checked on 21 October 2026, the FCA's application guidance states that new cryptoasset-related applications for Innovation Services support are paused, with a limited exception for prospective UK stablecoin issuers registered under the Money Laundering Regulations that seek permission for their stablecoins to be used as settlement assets in the DSS. The Committee should examine the reasons for this restriction, its impact on otherwise eligible projects and the conditions for reopening access. Where capacity or regulatory transition requires a temporary restriction, the FCA should publish a review timetable and explain what alternative engagement is available. Over time, access should be determined by the risks and learning value of a proposed test, rather than a broad sector classification alone.

6.4 The process should accommodate smaller firms and collaborative applications without lowering necessary standards. Readiness requirements should be appropriate to the stage: a technical prototype and a live settlement system cannot be assessed against the same evidence threshold. Selection panels should manage conflicts of interest and consider whether chosen projects collectively provide sufficiently varied evidence.

6.5 Support for smaller firms should coexist with access for established and international firms where a test addresses a genuine regulatory uncertainty or offers wider market learning. A substantial compliance team or an existing supervisory relationship may reduce the need for basic guidance but does not necessarily remove the need for controlled testing. Programmes should also explain which roles require UK establishment, and which overseas firms may participate as technology providers, counterparties or other partners. Where legally permissible, preliminary technical engagement should be available before a firm incurs the cost of establishing a local entity, while any live regulated activity remains subject to the applicable permissions and supervisory safeguards.

6.6 Member experience shows that collaborative applications can work well. For example, a technology provider can take on the task of recruiting participants and put them forward for the regulator's approval. In one member's case, acceptance to the end of testing took around eight months, with four months of active testing.

Question 7 Effects on firms, investors and the wider market

7.1 Participation may improve a firm's ability to explain its proposition and controls to investors and commercial partners. It may also create an impression of official approval that goes beyond the actual test. Regulators and firms should communicate the precise scope, status and limits of participation, distinguishing admission from permission to undertake live business.

7.2 Investors and customers should not assume that sandbox status guarantees safety, commercial viability or subsequent authorisation. Authorities should monitor how firms describe participation and correct

misleading claims. The FCA expressly states that Supercharged Sandbox participation does not constitute product approval, endorsement or authorisation.

7.3 For non-participants, selective access to regulatory engagement could affect competition. Generic interpretations and lessons should therefore be shared promptly, subject to confidentiality. Firms outside the sandbox should retain a route to obtain guidance on comparable issues. Evaluation should also examine whether support attracts new entrants or disproportionately strengthens already well-resourced firms.

Question 8 Regulatory development and sharing lessons

8.1 Each test should identify the regulatory question being examined and the evidence needed to answer it. Completion should produce a reasoned finding: existing requirements work; guidance is needed; a rule or legislative change should be considered; or the proposed model cannot adequately manage its risks. Tests should not predetermine a policy outcome.

8.2 Regulators should publish periodic anonymised findings and explain the subsequent action, responsible authority and anticipated timetable. Sharing failure modes and operational constraints is as useful as showcasing successful products. Confidential business information should be protected, while avoiding a situation in which broadly applicable interpretations remain available only to participants.

8.3 Questions about how rules apply that come up during testing should be answered publicly. Member experience shows that sandbox participants often raise questions common to the whole market. When the answers stay within the sandbox, firms outside it implementing the same rules at the same time do not benefit. Regulators taking an active part in sessions means they see the practical issues first-hand. The gap is in turning what they observe into published clarification.

8.4 For the DSS, learning should address legal rights, settlement finality, operational resilience, custody and interoperability, including connections to the cash leg and collateral use. Programme limits must be sufficient to produce meaningful evidence while containing risks. Changes to limits should follow published criteria and demonstrated controls. The Bank describes a staged approach and an intended transition to a possible permanent regime; firms need timely detail on the decisions and requirements that will govern that transition.

8.5 Stablecoins provide a current opportunity to connect sandbox testing with regulatory development. In February 2026, the FCA announced a four-firm cohort focused primarily on stablecoin issuance, covering proposed uses in payments, wholesale settlement and crypto trading. Separately, the June 2026 DSS update introduced a route to seek approval for particular stablecoins as settlement assets. The authorities should explain what questions these initiatives are intended to answer and subsequently publish how the findings influence wider rules. Testing should examine the complete transaction, including redemption, custody, settlement and operational dependencies, rather than assess issuance in isolation.

