



FEDERAL RESERVE BANK
OF PHILADELPHIA

Third Annual Fintech Conference

November 14-15, 2019



Cambridge
Centre
for Alternative
Finance

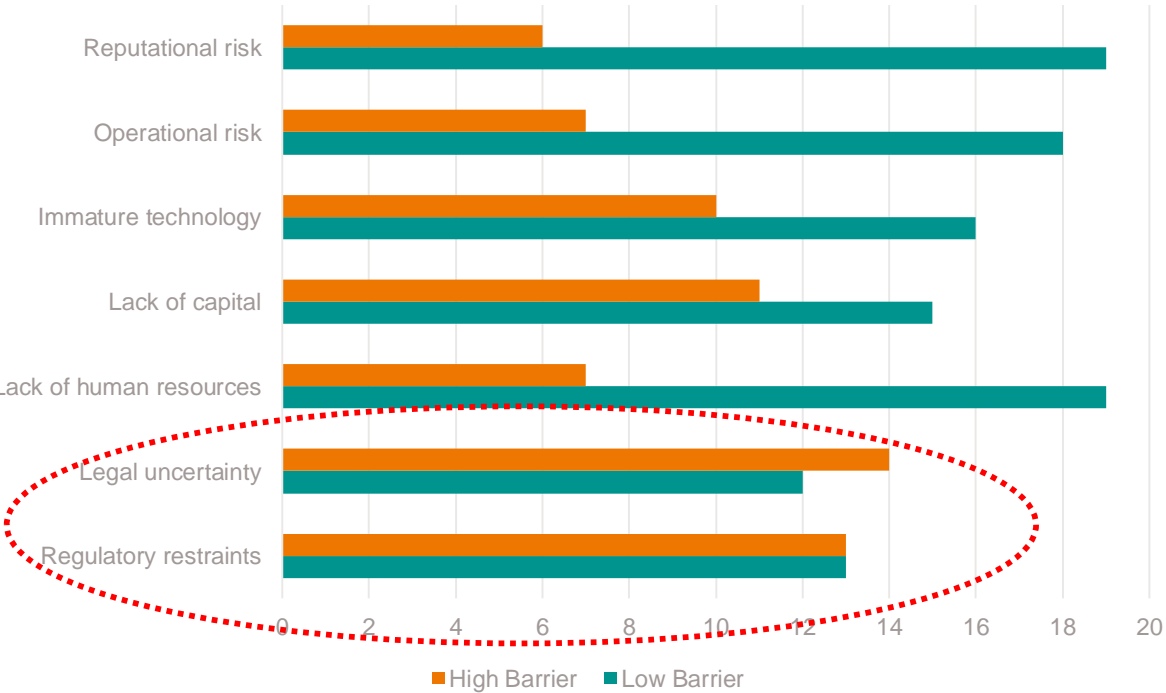


Session 4: Designing Effective Regulatory Sandboxes for FinTech Innovations

Schan Duff
The Aspen Institute

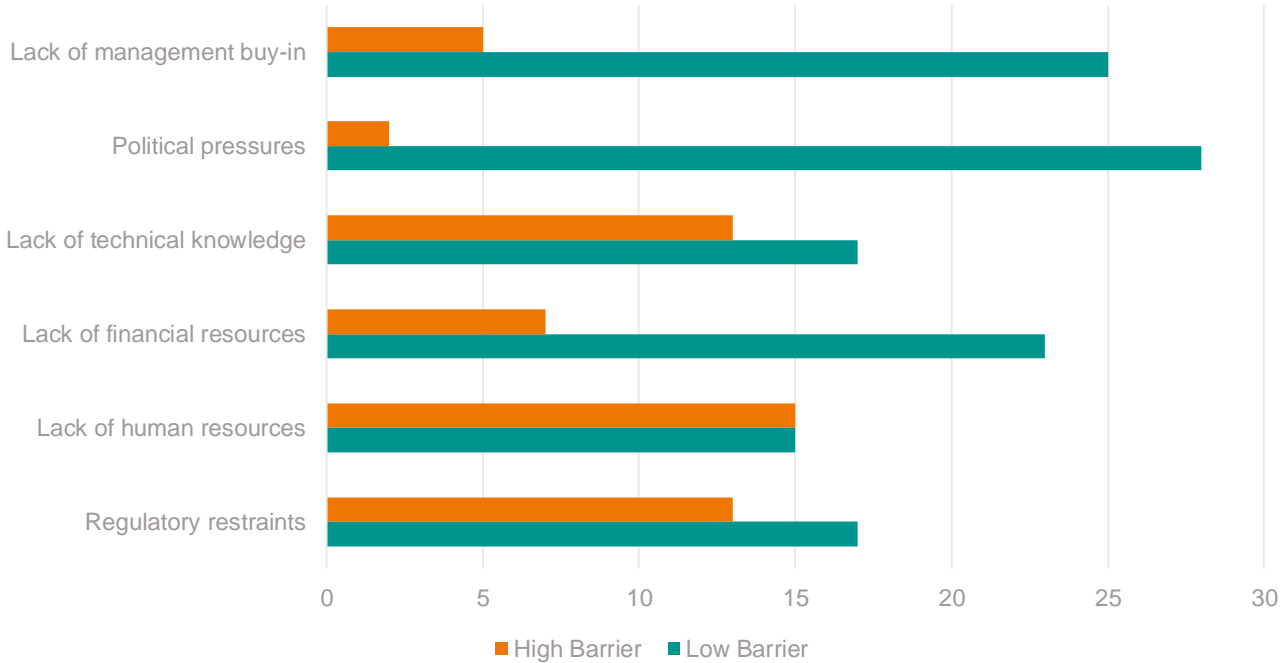
Regulators see regulation as a key barrier to innovation

