



Regulatory sandboxes & other innovation facilitators

Lessons from Europe

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Innovation facilitators (IFs)

INNOVATION HUB

a dedicated point of contact for firms to raise enquiries with regulators on FinTech-related issues and to seek non-binding guidance on the conformity of innovative financial products, financial services or business models with licensing or registration requirements and regulatory and supervisory expectations

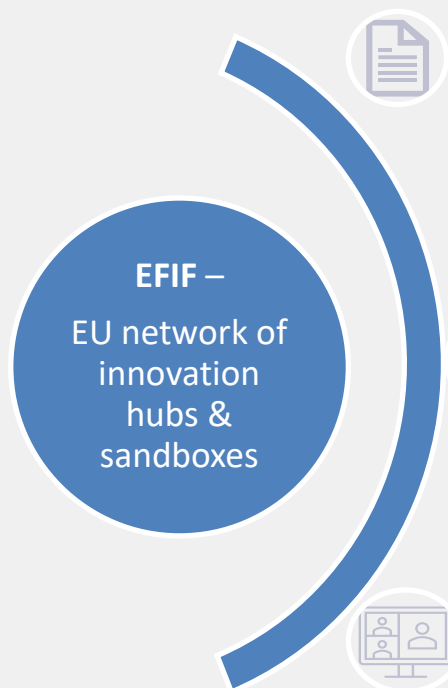
REGULATORY SANDBOX

a scheme to enable firms to test, under a specific testing plan agreed and monitored by a regulator, innovative financial products. It may imply the use of legally provided discretions by the relevant supervisor (depending on the relevant applicable EU and national law), but they do not entail the disapplication of regulatory requirements that must be applied under EU law

Alternative forms of innovation facilitation or new activities by IFs:

- Digital sandboxes
- Hackathons / TechSprints
- Thematic cohorts
- Industry roundtables & workshops
- Helpdesk, contact point, innovation office, forum
- Cross – jurisdictional coordination
- EU cross – border testing framework

EU mechanism of coordination between hubs & sandboxes



January 2019

Joint ESAs Report “FinTech: Regulatory sandboxes & innovation hubs”

April 2019

The EC and the ESAs **launched the EFIF** to support cooperation between innovation facilitators & help scaling up EU FinTech in the EU

December 2023

Publication of the updated joint ESAs Report on innovation facilitators

About the EFIF

- **Run jointly by ESMA, the EBA and EIOPA** (the 3 called the **ESAs**); the Chair role rotates amongst the ESAs annually; in cooperation with the European Commission
- The September **2020 Digital Finance Strategy** for the EU calls to strengthen the EFIF & cooperation between private and public stakeholders
- **EFIF Members:** All 27 EU Member States (securities, banking, insurance sectors) + 3 EEA
- Adoption of the Taxonomy of Financial Innovation
- **Meetings** 3-4 times/year
 - ✓ sharing experiences from engagement with firms through sandboxes and hubs
 - ✓ exchange of technological expertise and reaching common approaches to the regulatory treatment of innovative products & services
 - ✓ case studies (e.g. RegTech, AI, BigTechs)
 - ✓ cross-border testing

Overview of IFs across the EEA

✓ 30 countries established 41 innovation hubs by October 2023

✓ Vs. 24 EU hubs in 2019

✓ 12 countries established 14 regulatory sandboxes by October 2023

✓ Vs. 3 sandboxes in 2019

Year when IF became operational



Innovation hubs in the EEA

| | Country | Name of the innovation facilitator | Hyperlinks |
|----|---------|-------------------------------------|----------------------|
| 1 | AT | Sandbox & Fintech Contact Point | Link |
| 2 | BE | Fintech portal | Link |
| 3 | BG | Innovation hub | Link |
| 4 | CY | CBC Innovation Hub | Link |
| 5 | CY | CYSEC Innovation Hub | Link |
| 6 | CZ | FinTech contact point | Link |
| 7 | DE | FinTech Innovation Hub | Link |
| 8 | DK | FinTech Team | Link |
| 9 | EE | Innovation Hub | Link |
| 10 | GR | BoG FinTech Innovation Hub | Link |
| 11 | GR | HCMC Innovation Hub | Link |
| 12 | ES | Queries on technological innovation | Link |
| 13 | ES | Portal Fintech | Link |
| 14 | FI | Innovation Help Desk | Link |
| 15 | FR | Pôle Fintech et Innovation | Link |
| 16 | FR | Innovation & Digital Finance Hub | Link |
| 17 | HR | CNB Innovation Hub | Link |
| 18 | HR | Hanfa Innovation Hub | Link |
| 19 | HU | MNB Innovation Hub or InnoHub | Link |
| 20 | IS | FME FinTech Helpdesk | Link |