8.6 Where access to an activity depends on prior sandbox testing, admission decisions become particularly important for competition. The interim DSS route for UK-issued stablecoins links their use to successful testing in the FCA Regulatory Sandbox. Such arrangements should have transparent access criteria, adequate supervisory capacity and a clear transition to the permanent regime. The authorities should also consider when equivalent evidence from another supervised test can answer the same question, so that firms are not required to repeat work unnecessarily.

8.7 Where issues cross institutional responsibilities, authorities should agree a coordinated response and explain which matters require government action. Sandbox evidence should inform normal consultation

and scrutiny processes, with an opportunity for non-participants to challenge whether findings are representative.

8.8 A credible transition requires more than published exit criteria. The teams responsible for authorisation and ongoing supervision should be involved before testing ends and identify which findings can be relied upon in a subsequent application. Firms should update evidence where their model or risks have changed, rather than routinely reproduce material already assessed. Before live activity begins, authorities and participants should also agree how outstanding contracts and customer assets would be handled if the permanent regime or an authorisation decision is delayed. Where legally available and justified by demonstrated controls, a time-limited continuation under existing restrictions may be preferable to an abrupt cessation; otherwise, an orderly transfer or wind-down should be planned.

8.9 Where a project involves several authorities, a lead contact, shared evidence pack and coordinated assessment timetable should reduce repeated requests. Authorities should explain why any additional testing is necessary, while preserving each authority's legal responsibilities. Supervisory and authorisation teams should use the same case history where possible. Timely interim findings and final outputs should feed into guidance, proportionate or tiered licensing and rule-making, rather than wait for a lengthy retrospective review.

Question 9 Consumer and market safeguards

9.1 Safeguards should be tailored to the activity, users, scale and potential losses. Before live testing, responsibilities should be clear for safeguarding assets, transaction execution, complaints, remediation and orderly exit. Participants should specify exposure limits, incident reporting, stop conditions and arrangements for returning or transferring customer assets.

9.2 A controlled test cannot eliminate all uncertainty. Regulators should explain their tolerance for residual risk and distinguish risks that must be controlled before live activity from uncertainties the test is intended to explore. Some members consider that supporting new business models requires regulators to accept a limited increase in risk and uncertainty, including risks that cannot be fully anticipated before products develop. The regulatory approach should allow meaningful experimentation and adaptation, with proportionate exposure limits, clear accountability, containment of wider risks and arrangements to intervene where necessary, within the applicable statutory framework.

9.3 Customers should understand what is being tested and which protections apply. Firms should explain any limits on compensation or redress without suggesting that a regulator guarantees the product. Consumer understanding and outcomes should be tested, especially where products are offered to people in vulnerable circumstances.

9.4 Wholesale testing also requires robust safeguards. Relevant issues include liquidity, settlement failures, cyber incidents, key management, smart contract changes, dependencies on third parties and contagion to connected markets. Controls should address the functions firms can manage, while identifying residual network risks and arrangements for responding to them. The degree of resilience required should rise as scale and interconnectedness increase.

9.5 For digital asset use cases, testing should also assess whether financial crime controls work across the full transaction chain. Where relevant, this should include customer due diligence, sanctions screening, transaction monitoring and the exchange of required originator and beneficiary information between providers. Tests should examine how firms handle incomplete data, incompatible systems and transactions requiring further review, while protecting personal information. The objective should be to

establish whether controls achieve the required outcome and can operate effectively at greater scale. Sandbox participation should not be treated as an exemption from applicable AML/CFT obligations, or as a reason to impose requirements unrelated to the risks being tested.

9.6 Accountability should include named senior responsibility, documented decisions and regulatory powers to restrict or end a test. An exit plan should cover outstanding positions and customer communications, including where the operator fails or the permanent regulatory route is delayed.

Question 10 Agentic AI testing and additional risks

10.1 Public information confirms that agentic use cases are being explored. The FCA's current Supercharged Sandbox description includes agent-led payments and commerce, and records agentic financial crime applications in its first cohort. This establishes activity within the programme but does not establish the volume of live autonomous transactions or demonstrate that the models are safe at scale. The Committee should request a breakdown of simulated, supervised live and autonomous testing.

10.2 Agentic AI can take actions rather than simply produce analysis. A system might initiate a payment, select a counterparty or amend a workflow. The risks therefore include acting beyond the customer's mandate, following malicious instructions, exposing confidential data, executing repeated erroneous transactions and interacting unpredictably with other agents. Similar models used across firms could also produce correlated behaviour.