MAIN BARRIERS TO FINANCIAL INNOVATION IN SELECTED JURISDICTIONS



Answered: 26 Skipped: 5

MAIN BARRIERS PREVENTING REGULATORS FROM RESPONDING TO INNOVATION EFFECTIVELY

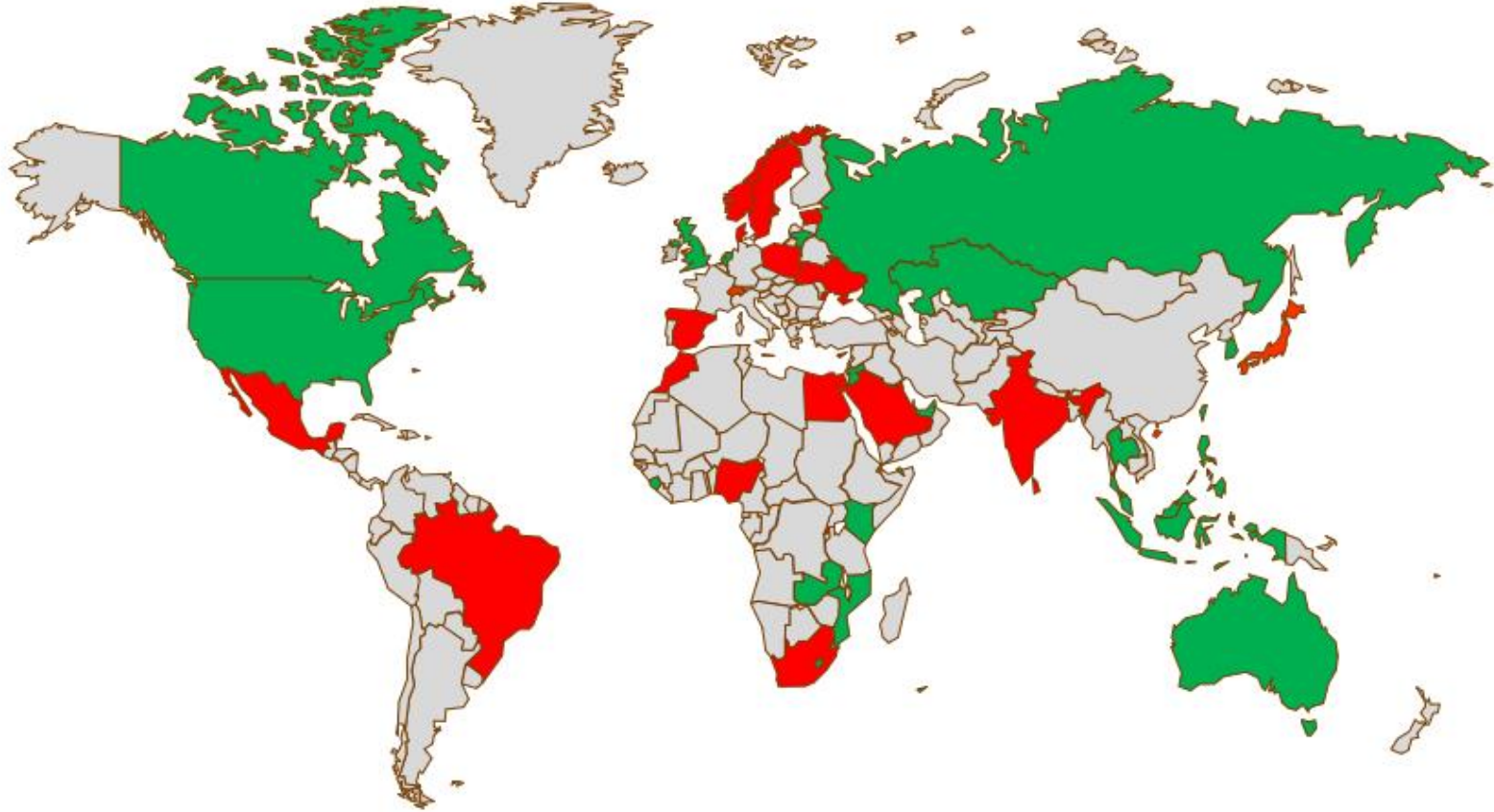


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Source: CGAP/World Bank survey (2019)

