Designing Effective Regulatory Sandboxes for Fintech Innovations

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How did sandboxes enter regulatory tool kit?

• Regulations lag behind
  • This time we are told regulators might be rendered irrelevant if sitting still

• Regulations written in the analogue era unfit for today’s digital revolution
  • But no one has been able to clearly state what digital regulations look like

• Regulations are impeding financial inclusion
What are the goals of setting up sandboxes?

• Reduce regulatory uncertainty and regulatory fear
  • Real regulatory uncertainty is rare
  • Regulatory fear still abounds but not much is being done to address it

• Attract investments and create jobs in local/national economy
Are sandboxes achieving their stated goals?

• Are regulators confusing means and ends?
  • Why are so many sandboxes nothing but shiny toys?

• What have we learned from all the sandbox experiments?
  • What’s the point of running experiments for the sake of running experiments?

• What are the inherent challenges facing sandboxes in the U.S.?
What should regulators do to support innovation?

• Providing clear rules of the road is the best way to support innovation

• Even unofficial advice can be extremely helpful

• Running experiments is an effective way to gain knowledge and expertise to inform rulemaking and guidance
  • But don’t fall into the trap of innovation by permission

• Keep an open mind; Be willing to take some risk