Australian Government

Independent Review of the Enhanced Regulatory Sandbox

Final Report

May 2026

ISBN: 978-1-923278-53-0

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AI Summary Prompt

If you would like to use AI tools to provide a short summary of the report, suggested prompts are included below.

Summarise this report in 200–250 words.

Constraints:

- *Use only information from the provided report text.*
- *Do not add examples, facts, or interpretations not stated in the report.*
- *If something is not stated, write "Not specified in the report."*

Focus on:

- *Purpose of the review*
- *Main findings (high-level only)*
- *Key recommendations*
- *Overall conclusion*

Output:

- *concise paragraphs or dot points*
- *Plain English, neutral, professional tone*

Foreword

We are seeing a period of unprecedented change in the world. There are many contributors to this change, but a prominent one is the pace of technological progress.

History has seen waves of technological disruption over the centuries, in all cases leading to economic progress and prosperity to those nations that have embraced the disruption and responded to it in a measured way.

Embracing new technologies takes foresight and courage because there are always winners and losers in each scenario. The industrial revolution initially contributed to loss of jobs, unviable business models and industries re-imagined. It also created tremendous opportunity with new jobs, improved productivity, better competition and overall economic advancements in ways the previous generations have not seen and from which subsequent generations have benefited. That is for the nations that embraced the change. Countries that resisted, found themselves left behind and playing catch up.

Today's technologies have similarities to waves of creative destruction and innovation in the past but also have differences – inherent differences (some describe this wave as the industrial revolution and enlightenment both in one) and differences in how we may take the learnings of the past and choose to respond.

It has the potential not only to increase productivity, promote dynamism and improve outcomes for consumers and investors, it also has the potential to affect permanent imbalances, inequalities, mistrust and negative micro and macroeconomic outcomes – if left unchecked. Some important reasons for this include:

- their pervasiveness and embeddedness in our every-day lives from work, study and travel to our private lives, decision making processes and social interactions
- the speed at which they are advancing is unprecedented
- they are rewiring the financial system from transaction chains to identity and trust frameworks.

The need for understanding these new technologies and taking action to ensure they develop at pace but in a responsible way is more important than ever and getting it right will reap tremendous benefits.

Sandboxes play a pivotal role in understanding new technologies, both the opportunities and threats. Given the speed and impact of technology, observing from a distance or by dialogue alone is not enough. Which is why collaborative testing environments such as sandboxes have become more popular than ever around the world. However, in isolation, sandboxes cannot be the only tool to advance financial innovation. In this vein, the Review considers the broader environment for financial innovation in Australia and assesses the Enhanced Regulatory Sandbox (ERS) within this context.

The Review identified a number of principles that are crucial in supporting how innovation in Australia may develop:

- **Strategy**: the north star set by the government for financial innovation that guides the efforts of all stakeholders towards a common desired outcome.
- **Simplicity**: cutting through the complexity and confusion of navigating the regulatory landscape to support quicker outcomes that don't compromise high standards.
- **Proportionality**: regulation that balances risk while supporting innovation.
- **Flexibility**: who innovates, structures of sandboxes and how innovation is supported.

To do this, the ERS should be reformed to provide increased flexibility, breadth and ability to evolve in response to new technologies. It should also better support a broader range of participants to innovate, including by improving their pathway to licensing and incorporating lessons from overseas sandboxes into regulatory and policy developments.

Achieving the benefits that innovation can bring requires ambition and shared understanding. It is important that there is a strategy underpinning government ambition, and that there are clear structures to support ongoing collaboration between government, regulators and industry.

Australia has strong potential to advance financial innovation in a way that can deliver significant benefits to the economy. A potential that was clearly shared by Australian stakeholders who all believe it exists and should be harnessed so that Australia isn't the nation that falls behind.

I am grateful for the engagement of the many stakeholders that have generously donated their time to meet with us virtually or physically, who supported roundtables and group interactions, and who took the time to submit written responses, all to aide in the thorough analysis underpinning this work.

Finally, it is an enormous privilege to have been asked to lead this review. I'd like to extend a personal thank you to my Treasury Secretariat team led by Anna Nitschke and ably supported by Mitchell Buckingham, David Spolidoro and Thomas Saleh without whom I would not been able to carry out this work effectively.

Maha El Dimachki

Executive Summary

Objectives of the Review

On 31 October 2025, the government announced the independent review of the Enhanced Regulatory Sandbox (ERS) to be led by Ms Maha El Dimachki. The ERS was introduced in 2020 and allows individuals and businesses to test certain innovative financial and credit services without obtaining an Australian Financial Services (AFS) or Australian Credit licence. The ERS is currently administered by ASIC on behalf of the government.

This Review examines the role of regulatory sandboxes in supporting financial innovation in Australia, and specifically considers the design, operation and effectiveness of the ERS. It considers whether the ERS remains fit for purpose given developments in the sector and presents recommendations to improve the effectiveness of the ERS.

In examining the ERS, the Review also considers the broader environment for financial innovation in Australia. This includes examining the factors that support a healthy innovation ecosystem, the Australian regulatory environment and how the ERS can support broader government objectives. To do this, the Review draws upon lessons from international and domestic experience.

Overview

Financial innovation plays an important role in improving competition, accessibility and safety in Australia's financial system. It can also support efficiency, productivity and dynamism across the broader economy. In recent years, technology enabled financial innovation, known as fintech, has been a key driver of financial innovation in Australia and globally. Sandboxes, alongside other efforts to support financial innovation, can play an important role in providing a safe environment to test and accelerate the adoption of innovative financial products and services.

This review provides findings and recommendations across four chapters outlined below.

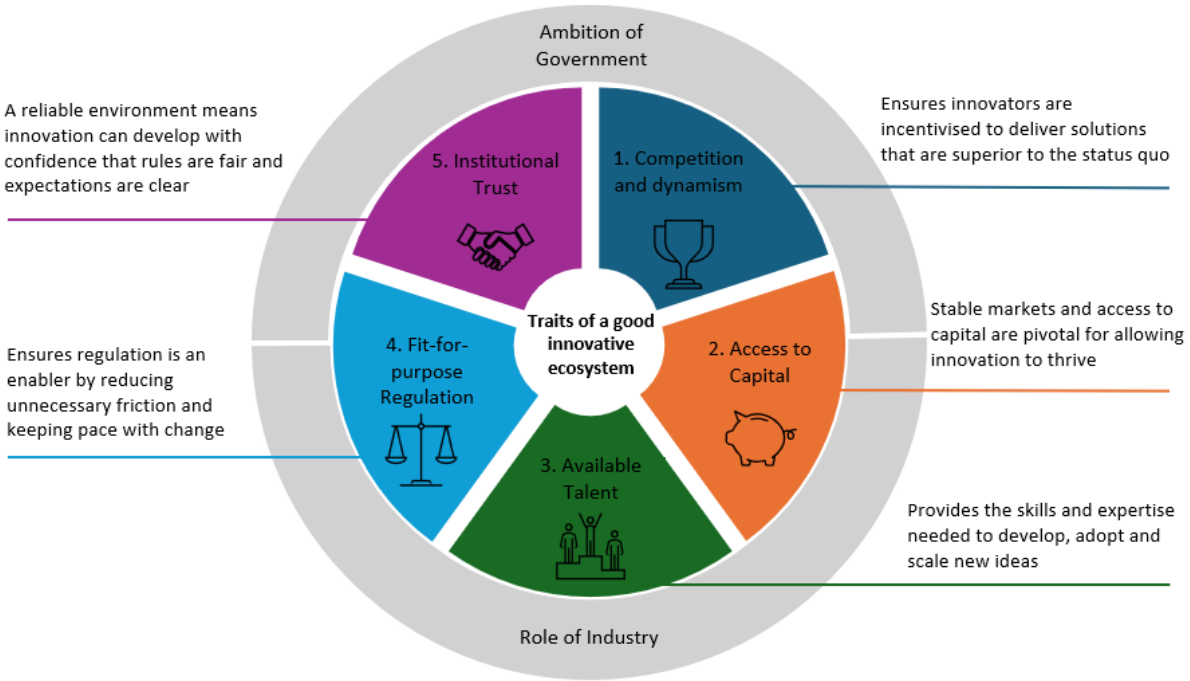
- Chapter 1 outlines financial innovation in Australia, the role of fintech and the factors that support a healthy financial innovation ecosystem.
- Chapter 2 describes Australia's regulatory framework and considers the role of regulatory sandboxes.
- Chapter 3 evaluates the ERS and outlines its benefits, weaknesses and recommendations for reform.
- Chapter 4 draws upon international and domestic experiences with new models of regulatory sandboxes to outline future options to expand the use of sandboxes.

Chapter 1 – Financial Innovation in Australia

Financial innovation refers to the development and adoption of new financial products, services, processes and market structures based on novel methods or technologies. It can deliver significant benefits by improving efficiency, competition and accessibility, and supporting productivity gains across the economy. It can also introduce risks and regulatory challenges that need to be balanced. In Australia and around the world, fintech has been a significant driver of innovation. These businesses can challenge incumbents by leveraging technology to deliver new business models at a lower cost. This competition can also drive incumbents to innovate and improve the value of offerings across the sector.

In Australia, many different types of businesses contribute to financial innovation. They range from established financial institutions to start-ups and technology companies. They also vary across several dimensions including location, sectors, stage of development and type of organisation. The needs of different types of businesses therefore should be considered.

The Review identifies the key factors which are important for the broader financial innovation ecosystem, drawing upon overseas experience. These can include dynamics specific to the ease of doing business for an innovative firm (such as access to capital and talent), as well as broader conditions across an economy that encourage innovation (for example, the level of dynamism). Together, these factors are important for developing a thriving financial innovation ecosystem.



The Review identifies both government and industry as having important roles in fostering this environment. Importantly, fostering an environment for financial innovation requires leadership, co-ordination and collaboration between government and the financial sector. Government can play an important leadership role in establishing clear ambitions and coordinating efforts across government, regulators and industry via a clear strategy. Industry can provide leadership by amassing feedback and sharing knowledge with regulators and in developing a greater understanding of regulation across the sector.

Chapter 2 – Financial Regulation in Australia and Regulatory Sandboxes

Financial regulation is essential for promoting market integrity, consumer protection and financial stability. In Australia, financial regulation has grown significantly over the past two decades in response to events such as the global financial crisis, the 2014 Murray Inquiry and the 2018–19 Banking Royal Commission. Much of this regulation has been in response to crises and high-profile failures. More recently, in both Australia and globally there has been an increased focus on ensuring that regulation is proportionate and fit for purpose. These regulatory developments have coincided with the growth in financial innovation and disruptive technologies.

The confluence of technology-driven financial innovation, the entrance of new firms and the complexity of financial regulation require careful consideration. In Australia, many incumbents have been subject to regulation for decades, whilst many newer entrants have evolved outside of the regulatory perimeter. Regulatory reforms have considered these developments, with frameworks evolving to include some of these new entrants. Reconciling regulatory complexity, the rise of new entrants, and the need to balance safety and innovation is challenging and requires continual government, industry, and regulator engagement.

In Australia, many financial service providers are subject to licensing by ASIC. Others may be subject to additional frameworks administered by APRA, AUSTRAC, RBA and the ACCC. Licensing provides necessary and important protections, but some industry participants noted obtaining a license can be a slow process, delaying entry to market. In particular, businesses with innovative ideas may face challenges, which can be exacerbated if novel business models do not align with existing regulatory frameworks.

Regulatory sandboxes are one regulatory approach that can be used to balance the need for a supportive environment for innovation whilst maintaining strong consumer protections, market integrity and financial stability. The adoption of sandboxes by regulators helps expand upon the suite of regulatory tools available beyond more established options such as informal assistance and bespoke regulatory relief.

The objectives, benefits and design of sandboxes vary. Objectives include supporting experimentation, promoting and signalling innovation, addressing regulatory uncertainty and supporting the growth of technologies and use cases in the public interest. When objectives are met, sandboxes can support the growth of innovation, signal an accepting posture toward innovation by governments and regulators, facilitate regulator learning and encourage market entry by innovative firms. More broadly this can help achieve a balance between innovation and risk management.