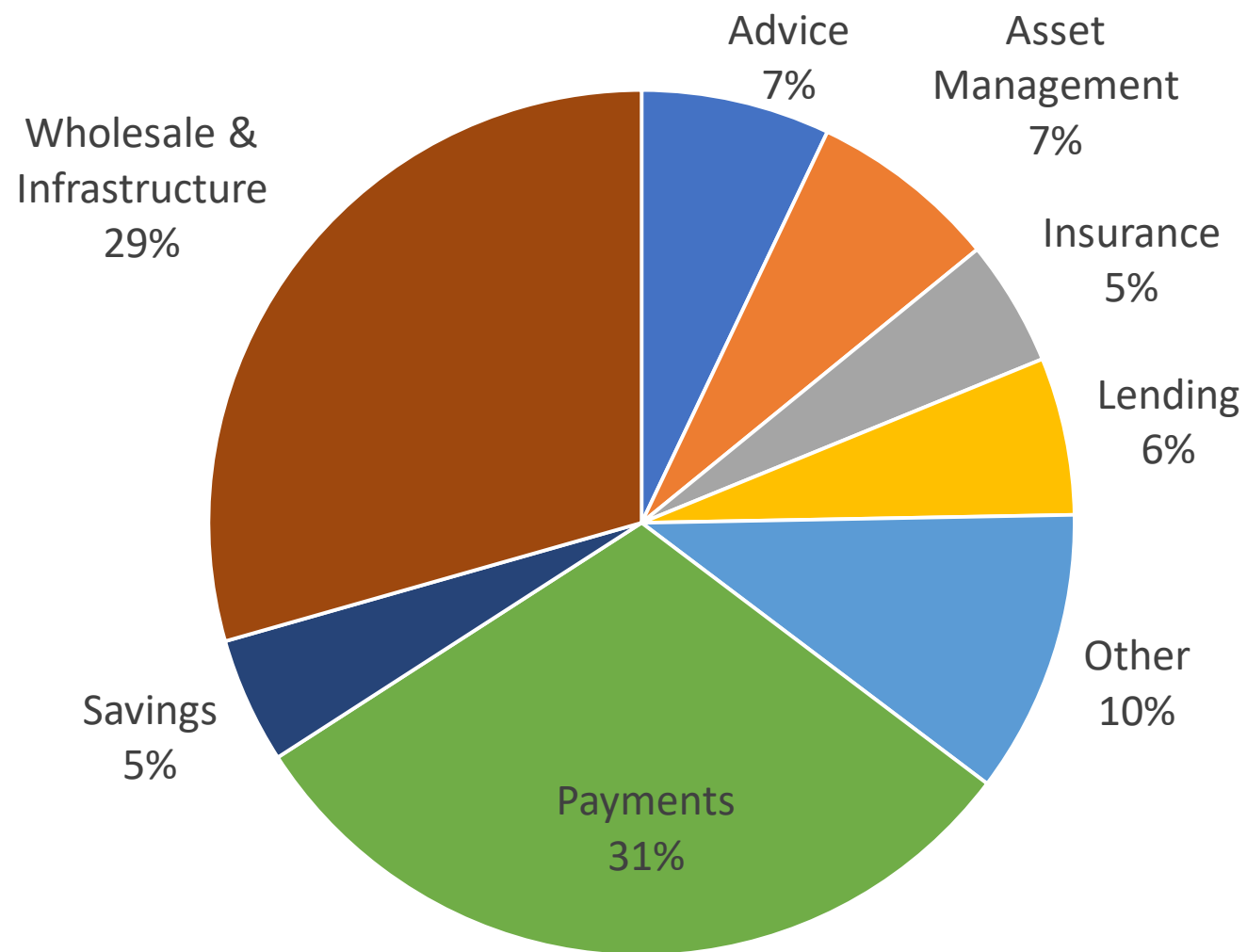


Regulatory sandboxes around the world (March 29, 2019)