| | Country | Name of the innovation facilitator | Hyperlinks |
|----|---------|---|----------------------|
| 21 | IE | Central Bank of Ireland Innovation Hub | Link |
| 22 | IT | Milano Hub – Innovation Center of Bank of Italy | Link |
| 23 | IT | Canale Insurtech | Link |
| 24 | IT | Canale Fintech | Link |
| 25 | IT | LIFTECH | Link |
| 26 | LV | Innovation hub Inovāciju centrs | Link |
| 27 | LI | Regulatory Laboratory / Financial Innovation | Link |
| 28 | LT | LB Newcomer Programme | Link |
| 29 | LU | Innovation Hub | Link |
| 30 | MT | Innovation Office | Link |
| 31 | NL | AFM, DNB, ACM InnovationHub | Link |
| 32 | NO | Finanstilsynet Guide to fintech businesses | Link |
| 33 | PL | The KNF Innovation Hub Program | Link |
| 34 | PT | CMVM Innovation Hub | Link |
| 35 | PT | Portugal FinLab - Where regulation meets innovation | Link |
| 36 | PT | FinTech+ | Link |
| 37 | RO | ASF FinTech Innovation Hub | Link |
| 38 | RO | FinTech Innovation Hub | Link |
| 39 | SK | Inovačný hub (Innovation hub) | Link |
| 40 | SL | Banka Slovenije's Fintech Innovation Hub | Link |
| 41 | SE | Innovation Center | Link |

Regulatory sandboxes in the EEA

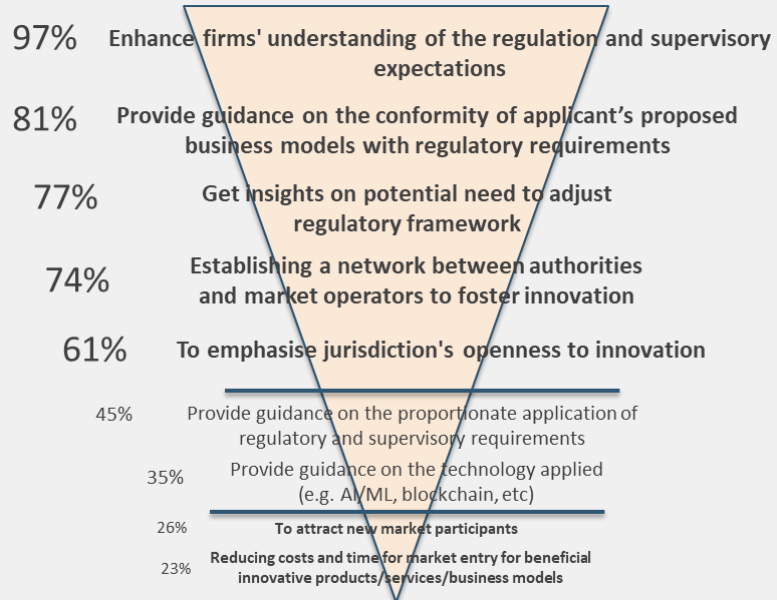
| | Country | Name of the innovation facilitator | Hyperlinks |
|----|---------|--|----------------------|
| 1 | AT | Sandbox & Fintech Contact Point | Link |
| 2 | CY | Sandbox | Link |
| 3 | DK | FT Labb | Link |
| 4 | EE | Sandbox | Link |
| 5 | ES | Espacio controlado de pruebas (Controlled testing space) | Link |
| 6 | GR | Bank of Greece Regulatory Sandbox | Link |
| 7 | HU | MNB Innovation Hub - Regulatory Sandbox | Link |
| 8 | IT | IVASS Sandbox Regolamentare | Link |
| 9 | IT | Banca d'Italia Regulatory sandbox | Link |
| 10 | IT | Banca d'Italia, CONSOB and IVASS Regulatory Sandbox | Link |
| 11 | LV | Bank of Latvia Regulatory Sandbox | Link |
| 12 | LT | Regulatory Sandbox | Link |
| 13 | MT | MFSA FinTech Regulatory Sandbox | Link |
| 14 | RO | Plan to establish | |
| 15 | NO | Finanstilsynet's regulatory sandbox | Link |
| 16 | SK | Regulačný sandbox | Link |

