Sandbox Approval Notice for Gate 2 of the Digital Securities Sandbox

Applicant name: ClearToken CSD Limited (“the sandbox entrant”)
Company number: 15856917 **Registered office:** 1 Bow Churchyard, London, EC4M 9DQ
Date of issue: 18 September 2026

Section A: Status

The sandbox entrant has passed Gate 2 of the Digital Securities Sandbox (“DSS”).

This Sandbox Approval Notice (“SAN”) approves the sandbox entrant to participate in the DSS as a ‘Digital Securities Depository’ (“DSD”). This SAN replaces the sandbox entrant’s Gate 1 SAN.

Gate 2 and DSDs are described in the Guidance on the Operation of the Digital Securities Sandbox issued by the Bank of England (the “Bank”) and the Financial Conduct Authority (the “FCA”) (the “DSS Guidance”).

This SAN is issued by the Bank in relation to the core DSD functions of notary, maintenance and settlement (the “core DSD functions”) in Section B, and by the Bank and the FCA in relation to the FMI ancillary activities in Section C in accordance with regulation 5(5) of the Financial Services and Markets Act 2023 (Digital Securities Sandbox) Regulations 2023 (the “DSS regulations”).

The sandbox entrant may carry out the FMI activities listed in Sections B and C in a live environment under the FMI sandbox arrangements subject to the conditions and restrictions in Section E.

In accordance with Article 6.1 of the DSS rules, if a DSD breaches any conditions, limitations, approvals or restrictions specified in its SAN, it must report the breach to the Bank as soon as is practicable after becoming aware of the breach.

The conditions and restrictions in Section E have no bearing on any other permission, approval, registration or requirement with which the sandbox entrant is required to comply with in order to lawfully carry on any of the activities listed in Sections B or C.

Any DSD activities should comply with the DSS Guidance. In the event of any inconsistency between the Gate 2 SAN and the DSS Guidance, this SAN shall take precedence.

Unless otherwise defined, expressions used in this SAN have the same meaning as in the DSS regulations, the Bank of England Digital Securities Sandbox Rules Instrument 2024 (the “DSS rules”) or the DSS Guidance (as applicable).

Section B: Core DSD functions, FMI Sandbox Instrument types and Limits

The sandbox entrant is approved, in relation to the FMI sandbox instruments and the capacity limits listed below, to carry out the following FMI activities under the DSS arrangements:

FMI sandbox instrument type	FMI activity	Limit
Certificates (each represented by a Tokenised Depository Interest) in respect of UK Government Debt	Carrying on the following core DSD functions in connection with an FMI sandbox instrument: A.1 Initial recording of securities in book-entry forms or forms of recording of securities using developing technology ('notary service'); A.2 Providing and maintaining securities accounts at the top tier level ('central maintenance service'); A.3 Operating a Securities Settlement System ('settlement service').	£600m
Certificates (each represented by a Tokenised Depository Interest) in respect of GBP Corporate Bonds	Carrying on the following core DSD functions in connection with an FMI sandbox instrument: A.1 Initial recording of securities in book-entry forms or forms of recording of securities using developing technology ('notary service'); A.2 Providing and maintaining securities accounts at the top tier level ('central maintenance service'); A.3 Operating a Securities Settlement System ('settlement service').	£900m

Certificates (each represented by a Tokenised Depository Interest) in respect of Non-GBP Corporate Bonds	Carrying on the following core DSD functions in connection with an FMI sandbox instrument: A.1 Initial recording of securities in book-entry forms or forms of recording of securities using developing technology ('notary service'); A.2 Providing and maintaining securities accounts at the top tier level ('central maintenance service'); A.3 Operating a Securities Settlement System ('settlement service').	£1.8bn
Certificates (each represented by a Tokenised Depository Interest) in respect of shares issued by a company included in the FTSE 350 at the time the TDI is created	Carrying on the following core DSD functions in connection with an FMI sandbox instrument: A.1 Initial recording of securities in book-entry forms or forms of recording of securities using developing technology ('notary service'); A.2 Providing and maintaining securities accounts at the top tier level ('central maintenance service'); A.3 Operating a Securities Settlement System ('settlement service').	TBC