Chapter 3 – Evaluating Australia's Enhanced Regulatory Sandbox

The Review finds that the ERS has delivered some benefits for participating firms. It has provided an avenue for participants to test the viability of their innovative products with a limited number of consumers, although it does not generally speed up the time taken to obtain a license. Participants have generally been new or early-stage firms and generally reported positive experiences during entry and testing.

However, the ERS has some significant limitations. The objectives of the ERS are unclear and appear to limit the extent to which the ERS can speed up market entry for early-stage firms. The scope and eligibility requirements of the current sandbox may constrain some firms, in particular the exposure limits and the absence of some products from the eligibility criteria. More broadly, the ability of the sandbox to adapt and be flexible in response to innovation is limited by the design of the ERS exemption within the Corporations Act.

Additionally, the Review finds that the ERS is not well integrated into ASIC's core functions including licensing and supervision. There is no structured exit pathway to licensing for participants, no feedback loops into licensing decisions and limited regulatory learnings gained from the sandbox. This reduces the attractiveness of the sandbox for potential participants. This is one key consideration reflected in the outcomes of the sandbox, with few participants transitioning to full licensing.

The Review finds that there is merit in retaining a general sandbox and recommends changes to improve its performance into the future. This is because a general sandbox demonstrates a valuable signal of support for innovation and experimentation, and its breadth recognises that innovation can come from a wide variety of sources.

To address current limitations, the ERS could be improved by providing increased regulatory flexibility for sandbox participants, expanding the scope of the sandbox to include already licensed entities, improved integration with other ASIC functions, providing more proactive support to sandbox participants and by increasing the tracking of applicant and participant outcomes. Together, these changes would allow the sandbox to effectively support innovative firms in experimenting, whilst managing their risk and informing policy and regulatory developments.

Chapter 4 – The Future of Sandboxes

The Review also considers the evolution of sandbox models, and applicability of recent developments to Australia. This is based on feedback gained from international jurisdictions and recent developments in Australia.

The future of financial innovation is likely to be shaped by emerging technologies and use cases such as tokenisation and AI. The design of regulatory sandboxes globally is evolving, recognising that new technologies require tailored approaches to support experimentation, build understanding and harness their benefits. These developments also span across sectors, financial system participants, infrastructure providers and regulators. As a result, greater coordination and strong governance is needed to ensure beneficial outcomes from new technologies.

In response to these technological developments, several jurisdictions are developing thematic sandboxes. Thematic sandboxes are focused on specific technologies that pose policy and regulatory challenges such as tokenisation and artificial intelligence. These designs recognise that innovation requires collaboration and coordination between regulators, policy makers, market participants and infrastructure providers.

A related dimension is that cross-agency sandbox arrangements are becoming more common. These models recognise that some financial innovations require support from multiple regulators. Coordination is therefore important to reduce the risk of fragmentation, and support innovation that cuts across multiple regulator domains. For example, in Australia, Project Acacia – which explores the role of digital money – has been led by the RBA and the Digital Finance Cooperative Research Centre (DFCRC), and coordinated across Treasury, ASIC and APRA.

Well-designed governance arrangements are important for ensuring emerging trends and developments are well understood, and that regulatory, policy and industry responses are appropriately prioritised and coordinated. The Review recommends introducing a Treasury-chaired committee that provides a formal governance arrangement to support, and decide on, the identification of priority thematic sandboxes, coordinate innovation initiatives across regulators and to monitor technological and sector developments relevant to financial innovation.

Findings and Recommendations

Overview

The Review recognises the important role that government, regulators, and industry have in supporting financial innovation. The findings and recommendations of this review reflect this, with recommendations focusing on harnessing government leadership, encouraging industry to play an active role in supporting innovation through regulatory understanding, and improving regulator support by reforming the ERS and introducing new types of sandboxes which complement ASIC's existing innovation hub.

Chapter 1 – Financial Innovation in Australia

Findings

1.1: Financial innovation can result in improved outcomes for consumers, the financial sector and the broader economy, including through substantial productivity gains. Innovation can also introduce new risks that must be well understood and managed. To maximise these benefits, it is important to appropriately balance risk and innovation.

1.2: Fintechs are a significant driver of financial innovation in Australia. They can bring a broad range of benefits to both businesses and consumers. Many fintechs offer services to other businesses and can improve many of the financial services that businesses rely on, generating broader economic impacts.

1.3: The rapid growth and ongoing evolution of technology requires continual consideration by the government and regulators. Regulators need to understand and engage with new technologies to understand their risks.

1.4: A diverse range of entities innovate in Australia. Innovation occurs across business type, location, sector and scale. The needs, and opportunities for these firms varies across these dimensions.

1.5: Countries with clear, overarching government strategies and national objectives are more likely to foster thriving innovation ecosystems that develop in a coordinated and scalable way, rather than through fragmented or isolated initiatives.

Recommendations

1.1: The government should articulate its overarching ambition for financial innovation by developing a national financial innovation strategy to coordinate efforts and develop a common understanding of objectives across industry, regulators and government. The strategy should be forward looking and informed by a thorough assessment of the fintech landscape in Australia, relevant policy and global developments, and be progressed as a near-term priority given the pace of technological change.

1.2: The financial sector, led by industry bodies and supported by other participants such as accelerators, should take a leading role in ensuring the role of regulation is understood by all market participants. For example, through the development of resources on regulatory requirements to support new entrants.

Chapter 2 – Financial Regulation and Sandboxes in Australia

Findings

2.1: Whilst it is recognised that there are necessary costs associated with obtaining a financial services license, stakeholders consistently highlighted that the regulatory framework could introduce barriers to innovation. Stakeholders have noted that:

- The time, cost and uncertainty of obtaining Australian financial services and credit licenses is a particular barrier to innovation in the sector.
- The opportunity to further improve coordination between financial regulators will help reduce barriers to innovation in the sector.

2.2: Regulatory sandboxes have evolved as a way of facilitating financial innovation while also managing consumer protection risks that arise from new financial technologies and innovations.

Chapter 3 – Evaluating Australia's Enhanced Regulatory Sandbox

Findings

3.1: The design of the ERS limits its ability to evolve in response to financial system or technological developments, and to provide flexible relief tailored to the business models of participants.

3.2: The objectives of the ERS are ambiguous, and to the extent they can be identified, narrowly defined compared to overseas regulatory sandboxes. The role of the ERS in ASIC's overarching regulatory strategy is also unclear.

3.3: The number of participants admitted to the ERS is comparable with that observed by other overseas regulators and cannot, on its own, be used as a measure of sandbox performance.

3.4: The ERS does not support already-licensed financial institutions to test or experiment with new innovative products and services. As a result, licensed entities do not have access to an environment for iterative testing of innovative products and services.

3.5: The ERS is not formally integrated with key ASIC functions and processes (such as licensing assessments and supervision), resulting in little to no feedback loops between participants and other parts of ASIC. As a result, participants do not derive material benefits from the ERS beyond the initial two-year testing period.

3.6: There is limited evidence of formal processes for sharing information gathered from the ERS and Innovation Hub with other parts of ASIC to improve its regulatory understanding, such as by building knowledge of new innovations and technologies.

Recommendations

3.1: ASIC should continue to operate a general regulatory sandbox, but the ERS should be reformed to broaden its scope and enhance its flexibility. This reformed sandbox should have clearly defined objectives, be integrated with the rest of ASIC, and incorporate monitoring and reporting on outcomes for participants. ASIC should review outcomes for participants (including time to licensing) after one year of operation.

- The most effective way to achieve this outcome would be to repeal the current ERS legislation and regulations and evolve the sandbox to a model that leverages ASIC's existing relief powers.

3.2: The ERS should be better integrated with ASIC's broader functions, particularly licensing and supervision, to ensure it is aligned with ASIC's overarching regulatory approach, provides a clearer pathway to licensing for participants and improves ASIC's capabilities and knowledge of new technology and innovative business models.

Chapter 4 – The Future of Sandboxes

Findings

4.1: Overseas regulators are increasingly using thematic sandboxes to achieve broader objectives, like supporting the uptake of a new technology, driving coordination across regulators and industry or as a policy development tool.

4.2: Project Acacia has been effective at generating meaningful insights to drive forward the implementation of tokenisation in Australian wholesale asset markets. The effectiveness of this project reflects the strong RBA leadership, clearly articulated objectives, and buy-in and coordination across industry and other financial sector regulators.

Recommendations

4.1: As part of its broader regulatory strategy, ASIC should consider using thematic sandboxes within its areas of sole regulatory responsibility to target specific sectors, emerging themes and technologies, thereby facilitating innovation and policy development.

4.2: A public-private committee should be formed, convened by Treasury and including regulators, industry representatives and independent members. The committee would prioritise and decide on the need for specific thematic sandboxes that cut across multiple regulators, agree on the lead and participating agencies and industry participants, review the performance of such sandboxes, monitor industry and technology developments, and support coordination between regulators on financial innovation.

Chapter 1: Financial Innovation and Fintech

What is financial innovation and why does it matter?

Innovation can provide a broad range of benefits to the financial system and broader economy. It can improve access and inclusion, increase efficiency and productivity, provide better value for money, enhance safety and increase competition. Given the important role the financial system plays to facilitate markets, allocate capital and manage risk, financial innovation can offer these benefits to all parts of the economy through improvements to efficiency, financial inclusion and health, economic growth, job creation and improved productivity.[1] For example, in Australia the majority of fintechs recently surveyed stated that their primary value creation is in lifting business productivity.[2] The benefits of financial innovation can accrue economy wide because of the essential role these firms play in supporting businesses and consumers across the economy.

In its broadest sense, financial innovation refers to the creation and adoption of new financial products, services, processes and market structures. This encompasses both entirely new financial activities and new ways of performing existing ones. Financial innovation can have broad impacts and can occur across a range of business types and sectors.

The nature of financial innovation in Australia and globally has evolved over time. For example, the emergence of securitisation in the 1970s supported more efficient liquidity and capital allocation. And, in the early 2000s retail mortgage-backed securities helped to spread credit risk beyond domestic financial institutions, broadening access to finance, particularly for activities that are not well supported by traditional banks.[3]

More recently, financial innovation has increasingly shaped the evolution of digital financial services. Key developments over the last two decades include:

- Digital Public Infrastructure (DPI) are shared digital systems that enable the delivery of and access to public and private services in the digital economy. Such systems underpin a range of services across sectors including payments, digital identity and data sharing.
  - DPI relating to payments have supported financial inclusion, improved transaction efficiencies and lowered costs. Systems such as the Unified Payments Interface in India, PIX in Brazil and the New Payments Platform (NPP) in Australia are notable examples of these infrastructures.

1 Robert G King and Ross Levine, 'Finance, entrepreneurship, and growth: Theory and evidence', *Journal of Monetary Economics*, vol 32, no 3, 1993, pp. 513–542, https://doi.org/10.1080/23322039.2023.2170000.
2 Deloitte Australia, 'Impact of Fintech in Australia', Deloitte Australia, 2026, accessed 7 April 2026.
3 Reserve Bank of Australia, 'The performance of Australian residential mortgage-backed securities', *Financial Stability Review*, March 2006.

  - Aspects of DPI such as secure data sharing have been enabled by technology such as application programming interfaces (APIs) which have improved the efficiency and security of sharing personal data. This has supported developments such as Open Banking, Embedded Finance and more recently the ability to integrate Artificial Intelligence (AI) into financial services.

- Cloud computing has replaced physical infrastructure with on-demand infrastructure accessed via the internet. This has provided firms across the financial system with access to a more efficient, flexible and scalable technology that supports the development of new products and services.

While these developments have led to a gradual evolution in new financial services, recent and emerging technologies such as tokenisation, AI and quantum computing have the potential to drive more transformative change and financial innovation at a faster rate. For example, AI could provide enormous opportunities for disruption to existing processes from back office to customer service and online commerce, while tokenisation could materially impact financial markets, the way we invest, borrow and the way we pay. Though the future of these developments is naturally uncertain, they could profoundly reshape the operation of the financial system and bring about benefits for participants in the financial sector and the broader economy.