Objectives & benefits of IFs

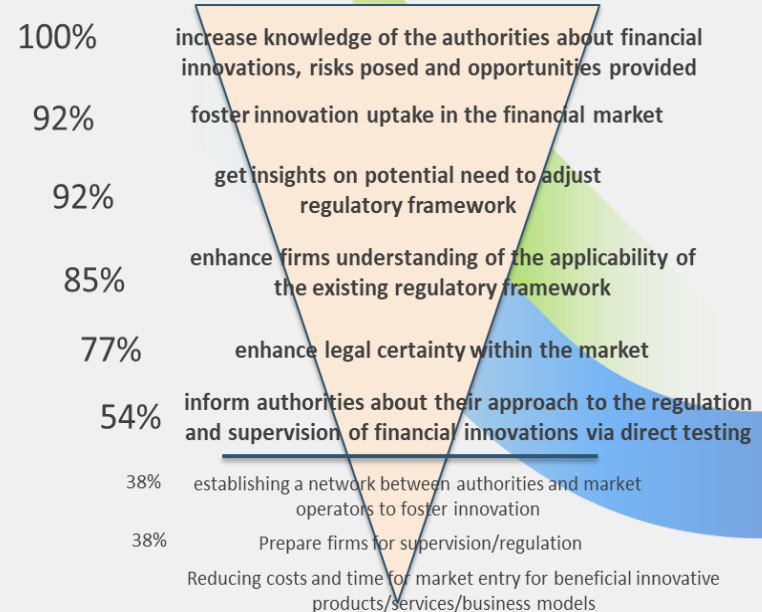
✓ Both regulators and innovators recognise the benefits of IFs (see [ESMA TRV report No.2 2022](#))

- **spurring innovation** while staying alert to emerging risks
- **reduced asymmetric information**
- **reduced regulatory costs or uncertainty**

