

Committee Digital Services (For Information)	Date: 4 th May 2022
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Summary

Innovation in financial and professional services (FPS) is a key component of the UK's competitive offering as a global financial centre. This is made possible by the development of emerging technology products. The UK is host to some of the world's leading cities for the development, financing, and adoption of technology.

However, there remain practical challenges to developing and integrating technology solutions across the sector. These include:

- 1) lack of access to data sets to enable testing and validation of technology solutions;
- 2) difficulties in matching the demands of FPS with the supply of technology products currently on offer; and
- 3) an absence of platforms through which organisations facing common issues can collaborate to develop cross-sector solutions.

In 2020 the City Corporation and Financial Conduct Authority (FCA) collaborated on a Digital Sandbox pilot seeking to respond to these challenges. The purpose of the Digital Sandbox was to provide a digital testing environment to enable innovators to develop and validate products in response to industry-set problem statements. The pilot ran from September 2020 to February 2021 and was the first platform of its kind in Europe. The pilot saw engagement with over 800 individuals across FPS, tech and academia. It demonstrated the potential for the Digital Sandbox platform to assist the development of much needed technology solutions. It also created a new eco-system in which the FPS industry and technology community could interact and collaborate.

In November 2021 the City Corporation and FCA launched a second iteration of the Digital Sandbox. This phase focused on sustainable finance and specifically solving challenges relating to ESG data and disclosures. It was also agreed that the City Corporation and FCA would explore other possible uses of the platform outside of this partnership. As a result, in March 2022 the City Corporation and Microsoft announced a Cyber Innovation Challenge being run through the Digital Sandbox platform. This Challenge seeks to develop technology solutions to help assess, continuously monitor, and mitigate cyber security threats across the supply chain.

Main Report

1. Innovation & Growth is focused on enhancing the UK's position as a leader in technology and innovation. A key objective of our 2022/23 Business Plan is to

nurture an innovative eco-system. This includes integrating technology across UK FPS and supporting tech to scale.

2. To further this objective, our work is focussed on supporting the technology sector to develop, scale and launch better solutions to market more quickly. This benefits technology companies by fostering an attractive ecosystem for development in the UK. It also benefits FPS firms by ensuring there is an array of technological solutions available to improve service delivery and drive global competitiveness.

City Corporation/FCA Sustainability Cohort

3. Following the conclusion of the Pilot the City Corporation and FCA agreed to extend the licence for the Digital Sandbox platform for a further year. Both parties were keen to explore how the Sandbox could develop solutions responding to issues in sustainable finance. During Spring/Summer 2021 activity was undertaken to identify suitable use cases in this area. This included conversations with experts and workshops with FPS and sustainability professionals to test some of the emerging themes. The theme selected as the focus for the Digital Sandbox was ESG data and disclosures.¹ The final three use cases chosen to form the basis of the sustainability cohort were:
 - (i) Validating ESG data;
 - (ii) Enabling transparency in disclosure & reporting; and
 - (iii) Understanding ESG data.
4. Innovative firms developing solutions in these areas were invited to apply for the Sandbox. Out of 40 applications received 12 companies were selected and announced during GHS@COP26. These companies were given access to the following features of the Digital Sandbox over the course of the next five months:
 - (i) A programme of over 20 collaboration sessions to partake in and gather insights from individuals and organisations active in the sustainable finance space;
 - (ii) Access to relevant data sets to assist participants in developing and testing their products;
 - (iii) An API marketplace for participants to find and connect with algorithms already in market and improve interoperability;
 - (iv) A collaboration space for communication between the companies and over 1,600 registered Digital Sandbox users – these included 40 mentors offering to share their expertise across the three themes;
 - (v) A showcase space for participants to upload documents, video demonstrations, and list members of their team; and
 - (vi) An Integrated Development Environment for participants to work on developing their products within the Digital Sandbox platform.
5. Each of the 12 companies gave initial presentations of their solutions in January 2022. These were then mirrored by a series of final demo days that took place on 22, 23 and 24 March 2022. The demo days were attended by over 250 people across the three days. They provided the teams with an opportunity to not only

¹ A report has been published setting out the process for selecting the use cases in more detail and is available at <https://www.cityoflondon.gov.uk/assets/Business/digital-sandbox-sustainability-use-cases-methodology-and-insights-july-2021.pdf>

showcase their solutions, but also explain how the Sandbox had supported and accelerated development of their product. The City Corporation also hosted a closing event for those companies, mentors and other partners of the sustainability cohort at Guildhall in late April.