In general, financial innovation accrues benefits both through improvements in products, services or processes themselves, but also the diffusion and adoption of these innovations across the economy. Disruptive technologies have a proven ability to bring about broader economic and productivity benefits.[4,5] Failure to adopt these technological advancements risks firms falling away from the global technological frontier, leading to weaker growth and lower living standards.[6] However, technological change and innovation need to be well understood and managed to ensure that its benefits can be realised.

In addition, financial innovation can support resilience in the financial system by enhancing the adaptability, redundancy and competitiveness of financial service providers. These characteristics, if achieved, can enable the broader financial system to better navigate shocks and adjust to changing economic and geopolitical environments. In contrast, a lack of investment in new innovations may increase risks for financial service providers and places them at a disadvantage in a rapidly changing environment.

4 Bronwyn H. Hall, 'Innovation and Productivity', NBER Working Paper 17178, 2011, https://doi.org/10.3386/w17178

5 Dempere J, Qamar M, Allam H, Malik S, 'The Impact of Innovation on Economic Growth, Foreign Direct Investment, and Self-Employment: A Global Perspective', *Economies*, 2023; 11(7):182. https://doi.org/10.3390/economies11070182

6 Andrews & al, 'Reaching for the stars: Australian Firms and the Global Productivity Frontier', Treasury working paper, 2022, accessed 7 April 2026.

Box 1.1 – How has financial innovation impacted consumers?

Faster, more streamlined payments

Financial innovation in payments has improved the way many consumers and businesses make and receive payments. Domestically, consumers can make payments from their accounts instantly, without relying on a BSB and account number. As of February 2026, instant payments via the New Payments Platform (NPP) have increased by 25.4 per cent over the previous year.[7] Digital wallets are also allowing for payments to be made via mobile devices, making up 44 per cent of device-present transaction in Australia as of December 2024[8] and providing businesses the option to accept payments via mobile devices.

For consumers, these new payment services provide greater convenience and efficiency, as well as an improved user experience for individuals and small businesses. For example, individuals are able checkout online more conveniently and efficiently. For businesses, payment acceptance services are increasingly streamlined, customisable and allow money to be received faster. This can improve the accessibility of payment services for small businesses and improve cash flow management.

Financial innovation has also increased the speed and reduced the cost of sending money abroad. Cross-border payments are key for many activities such as travel, work, study or cross-border trade. Services focusing on cross-border payments have increased the convenience and speed while at the same time lowered the costs of these payments for consumers and businesses. Emerging innovations such as deposit tokens and stablecoins can further transform cross-border payments. In Australia, non-bank providers have significantly reduced the costs of international money transfers to both advanced and developing countries.[9]

Increased competition in SME Lending

Financial innovation has created improvements in SME lending in Australia. Specialised lenders and alternative forms of finance have emerged and gained SME lending market share, expanding the range of financing options available to smaller businesses. These include specialist SME lenders (such as non- banks), and other non-traditional credit providers.[10]

These providers are subject to different prudential regulatory constraints than banks, leading to greater operational flexibility. This allows these lenders to specialise in specific forms of lending and utilise alternative lending models, like balance sheet and marketplace lending, revenue-based financing, and crowdfunding. Surveys suggest that more than 1 in 3 SMEs say they would be open to borrowing from non-bank lenders in the future.[11]

This increased competition has led to more competitive pricing and streamlined application processes. It has also coincided with a renewed strategic focus by major banks on expanding business lending, a sector that accounts for half of total business credit in Australia.[12]

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7 RBA, Retail Payments February 2026, RBA website, 2026, accessed 7 April 2026. https://www.rba.gov.au/statistics/frequency/retail-payments/2026/retail-payments-0226.html

8 https://www.rba.gov.au/statistics/frequency/retail-payments/2024/retail-payments-1024.html RBA, Retail Payments October 2024, RBA website, 2024, accessed 7 April 2026.

9 E Bouvier, Z Cao and B Harrington, 'On the Road to Better Cross-border Payments: How is Australia Travelling?', *RBA Bulletin,* RBA, 2026.

10 RBA, Small Business Economic and Financial Conditions, RBA website, 2025, accessed 7 April 2026.

11 Banjo, 'SME Compass Report', Banjo website, 2024, accessed 23 March 2026.

12 Public Accountant, Why banks are now chasing your SME clients, Public Accountant website, 2026, accessed 23 April 2026.

Increasing access to investing and wealth management tools

Innovation has improved access and user experience of wealth management tools in Australia.[13] For example, micro investing platforms allow consumers to routinely invest small amounts of money. This has lowered financial and psychological barriers to investing, increasing overall accessibility and expanding the investment options available to consumers.

Similarly, platforms offering fractional share ownership have reduced the financial barriers to accessing high priced shares and other assets and are enabling consumers to better diversify their portfolios in addition to improving overall access. Emerging tokenisation models may extend these benefits further by enabling access to a broader range of assets, including those that are traditionally illiquid, as well as supporting extended trading hours, providing consumers with greater flexibility in how and when they transact.

More broadly, investment platforms have offered consumers an increasingly engaging, streamlined and simplified user experience. This can also act to lower barriers to investing, and to improve financial inclusion and consumer engagement with wealth management tools. Globally, people have begun to engage with capital markets at a younger age and are increasingly open to technology driven solutions.[14]

Achieving the benefits innovation can bring requires a recognition that its broader economic impacts can be both positive and negative.[15,16] For example, innovations can be employed to facilitate rent seeking and take advantage of arbitrage opportunities rather than benefiting consumers, the broader financial system and the economy.

Financial innovation can bring about new risks and regulatory challenges that need to be appropriately managed. Increasingly, financial innovation is characterised by rapid development and adoption, high degrees of interconnectedness and high levels of complexity. This in turn gives rise to a number of risks, some we know and some novel. For example, in the area of financial crime, AI introduces lower barriers to entry for bad actors and new terms such as FraudGPT and WormGPT are now common language. Coupled with the proliferation of instant payments allowing for instant fraud, traceability and the retrieval of funds is much harder for financial institutions. There is a recognition that new disruptive technologies bring new risks, and the need for industry, regulators and government to collaborate to address these risks is more important than ever.

Other innovations such as stablecoins offer efficiency benefits, yet may also amplify shocks in times of crisis, introducing new financial stability risks.[17] These characteristics pose challenges for governments and regulators seeking to manage its risks whilst maximising the benefits they offer.

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13 Stockbrokers and Investment Advisors Association (SIAA), Your clients are living in a digital future, adapt or get left behind: The role of technology and innovation in wealth management, SIAA website, 2024, accessed 23 April 2026.

14 World Economic Forum (WEF), '2024 Global Retail Investor Outlook', WEF, 2024.

15 Mohd Hammad Naeem, et al., 'Examining the role of financial innovation on economic growth: fresh empirical evidence from developing and developed countries', *Cogent Economics & Finance*, vol. 11, no. 1, 2023, https://doi.org/10.1080/23322039.2023.2170000.

16 Jon Frost, et al., 'BigTech and the changing structure of financial intermediation', *Journal of Financial Stability*, vol. 43, 2019, https://doi.org/10.1016/j.rie.2019.04.003.

17 International Monetary Fund, 'Understanding stablecoins', *Departmental Papers*, December 2025 (accessed 18 March 2026)

Realising the benefits of innovation requires thoughtful consideration of regulatory frameworks, and the role of government, regulators and innovators across the financial system. A narrow focus on risk can hinder innovation and constrain the realisation of benefits. Regulatory sandboxes provide a tool for experimentation that encourages innovation whilst also acknowledging and appropriately managing its potential risks.

Finding 1.1

Financial innovation can result in improved outcomes for consumers, the financial sector and the broader economy, including through substantial productivity gains. Innovation can also introduce new risks that must be well understood and managed. To maximise these benefits, it is important to appropriately balance risk and innovation.

The growth and importance of fintech

Over the past two decades, technological change has become a significant driver of financial innovation. This has given rise to the concept of technology-enabled financial services, or 'fintech', encompassing businesses that use technology to offer new financial products, services and processes. Fintech is considered explicitly in this Review due to its rapid growth, and central role in driving financial innovation over recent years.

In Australia, the number of fintechs has grown from approximately 250[18] in 2016 to over 800[19] as of 2025, with one estimate valuing its economic contribution at $13.5 billion to the Australian economy.[20] [21] Likewise, globally over the 5 years to 2023 the number of fintech unicorns grew from 39 with a value of $1 billion USD, to more than 272 with a combined valuation of $936 billion USD.[22]

The evolution of fintech over the past two decades has been influenced by the broader economic and regulatory environment. Following the 2008 global financial crisis, changes to economic conditions, public perception of banks, and regulatory developments played a central role in driving the emergence of a new cohort of fintechs.[23] Non-banks increasingly began to offer financial services – benefiting from having less regulatory scrutiny than banks and greater access to both skilled labour (that had left traditional banks following the financial crisis).

18 Startup Daily, EY Sweeney and FinTech Australia reveal results of 2016 census on fintech landscape, Startup Daily Website, 2016, accessed 29 November 2025.
19 Deloitte Australia, 'Impact of Fintech in Australia', Deloitte Australia, 2026, accessed 7 April 2026.
20 Deloitte Australia, 'Impact of Fintech in Australia', Deloitte Australia, 2026, accessed 7 April 2026.
21 These estimates generally exclude incumbent providers of financial services from the definition of fintech, regardless of whether they use new technologies or not. See Cambridge Fintech Ecosystem Atlas
22 McKinsey & Company, Fintechs: a new paradigm of growth, McKinsey website, October 2023, accessed 18 March 2026.
23 D W Arner, J N Barberis and R P Buckley, '*The evolution of FinTech: a new post-crisis paradigm?*', University of Hong Kong Faculty of Law Research Paper No. 2015/047 and UNSW Law Research Paper No. 2016-62, 2015, https://dx.doi.org/10.2139/ssrn.2676553.

These firms have developed a strong capacity to innovate and compete with traditional financial institutions. For example, new technologies and the digitisation of financial services, supported by core infrastructure including internet access, APIs, cloud technologies have lowered the costs of entry for new firms. As a result, a new bank or financial service provider can harness technology to establish itself and operate cheaper and faster than many existing incumbents.

Fintechs can bring a wide range of benefits, including:

- **Consumer choice and improved user experience.** Fintechs can expand the range of products and services that consumers can access. For example, they can offer additional ways to pay, to invest and to borrow money. By offering new services, fintechs can provide consumers with choice, including offerings that better meet their needs to improve their experiences when using financial services.
- **Financial inclusion and accessibility.** Fintechs can improve access to financial services to users that may otherwise be underserved by traditional providers of financial services. For example, it can increase access to credit for small businesses, whilst remittance providers can increase the accessibility and lower the cost of cross-border remittance payments.
- **Competition.** Technology can lower the barriers to entry faced by fintechs and improve the services they offer. This can increase competitive pressure on other financial service providers and help to lower costs, foster further innovation and improve the overall quality of financial services.
- **Efficiency.** Fintechs can provide financial services more efficiently and offer services that provide efficiency gains across the users of their services.[24] This can be driven by fintech firms' ability to use technology to enter the market, scale and introduce new services rapidly and cost effectively. In contrast, incumbents may be limited by legacy systems and broad business models. For example, in payments, fintechs can support the lowering of transaction costs, and improve payment flows, speed and transaction information for users of these services.
- **Financial stability.** Fintechs can support financial stability by contributing to the diversification of financial service provision.[25] Increased transparency can also reduce the risks arising from information asymmetry, and new technology can also be employed to strengthen risk management.[26] For example, data can be used in lending and crowdfunding to improve transparency between parties.
- **Resilience.** Fintechs can support financial system resilience by accelerating the adoption of new technologies that address resilience gaps and improve safety and efficiency. This can occur through fintechs working in partnership with larger financial institutions to increase uptake of financial innovations.