- Countries with regulatory sandbox
- Countries considering regulatory sandbox

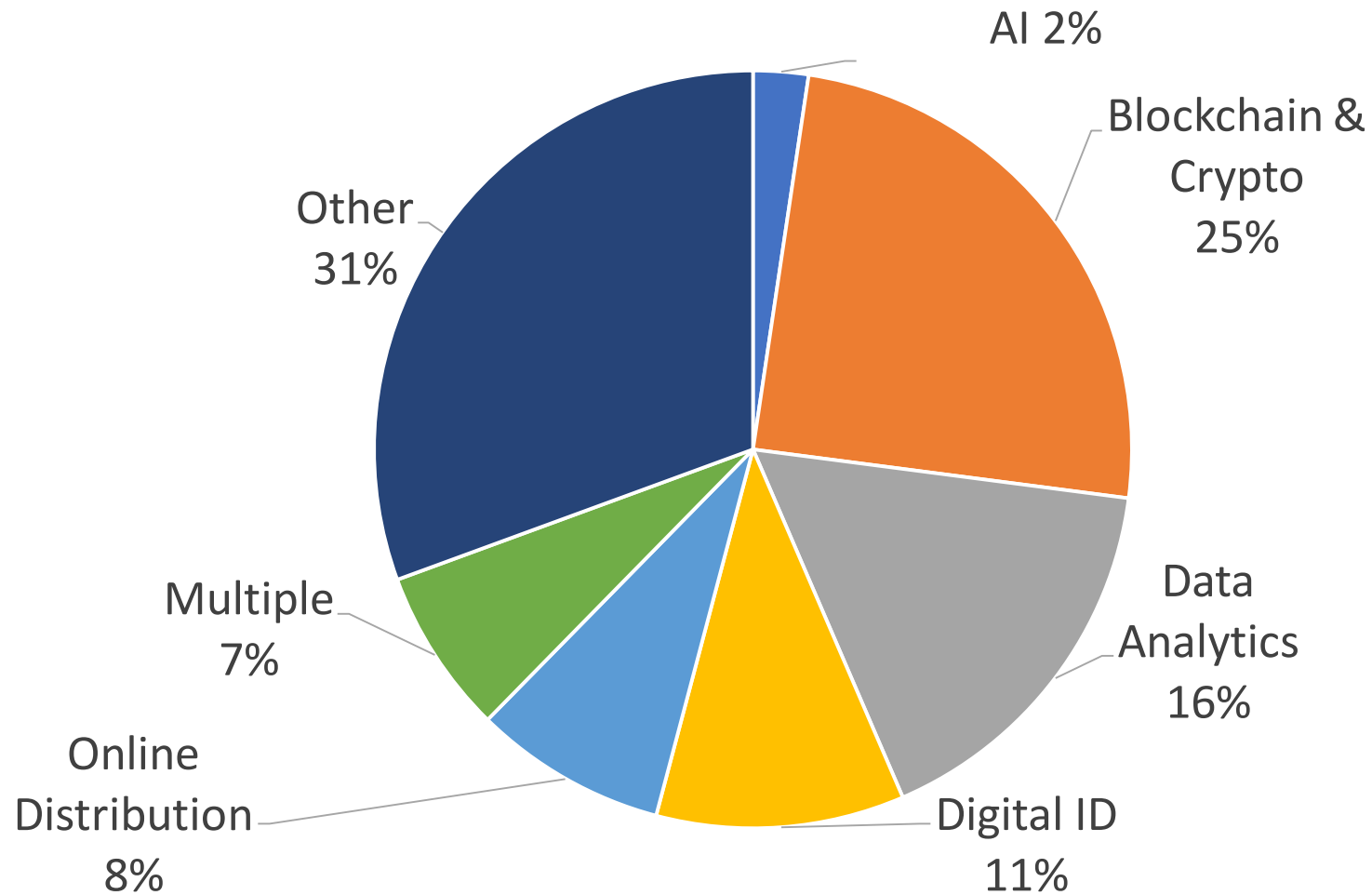
Global sandbox participants (by sector)



Source: CGAP analysis (2019)



Global sandbox participants (by technology)



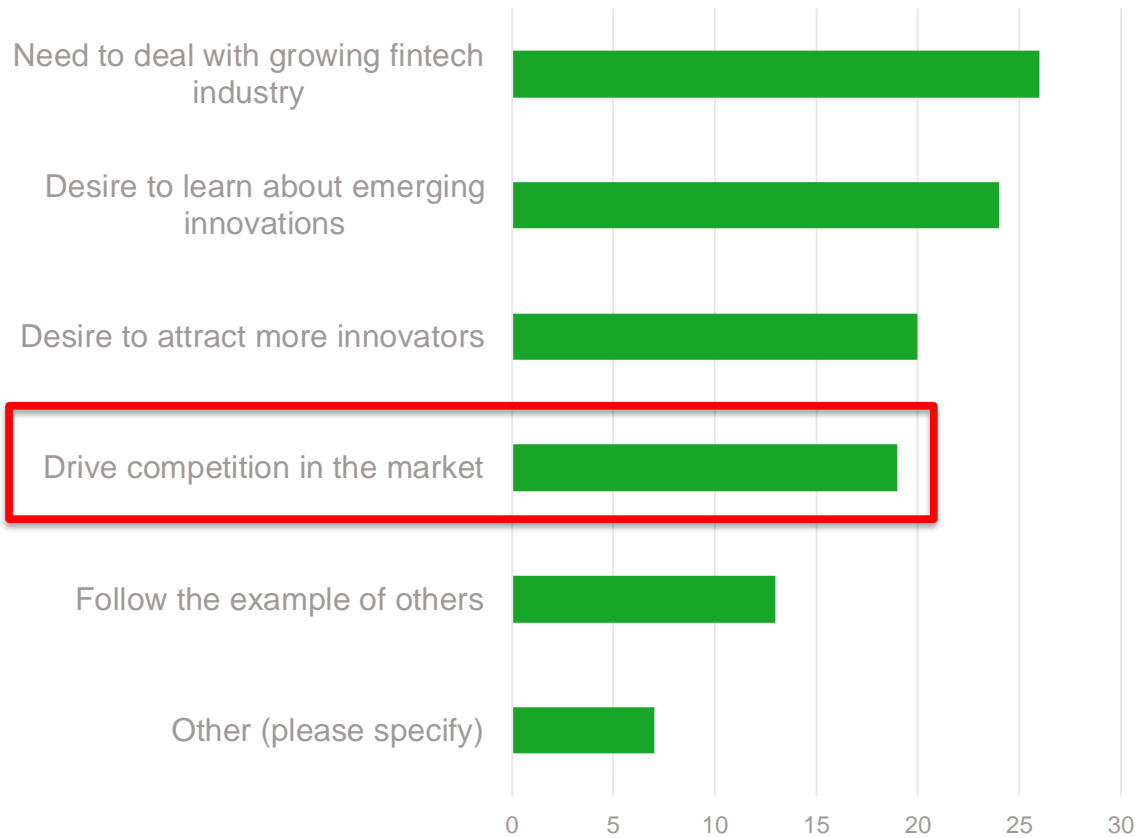
Source: CGAP analysis (2019)





