

# Bank of England

## Gate 2 Questionnaire for Sandbox Entrants

### Business Risk

1. What is your firm's overall strategy, including your strategic goals and reasons for establishing the firm?
2. Please give an overview of the firm's systems architecture. How are you using developing technologies within your business model? Please explain any specific features of these technologies and their proposed key benefits to your operations.
3. Please outline the key elements of the DSD ecosystem, including:
  - Types of participants/users that will access your settlement system and the key rules and requirements for participants in relation to the settlement system.
  - Names of the trading venues intending to connect with your settlement system, along with the purpose of each connection.
  - Names of issuers intending to use your settlement system.
4. Please set out which aspects of your DSD's operations take place in the UK. If applicable, provide details of any operations conducted overseas.

Additionally, please indicate how many of your staff reside in the UK and what percentage of your total workforce this represents.

5. How do you plan to manage Anti-Money Laundering (AML) risks related to the participant requirements for each type of functionality you plan to operate within the DSD? Please identify where AML risks may emerge for the firm or participants and outline how you intend to mitigate these risks.

### Management and Governance

6. Please provide a description and organogram of your proposed governance arrangements, including Board (or senior governance arrangements if no Board exists), management committees and senior leadership team.
7. Please set out the background and experience of the members of the Board and your senior leadership team e.g. CVs. Please also provide the home addresses of the members of the Board and senior leadership team.
8. Please provide a current structure chart of your firm's ownership and its close links. Where your firm is part of a group, please provide a structure chart clearly showing where the applicant firm will sit in the group structure and which entities and/or individuals will directly or indirectly own it.

The structure chart should contain the following information:

- Full name of entity or individual controller (including if an entity, its legal status)
  - Country of incorporation (for entities other than individuals) or country of origin (for individuals)
  - Percentage of the shares or voting rights held in the applicant firm or in its parent entity
  - Nature of the relationship between the firm and each close link (for example investor, founder, etc. and the influence they will have on the applicant firm – for example, exert significant influence or vote jointly)
  - Where the applicant firm or its parent is owned by a large number of minority shareholders or members, please list the 20 largest shareholders or members
  - Where the applicant firm is part of a group, include all subsidiaries in the group (including dormant subsidiaries). Please indicate any subsidiaries or parent entities which are regulated, the name of the regulator and the nature of the business of each regulated entity in the group.
9. Please list your main sources of funding, including entities that have provided startup capital where applicable. Additionally, please disclose any preference shares, loans, or other funding structures not reflected in your response to question 8.
10. Please explain your policies for identifying and managing conflicts of interest, and how these policies may evolve as your firm scales its activities.
11. Please provide an up-to-date summary of any existing conflicts of interest at the time of application. This can include a copy of your conflicts register (if available) or a written summary.
12. Please explain the steps and governance you have undertaken in preparing the Gate 2 self-attestation and questionnaire.

## **Risk Management and Controls**

13. Please set out how you will monitor and enforce compliance with the DSS limits (as will be specified in your SAN), using technology and governance controls. Please explain how this approach would differ by asset class.

Additionally, how would you report and respond to any breaches?

14. Please provide a copy of your risk management framework/policy, outlining your firm's high-level risk strategy. If applicable, explain how the Board will monitor and oversee risks.

15. How do you plan to structure your risk management approach? If you plan to implement a 'three lines of defence' model, please explain how each line will function, including the roles and responsibilities within each line.

Additionally, please indicate whether any components of risk management will be outsourced, including the material use of intra-group and third-party services or software. If so, please explain how you will retain oversight and management of key risks, such as cyber risk management and enterprise risk management.

16. Please provide your risk register and control library (or equivalent), including risk ratings and action plans to bring risks within your risk appetite.

The risk register should identify key cyber and technology-related risks, such as DLT-specific risks, and consider any potential channels of cyber contagion or risks of asset loss, including the corruption of asset ownership records or weak controls around the segregation of assets. Additionally, explain the specific measures you will take to manage and mitigate these risks.

17. Which recognised industry standards or certifications will you use to benchmark your operating capabilities against (e.g. Cyber Essentials, NIST, ISO 27001)?

18. Have you developed a maturity assessment model to assess and improve your capabilities? If so, please explain which maturity model you are using, and explain how it assesses your current maturity level against your target environment. Describe any key areas you have identified for improvement.

19. Please outline your key policies for identifying and managing potential infringements of the DSS rules or your SAN. Additionally, explain how you ensure that employees can report breaches directly to the Bank if they are not comfortable reporting them through the firm's internal processes.

20. Please describe your approach to business continuity testing and IT disaster recovery, including scenario planning. What are the top three extreme yet plausible scenarios that you have identified from your business continuity testing?

21. Please outline the key elements of your disaster recovery plans for extreme scenarios, such as a severe operational outage. Has the firm put in place backup systems for critical business services? Where applicable, please explain the policies and procedures for maintaining or transferring ownership records in the event of irrecoverable failure.

22. What is your approach to technology testing, including:

- Testing strategy and the types of tests conducted
- Entry, exit and success criteria for each testing phase
- Governance structures around each testing phase
- Completed test reports

23. Please attach your capital assessment and wind-down plans, including:

- Calculations of available capital and capital requirements, along with an explanation of how the firm has calculated these capital requirements in relation to identified risks.
- Stressed scenarios underpinning the wind-down plans, covering both operational and financial failures, with the rationale for choosing these scenarios.
- An explanation of how the firm will wind down using available financial resources, including the timings and costs of doing so, and any arrangements regarding transfer of assets to another depository.
- Details of early warning signs, triggers, and risk metrics and how they are integrated within the firm's risk management framework.
- How the firm will manage claims over assets and ensure they are resolved in an orderly manner, with cross-references to participant rules where appropriate, as well as the process for returning assets to participants.