Sandbox Approval Notice for Gate 2 of the Digital Securities Sandbox

Applicant name: HSBC Bank plc (the "sandbox entrant")
Company number: 00014259 **Registered office:** 8 Canada Square, London, E14 5HQ
Date of issue: 13 July 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, DSDs and hybrid entities 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 activities 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, limitations and restrictions in Section D.

The conditions, limitations and restrictions in Section D 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 any relevant DSS guidance set out by the regulators on their respective websites. 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 activities, instrument types and limits

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

FMI Instrument Type	Core activity	Limit
UK Government debt / Corporate Bonds / Notes	Carrying on the following functions in connection with an FMI sandbox instrument:	UK Government debt: To be confirmed GBP Corporate Bonds: £900m

FMI Instrument Type	Core activity	Limit
	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').	*Note: this limit is the initial entrant limit in the DSS Guidance, which may change during the DSS.*

Section C: Ancillary FMI activities

The sandbox entrant is approved, subject to the conditions, limitations and restrictions in Section D, to carry on the following ancillary FMI activities (as defined in regulation 3(6) of the DSS Regulations) 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 ("Part 4A permission") to the extent that the activities are carried on solely for the purposes of the discharge of a core activity in Section B.

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

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 and similar codes.

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

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 or to the extent that the activities are not carried on solely for the purposes of the discharge of a core activity in Section B.

B.4(c) Providing information, data and statistics to market/census bureaus or other governmental or inter-governmental entities.

C.1(a) Providing cash accounts to, and accepting deposits from, participants in a Securities Settlement System and holders of securities accounts, within the meaning of point 1 of Annex I to Directive 2013/36/EU.

C.1(c) Payment services involving processing of cash and foreign exchange transactions, within the meaning of regulation 2 of the Payment Services Regulations 2017.

Section D: Conditions, limitations or restrictions

The conditions, limitations or 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 settlement finality proposals;
b. the confirmation by the Bank of the amount of the limit for UK government debt;
c. the use of accounts at HSBC Bank plc to settle the cash payments, including where the cash payments are evidenced by HSBC settlement tokens or take the form of tokenised deposits; and
d. the sandbox entrant being a credit institution and having a Part 4A permission to accept deposits to carry on the banking-type ancillary services in Section C.

Limitations

N/A

Restrictions

N/A

Section E: 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:

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 its 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 F: Outsourcing of activities

The sandbox entrant is approved to outsource the following core FMI activities:

1. Notary Service;

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

The sandbox entrant must not 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.