



Regulatory Sandbox

A collaborative approach to FinTech regulation

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European Bank
for Reconstruction and Development

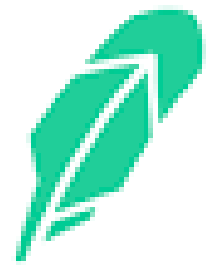
\$500 Million

“Japanese Crypto-Exchange must repay victims of \$500 million hack”





Industry-beating 3% Annual Interest Rate



robinhood

So, what is the right balance to strike?

Providing
sufficient space for
companies to
develop innovation



Maintaining
financial stability
and ensuring
Investor Protection

What is the solution?



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The Regulatory Sandbox



What to expect



- Space for innovators to test new ideas with real customers in a live environment
- Open to authorised and unauthorised businesses and technology providers – as long as they pass the eligibility criteria, notably “innovative character”
- Regulator is able to closely oversee trials using a customised regulatory environment for each pilot – including safeguards for consumers (FCA approach)
- Insight on developments, trends and emerging risks

What not to expect



- A regulation-exempt space
- Shortcut to a regulatory license
- Customised set of rules or new rules for firms
- Risk transfer from firms to consumers
- Physical location
- Connectors (i.e. underwriting partners, etc.)
- Sector specific





- The launching of a regulatory sandbox signals to the industry that regulators are interested and willing to engage with them
- Reducing the time and cost of getting innovative ideas to market. FCA Innovate reported a 40% reduction in time to determine authorisation applications
- Facilitating greater access to finance for innovators. Start-ups in FCA cohort 1 received £135m in total equity funding
- Working to ensure appropriate consumer protection safeguards are put in place
- Introducing greater competition to the market

Why is a global network of regulators needed?

- Knowledge sharing on the latest market and technological developments
- Scale-up efforts on a particular topic
- Technology renders initiatives borderless



What exactly is GFIN?

- Formally launched in January 2019.
- Regulators' led initiative
- Network of 35 organisations committed to supporting financial innovation in the interests of consumers.
- 7 observers
- A solution suitable for scale-up FinTech companies rather than start-up



Next steps:

- Continued engagement in relation to cross-border testing, RegTech, knowledge sharing
- Consolidation of the Network
- Cross-border testing pilot

In April 2019, EBRD became an observer of GFIN



- The EU Commission's FinTech Action Plan
- The European Supervisory Authorities (ESAs) Report including Best Practices
- The European Forum for Innovation Facilitators (EFIF)
- The International Association of Trusted Blockchain Applications (INATBA)



EBRD FinTech project examples



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Estonia: The LC2 Team is working with the Ministry of Finance in Estonia to explore innovative technological solutions in the financial sector, including the establishment of a regulatory sandbox.



Poland: LC2 is currently working to prepare a Feasibility Study on innovative technological solutions in the Polish financial markets and the implementation of those recommendations (including through legal and regulatory reform) and the establishment of a Regulatory Sandbox



Croatia: Support for the implementation of an equity crowdfunding platform, which is operational since 2018.



The way forward



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- Further disruption of the Financial Sector is inevitable
- Strong regulatory regime required with a healthy balance between maintaining stability and investor protection while providing space for innovation
- New forms of investor protection schemes must be investigated and implemented
- Cross-border application of FinTech solutions brings new challenges. Therefore, enhanced cross-border coordination and cooperation between Regulators is crucial
- A Global Regulatory Sandbox approach will be essential



Thank you!



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André Küüsvek

Director, Local Currency & Capital Market Development (LC2)
European Bank for Reconstruction & Development

Email: kuusveka@ebrd.com