24 Thomas Philippon, 'The FinTech opportunity', *BIS Working Papers*, no. 655, Bank for International Settlements, 2017, accessed 18 March 2026.

25 Thomas Philippon, 'The FinTech opportunity', *BIS Working Papers*, no. 655, Bank for International Settlements, 2017, accessed 18 March 2026.

26 S Nurazira, M Daud *et al.*, '*FinTech and financial stability: threat or opportunity?*', *Finance Research Letters*, 2022, https://doi.org/10.1016/j.frl.2021.102667.

- **Job creation and skill development.** The growth of fintech directly supports employment and skill development, with employees often engaged in high-skill roles. Fintech can also support demand for other professional services such as compliance and software provision. In Australia, Fintech is estimated to support 50,200 full time equivalent (FTE) jobs directly and indirectly support an additional 59,000 jobs.[27] However, as with many forms of innovation, disruption can lead to job displacement, particularly in the short to medium term.

Finding 1.2

Fintechs are a significant driver of financial innovation in Australia. They can bring a broad range of benefits to both businesses and consumers. Many fintechs offer services to other businesses and can improve many of the financial services that businesses rely on, generating broader economic impacts.

As with financial innovation more broadly, fintechs introduce new risks and pose challenges for regulators and policymakers. Fintechs, like many firms operating within the financial system can pose risks arising from operational and financial sources. Furthermore, increasing degrees of interconnectedness and the growth of large fintechs can pose broader systemic and stability risks.

The key potential risks that fintechs can pose include:

- **Consumer harm and misconduct**. As with other financial services, fintechs can pose consumer harm if products are inappropriately offered. New business models and technologies may mean that products risk being less well understood by consumers, and some fintechs may scale rapidly before consumer risks are well understood. Additionally, fragmentation can pose challenges for assessing liability and carrying out remediation when consumer harm occurs.
- **Financial stability.** Fintech can increase financial stability risks. Fintechs that reach significant scale, and are highly interconnected across the financial system, may present risks to broad confidence and stability if they fail. For example, new innovations such as stablecoins and associated asset holdings could disrupt the functioning of key asset markets and, should there be a loss in confidence in stablecoins, contribute to contagion risks.[28] Similarly, new services offered by fintechs to established financial institutions (such as Banking as a Service and Software as a Service) can increase interdependencies, complexity and opacity which increase vulnerabilities that could contribute to increased financial stability risks.[29]

27 Deloitte Australia, 'Impact of Fintech in Australia', Deloitte Australia, 2026, accessed 7 April 2026.
28 RBA, 'Financial Stability Review', *RBA Financial Stability Review October 2025,* RBA, 2025, accessed 7 April 2026.
29 RBA, 'Financial Stability Review', *RBA Financial Stability Review April 2025,* RBA, 2025, accessed 7 April 2026.

- **Market integrity and competition.** If regulatory frameworks do not keep pace with fintechs, inconsistencies in regulatory treatments between fintechs and incumbents may arise. This can result in regulatory arbitrage and uneven playing fields. Rapid growth and network effects can also reduce competition and result in market power accruing to only a small number of providers.
- **Operational risk.** The reliance on technology can mean that fintechs are exposed to operational risks arising from technology outages, cyber incidents and the failure of third-party providers. Additionally, increased technological complexity, and opacity on the use of technology can amplify operational risks and pose challenges for regulators.

These risks are not unique to fintechs; however, their high pace of growth and technological development means that managing and responding to these risks poses challenges for regulators and policy makers. As technologies and risks may not be well understood, new sources of risks may emerge rapidly and firms that introduce these risks may not be operating within existing regulatory perimeters.

Technological innovation highlights the need for regulators to both understand the risks that fintechs may pose and support innovation within a safe and trusted environment. There is a need to balance these objectives, recognising that a purely risk-based approach can stifle innovation, and at the same time, a lack of safety can erode consumer trust and hinder broader adoption.

Finding 1.3

The rapid growth and ongoing evolution of technology requires continual consideration by the government and regulators. Regulators need to understand and engage with new technologies to understand their risks.

Who Innovates?

A diverse range of organisations innovate in Australia and globally. The nature of these organisations can vary across several dimensions, including type of organisation, location, sector and stage of development. Recognising this diversity is important for ensuring that financial innovation can be appropriately supported across the breadth of firms that are innovating.

Type of Organisation

There are three broad types of institutions that are outlined below. These businesses are often interconnected, operating in partnership or competition with one another.

- Traditional financial institutions, including Authorised Deposit-taking Institutions (ADIs), insurers, fund managers, and other non-ADI institutions such as money market corporations, finance companies, and non-bank lenders.
- Other institutions, including large technology firms, ecommerce businesses, and smaller startups. Many of these institutions have driven the development of technology-enabled innovations within the financial system. These institutions may operate in partnership with traditional financial institutions.

- Government organisations and central banks, which may innovate in partnership with industry and in doing so support the adoption of new products and services. This includes, for example, innovation in financial infrastructure such as clearing and settlement systems, payment systems, and developments such as Central Bank Digital Currencies (CBDCs).

Location

Australia is home to a range of domestic firms that innovate, as well as entrants from overseas that have introduced new products and services. Both are important for financial innovation. Providing an attractive environment can support the entry of innovative firms from overseas and support the growth of new services in Australia that otherwise would not exist. Well supported domestic firms also scale and innovate in Australia and can bring their services to other markets overseas.

- Domestic firms are those which are headquartered in Australia. These businesses may start-up and scale in Australia. As they scale, many Australian firms seek expansion opportunities in other markets.[30]
- International firms are headquartered in other jurisdictions and operate in Australia. These firms may seek to test and adapt innovative products and services in Australia prior to scaling.

In Australia the majority of fintechs are domestic, whilst fintechs based overseas are estimated to comprise approximately 13% of the total number of fintechs operating locally.[31] Factors such as pathways to licensing, the regulatory environment and broader market dynamics are important considerations for firms seeking to enter Australia. Australia can also play a role as a base for fintechs that are looking to expand into South-East Asia. Positioning Australia as an attractive location for both domestic and international firms is important for supporting a strong environment for financial innovation.

Sectors and technologies

In Australia, the nature of financial innovation has changed significantly over time, evolving from the growth of securitisation and credit in the early 2000s, to the increasing importance of technology driven innovation in recent years. Today, payments, lending, wealth management, regtech, analytics and back-office services make up the bulk of fintechs operating in Australia.[32,33] Recent technological developments such as AI and tokenisation may present an opportunity for further innovation in these sectors, although its long-term impacts remain uncertain. Blockchain continues to be an active technology with innovations focusing on payments, the tokenisation of assets and other enterprise solutions amongst others. Regulatory developments such as Project Acacia reflect the ongoing relevance of this sector and will be discussed further in Chapter 4.

30 Ernst & Young, 'EY FinTech Australia Census 2023', EY, 2023, accessed 18 March 2026.
31 Ernst & Young, 'EY FinTech Australia Census 2023', EY, 2023, accessed 18 March 2026.
32 Ernst & Young, 'EY FinTech Australia Census 2023', EY, 2023, accessed 18 March 2026.
33 KPMG, *Australian Fintech Landscape 2025*, KPMG website, 2025, accessed 18 March 2026.

In contrast, sectors such as insurance and superannuation have undergone less rapid innovation in recent years. There may still be potential for future developments and increased uptake of new technologies in these sectors.

A one-size-fits-all approach to supporting innovation may not be appropriate for all sectors given their unique characteristics. Similarly, the scope and nature of potential benefits arising from innovation will also vary by sector.

Stage of development

Businesses have different needs across their lifecycle, whether that be funding, regulator engagement, and access to labour. Innovative businesses operate across several stages of development. These are summarised at a high level below.

1. **Ideation and Start-Up**
   Firms at this stage may be exploring new business models and innovations. They will be actively developing a minimum viable product. They may launch to a limited customer base and continue to iterate and test their business models.
2. **Early stage**
   At this stage firms may have established initial financing and have developed an early customer base. They may still be refining their business model and will usually be subject to regulatory obligations.
3. **Growth and scaling**
   At this stage a firm will have established their business model. Their focus will be on adding new customers and developing new features. Some may look to expand into additional jurisdictions.
4. **Maturity**
   These businesses are well established and usually operating at scale. They may seek to introduce new innovative products and features in addition to their established offerings. Some may acquire other businesses to sustain their growth. More established, mature firms that rely on legacy systems may benefit from an environment that allows them to test and experiment with new technologies without committing to a complete product development process.

The needs of innovative firms are likely to vary depending on their stage of development. For example, new entrants and start-ups may benefit from clear pathways to licensing, and lighter touch regulatory obligations. Firms that are scaling may seek proportional obligations, and clear guidance as their regulatory obligations evolve with scale. Mature firms that are already licensed may benefit from an environment that allows them to test additional new products within a regulated environment.

Finding 1.4

A diverse range of entities innovate in Australia. Innovation occurs across business type, location, sector and scale. The needs, and opportunities for these firms varies across these dimensions.

The Financial Innovation Ecosystem

The financial innovation ecosystem refers to the broader environment that supports the development and adoption of new financial products, services, and business models. It is made up of a network of interconnected participants, each playing a different role in enabling innovation.

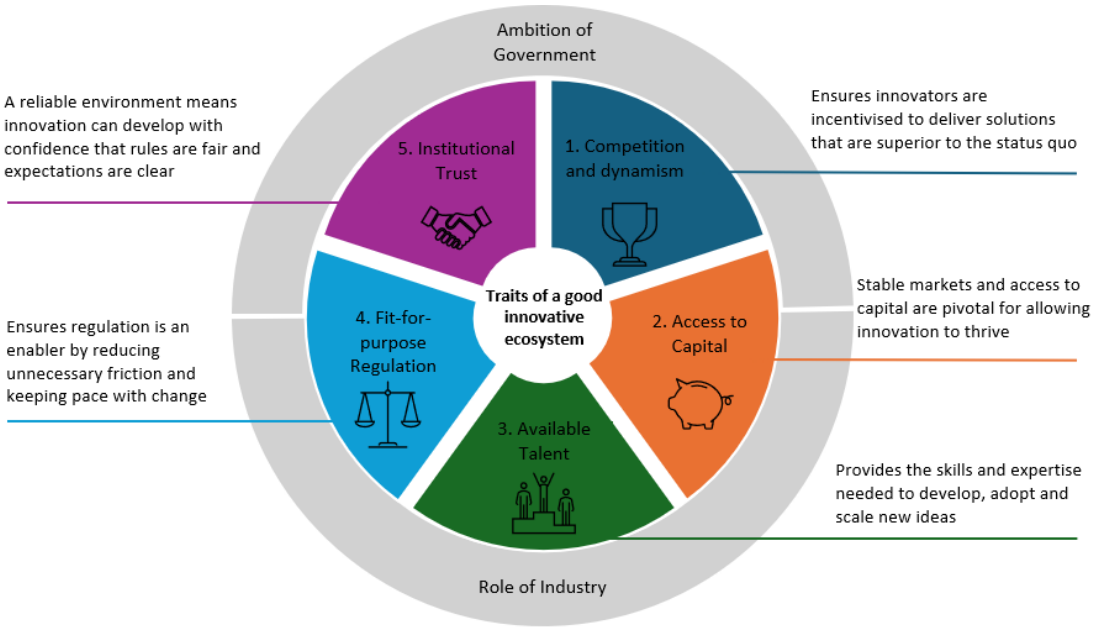
This ecosystem includes start-ups, established financial service providers, industry bodies, regulators, accelerators, and other businesses that support the financial sector. Beyond the immediate ecosystem, other relevant entities include universities and research institutions, which can support innovation by building talent pipelines and through relevant research. The connections between these participants matter. They help firms access information, skills and expertise, regulatory guidance, funding opportunities, and commercial partnerships.

International experience shows that leading financial innovation centres are often characterised by strong connections between innovative firms and supporting services. This co-location makes it easier to form relationships, share knowledge, and realise the benefits of collaboration.

