



**REGULATORY SANDBOX –
NEW APPROACHES TO REGULATION OF
FINTECH: TESTING AND LEARNING IN A
SANDBOX**

Supported by



MIND THE REGULATORY GAP BETWEEN BANKS AND FAST MOVING FINTECH COMPANIES



THE NEW ROLE OF PUBLIC INSTITUTIONS

Cooperative

- Traditionally taken on role of 'cautious custodians'
- Potential solution: Constructive dialogue achieves positive outcomes

Approachable

- "We don't even know how to talk to the regulator"
- Potential solution: Innovation Hub (UK FCA), FinTech Innovation Group (MAS SG), Office Hours (ASIC AUS)

Reliable & Committed

- Lack of clear statements in undefined areas of regulation
- Potential solution: "Letter of non-action" grants the right to try a process or business model with a well-defined context

Timely & Responsive

- Slowness of internal processes does not match innovation cycles
- Potential solution: Technology agnostic and balancing prudence and innovative technology

Harmonized

- Fragmentation of global regulatory landscapes
- Potential solution: Harmonization and standardization of regulation across jurisdiction (i.e. in P2P lending)

WHAT IS A REGULATORY SANDBOX?



Regulatory Sandbox

Allows businesses to test innovative products, services, business models and delivery mechanisms in a well-defined space with relaxed regulatory requirements, subject to predefined restrictions:

- Limitations (# of clients, risk exposure)
- Time-limited testing
- Set of predefined exemptions
- Testing under regulator's supervision



PURPOSES OF REGULATORY SANDBOX

1

Minimizing **legal uncertainty**

2

Lower barriers for innovative firms to **access new markets**

3

Adaption **to test-and-learn** for regulators and sandbox players

4

Creation of **bespoke regulation** for new products/ business models

WHO CAN BENEFIT?



Start-Ups



Regulators



Financial
Institutions

MAS' FINTECH REGULATORY SANDBOX

Three Stages:

Application

1. Solution has to be technologically innovative
2. Solution addresses a problem or brings benefits to consumers
3. Test scenarios and outcomes have to be clearly defined
4. Boundary conditions are defined
5. Major foreseeable risks arising from the Fintech idea have been assessed and mitigated
6. There is an exit strategy in the event the solution is not feasible.

Experimentation

1. Period of experimentation is stipulated by MAS
2. If an extension is required, the applicant is expected to apply to the MAS at least 1 month before the expiration date and provide reasons to support the application for extension

Exit

1. If approved – Applicants can choose to scale up their FinTech solution after exiting the Sandbox
2. If not approved – Applicants have to discontinue their FinTech solution after exiting the Sandbox

SUMMARY MAS' REGULATORY SANDBOX

No.	Questions	Points	Comments
1.	Who can play?	FinTech start up and financial institution (both new and existing), or any interested firm	<ul style="list-style-type: none"> • Every applicant must apply to MAS • There isn't one sandbox for the entire industry but many sandboxes customized to each applicant
2.	What can be tested?	Any FinTech product or solution that is "technologically innovative" and not similar to those that are already being offered in Singapore	<ul style="list-style-type: none"> • No prescriptive list as to what can be tested (unlike Australia's Sandbox)
3.	Limitations to playing in the Sandbox?	Not all sandbox applications will be approved	<ul style="list-style-type: none"> • MAS will assess evaluation based on the non-suitability circumstances and their 6 evaluation criteria (see below)
4.	Conditions for playing in the Sandbox?	Not all Regulatory Sandboxes will be the same	<ul style="list-style-type: none"> • MAS will review the application on a case-by-case basis • MAS will then decide which regulations to relax • The applicant will be in charge of operating the sandbox and creating safeguards to limit the consequences of failure
		Not all financial regulations can be relaxed.	<ul style="list-style-type: none"> • Criteria such as confidentiality of customer information, AML/CFT regulations will not be relaxed
5.	How long can you play in the Sandbox?	The approval process and timeline are not fixed.	<ul style="list-style-type: none"> • While MAS will take 21 days to consider if the application is successful, the period of testing in the Sandbox is not fixed
6.	What happens after the Sandbox expires?	If approved by MAS – MAS proposes that approved Applicants will be able to deploy their FinTech solution more broadly in Singapore.	<ul style="list-style-type: none"> • Requirements: <ul style="list-style-type: none"> (a) the sandbox has achieved its intended test outcomes; and (b) the institution is able to fully comply with all relevant legal and regulatory obligations (meaning that any relaxation of regulatory obligations that applied in the sandbox would be lifted).
		If not approved by MAS – MAS can stop the	<ul style="list-style-type: none"> • Both you and MAS agree that the test objectives have not been achieved. • Either: <ul style="list-style-type: none"> (a) FinTech cannot fully comply with laws and regulations.

TOM ROGER MOYES TOBIAS FISCHER

MBI

- tom@mekongbiz.org
- tobi.fisc@gmail.com

- mekongbiz.org
- fb.com/mekongbusinessinitiative