10.3 Testing should begin with tightly restricted authority and increase only when evidence supports it. Controls should establish the identity of the person or firm on whose behalf the agent acts, the scope of its delegated authority, limits on value, frequency and counterparties, the ability to revoke access, and records linking instructions to executed actions. Human approval should be required for actions outside the agreed mandate or above defined risk thresholds. For activity within that mandate, testing should assess whether automated preventive controls, monitoring and timely human intervention provide effective protection, rather than assume that every material transaction requires individual approval. Firms should test prompt injection, compromised data, model changes, failures of connected tools and the ability to stop further activity. Stopping an agent does not necessarily reverse a completed transaction.

10.4 A named firm must remain responsible for the regulated activity and for allocating liability and redress through enforceable arrangements. Customers should know when an agent acts and how to challenge an outcome. Evaluation should cover discrimination, vulnerability, errors and security, including conditions that a short demonstration might not reveal.

10.5 For agentic payments, testing should establish how counterparties verify identity and delegated authority, and how automated checks can reject a transaction before settlement where required. Member experience of collaborative compliance testing suggests that these controls should be tested across several firms in a simulated environment, with regulatory observation. Failures can arise between agents and firms as well as within individual systems. These are proposed testing priorities, not evidence that agentic services are already safe at scale.

Question 11 International and cross sector lessons

11.1 Comparisons should focus on outcomes and design, rather than the number of programmes launched. Useful dimensions include entry times, costs, supervisory coordination, safeguards, progression to normal operation and the extent to which learning reaches the wider market.

11.2 Singapore's MAS distinguishes its broader regulatory sandbox from Sandbox Express, which provides a more standardised route for eligible activities with understood risks. The lesson for the UK is to consider proportionate routes for different levels of uncertainty, rather than place every project through the same process.

11.3 ESMA's June 2025 review of the EU DLT Pilot Regime recommended changes to improve its attractiveness, including permanence and greater flexibility in thresholds or eligible assets according to risk. Those were recommendations at that date. The relevant lesson is that a testing regime needs sufficient commercial scope and a credible long-term destination; simply creating an exemption does not ensure market adoption.

11.4 The US SEC Chairman's September 2026 statement describes temporary, conditional relief for certain tokenised securities venues and liquidity providers under an Innovation Exemption. It retains anti-fraud and anti-manipulation requirements and conditions including permissioned access. This is a specific example of statutory exemptive relief, rather than a general absence of regulation or a no-action letter. The lesson for the UK is to assess whether defined relief can enable useful experimentation while a durable framework develops.

11.5 Gibraltar's March 2025 DLT guidance sets out an outcomes-focused approach using statutory core principles to accommodate technological change. This provides a comparator for flexible permanent regulation alongside experimental programmes. Its relevance should be assessed against the UK's market structure and legal duties, without assuming that the two regimes or their results are interchangeable.

11.6 Member experience of sandbox delivery highlights the use of digital infrastructure for applications, supervisory data and case management. The relevant UK lesson is to integrate operational tools and regulatory learning from the outset. This is reported experience, not an independent evaluation of cost savings or long-term outcomes.

11.7 Across sectors, financial regulators should seek joint testing where financial services intersect with data protection, digital identity and AI. Firms should not have to resolve inconsistent expectations between authorities alone. International cooperation should build on the Global Financial Innovation Network's cross-border testing arrangements, including its single-entry application process. Participating authorities should seek to agree a common core test plan, compatible reporting and a reusable evidence package recording the scope of testing, controls assessed, results and unresolved risks.

11.8 Each authority should retain responsibility for local legal requirements and licensing decisions, while considering whether existing supervisory evidence can avoid unnecessary repetition. For digital asset services, coordinated tests could examine cross-border payments, Travel Rule interoperability and custody dependencies that cannot be assessed fully within one jurisdiction. Success should be measured by completed tests, reduced duplication and useful regulatory findings, rather than the number of cooperation agreements. Participation should not confer permission to operate in another jurisdiction.

11.9 Some issues cannot be resolved within one jurisdiction. Member experience of Travel Rule testing shows that the main gaps are cross-border. Uneven implementation of the Travel Rule, often described as the sunrise issue, means counterparties may not be subject to equivalent requirements or have compatible information-sharing capabilities. Thresholds also differ between countries. A national test can surface these issues but cannot resolve them. Findings on cross-border obligations should feed into international standard-setting, such as the Financial Action Task Force (FATF), and be tested jointly with other authorities where feasible.