Motivations don't always align with mandates

Motivation



Mandate



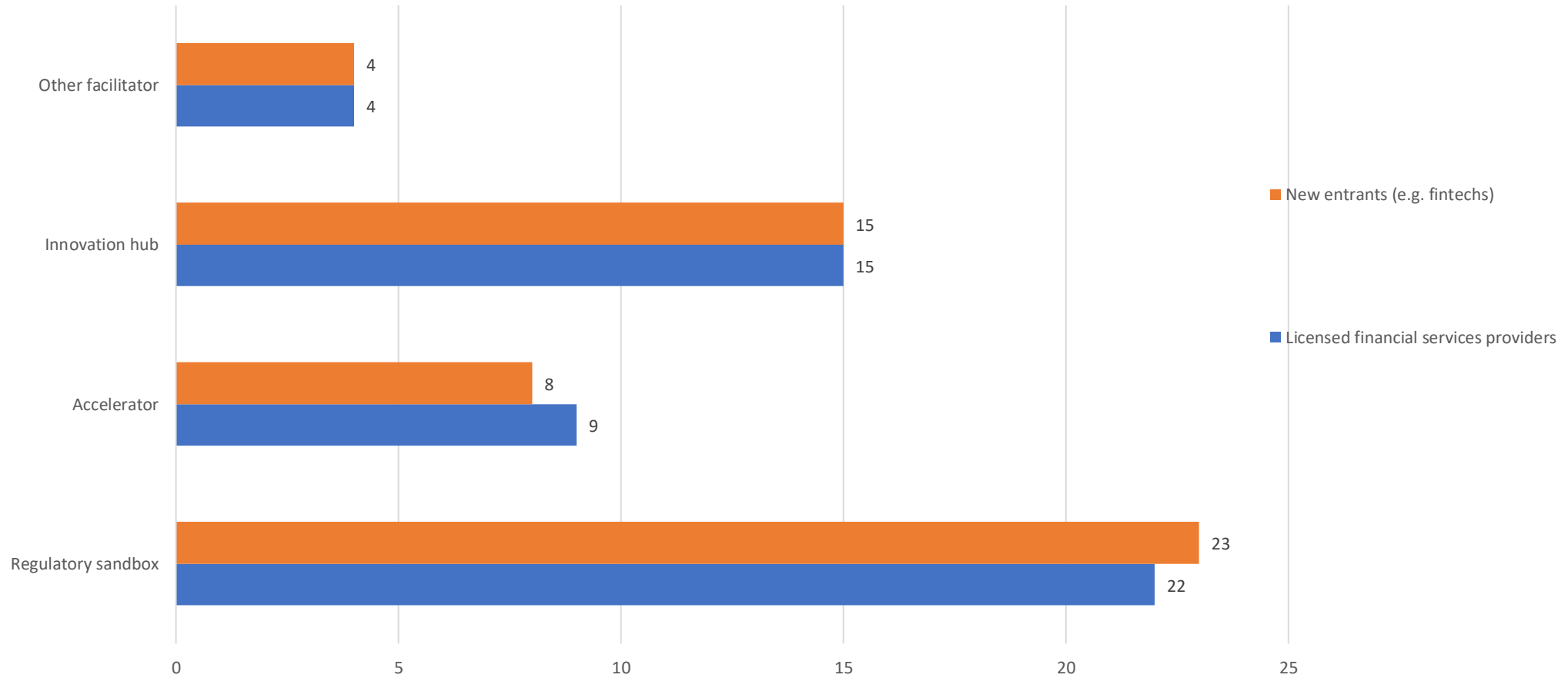
Source: CGAP/World Bank survey (2019)





