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REGULATORY SANDBOX

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Today...

- Rationale for sandboxes
- How the Australian sandbox works
- Group exercise – sandbox case studies

Questions to think about

- Why might my jurisdiction implement a sandbox?
- What kind of features might be appropriate in my jurisdiction?
- What powers do we as regulators have to implement a sandbox?

Fintech start-up barriers

- Speed to market
- Organisational competence
- Access to capital

The balance for ASIC

- Additional flexibility and guidance
- Limit activities with consumer outcomes

» Satisfy the fundamental principles of regulation and licensing in alternative ways

ASIC's Regulatory Sandbox framework

- **Additional guidance** – organisational competence
- **Limited licence** – alternative organisational competence
- **Limited licensing exemption** – the 'regulatory sandbox' exemption

How can the Regulatory Sandbox help?

- **Speed to market** – providing an environment for testing without a licence
- **Organisational competency** – more examples and greater flexibility
- **Access to capital** – reducing testing costs

The 'regulatory sandbox' exemption

- 12 months duration
- Eligible entities
- Limited financial intermediary services only
- Caps – retail clients and exposures
- Consumer protection - conditions on the exemption

The 'regulatory sandbox' exemption – what services?

Advice or dealing in relation to:

- Deposit products and government bonds
- Listed Australian securities
- Simple managed investment schemes
- Payment products, if ADI issued
- General insurance – personal property and home contents
- Consumer credit contracts

The 'regulatory sandbox' exemption – caps

- 100 retail clients
- Total client exposure – up to \$5M
- Investments – up to \$10,000 per retail client
- Payments – up to \$10,000 per client
- General insurance – up to \$50,000 coverage per client
- Consumer credit contracts – over \$2,000 and up to \$25,000 per client

The 'regulatory sandbox' exemption – conditions

- Adequate compensation arrangements
- External dispute resolution arrangements
- Core conduct and disclosure obligations
- Notification and report requirements

How entities can use the sandbox

Notify ASIC that it is going to test under the fintech licensing exemption:

- Send ASIC written notice that you intend to test under the exemption to our email address.
- Provide ASIC with some information about your business



GENERAL CONDITIONS

You must:

- ◆ Have no more than 100 retail clients (unlimited wholesale clients)
- ◆ Plan to test for no more than 12 months
- ◆ Have total customer exposure of no more than \$5 million
- ◆ Have adequate compensation arrangements (such as professional indemnity insurance)
- ◆ Have dispute resolution processes in place
- ◆ Meet disclosure and conduct requirements



WHAT SERVICE DO YOU WANT TO TEST?

✓ Eligible

- ◆ Providing advice
- ◆ Dealing in or distributing products

⊘ Not eligible

- ◆ Issuing my own product
- ◆ Lending money to consumers
- ◆ Operating my own managed investment scheme (e.g. a marketplace lending platform)



WHAT PRODUCTS WILL YOU BE ADVISING ON OR DISTRIBUTING?

✓ Eligible

- ◆ Deposit products, with a maximum \$10,000 balance
- ◆ Payment products, if ADI-issued and with a maximum \$10,000 balance
- ◆ General insurance, for personal property and home contents and with a maximum of \$50,000 insured
- ◆ Liquid investments, for listed Australian securities or simple schemes and with a maximum \$10,000 exposure
- ◆ Consumer credit contracts with certain features, and a loan size of between \$2,001 and \$25,000

⊘ Not eligible

- ◆ Other products



ELIGIBLE?

Next steps

Read Regulatory Guide 257 for more detail on exemption conditions and on notifying ASIC that you will rely on the licensing exemption for fintech testing



NOT ELIGIBLE?

Other options

- ◆ Rely on another exemption to test the service and product
- ◆ Request an individual waiver from ASIC
- ◆ Act on behalf of a licensee
- ◆ Apply for a licence from ASIC

Next steps

Read Regulatory Guide 257 for guidance on these options

ASIC sandbox – the story so far

- Entities using the sandbox
- New proposals in in the Budget from the Government

Questions for discussion

- Why might my jurisdiction implement a sandbox?
- What kind of features might be appropriate in my jurisdiction?

Group task – sandbox case study

References

- ASIC Regulatory Sandbox: <http://www.asic.gov.au/for-business/your-business/innovation-hub/regulatory-sandbox/>
- MAS (Singapore) Sandbox: <http://www.mas.gov.sg/Singapore-Financial-Centre/Smart-Financial-Centre/FinTech-Regulatory-Sandbox.aspx>
- FCA Regulatory Sandbox: <https://www.fca.org.uk/firms/regulatory-sandbox>