The functioning of this environment shapes innovation in important ways. This section outlines the key traits of an effective innovation ecosystem, and the role that regulation and government leadership play in supporting it. Regulatory sandboxes have the potential to be an important contributor within this broader environment.

An ideal innovative ecosystem

Drawing on global examples of leading innovation environments, this review has identified five key traits that underpin a strong and mature innovation ecosystem. These characteristics represent an aspirational end state that jurisdictions worldwide continue to work toward. Importantly, these traits do not operate in isolation. They are mutually reinforcing, with progress in one area amplifying progress in others. In a mature ecosystem, these elements function cohesively to enable innovation to scale, thereby supporting broad economic and social benefits.



1. Competition and dynamism

Competition and dynamism enable the most productive industries and firms to grow by encouraging efficiency, productivity and innovation.[34] Innovation is most likely to occur in economies where markets are open to competition, rather than dominated by a small number of players or overly fragmented.[35] These environments incentivise firms to improve performance and develop new products, services, and processes.[36] Likewise, economic dynamism, which is often characterised by firm entry and exit, pressures firms to innovate or fall behind, as dynamic markets inherently challenge incumbent advantages.

In addition to the competition in supply for financial services, the demand for new services can also enable competition and dynamism. For example, business expectations for simple, fast and easily integrated payments services have supported the growth of new payment services that compete with traditional services offered by banks. The ability for businesses to innovate in response to changing consumer preferences and needs is influenced by the broader environment for competition.

In Australia, measures of competition and dynamism across the economy have broadly declined over the past two decades.[37] Evidence suggests this has weighed on productivity by slowing rates of innovation and technology adoption by firms. In response, the Australian Government has sought to boost competition through a range of measures aimed at lifting productivity and reducing market concentration, including reviewing competition laws, policies and institutions, and reforms to merger laws.[38]

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34 Australian Government, Economic Reform Roundtable, 2025, accessed 12 March 2026.
35 P Aghion, N Bloom, R Blundell, R Griffith and P Howitt, Competition and Innovation: An Inverted-U Relationship, National Bureau of Economic Research, 2002, https://doi.org/10.3386/w9269
36 OECD, Relationship between Competition and Innovation, OECD Publishing, 2023, accessed 11 March 2026.
37 J Hambur, Product Market Competition and its Implications for the Australian Economy, Economic Record, 2022, https://doi.org/10.1111/1475-4932.12707
38 Australian Government, Competition Review, 2023, accessed 14 March 2026.

2. Access to capital

Research consistently demonstrates a strong correlation between access to capital and innovation output.[39] Access to capital provides the stable foundation required for new ideas to emerge and scale. Having a range of funding options available (including venture capital, bank finance and corporate investment) helps ensure viable innovations are not constrained by liquidity pressures. Well-functioning markets offer a diverse range of financing instruments for firms at different stages of development, supporting both early-stage experimentation and later stage commercial growth. In contrast, limited access to capital during commercialisation is frequently identified as a key factor underpinning weaker innovation ecosystems in certain regions.[40]

The expansion of support services and programs, including accelerators, incubators and crowdfunding platforms can improve access to capital. Together, these arrangements strengthen the capital pipeline by addressing different stages of firm development and key frictions in accessing finance. For example:

- Incubators are designed to support nascent ideas at the earliest stages of startup development, with a primary emphasis on validation and market launch rather than direct funding.
- Accelerators are fixed-term, cohort-based programs designed to fast track the growth of early-stage start-ups. They typically provide mentorship, resources and sometimes funding in exchange for equity.[41]
- Crowdfunding offers dedicated platforms designed for start-ups and small business to raise capital in the form of either donations or investments from multiple individuals. This new form of capital formation emerged in the wake of the 2008 financial crisis, reflecting heightened difficulties in accessing traditional sources of capital.[42]

Many overseas regulators have incorporated programs that provide active support to fintechs, including accelerators and access to funding through grants to eligible sandbox participants. The Hong Kong Monetary Authority (HKMA), through its latest iteration of its original sandbox framework, provides development-stage funding support for innovative fintech solutions to promote commercialisation and wider adoption.[43] The Dubai Financial Services Authority (DFSA) supports fintech access to accelerators through its work in partnership with the Dubai International Financial Centre (DIFC) Innovation Hub.[44]

Difficulty accessing capital is a significant hurdle in Australia and nearly one-third of fintechs cite this as their top challenge.[45] Late-stage domestic capital is limited, institutional investor participation remains low, and a declining IPO pipeline forces many founders offshore to secure growth funding or listing opportunities. Furthermore, Australia lacks a deep domestic venture capital market compared

39 P R Agenor and O Canuto, Access to Finance, Product Innovation and Middle-Income Traps, World Bank Group, 2017, https://doi.org/10.1016/j.rie.2017.03.004
40 Journal of Financial Economics, Innovation and capital, 2025.
41 SVB, How do startup accelerators work?, SVB Financial Group, 2026, accessed 12 March 2026.
42 World Bank, Crowdfunding's Potential for the Developing World, 2013, accessed 10 March 2026.
43 Hong Kong Monetary Authority, Fintech Supervisory Sandbox, 2026, accessed 5 March 2026.
44 Dubai Financial Services Authority, DFSA Innovation and Technology, 2026, accessed 2 March 2026.
45 Fintech Finance News, Australian Fintech Sector to Be Worth $71 Billion by 2035, 2026, accessed 2 March 2026.

to other jurisdictions[46] and crowdfunding remains relatively limited, with domestic settings capping annual fundraising at $5 million, a comparatively low threshold by global standards.[47] Early-stage Australian firms therefore source a higher share of capital (40%) from international investors than similar firms in the United States and Europe.[48]

3. Available talent

Strong innovation environments depend on access to specialised skills across areas such as technology and finance. These skills are critical for supporting product development and enabling firms to scale. Leading innovation hubs benefit from concentrated pools of skilled professionals across engineering, data science, product development and sector-specific disciplines. This access to talent supports access to expertise, greater collaboration and supports the development of new products and services. In addition, entrepreneurial environments typically attract a higher proportion of non-local startups, and with it increase the inflow of external expertise.[49] Conversely, talent shortages can constrain growth, limit innovation and reduce an ecosystem's competitive advantage.[50]

Australia has a highly regarded tertiary education system. Despite this strength, many fintechs identify access to talent with the right skills as an issue, with 13% of fintechs considering this their top barrier to growth.[51] This dynamic is evident in Australia's cybersecurity landscape, where sustained employment growth alongside elevated vacancy rates is contributing to ongoing national skills shortages.[52]

Many governments that play an active role in supporting innovation invest directly in workforce development. For example, they may support targeted upskilling, training grants and reskilling initiatives that ensure talent pipelines adapt to technological change. Singapore and the UAE have immigration and visa settings that actively support the mobility of global talent and the attraction of advanced technology skills. From 1 January 2027, Singapore will introduce a new visa pathway targeting senior technology leaders and specialists in areas including AI and quantum computing.[53] The UAE's Golden Visa includes pathways for entrepreneurs and individuals with rare specialisations, with eligibility linked to innovative or technical projects and expertise in priority scientific and engineering disciplines, offering residency of 5 to 10 years.[54] Furthermore, the HKMA manages a fintech career accelerator scheme, a structured program explicitly aimed at growing Hong Kong's talent pipeline in response to industry needs.[55]

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46 Tech Council of Australia, Australia's evolving capital markets, 2025.
47 Deloitte, Impact of fintech in Australia, 2026, accessed 2 March 2026.
48 Ibid
49 C Mazzoni and A Riccaboni, Entrepreneurial ecosystems and interregional flows of entrepreneurial talent, 2025, http://econ.geo.uu.nl/peeg/peeg2426.pdf
50 Ibid
51 Deloitte, Impact of fintech in Australia, 2026, accessed 2 March 2026.
52 Australian Government, Australian Labour Market for Migrants, 2025, accessed 5 March 2026.
53 Fragomen, Singapore: New ONE Pass (AI and Tech Track) to be Available in January 2027, 2026, accessed 4 April 2026
54 UAE Government, Golden Visa, 2026, accessed 5 April 2026
55 HKMA, Fintech Talent Development, 2025, accessed 14 March 2026

These jurisdictions have made an explicit choice to position themselves as global fintech leaders by aligning policy, skills, incentives, and migration settings to support that objective. Moreover, the availability of skilled workers and structured support mechanisms in these economies can create a cycle in which talent attracts innovative firms, and innovative firms attract further talent, supporting innovation in specific locations.

Australia has not directly invested in equivalent workforce development initiatives, and this may make Australia less competitive when directly comparing these support programs. As a result, Australia may face constraints in attracting and retaining talent compared to other jurisdictions that have developed deep pools of specialised skills supported by targeted government policy and strong incentives. These challenges are particularly evident where skilled workers face strong, mobile demand across multiple global markets. The emphasis placed on AI development and leadership by peer economies helps explain why 75% of employers report difficulty in attracting domestic AI talent.[56] In the absence of comparable incentives and policy settings, Australia may experience persistent skills shortages as talent is drawn to jurisdictions that more actively prioritise attraction and retention. Over time, this dynamic could constrain Australia's capacity to compete effectively with peer economies that have made talent development a strategic policy focus.

4. Fit-for-purpose regulation

Fit-for-purpose regulation strikes a balance between mitigating risks and ensuring firms have the flexibility to evolve and innovate. Achieving this outcome requires regulation to be flexible in response to industry development and proportionate to accommodate the diversity of the regulated population. In practice, this is realised through regulation that is technology-neutral, principle-based rather than prescriptive, and risk-based to limit undue compliance burdens on smaller entities. Globally, there is increasing recognition that financial sector regulation can constrain innovation if it is not well targeted at specific risks (see Chapter 2).[57]

For regulation to remain fit-for-purpose, it needs to respond to emerging technologies and innovation. Relying on frameworks that are outdated or static can result in uncertainty and ambiguity for innovative firms, and therefore unintentionally inhibit innovation. The Australian Government has previously adapted regulatory settings in response to technological change. For example, in 2016 it committed to embedding technology neutrality into the development of future legislation and regulation, a clear example of fit-for-purpose regulation. At the time, the Turnbull Government noted that *"adopting a technology neutral approach to regulations will enable businesses to adopt approaches that best suit their business model and consumer preferences. It will also ensure that regulators can readily respond and adapt their oversight to take account of innovation and development of new technologies."*[58]

56 Amazon, AI skills could boost salaries and accelerate career growth for workers in Australia, 2024, accessed 7 April 2026
57 Global Relay, FCA puts innovation "at the very heart" of its strategy**,** 2025, accessed 25 March 2025
58 Treasury Department, Australia's FinTech priorities, 2016

Australia has multiple regulators, each with their own mandates and frameworks that cover the full breadth of the financial system. These frameworks have continued to evolve in response to developments in financial services. For example, regulatory reforms in areas such as digital assets and payments licensing have been implemented in response to technology and sector developments that did not fit well within existing frameworks and meant that some services developed outside of the regulatory perimeter.

5. Institutional trust

Institutional trust is a critical foundation for both the adoption of new technologies and ongoing investment in innovative sectors. High levels of trust reduce perceived risks in environments where consumers' money and data are involved. This can encourage consumer adoption and engagement while giving firms the confidence to trial new approaches and investors greater certainty when allocating capital to emerging technologies.

In Australia, this trust is reinforced by strong consumer protections and a robust regulatory environment. The financial sector operates within a comprehensive regulatory architecture, supported by multiple agencies with distinct mandates. Together, these regulatory arrangements provide protections that strengthen public confidence in the financial system. Well-regulated financial markets can foster investor confidence through transparency, fairness, and clearly defined rules.[59] In contrast, a lack of trust in institutions can mean valuable innovations struggle to achieve market acceptance or secure necessary investment.

Ecosystems that include credible, transparent and consistent institutions are more likely to attract sustained innovation. Predictable rules, clear property rights, and accessible and fair dispute resolution mechanisms help ensure that new technologies can be developed, tested, and adopted with confidence. In Australia, firms report high levels of technology adoption, with 84% of business leaders indicating they are currently integrating new technologies into their operations.[60]

Ambition of Government

Governments can play a critical role in setting the ambition and direction for innovation. International experience shows that jurisdictions with strong financial innovation outcomes often have clear government leadership that acts to shape the behaviour of the broader ecosystem.