Objectives of hubs

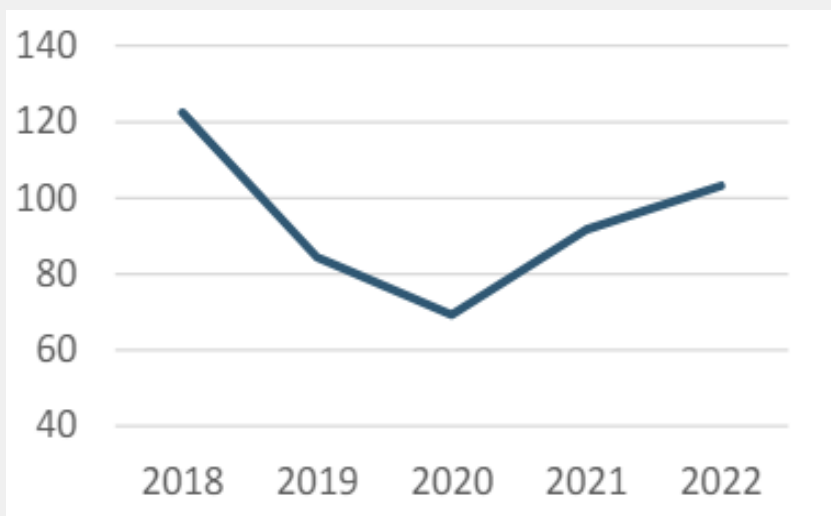


Objectives of sandboxes

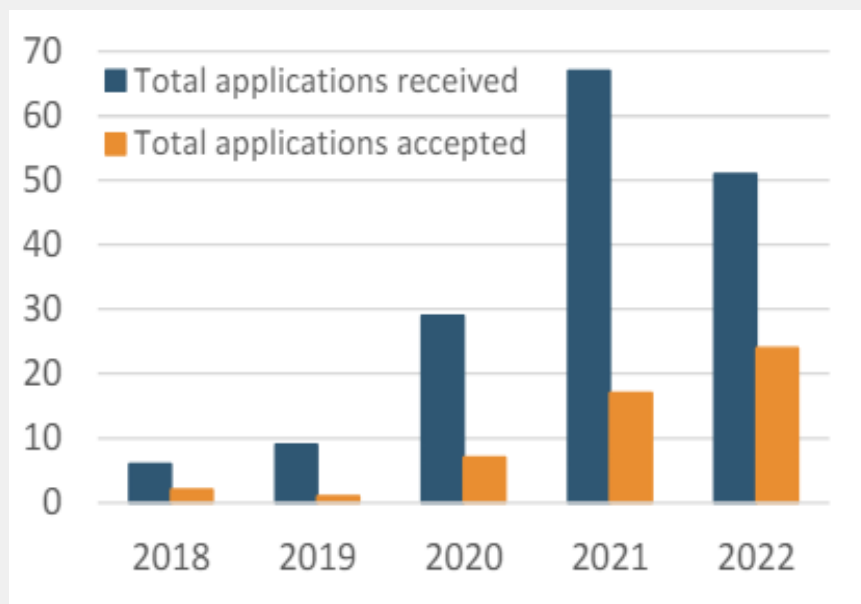


Inquiries & applications received

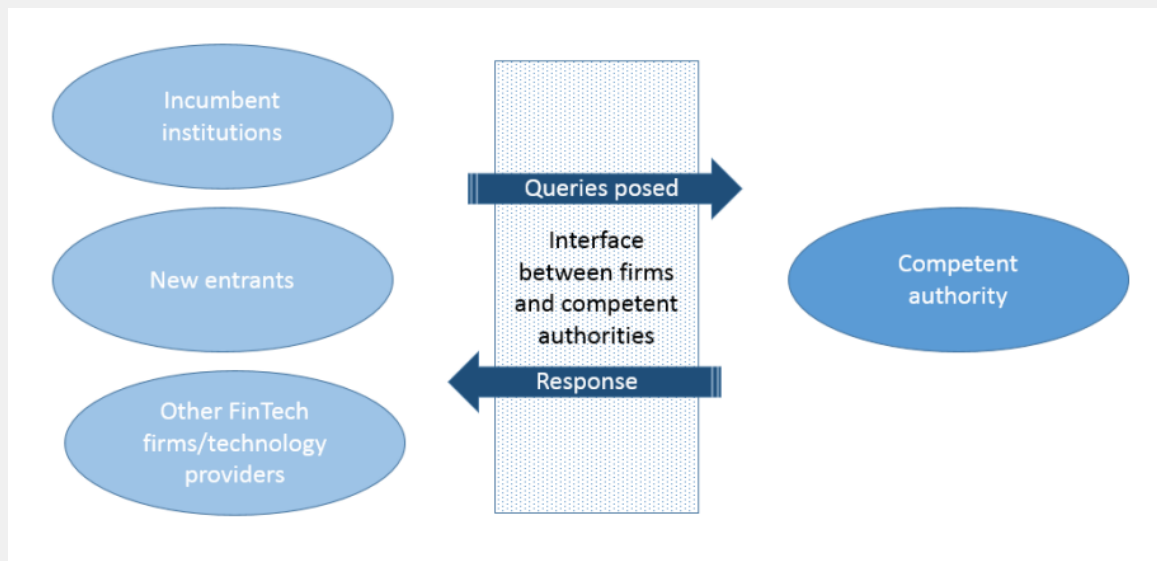
Average number of inquiries received by innovation hubs (average per hub, per year)



Applications to **regulatory sandboxes** received and accepted



How an innovation hub operates



Setting up & operating a hub

Potential challenges

- Expectations of inquirers do not correspond to the scope & mandate of the hub
- Inquirers expecting to get a “stamp of approval”
- No always meet the expectations of inquirers (prompt & precise responses)
- Domestic & cross-border coordination
- Assessing performance