Most sandboxes are available to FIs and start-ups

ENTITIES ELIGIBLE TO PARTICIPATE

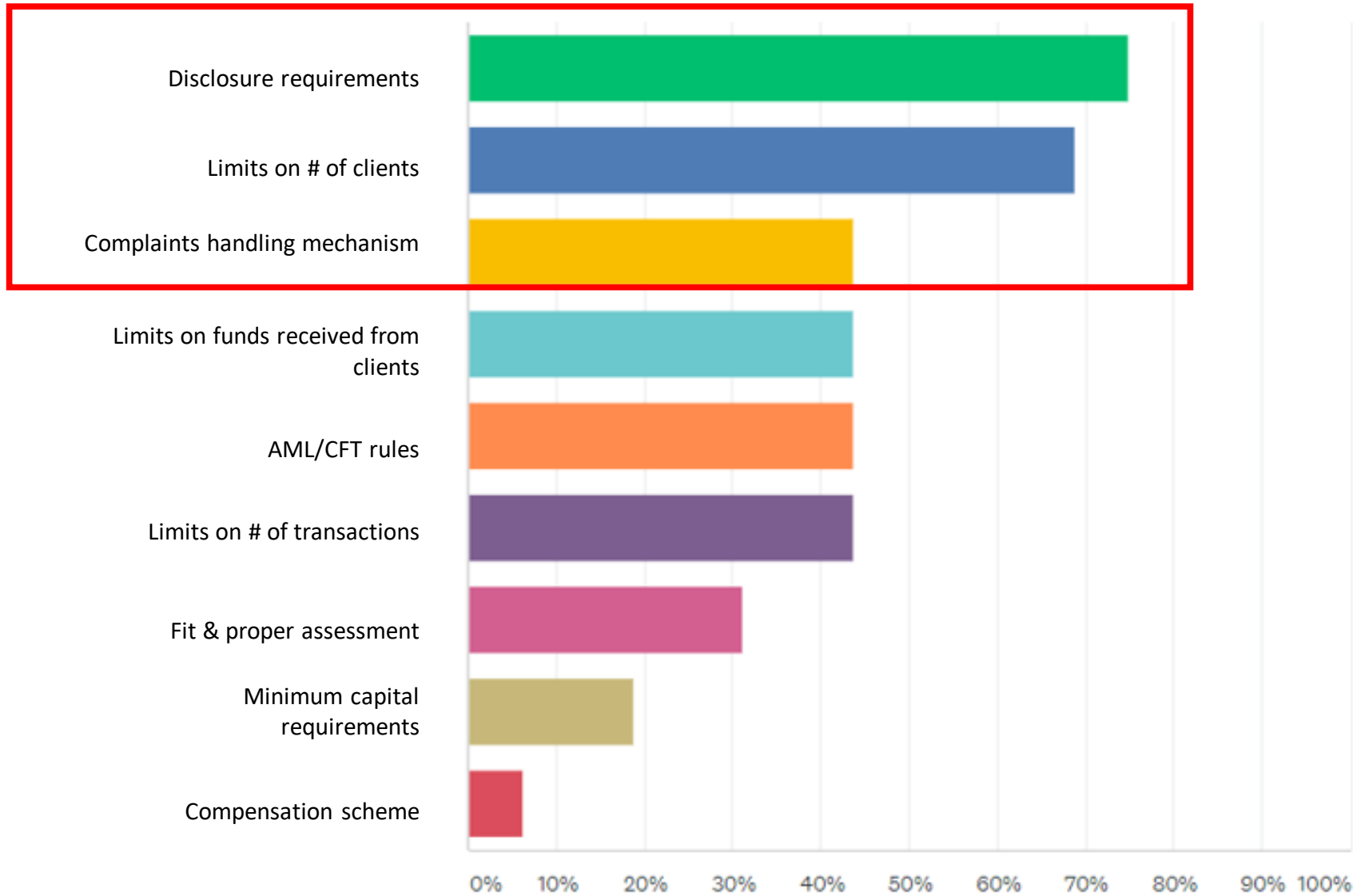


Source: CGAP/World Bank survey (2019)





