

**Bank of England**

Digital Securities Sandbox  
(DSS)

Gate 2 Webinar



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# Welcome and Introduction

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# What Will the Gate 2 Webinar Cover?

What we will cover today:

- Overview of Gate 2 in the Digital Securities Sandbox (DSS)
- How firms apply to enter Gate 2
- How the Bank of England will assess applications
- What happens after firms submit a Gate 2 application?
- Q&A session

The webinar follows the **Gate 1 webinar held in November 2024** which can be viewed here - [Digital Securities Sandbox \(DSS\) - Gate 1 webinar](#)

Further details on the DSS are available on the **Bank of England website** - [Gate 2: Who is eligible and how to apply | Bank of England](#)

# Advancing through the DSS: Gate Structure & Expectations



# Advancing through the DSS: Overview of Gates & Progression

## Gate 1 Entry

- Eligibility for the Sandbox

### Permissions & Activities

- Firms cannot undertake live activity; non-live testing only

## Gate 2 Entry

- Approval to commence live activities within set operational limits
- Focus on key risk areas as set out in the Policy Statement

### Permissions & Activities

- Go Live limits (by firm):
  - Gilts: £600m
  - Corporate bonds: £900m Asset-backed securities: £600m
  - Money market instruments (e.g. CP and CD) : £300m

## Gate 3 Entry

- Scale up live activities under higher operational limits
- Higher standards for risk management and governance

### Gate 3 rules and approach

- Informed by Bank experience from Gate 2
- Bank to publish rules from March 2026

## EXIT DSS:

Firms prepare for **full authorisation** outside DSS, where live operational limits would no longer apply.

# How Do You Apply to Gate 2?



# Gate 2 Application: Required Forms & Additional Permissions

Once a firm has passed Gate 1 and received a SAN, it should begin preparing its Gate 2 DSD application.

**DSD Application Forms** (available [here](#) - Bank of England website)

- 1. Gate 2 Questionnaire**
  - Firm's business and operating model at Gate 2
- 2. Cyber Resilience Questionnaire**
  - Self-assessment tool of cyber resilience
- 3. Self-Attestation Spreadsheet**
  - Confirmation of compliance with DSS Gate 2 rules
- 4. CEO & Chair Letter confirming self-attestation**
  - Approval of compliance and adherence to Gate 2 rules

## **Additional Considerations:**

- Some activities may require **additional regulatory** permissions, such as **Part 4A authorisation** under the **Financial Services and Markets Act 2000**
- Firms applying for **Settlement Finality Regulation (SFR) designation** should submit **alongside** the Gate 2 application



# What Makes a Strong Gate 2 Application?



# Key Considerations for a Successful Application

## Overall

- Application, in plain language, that clearly identifies risks inherent in business and operating model and explains how these risks are mitigated
- Maintaining timely and open communication with the Bank throughout the process

## Adhering to Limits

- Ability to monitor, detect, prevent and, where necessary respond, to limit breaches.

## Limiting cyber contagion

- Identify cyber contagion risks and mitigation strategies
- Minimal cyber security risk management approach

## Asset Protection

- Maintain accurate ownership records and mitigate asset loss
- Ensure safe return of assets in case of disruption or wind-down

## Orderly wind-down

- Demonstrate sufficient resources (e.g. capital and staff) to facilitate the protection and orderly return of client assets in a wind down scenario

# DSS Cyber Resilience Questionnaire (CQUEST): Purpose & Key Considerations

## What is CQUEST?

- **Self-assessment** for cyber resilience
- Adapted version used by the Bank, PRA, and FCA

## Key Considerations

- Provide a **rationale for each response** in CQUEST
- **Not expected to rank 'A' across all areas** – focus is on **current cyber capabilities**
- Focus is on **preventing systemic risks** (e.g. cyber contagion)

## Tips for Completing CQUEST:

- Justify **why you have given yourself a specific rating**
- Outline **planned improvements** where applicable
- Consider any **unique factors** (e.g. DLT-based models)
- Use **supporting guidance** to help responses

# Self-Attestation: Purpose & Key Considerations

## What is Self-Attestation?

- **Line-by-line attestation** against the DSS Gate 2 rules

## Key Considerations

- Firms should **state** how they comply with each Gate 2 rule
- If **not fully compliant** at the time of submission, indicate:
  - Outstanding areas
  - Planned actions to achieve compliance
  - **CEO (and Chair, if applicable) letter required**

## Tips for Completing Self-Attestation

- Outline any **specific processes, controls, or governance measures**

# Assessing Retail Business Models at Gate 2

## Regulatory Expectations

- Enhanced **risk & control measures required**
- Retail access assessed on a case-by-case basis

## Key Risk Controls

- Loss mitigation – ensure full asset & ownership record recovery
- Clear settlement process – secure on-chain transactions
- Anti-money laundering (AML) controls
- Client communications

 **Regulatory approvals for retail models will take longer due to additional evaluations**

# Gate 2 Journey: What to Expect



# Gate 2: What to Expect



## Pre-Application Engagement

- Up to **3 hours** of engagement via meetings or calls with DSS Supervision team

## Application Review & Timelines

- Expected timeline ~4 months (excludes firm's preparation & follow-ups)

## After Submission

- Ongoing engagement
- Requests for additional clarification: if needed, the Bank may stop the clock

## Decision & Outcome

- Bank will assess and determine next steps for application

## Application Fee:

- **£40,000** fee required before Gate 2 approval (SAN issuance)

# Addressing Gaps & Resubmission Process



- **Strong submissions**
  - Clear, complete, and high-quality applications are key.
- **Handling identified gaps**
  - If areas require further identification, firms will have the opportunity to improve submission.
- **Resubmission timelines**
  - Firms should anticipate taking necessary time to refine applications before resubmitting.



## Next Steps



### Upcoming Webinar – March

The Bank will hold a further DSS webinar to:

- Address key questions from firms approved at Gate 1 regarding the Gate 2 application process.
- Provide more detail on specific sections of the Gate 2 application forms and the required information.



For any questions in the meantime, please contact us at **DSSEnquiries@bankofengland.co.uk**



# Q&A and Closing Remarks