Pre-establishment principles

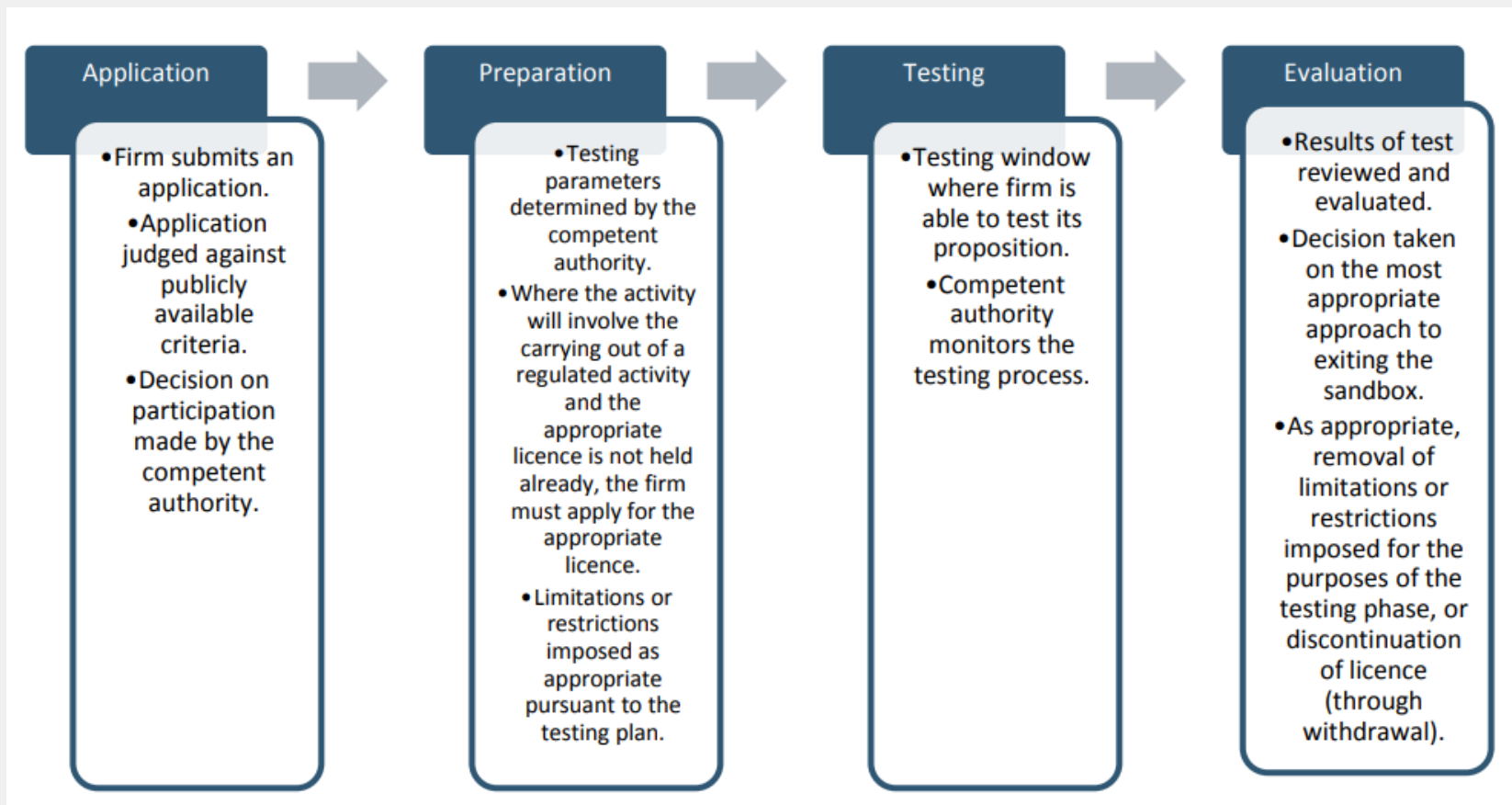
conduct solid analysis of

- local market conditions
- required appropriate expertise, powers & processes
- resources available to the competent authority

Operating principles

- to be made suitably visible to market participants
- clearly defined points of contact for firms
- defined & made public objectives, functions & tools
- the scope of entities eligible for/served by the hub should be clearly defined & made public
- key information required from inquirers should be defined clearly
- providing a response within a reasonable timeframe
- learnings from innovation facilitators disseminated internally & to the market
- operational functioning & resourcing should be reviewed

How a regulatory sandbox operates



Setting up & operating a sandbox

Potential challenges

- Keeping pace with industry
- Domestic coordination
- Cross-border cooperation
- Level playing field
- Perception as endorsement of tested innovations by CAs
- 2 tiers between the firms in a sandbox & outside it

