STATUTORY INSTRUMENTS

2025 No. 93

FINANCIAL SERVICES AND MARKETS

The Financial Services and Markets Act 2023 (Digital Securities Sandbox) (Amendment) Regulations 2025

Made - - - -	*28th January 2025*
Laid before Parliament	*30th January 2025*
Coming into force - -	*3rd March 2025*

The Treasury make these Regulations in exercise of the powers conferred by sections 13(1), (5) and (6), 16(1) and 84(2) of, and Schedule 4 to, the Financial Services and Markets Act 2023(**1**).

In accordance with section 16(2) of that Act, the Treasury have consulted the Bank of England and the FCA(**2**), and such other persons as the Treasury consider appropriate.

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Financial Services and Markets Act 2023 (Digital Securities Sandbox) (Amendment) Regulations 2025.

(2) These Regulations come into force on 3rd March 2025.

(3) These Regulations extend to England and Wales, Scotland and Northern Ireland.

Amendments of the Financial Services and Markets Act 2023 (Digital Securities Sandbox) Regulations 2023

2. The Financial Services and Markets Act 2023 (Digital Securities Sandbox) Regulations 2023(**3**)are amended as follows.

Amendment of regulation 3

3. In regulation 3 (creation and operation of an FMI sandbox), in paragraph (8) (appropriate regulator), after sub-paragraph (b), omit the "and" and after sub-paragraph (c) insert —

"; and

(d) in relation to ancillary FMI activities, the FCA and the Bank of England.".

(**1**) 2023 c. 29.
(**2**) The appropriate regulators for the purpose of these Regulations: see section 17(2) of the Financial Services and Markets Act 2023.
(**3**) S.I. 2023/1398.

Amendment of Part 1 of the Schedule

4. In Part 1 of the Schedule (modifications of legislation), after paragraph (d), insert—

"(e) Part 6 contains modifications of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017(**4**)."

Amendment of Part 2 of the Schedule

5.—(1) In Part 2 of the Schedule (modifications of UK CSDR)—

(a) for the entry for Articles 64 to 66 substitute —

"Article 64	Treat this article as disapplied.
Article 65	In paragraph (1), treat the reference to "competent authority" as a reference to a digital securities depository. Treat the reference to "infringements of this Regulation" as a reference to infringements of requirements (which may include a requirement imposed by a SAN) imposed by or under these Regulations. Treat the reference to "competent authorities" as a reference to the Bank of England. In paragraph (3), treat the first sub-paragraph as imposing a direct requirement on a digital securities depository to have in place the reporting procedures mentioned in that paragraph.
Article 66	Treat this article as disapplied.";

(b) in the entry for Article 73, in the second column substitute—

"Article 73	Treat this article as disapplied.".

Amendment of Part 3 of the Schedule

6.—(1) In Part 3 of the Schedule (modifications of FSMA 2000) —

(a) for the first entry for the table insert—

"Section 20	Treat a reference to a "regulated activity", in relation to a digital securities depository, as excluding such regulated activity that the digital securities depository carries on in connection with any of the FMI activities under regulation 3(5)(b) or ancillary FMI activities for which it has approval under its SAN;";

(b) in the entry for paragraph 21 of Part 3 of the Schedule (modifications of Schedule 17A to FSMA 2000), after the words in the second column insert—

"Paragraph 21	Treat a reference to section 345E in this paragraph as disapplied."

Insertion of new Part 6 of the Schedule

7.—(1) After Part 5 of the Schedule (modifications of the Uncertificated Securities Regulations 2001) insert—

(**4**) S.I. 2017/692 amended by S.I. 2019/1511, 2020/991, 2021/1376 and 2022/860. There are other amending instruments but none are relevant.

“Part 6

This Part sets out modifications made to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. The provisions specified in the first column are modified as provided for in the corresponding entry in the second column.

Provision	*Modification*
Regulation 3	Treat the definitions of “cryptoasset exchange provider” and “custodian wallet provider” as disapplied.
Regulation 7(1)(a)	Treat paragraphs (viii) and (ix) as disapplied.
Regulation 8(2)	Treat sub-paragraphs (j) and (k) as disapplied.
Regulation 14A	Treat this regulation as disapplied.
Regulation 27	Treat the references to “cryptoasset exchange provider” and “custodian wallet provider” in paragraph (2) as disapplied. Treat paragraphs (7D), (7E) and (10) as disapplied.
Regulation 40	Treat paragraphs (2)(c), 2(d) and 9(e) as disapplied.
Regulation 54	Treat paragraph (1A) as disapplied.
Regulation 56(1)	Treat sub-paragraphs (f) and (g) as disapplied.
Regulation 56A	Treat this regulation as disapplied.
Regulation 58A	Treat this regulation as disapplied.
Regulation 59	Treat paragraphs (3A)(i), (6)(b) and (8) as disapplied.
Regulation 60	Treat paragraph (2A) as disapplied.
Regulation 60A	Treat this regulation as disapplied.
Regulation 60B	Treat this regulation as disapplied.
Regulations 64A to 64H	Treat these regulations as disapplied.
Regulations 74A to 74C	Treat these regulations as disapplied.
Schedule 6	Treat paragraphs 10(c), 11A and 12(ca) to (cc) as disapplied.
Schedule 6B	Treat this Schedule as disapplied.”.

Jeff Smith
Anna Turley
Two Lords Commissioners of His Majesty's Treasury

28th January 2025

EXPLANATORY NOTE

(This note is not part of the Regulations)

Regulation 3 of these Regulations amends regulation 3(8) (appropriate regulator) of the DSS regulations to make further provision about who the appropriate regulator is in relation to certain ancillary FMI activities (as defined in regulation 3(6) of the DSS Regulations).

Regulation 4 amends Part 1 of the Schedule to the DSS Regulations by adding a reference to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (S.I. 2017/692).

Regulation 5 amends Part 2 of the Schedule by making minor changes to the existing modifications to the UK Central Securities Depository Regulation (Regulation (EU) No909/2014). The modifications require a digital securities depository to create and operate a "whistle-blowing" scheme to allow employees to report actual or potential infringements in connection with the digital securities sandbox.

Regulation 6 amends Part 3 of the Schedule. It disapplies section 20 of FSMA 2000 when an authorised person is carrying on FMI activities as a digital securities depository or ancillary FMI activities for what would otherwise be a contravention under that section. It also makes a minor change to the existing modifications made to paragraph 21 of Schedule 17A to FSMA 2000.

Regulation 7 inserts a new Part 6 of the Schedule to the DSS Regulations and makes modifications to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (S.I. 2017/692).

A full impact assessment has not been produced for this instrument, as no, or no significant, impact on the private, voluntary or public sector is foreseen. A de minimis impact assessment of the effect of this instrument is available from HM Treasury, 1 Horseguards Road, London, SW1A 2HQ and is published alongside this instrument on www.legislation.gov.uk.