A clearly articulated government posture helps influence both public and private actions across the key elements above. Clear ambition matters because it acts as a public signal of commitment and can provide a clear 'north star' to guide the coordination of effort across government, regulators and industry. It signals to industry that government backs innovation, to regulators that innovation is a policy priority, and to investors that financial innovation is supported and valued within the economy.

59 OECD, Financial Markets, 2026, accessed 25 March 2025
60 Australian Industry Group, Technology adoption in Australian industry, 2024, accessed 6 March 2026.

Other jurisdictions have recognised the importance of government leadership. For example, the Kalifa Review of UK FinTech, published in 2021, made several recommendations directed at government, regulators and industry. The review highlighted the importance of a clearly articulated national strategy and its role in cultivating the features required for a high performing innovation ecosystem.[61] The review also called for the establishment of the Centre for Finance, Innovation, and Technology (CFIT) to align industry, regulators, and policymakers around a unified innovation agenda. The CFIT was implemented by the UK government and continues to operate.

Likewise, the Singapore Government has sustained commitment to innovation through long-running whole-of-government initiatives such as the Smart Nation initiative and the Research, Innovation and Enterprise (RIE) Plan.[62] The Smart Nation initiative aims to create a nation seamlessly enabled by technology, while the RIE Plan commits to spending approximately 1% of GDP in the next five years to support national innovation priorities. This includes sustained investment in priority domains and maintaining globally competitive research capability and talent.[63] These efforts are reinforced by complementary initiatives led by institutions such as the Monetary Authority of Singapore (MAS) and underscore the central role that innovation plays in Singapore's economic and policy agenda.

Measures such as these show how governments can play an active role in providing clarity, direction and support for innovation.

Finding 1.5

Countries with clear, overarching government strategies and national objectives are more likely to foster thriving innovation ecosystems that develop in a coordinated and scalable way, rather than through fragmented or isolated initiatives.

Recommendation 1.1

The government should articulate its overarching ambition for financial innovation by developing a national financial innovation strategy to coordinate efforts and develop a common understanding of objectives across industry, regulators and government. The strategy should be forward looking and informed by a thorough assessment of the fintech landscape in Australia, relevant policy and global developments, and progressed as a near-term priority given the pace of technological change.

61 HM Treasury, Kalifa Review of UK Fintech, 2021, accessed 3 March 2026.
62 Smart Nation aims to transform Singapore into a digitally enabled nation where technology is integrated into every aspect of life. RIE30 is a national funding program aimed at driving economic outcomes and advancing strategic priorities in key areas.
63 National Research Foundation, Singapore unveils S$37 billion RIE2030 Plan to advance research and innovation, and support Singapore's economic and national priorities, Press Release, 2025

Role of industry

Industry has a role to proactively reduce information asymmetries between itself and regulators. While industry holds deeper knowledge of technological developments and business models, regulators bring expertise in regulatory frameworks and policy design. There is therefore a role for industry to help bridge this gap, for example by:

- **Knowledge sharing** – Industry can support regulators to identify and prioritise areas of strategic importance. Ongoing engagement with industry can also establish feedback loops, helping regulators better understand where existing frameworks may be misaligned with technological change and where adjustments may be required over time. This knowledge sharing can also help overcome the challenges regulators face building technical expertise.[64]
- **Experimentation and co-design** – Industry can act as a partner in experimentation on thematic or sector-wide issues that are not confined to individual firms, enabling learning at a system level rather than through isolated use cases. This is particularly relevant where risks, standards and infrastructure are shared across the market, with collaboration helping to overcome the coordination challenges created by network effects in financial innovation.
- **Capacity Building** – Navigating regulatory obligations is a core issue among new entrants as gaps in regulatory expertise are frequently identified as sector-wide challenges. Early-stage firms may lack dedicated compliance personnel, face competing priorities between growth and governance, and struggle to identify which regulatory obligations apply to their business model.[65] Industry plays an important enabling role in addressing these challenges, helping startups understand their obligations early and ensuring regulatory engagement supports meaningful innovation rather than basic regulatory familiarisation.

Industry bodies are best placed to undertake this role, supported by collaboration platforms such as accelerators, fintech hubs and regulatory sandboxes, which operate as complementary components within a broader ecosystem. More broadly, industry plays a critical role in fostering an environment conducive to innovation, with clear opportunities to strengthen sector-wide understanding of regulatory requirements and their interaction with new and emerging technologies.

Recommendation 1.2

The financial sector, led by industry bodies and supported by other participants such as accelerators, should take a leading role in ensuring the role of regulation is understood by all market participants. For example, through the development of resources on regulatory requirements to support new entrants.

64 Cambridge Centre for Alternative Finance, Global Approaches and Good Practices Study, 2025, accessed 26 February 2026.

65 Diligent, Compliance for Startups, 2025, accessed 27 February 2026.

Public and private sector collaboration

Globally, formal collaboration between public and private sectors is increasingly being used to support financial innovation. These arrangements help to accelerate the use of cutting-edge technology, more actively facilitate investment and leverage joint approaches for addressing key policy challenges. There are a wide range of examples of public and private sector collaboration observed around the world:

- In the UK, the Financial Conduct Authority (FCA) has established partnerships with key technology firms including Nvidia and Raidiam to provide firms with access to innovative testing tools in its Supercharged Sandbox. This initiative leverages the UK's AI Opportunities Action Plan aimed at building the UK's sovereign AI capabilities.
- Both the MAS and the DFSA support innovative firms to connect with prospective investors. For example, MAS launched its Deal Fridays initiative under Sandbox Plus in 2022 to help startups match with prospective investors.[66]
- Many jurisdictions have established research initiatives aimed at bringing together governments, regulators, industry and academia to lead experimentation on promising innovations. For example:
  - The UK's Centre for Finance, Innovation and Technology is jointly funded by government and industry to identify roadblocks and solutions to the uptake of fintech innovations.
  - Similarly, Australia's Digital Finance Cooperative Research Centre (DFCRC) has been established to support research into tokenisation technology, supported by funding from government and industry partners.[67]

Stakeholders have suggested greater innovation would be better facilitated in Australia if there was greater collaboration across government and industry. For example, ANZ noted that strengthening integration with national innovation ecosystems would *"assist firms to navigate regulatory, commercial and investment pathways with greater certainty*."[68] This should be considered as part of the development of a national financial innovation strategy.

66 Monetary Authority of Singapore, MAS Enhances FinTech Regulatory Sandbox with Sandbox Plus, media release, 2021, accessed 4 March 2026

67 Digital Finance CRC, Digital finance CRC wins $181m from government, partners, 2021, accessed 4 March 2026

68 ANZ, Submission to the Independent Review of the Enhanced Regulatory Sandbox, 2026, accessed 20 February 2026

Chapter 2: Financial regulation in Australia and regulatory sandboxes

Financial innovators operating in Australia are required to navigate Australia's complex system of financial regulation. The growth in new financial technologies and innovations over the last 15 years has coincided with a period of growing regulation in the financial sector. While much of this expansion has been focused on consumer and investor protection, regulation has also been required to keep pace with new and emerging technologies.

Ultimately, these two forces pose challenges for both the regulation and facilitation of financial innovation. New technologies create new and unforeseen demands for regulators, while at the same time, the financial system is more complex than ever.

These dynamics drive the need for governments and regulators to consider new and innovative arrangements for managing the growing tension between supporting innovation while navigating the regulatory complexity of innovative products and services within existing mandates (and public expectations) for consumer and investor protection.

It is in this environment that sandboxes and similar structures have arisen around the world as a way of encouraging financial innovation against a backdrop of complex regulation *and* the increasing impact of new technologies that offer genuinely transformative benefits for the economy. Structures like sandboxes help regulators understand new innovation and technology, facilitating their adoption within the economy. In particular, they help firms with strong potential or high regulatory requirements reach the market quicker, while also helping regulators understand new technologies, which in turn informs policy making based on experimentation rather than consultation alone.

Evolution of financial regulation in Australia

Regulatory expansion

Australia has experienced a long period of regulatory expansion in the financial sector since the 1990s, when – after a period of financial deregulation – the 1997 Wallis Inquiry[69] found the financial services sector, with its greater complexity of products and services, required specialised regulation. This period of regulatory expansion has intensified since 2007, in response to a series of key events including:

- the Global Financial Crisis which led to stronger banking and lending regulation and a greater focus on risk and a more active supervisorial role for regulators.

69 Australian Government, Financial System Inquiry Final Report, 1997, accessed 2 March 2026.

- the Murray Inquiry (2014).[70] The Financial System Inquiry, chaired by David Murray, recommended consumer and investor protections (especially in superannuation), as well as greater financial system risk management measures (in particular, increased capital requirements for banks so they are "unquestionably strong" by international standards). However, it also recognised financial innovation as essential to improving competition, efficiency, and consumer outcomes in Australia's financial system, emphasising that regulation should facilitate technology-driven innovation.
- Banking Royal Commission (2017–19):[71] Following findings of widespread misconduct across banking, superannuation, and financial advice, the Hayne Commission's 76 recommendations led to substantial reforms and a cultural shift toward customer-centric practices.

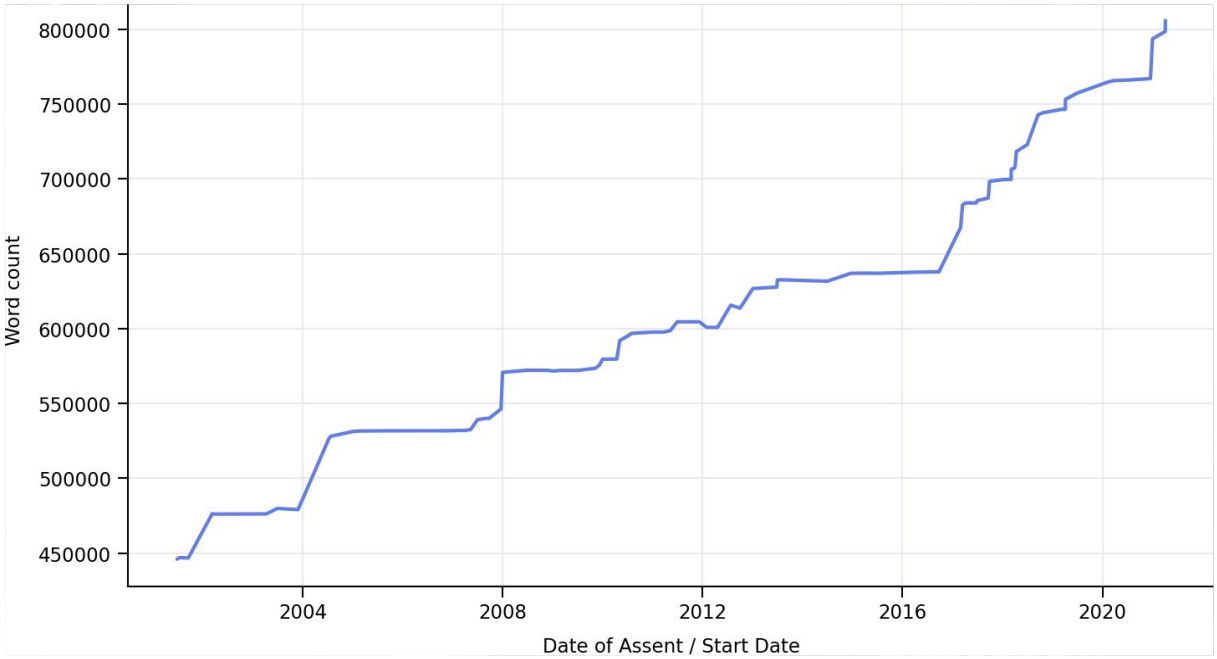
This shift has seen a greater regulatory focus on consumer and investor protections, and towards reducing overall systemic risk in the financial system. Stakeholders have suggested that one impact of these settings is that financial institutions have reduced appetite for risk-taking innovations, both due to concerns about attracting regulator scrutiny but also as a result of significant compliance burdens reducing the resources available to firms to explore innovation.[72]

Much of the increase in regulation has been a reaction to external events, rather than proactive policy making which is understandable and has been observed around the world. These external events are often high-profile failures carrying significant political and media scrutiny, and causing significant consumer harm. Stakeholders have argued that this approach to regulation has caused regulators to primarily focus on the risks of genuinely new and innovative products rather than the broader economic benefits of the innovation.