Pre-establishment principles

conduct solid analysis of

- local market conditions
- required appropriate expertise, powers & processes
- resources available to the competent authority

Operating principles

- sandbox to be made suitably visible to market participants
- clearly defined points of contact for firms
- defined & made public objectives, functions & tools
- defined & made public scope of entities eligible for testing
 - clear entry conditions/criteria
 - information to support applications for participation
 - participation in sandboxes should be acknowledged
 - testing parameters imposed to mitigate any risks
 - participating firms should disclose to any consumers the fact the services are being provided in the sandbox, and the implications for the consumer
 - exit plans (both continuation or not tested proposals)
- maintaining records relating to the operation of a sandbox
- learnings from innovation facilitators disseminated internally & to the market
- operational functioning & resourcing should be reviewed

EU Framework for Cross-Border Testing



SINGLE ACCESS POINT

for information about which national authorities to turn to and national licensing requirements.



CROSS-BORDER TESTING FRAMEWORK

developed by the European Forum for Innovation Facilitators where national supervisors share experiences and build expertise, steered by the European Supervisory Authorities.

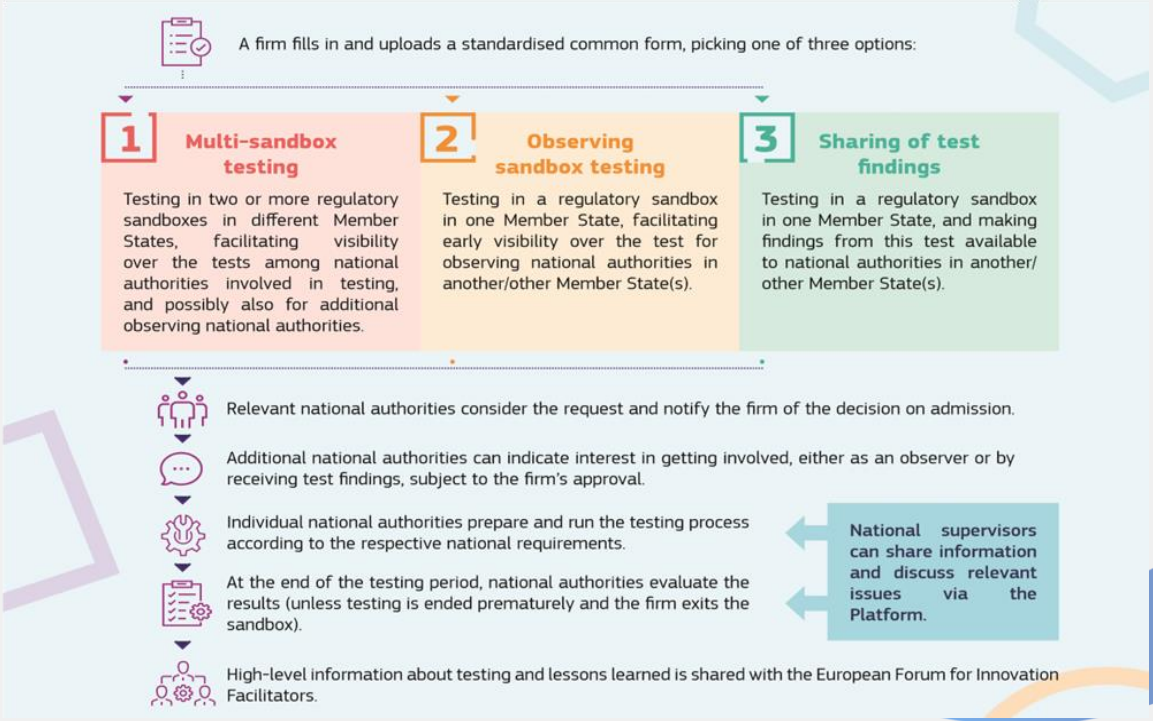


SANDBOX TESTING PROCESSES

launched with multiple national authorities in one step.

➤ Framework adopted in 2021 (EFIF initiative linked to the EU Digital Finance Platform)

➤ **Aims to facilitate communication and cooperation among the participating national authorities** regarding sandbox testing



Any questions?