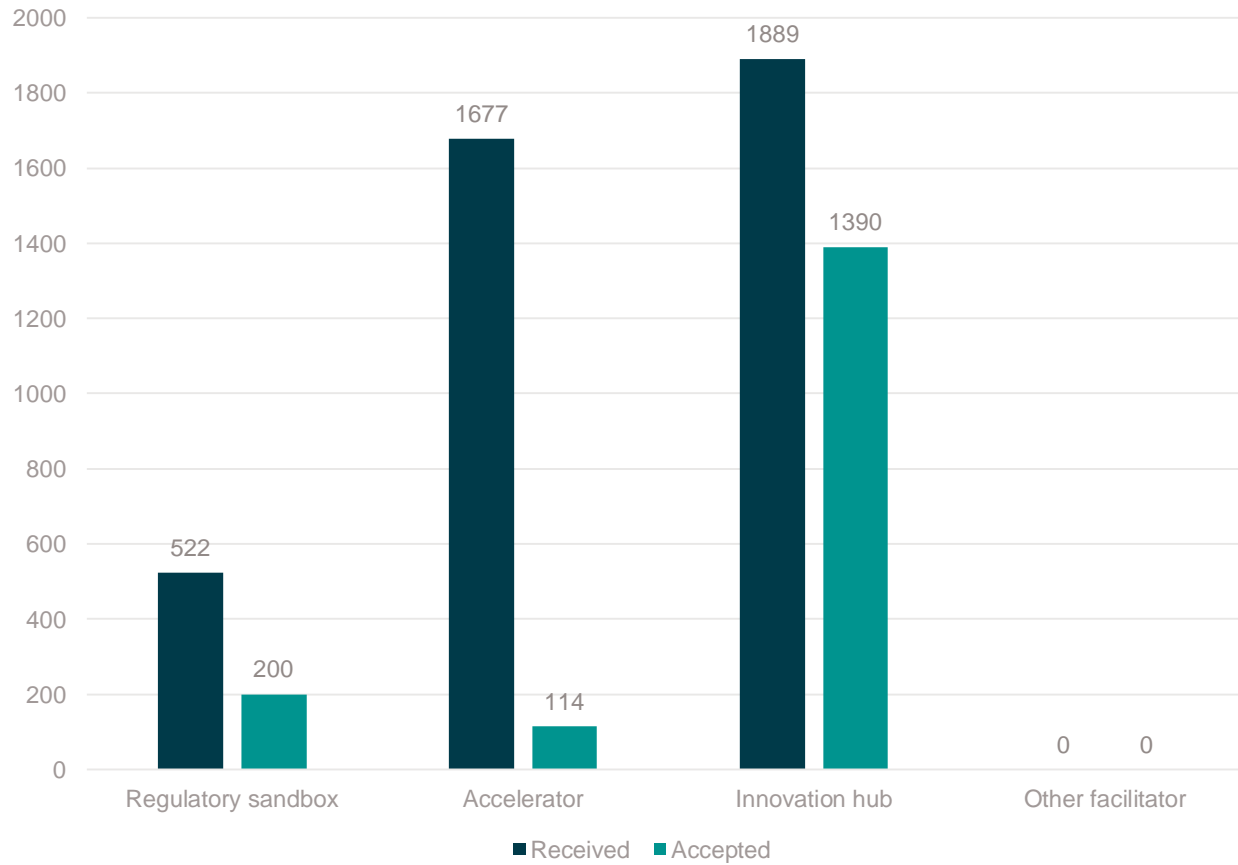
Do sandboxes create loopholes?



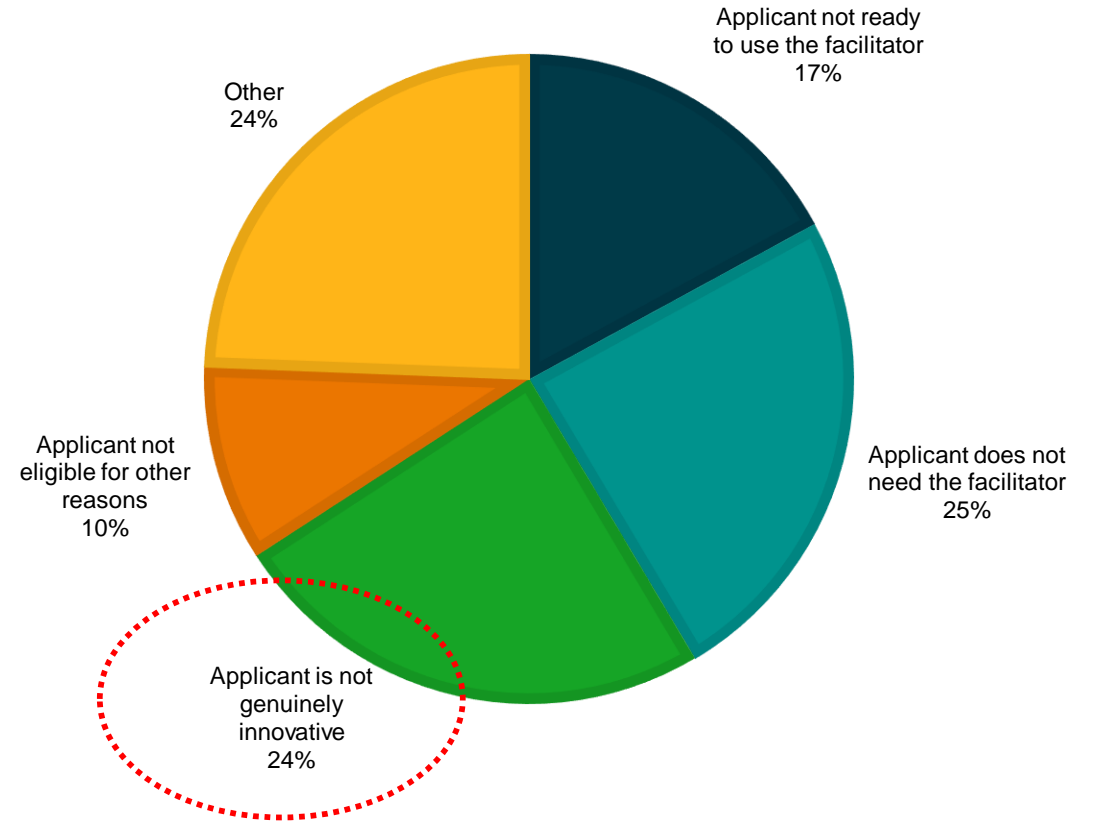
Source: CGAP/World Bank survey (2019)

