Regulators and Fintech: influence is mutual?

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Regulatory sandboxes: how, who and why?
Regulatory Sandbox

Set of rules that allows innovators to test their products/business models in live environment without following some or all legal requirements, subject to predefined restrictions:

- Limitations (on number of clients, risk exposure);
- Time-limited testing
- Set of predefined exemptions
- Testing under regulator’s supervision
Jurisdictions

- United Kingdom
- Singapore
- Australia
- UAE (Abu Dhabi IFC)
- Malaysia
Purposes of Regulatory Sandboxes

- Minimizing legal uncertainty
- Improving access to investment
- Adaptation to test-and-learn approach
- Creating rules for new products/business models
Who can benefit?

As a rule, regulatory sandboxes are open to both incumbent financial institutions and startup companies.

Hence, startups are not the only source of innovations.
Why regulators change?

- Lines between regulated and unregulated become blurred
- Keeping regulation effective gets more difficult
- Regulators have to become startups in a certain sense
- Flexible approach allows to mitigate the risks while keeping it conducive to innovations
The Report

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