6. An evaluation of the sustainability cohort was conducted and released in late April/early May. Early feedback from the companies participating includes:
 - (i) Positive feedback on the collaboration sessions and opportunities to engage with and get input from others operating in this space;
 - (ii) Confirmation that participation in the Sandbox has led to improvements being made to the product and/or in companies' abilities to pitch their product to clients and investors; and
 - (iii) Confirmation of progress being made into the FCA Regulatory Sandbox or other initiatives.
7. The FCA and City Corporation are now jointly reviewing the evaluation report and considering next steps for the Digital Sandbox platform. This may include further projects to be undertaken in partnership. It will also include exploring other options for utilising this or a similar platform to encourage collaboration across the FPS and tech sectors and drive forward innovation.

City Corporation/Microsoft Cyber Innovation Challenge

8. In 2021 the City Corporation and Microsoft started exploring a joint challenge on the Digital Sandbox and co-hosted several workshops in late 2021 with financial services institutions. These were designed to identify a topic within the theme of cyber security where there was a joint interest across the financial services partners in developing technology solutions. A use case was agreed in February 2022 to focus on technology to support assessing, continuously monitoring and mitigating risks across the supply chain. Technology companies were invited to apply to participate in the Challenge. Five companies were then selected – Risk Ledger, Orpheus Cyber, CyNation, arx Partners and Conatix.
9. Like the previous activities hosted on the Digital Sandbox platform, the primary aim of the Challenge was to foster collaboration between financial institutions and technology companies. In this case the collaboration was centred around addressing today's cyber security challenges and boosting the impact of measures to tackle cybercrime. By nurturing innovation in an increasingly important field, the Challenge sought to help UK business to lead from the front in adapting for the future. Specifically the Challenge was designed to:
 - (i) Cut across silos between traditional sectors and revitalise the ecosystem;
 - (ii) Challenge organisations to work together on defining and solving a common problem statement; and
 - (iii) Use the opportunities afforded by the Challenge, including the Digital Sandbox platform, to accelerate tech development so that it is market ready.
10. The format for the Cyber Innovation Challenge varied from the Pilot and the sustainability cohort. It operated on a closed basis with four financial services institutions engaging in weekly meetings with at least three of the five tech companies. These institutions included Nationwide, Hiscox and Moodys/RMS. The weekly discussions formed a six-week sprint during which the participants had

focused conversations to explore the solutions and how they could be developed to better meet the needs of the financial services sector. During this period the tech companies also had group collaboration sessions to provide them with further insights from across the cyber security eco-system. These included sessions with UK Finance, Osney Capital, London & Partners, Department for International Trade and Microsoft.

11. The Challenge culminated in a final presentation session bringing together all the participants. This provided the technology companies with a chance to present their solutions and explain how they had developed due to participating in the Challenge. A public event to build out discussions around the use case and showcase the solutions that have come through the Challenge is also being co-hosted by City Corporation and Microsoft at Guildhall on 25 May.

Conclusion

12. The convergence and co-location of technology businesses with our established FPS cluster is a significant opportunity to enhance London's competitiveness. The Digital Sandbox has built out an ecosystem where these businesses can collaborate and develop proofs of concept in a safe, trusted and industry-wide environment. Such collaboration benefits both the tech and FPS sectors. This topic will continue to be explored by Innovation & Growth, building on its experience partnering on the Digital Sandbox and other related projects.

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