Sandboxes serve fewer firms than other facilitators

FORMAL APPLICATIONS THAT HAVE BEEN RECEIVED VS ACCEPTED FOR THE INNOVATION FACILITATOR(S)

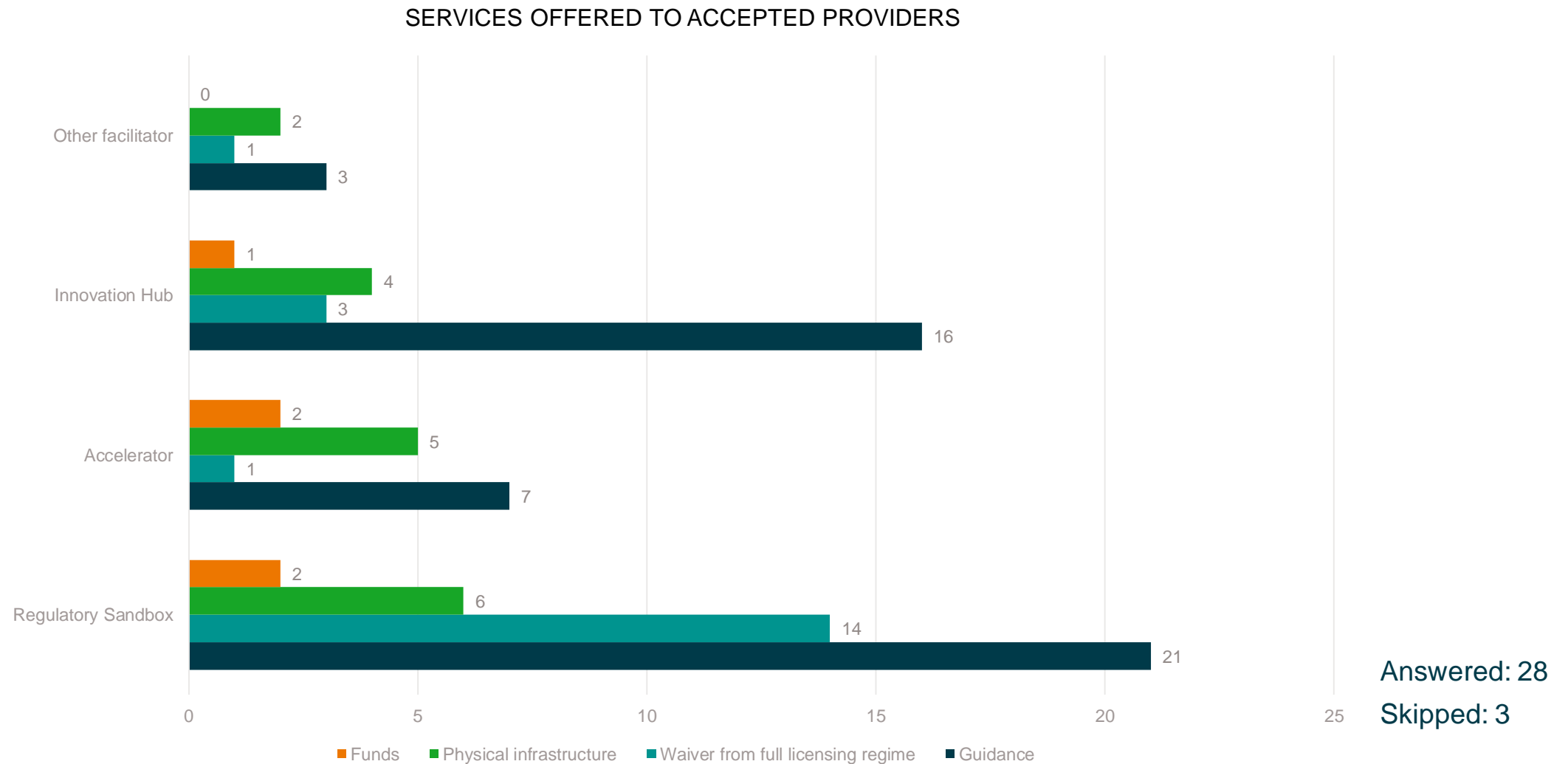


REASONS FOR REJECTING APPLICATIONS



Source: CGAP/World Bank survey (2019)

Informal guidance may be the primary benefit



Source: CGAP/World Bank survey (2019)

Different models emerging

1

Innovation Promoting

- Encourage new market entrants
- Reduce initial cost of regulation
- Validate new business models and technologies
- Often cohort-based and/or linked to other market development initiatives



2

Policy Promoting

- Identify regulations that inhibit beneficial innovation
- Encourage policy modernization
- Open application with few participants – focus on resolving regulatory frictions *prior* to reaching sandbox



3

Thematic

- Leverage sandbox for (i) promoting specific innovations (i.e., SME finance) or (ii) accelerating adoption of regulatory enablers (i.e., eKYC, QR codes, etc.)