Section C: Ancillary FMI activities

The sandbox entrant is approved, subject to the conditions and restrictions in Section E, to carry on the following ancillary FMI activities under the FMI sandbox arrangements:

1. Ancillary FMI activities, for which Part 4A permissions are not required ("Category 1 activities")

The sandbox entrant may carry on the following ancillary FMI activities without having a permission under Part 4A of FSMA 2000 (a “Part 4A permission”) to the extent that the activities are carried on for the purposes of the discharge of a core DSD function in Section B, provided that the activities are not directly aimed at retail customers.

Where an ancillary activity is carried on both for the purposes of the discharge of a core DSD function and otherwise, the activity should be listed in both Category 1 and Category 2. The activity will be a Category 1 activity to the extent that it is carried on for the purposes of the discharge of a core DSD function and a Category 2 activity to the extent that it is not carried on for this purpose. In accordance with MAR 5AB.2.1R, a DSD when carrying on Category 1 activities is not carrying on regulated activity, including where applicable, designated investment business or MIFID business, for the purposes of the FCA Handbook.

B.1(a) Organising a securities lending mechanism, as agent among participants of a Securities Settlement System.

B.1(b) Providing collateral management services, as agent for participants in a Securities Settlement System.

B.1(c) Settlement matching, instruction routing, trade confirmation, trade verification.

B.2(a) Services relating to shareholders’ registers

B.2(b) Supporting the processing of corporate actions, including tax, general meetings and information services

B.2(c) New issue services, including allocation and management of ISIN codes

B.2(d) Instruction routing and processing, fee collection and processing and related reporting.

B.3 Establishing DSD links, providing/operating securities accounts in relation to settlement, collateral management, other ancillary services

B.4(a) Providing general collateral management services as agent.

B.4(b) Providing regulatory reporting

B.4(c) Information, data and statistics to market/census bureaus

B.4(d) Providing Information Technology services

2. Ancillary FMI activities for which any necessary Part 4A permissions are required (“Category 2 activities”)

The sandbox entrant may carry on the following ancillary FMI activities, but must have the necessary Part 4A permissions to do so, including for any banking-type ancillary services, to the extent that the activities are not carried on for the purposes of the discharge of a core DSD function in Section B or for activities that are directly aimed at retail customers.

No requirements relating to the operation of a trading venue have been modified as part of the DSS Regulations. The FCA requires operators of trading venues to have the necessary Part 4A permissions to carry on this activity and any ancillary activities that relate to this activity.

N/A

Section D: Type (b) banking services provider

A DSD must obtain permission in its SAN if it wishes to engage one or more credit institutions to settle the cash payments for all or part of any securities settlement system it operates in accordance with Article 40.2 of the DSS rules. In addition, the DSD must ensure by contractual arrangements that the credit institution or credit institutions in question meets the conditions in Article 54.4 of the DSS rules.

A DSD whose SAN permits it to engage one or more credit institutions for the purposes of providing banking-type ancillary services is referred to as a “type (b) banking services provider” in the DSS rules.

The sandbox entrant is approved as a type (b) banking services provider.

Section E: Conditions and restrictions

The conditions and restrictions referred to in Section A of this SAN are as follows:

Conditions

The approval for the sandbox entrant to carry out the FMI activities set out in Sections B and C of this SAN is subject to the following conditions:

a. The receipt of a Gate 2 self-attestation in a form satisfactory to the Bank for DSS rules relating to the sandbox entrant’s preparations necessary for live activity;
b. The confirmation by the Bank of the amount of the limit for Certificates in respect of shares issued by a company included on the FTSE 350 index; and
c. Confirmation in a form satisfactory to the Bank that the sandbox entrant has received a capital injection sufficient to meet the minimum capital requirement in the DSS rules.

