

Regulatory Sandbox

June 21, 2020

Why in news?

The Securities and Exchange Board of India (SEBI) has released a discussion paper on a framework for a 'regulatory sandbox' for fintech testing

What is Regulatory Sandbox (RS)

- A regulatory sandbox (RS) usually refers to live testing of new products or services in a controlled/test regulatory environment for which regulators may (or may not) permit certain regulatory relaxations for the limited purpose of the testing.
- It allows the regulator, the innovators, the financial service providers (as potential deployers of the technology) and the customers (as final users) to conduct field tests to collect evidence on the benefits and risks of new financial innovations, while carefully monitoring and containing their risks.
- It can provide a structured avenue for the regulator to engage with the ecosystem and to develop innovation-enabling or innovation-responsive regulations that facilitate delivery of relevant, low-cost financial products.