As an example of the growth in financial services regulation, Chart 1 below shows the increase in word count of the *Corporations Act*, being the fundamental legislation that addresses the financial sector. This chart is intended to be a simple indicator of growth in regulatory expectations, acknowledging that growth in regulation is due to a variety of reasons such as perimeter expansion or new innovations. The chart therefore should be considered with additional data to analyse the impact of the increased regulatory burden.

70 Australian Government, Financial System Inquiry Final Report, 2014, accessed 2 March 2026.
71 Australian Government, Royal Commission into misconduct in the Banking, Superannuation and Financial Services Industry: final report, 2019, accessed 2 March 2026.
72 CBA, Submission to the Financial System Inquiry, 2015, p. 4, accessed 3 March 2026.

Chart 1: Growth in word count of the *Corporations Act*



Better Regulation

In recent years, there has been increasing global momentum towards deregulation, "smart regulation", and pro-innovation policies to support financial inclusion, growth, and competition.[73] This was initially reflected around a decade ago with many jurisdictions adopting FinTech-positive policies to support financial innovation following the UK FCA's introduction of the sandbox in 2016, as discussed in more detail in later sections.

More recently, these efforts have accelerated with many countries re-examining the structure of regulation in their economy in response to a protracted period of low productivity, and in light of rapidly emerging general-purpose technologies, such as AI. The UK, for example, has urged its regulators to focus on economic growth and minimising business uncertainty,[74] and the EU has commenced a series of reforms to improve competitiveness and reduce regulatory fragmentation following the release of the Draghi Report.[75] Other jurisdictions are following a US-led effort to "reset" and "rightsize" the regulation of financial markets.[76]

73 EY, 2025 Global Financial Services Regulatory Outlook, 2025, accessed 6 March, 2026.
74 Rathi, N, Letter to the Financial Conduct Authority, 2024, accessed 10 March 2026.
75 European Commission, The future of European competitiveness: A competitiveness strategy for Europe, 2024, accessed 12 March 2026.
76 United Stated Department of Treasury, Remarks: A Reset on Liquidity Regulation, press release, 2026, accessed 6 March 2026

In the last 12 months, the approach towards regulation in Australia has also begun to pivot to a focus on 'Better Regulation'.[77] There is a renewed government focus on boosting productivity through reducing unnecessary or duplicative regulatory costs and, specifically, growing industry concerns over the potential stifling impact of current financial regulation settings on innovation in the sector.[78]

For financial regulation in Australia, specific streams of work have been commenced by the Council of Financial Regulators (CFR), aiming to:

> *"[work] together to deliver better regulation of the financial sector, aiming to improve efficiency through regulatory reform without compromising financial stability, consumer protection and market integrity".*[79]

Financial Regulation and innovation: impact on firms

The growth in financial regulation has created a difficult regulatory landscape for financial innovation. Stakeholder feedback provided to this Review indicated many financial firms consider the complexity of financial regulation inhibits innovation. This includes even large firms, which, though well resourced, must often comply with the highest volume of regulation.

The two most commonly cited regulatory barriers to financial innovation in consultation are Australia's financial services and credit licensing regimes (for new entrant firms), and the complexity of engaging with multiple financial regulators with overlapping responsibilities (for both new entrant and incumbent firms).

Licensing

The most significant barrier to financial services innovation raised by stakeholders is Australia's financial and credit licensing regimes. An Australian Financial Services Licence (AFSL) is required to conduct a financial services business and an equivalent Australian Credit License (ACL) is required for individuals or business entities providing credit services. This Review acknowledges that inherent in any licensing regime is a degree of compliance cost, however in the case of innovative business models, sandboxes may provide opportunities for costs to be reduced and processes streamlined.

In consultation, ASIC's licensing performance received mixed feedback. Stakeholders regularly cited the length of time, uncertainty and cost of going through an application process as particular concerns. New entrants consistently identified this uncertain timeframe affects their speed to market and funding arrangements. That being said, it is important to note that ASIC's performance on licensing time frames is broadly in line with other jurisdictions, as outlined in Table 1.

77 Council of Financial Regulators, Better Regulation Roadmap, 2024, accessed 11 March 2026.
78 Australian Law Reform Commission, The regulatory challenges of evolving technology and financial services law, 2023, accessed 9 March 2026.
79 CFR, Better Regulation Roadmap, 2024, accessed 11 March 2026.

To some extent, the ERS was originally intended to address at least some of these regulatory barriers – it is financial services and credit licensing obligations that the ERS provides specific relief from. Similarly, sandboxes from around the world have design features aimed at overcoming these barriers, providing relief from licensing obligations, providing faster licencing pathways or providing interconnected platforms for addressing regulatory barriers across different regulators and frameworks.

While ASIC does not commit to a specific timeframe for deciding on license applications, it does target making decisions on 70% of complete applications within 150 days and 90% within 240 days. Table 1 below shows ASIC's performance against these metrics, which ASIC has broadly met in recent years.

Potential AFSL and ACL applicants can, and in certain cases, alternatively use the authorised representative model instead of becoming licenced if they want to provide financial or credit services. Stakeholders, in particular, former and current ERS participants, consistently gave feedback that they either considered strongly, or ultimately did choose to be regulated as an authorised representative. Feedback was consistent that this was to avoid the length of time and uncertainty of a full license application, especially due to the lack of an inbuilt pathway to licensing in the ERS. Authorised representatives do not have to 'apply' in the traditional sense – instead they enter an arrangement with an existing licensee that takes responsibility for the conduct of its authorised representatives. The licensee is required to notify ASIC of its authorised representatives.

Table 1 below sets out a comparison of some key licensing metrics against ASIC's own benchmarks, compared to other overseas jurisdictions. Broadly, ASIC's timeframes are not significantly different to counterpart jurisdictions. This analysis focuses on jurisdictions with regulatory structures and innovation ecosystems that are broadly comparable to Australia. While the United States is recognised as a leader in fintech investment and innovation, the breadth and depth of its ecosystem make it less directly comparable to Australia and has therefore not been included in this comparative analysis.

Table 1: Comparative licensing outcomes across select jurisdictions

Jurisdiction / Regulator	Target time for a decision	Performance vs target	Approval rate (overall)
Australia – ASIC	150 days (70%); 240 days (90%)	Met 8/9 metrics in FY24; fell short slightly on variation applications	High for complete applications (commonly estimated 80–90%+), though many applications are withdrawn or lapse
Singapore – MAS	6 months for complete applications	Average time approximately 6.5 months	Very high for complete applications (often estimated 85–95%+)
United Kingdom – FCA	6 months for complete applications; 12 months if incomplete	Approx 85% decided on target	Moderate to high (often around 60–75%, varying by sector and year)
Hong Kong – SFC	Approximately 15 weeks for standard applications; 6–12 months for corporate applications	Approx. 85% in 6–8 months	High for complete applications (commonly estimated 80–90%+)

Other regulatory regimes

Many AFSL and ACL applicants also engage with other licensing or regulatory regimes in the financial system, such as banking, superannuation and insurance licenses (regulated by APRA) and data accreditation (regulated by the ACCC). Stakeholders in this and many other consultations have raised specific concerns around overlapping licensing regimes and associated regulatory complexities.

One common complaint is concern about lack of information and data sharing between regulators. This is compounded when regulators are making similar licensing decisions, based on similar evidence and aimed toward similar legal or regulatory definitions. A commonly cited example is the overlapping fit and proper person tests across different licensing regimes, each with a different focus and standard and requiring different evidence. Stakeholders have raised that unifying or clarifying these would significantly reduce burden and therefore barriers to innovation.

Regulator Engagement

Both new and incumbent firms have cited the impact of dealing with multiple financial regulators, in the context of existing regulatory complexity, as a significant barrier to innovation. Large, complex bodies of regulation, rather than creating clarification, can make it difficult for firms to understand how their new product or services sits with existing regulation. This is naturally compounded where the product or service is genuinely innovative and may not easily sit within existing rules. Further, large volumes of regulation are resource intensive – for small firms with limited resources, the volume of regulation can have a disproportionate impact, while for larger incumbent firms that operate across a broad range of financial services it can proliferate how many regulatory frameworks they are subject to. In an economy with limited capital and talent, this is a genuine drain on the ability of firms to invest in innovation.

ASIC

ASIC is Australia's primary corporate, markets and financial conduct regulator and is responsible for financial and credit licenses. It is the only Australian financial services regulator with an explicit innovation function: it administers an "Innovation Hub" (see below), including the ERS. Additionally, ASIC has a range of other powers and functions that can, and are, used to support financial innovation.

Other regulators

A financial services firm in Australia is likely to interact with a number of other regulators, depending on the business model, including:

- **APRA**: Australia's prudential regulatory authority regulates banks, authorised deposit-taking institutions (ADIs), insurers, superannuation funds. Fintechs likely to directly interact with APRA include insurance firms, neobanks or innovative superannuation product providers; however, many fintechs may indirectly interact with APRA if they provide services to ADIs, such as through partnership agreements.
- **AUSTRAC**: AUSTRAC regulates anti-money laundering (AML) and counter-terrorism financing (CTF). Fintechs working in payments, crypto exchanges, remittances, wallets, or lending would be subject to obligations set out by AUSTRAC, including registration requirements, depending on their product offering.

- **RBA**: The RBA regulates payments and clearing and settlement systems. Fintechs involved in payments infrastructure, card acquiring, stored value, or real-time payments may fall under RBA oversight.
- **ACCC**: Oversees competition law and consumer law across all industries and more relevantly manages accreditation for the Consumer Data Right (CDR) and Digital Identity programs. Fintechs offering identity or data-driven products (for example, open banking, data analytics) must interact with ACCC.

Further, while not a regulator in the strict sense, financial service firms are generally required to become members of the Australian Financial Complaints Authority (AFCA), an independent external dispute resolution scheme for consumer complaints related to financial and credit services, which is generally a condition of an AFSL and of joining the ERS. New and financially innovative firms are also likely to interact with other non-financial regulators, like the Office of the Australian Information Commissioner (OAIC) (for privacy-related data issues).

Feedback from both industry participants and these regulators themselves has demonstrated a range of different approaches to fostering innovation and addressing emerging technologies. To some extent, these approaches are a reflection of the resourcing available to the regulator and their existing regulatory mandates. It is also clear that there are a range of risk appetites amongst regulators, and to some extent this is reflected in the internal resourcing and prioritisation decisions regulators make. Regulators themselves have raised in consultation that a lack of clear government ambition or direction to foster financial innovation also makes it difficult to make the kind of resourcing and prioritisation decisions necessary to deliberately drive innovation.

Finding 2.1

Whilst it is recognised that there are necessary costs associated with obtaining a financial services license, stakeholders consistently highlighted that the regulatory framework could introduce barriers to innovation. Stakeholders have noted that:

- The time, cost and uncertainty of obtaining Australian financial services and credit licenses is a particular barrier to innovation in the sector.
- The opportunity to further improve coordination between financial regulators will help reduce barriers to innovation in the sector.

Role of Regulatory Sandboxes in Australia

Regulators across the world have increasingly turned to different regulatory structures like sandboxes to find effective ways of balancing the need to support innovative new ideas while holding high standards of consumer protection and market integrity and financial stability. Sandboxes provide environments to support new innovation by allowing testing of new and innovative products and services. They have also emerged as valuable tools for governments and regulators to signal to the market their willingness to facilitate innovation.