Restrictions

a. The sandbox entrant is not approved to provide services directly to retail customers.

b. Tokenised Depository Interests may only be issued on a 1:1 basis with the underlying asset.
c. The safeguarding and administration of the underlying assets arranged by the DSD must be undertaken by an entity with appropriate FCA authorisations.

Section F: Waivers and modifications

The sandbox entrant is subject to the following rules set out in the DSS rules as modified below when carrying on the activities listed in Sections B and C. New text is underlined, deleted text is struck through and text in italics has the meaning as in the DSS rules:

Modification to Rule 1.1 of Chapter 1 as follows:

This annex applies to a *DSD* ~~whose *SAN* states that the *DSD* has passed Gate 2~~ on commencement of live activity by the *DSD*.

Modification to Article 54.4 of Chapter 2 as follows:

Subparagraph (g):

"(g) the credit institution ~~submits to *the Bank* and keeps updated an adequate recovery plan~~ maintains an adequate recovery plan, under the prudential supervision to which it is subject, to ensure continuity of its critical operations, including in situations where liquidity or credit risk crystallises as a result of the provision of banking type ancillary services from within a separate legal entity;" and

Subparagraph (h):

"(h) the credit institution agrees to provide ~~to *the Bank* on demand~~ to the sandbox entrant, for provision to t*he Bank* on demand, such information as the Bank reasonably requires for the purpose of assessing whether the conditions in this paragraph 4 and Article 59, and any additional conditions in the *SAN* of the *type (b) banking services provider*, are met."

Modification to Article 85.1 of Chapter 3 as follows:

Subparagraph (h):

"(h) an individually segregated account at the *receiving DSD*, or an account at the *receiving DSD* held under trust and custody arrangements which ensure that no intermediary has any entitlement to the securities held and which provide an equivalent level of protection and segregation, is used for the operations of the *DSD link*;"

Final paragraph, first sentence:

"For the purposes of the first indent in subparagraph (a)(i), the third indent in subparagraph (a)(ii) and subparagraph (h), the *requesting DSD* must ensure that it can have access to the securities held in the individually segregated account or in the account held under such trust and custody arrangements at any point in time."

Modification to Article 85.2 of Chapter 3 as follows:

Subparagraph (b):

"(b) the account in the books of the *linked party* is opened in the name of the requesting DSD or in the name of a nominee which holds the securities on a bare trust under arrangements established in connection with the requesting *DSD's operations*, and the liabilities and obligations as regards the registration, transfer and custody of securities are only enforceable between ~~both *linked parties*~~the parties to the link and any custodian that has been notified to the *Bank* as being part of the associated custody arrangements"; and

Modification to Paragraph 15 of Schedule 1 of Chapter 5 as follows:

"If a relevant system allows a system-member to grant a sponsoring system-participant authority to send properly authenticated dematerialised instructions on his behalf, the ~~A~~ relevant system must

(a) enable ~~a~~ the system-member

~~(i) to grant authority to a sponsoring system-participant to send properly authenticated dematerialised instructions on his behalf;~~ and

~~(ii)~~ to limit such authority by reference to the net value of the units of the securities to be transferred in any one day; and

(b) prevent the transfer of units in excess of that limit."

Section G: Interoperable links and outsourcing of activities and services

The sandbox entrant is approved to establish the following interoperable links:

N/A

The sandbox entrant is approved to outsource the following core DSD functions:

1. Notary Service;
2. Central Maintenance Service; and
3. Settlement Service.

The sandbox entrant must not operate another securities settlement system, settle all or part of the cash leg of any securities settlement system it operates in the books of another settlement agent or make any changes to its outsourcing arrangements without first notifying the Bank.

The outsourcing of these activities does not result in a delegation of the sandbox entrant’s responsibility.

The sandbox entrant must not indicate or imply that it is approved by the Bank of England or authorised by the Financial Conduct Authority for FMI activities for which it is not approved.