Further, sandboxes are increasingly an important tool supporting policy development, allowing regulators to learn more about new technologies and avoid zero-sum trade-offs between innovation and consumer protection that have dominated past policy debates.

What is a Regulatory Sandbox?

At a basic level, a regulatory sandbox is a controlled framework established by a regulator or government that allows firms to test innovative products, services, or business models in a real-world environment for a limited time without licenses or regulatory authorisations that may ordinarily be required, under defined conditions and regulatory oversight.

The first sandboxes emerged in 2016, led by the UK's Financial Conduct Authority (FCA). These first-generation sandboxes had a broad focus on providing a mechanism for firms with new business models to test the viability of their offerings in a controlled, but relaxed, regulatory environment. They also intended to provide a structured and supported pathway to authorisation (licensing) for firms entering the market and a forum for regulators to gain a better understanding of market developments.

Ten years on, and sandboxes have become a core feature across many jurisdictions with similar objectives to those set by the FCA. However, their structure and design have evolved as new technologies have emerged at speed. Increasingly sandboxes have extended beyond these general applications to include targeted approaches focused on testing specific technologies or products/services. These approaches are broader models: they can include closer collaboration between multiple regulators and industry, and may also include the development of specific technology platforms or access to data (such as real or synthetic datasets) alongside targeted regulatory relief from certain obligations.

Different innovation and sandbox structures

Regulators typically have a spectrum of tools available when engaging with the regulated population. These can include policy making, surveillance, enforcement or simply providing regulatory guidance and information to firms considering products and services within regulated markets. Regulators will have powers to support each of these functions, such as rule-making powers, a suite of enforcement tools or the capacity to provide regulatory relief (either firm-specific or to a wider class of firms).

One way to conceptualise the role of sandboxes is to consider where they sit in the spectrum of tools available to regulators (see figure 1). What sets a regulatory sandbox apart from other tools used by regulators is that they provide a formal, structured mechanism for providing regulatory relief to eligible businesses.

Figure 1: Spectrum of regulatory tools for supporting innovation

1. Informal assistance and guidance

Often facilitated through innovation hubs or similar channels, informal assistance typically takes the form of non-binding guidance, supervisory dialogue and interpretive support. It generally serves as an early-engagement tool that strengthens the relationship between the regulator and firm, enabling preliminary dialogue on regulatory expectations and potential compliance issues. It can also take a quasi-advisory route, providing firms (particularly new entrants) with guidance as to the most practical or appropriate regulatory framework or licensing arrangement for the firm's specific activity. ASIC provides informal assistance through its Innovation Hub (see Box 2.1 below).

Box 2.1: ASIC's Innovation Hub

Since 2015, ASIC has facilitated an "Innovation Hub" which aims to *"help innovative fintech and regtech businesses navigate the Australian regulatory framework and provides a platform for domestic and international engagement on financial innovation-related developments"*. The innovation hub provides:

- informal assistance to innovative businesses on their potential regulatory obligations
- information on Australia's overarching regulatory framework
- administration of the Enhanced Regulatory Sandbox
- options relating to seeking relief from ASIC.

On 5 November 2025, the Chair of ASIC announced that ASIC would "review and re-launch the ASIC Innovation Hub", which would focus on "seeking out ways ASIC can support financial market innovations in Australia."

As of early 2026, ASIC has resourced the Innovation Hub with 4 staff. The resources dedicated to the Innovation Hub are a decision made within ASIC.

2. Bespoke regulatory relief

Separate from the formal and structured avenues that sandboxes provide, bespoke relief is typically ad hoc and not designed for iterative experimentation. Most financial regulators in Australia, including ASIC, as well as equivalents overseas, have very broad powers to provide regulatory relief by modifying or exempting provisions relating to specific firms or classes of firms. Regulators, including ASIC, have expressed reluctance to significantly rely on these powers to drive broader industry-wide outcomes like innovation, citing concerns around fairness and consistency when relief is provided on an individual firm basis.

3. General regulatory sandboxes

Early models of regulatory sandboxes, many of which continue to be widely adopted, were conceived as general-purpose frameworks intended to accommodate a broad spectrum of fintech innovations. Rather than being designed around a specific technology or sector, these sandboxes are largely use-case agnostic, although usually have some form of eligibility criteria requiring genuine innovation and/or a public benefit, as well as limits on customer volumes or transactions. The primary emphasis has broadly been on lowering barriers to market entry, enabling controlled experimentation and consequential regulatory learnings and fostering innovation within financial services. They generally provide regulatory relief on a bespoke or general basis (like Singapore) and can operate as a restricted licensing or authorisation model, that provides participants a pathway to a full license (like the UK or DFSA).

4. Targeted or thematic sandboxes

Regulators have increasingly shifted towards targeted or thematic sandboxes in response to the limitations of original sandbox frameworks. These sandboxes narrow the scope of eligible participants and activities, allowing regulators to concentrate supervisory resources and develop deeper regulatory expertise in priority areas (see chapter 4 for further detail). They can also move beyond the 'single regulator' model of sandboxes, overcoming the limitations where technologies cut across multiple regulatory regimes.

These instruments form a graduated and flexible toolkit, enabling firms to choose the appropriate regulatory engagement option that best matches their strategic, developmental, and compliance objectives. They range from industry-targeted sandboxes (like the FCA's digital sandbox) to more pilot-like initiatives focused on understanding specific emerging technologies (such as Australia's Project Acacia and Singapore's Project Guardian and tokenisation). Others, such as the Australian Energy Regulator and market bodies (see Box 2.3), use policy-led sandboxing to encourage trials in discrete areas. This approach allows regulators to support innovation in a manner consistent with policy priorities and risk profiles.

Box 2.2: General regulatory sandboxes – international comparisons

UK Financial Conduct Authority (FCA)

The FCA's regulatory sandbox is designed to reduce time to market, accelerate financial innovation and improve the effectiveness of regulation by allowing start-ups and authorised firms to test genuinely novel financial products or business models in a controlled environment. Firms in the sandbox that are not yet authorised are granted a restricted authorisation, as the sandbox does not provide a general regulatory exemption. Applications are accepted on a rolling basis, with case-by-case regulatory flexibility delivered through dedicated case managers, and testing typically conducted over a six-month period to generate both commercial and regulatory insights.[80]

Monetary Authority of Singapore (MAS)

MAS has over time introduced multiple regulatory sandboxes – Sandbox, Sandbox Express and Sandbox Plus – each with slightly different features, with the latter sandbox also including a conditional financial grant. The overarching MAS sandbox framework aims to encourage the adoption of innovative and safe technology in the financial sector. Testing is supported through the temporary relaxation of selected legal and regulatory requirements administered by the MAS, subject to appropriate safeguards, with the MAS treating sandbox outcomes as an input into assessing the adequacy and evolution of its broader regulatory framework.[81]

Hong Kong Monetary Authority (HKMA)

The HKMA's Fintech Supervisory Sandbox accelerates the uptake of innovation in the banking sector by enabling licensed banks to partner with technology firms to pilot fintech initiatives, without requiring full compliance with all HKMA supervisory requirements. As participating banks are already authorised, the Sandbox does not provide licensing relief, but instead offers tailored supervisory adjustments to support controlled testing prior to full compliance.[82]

Dubai Financial Services Authority (DFSA)

Dubai's Innovation Testing Licence (ITL) Programme provides a controlled environment in which firms can develop and test innovative business models, products, and services. As a licensed sandbox, applicants must apply to the DFSA and complete an authorisation process. Eligible applicants may receive temporary and proportionate relief from a limited set of regulatory requirements, with testing typically lasting up to 12 months.[83]

80 FCA, Regulatory Sandbox, 2026, accessed 11 February 2026.
81 MAS, Fintech Regulatory Sandbox Guidelines, 2022, accessed 10 February 2026.
82 HKMA, Fintech Supervisory Sandbox, 2026, accessed 10 February 2026.
83 DFSA, DFSA Innovation and Technology, 2026, accessed 10 February 2026.

Multi-regulator sandboxes

As well as general sandboxes offered by single regulators, globally there has been a trend towards multi-regulator sandboxes that reduce fragmentation by enabling coordinated oversight of innovative ideas among multiple financial sector regulators. These models aim to lessen the burden on firms of multiple engagement, particularly where new innovations blur regulatory perimeters and fall across the remit of multiple regulators.

Jurisdictions such as South Africa and India have adopted effective models of cross regulatory collaboration in the design of their respective sandboxes. Rather than being administered by a single regulator, these sandboxes are overseen through multi-agency working groups that bring together regulators relevant to the proposed business model. This approach helps reduce regulatory uncertainty and duplication for participants, while making more efficient use of supervisory resources, potentially alleviating resource constraints.

South Africa's Intergovernmental Fintech Working Group (IFWG) provides a clear example of such a cross-agency arrangement, supporting innovators in navigating the domestic regulatory landscape. Recognising the limits of single-regulator oversight, the IFWG brings together eight regulators across its financial regulatory framework.[84] While this collaborative structure improves regulatory engagement and guidance, it also exposes an inherent limitation: legal, regulatory, and supervisory mandates are difficult to align through coordination alone, particularly in the absence of a formal governance framework to support collective prioritisation and resourcing.[85]

A similar multi-regulator sandbox model has been observed in Australia within the energy industry, where energy regulators and market bodies have established the Energy Innovation Toolkit to facilitate innovation and policy development within the energy sector. This toolkit has been established to provide guidance and regulatory flexibility to accommodate new business models against the backdrop of evolving energy markets (see Box 2.3).

84 Intergovernmental Fintech Working Group, Feedback on the Intergovernmental Fintech Working Group's first regulatory sandbox initiative, 2022, accessed 10 February 2026.

85 World Bank Group, Global Experiences from Regulatory Sandboxes, 2020, accessed 25 February 2026.

Box 2.3 – The Energy Innovation Toolkit

The Energy Innovation Toolkit is an example of a cross-agency framework designed to support innovation and inform policy development across Australian energy regulation. The Toolkit, delivered by the Australian Energy Regulatory (AER), the Australian Energy Market Commission (AEMC), and the Essential Services Commission (ESC) offers resources on regulation, access to informal guidance and regulatory sandboxing trials.

Resources and Regulatory Guidance

The AER publishes free resources and provides informal guidance with the aim of reducing barriers to innovation, and to improve the understanding of energy regulation. Resources include tools to navigate regulatory requirements, the application of regulation to potential use cases and information on the role of different regulators and stakeholders. The Innovation Enquiry Service (IES) provides informal guidance on the application of regulation, pathways to launching and on relevant industry stakeholders.

Regulatory Sandboxing Trials

Regulatory sandboxing trials allow testing of innovative business models and technologies, with the outcomes of the trials used to inform regulatory development. This is achieved through temporary waivers provided by the AER or through temporary rule changes provided through the AEMC, or in relation to Victorian energy frameworks, relief from the ESC. The toolkit provides a central contact point for sandboxing applications and allows relevant regulators to collaboratively assess applications and design regulatory relief where relevant.

Why have a sandbox?

Objectives

The objectives of a specific sandbox depend on a jurisdiction's risk tolerance, legal frameworks, economic contexts and regulatory attitudes. As such, these objectives often reflect and complement the surrounding innovation landscapes in which sandboxes operate, as sandboxes alone fall short of fulfilling the broader and more comprehensive aim of driving financial innovation across an economy.

As a result, regulators employ a broad range of sandbox models, each shaped by the priorities and characteristics of their local environment. These differences are particularly evident in mature innovation ecosystems, where sandboxes represent just one component within broader regulatory and policy frameworks.

At the outset, it is important to note that successful sandboxes, as a rule, **do not** target a number of applicants or participants as a metric of success, nor identify this metric as a benefit to the economy. This is a recognition that true innovation is unlikely to unfold in a linear way: one or two significantly innovative firms are more likely to deliver on the objectives below than a myriad of smaller, less innovative firms.

More common objectives generally include:

- **Supporting experimentation**

A core objective of most sandboxes is to enable controlled experimentation (by firms). Early-stage firms often lack the fully developed compliance capabilities required for a full market launch. For truly innovative products, there may be uncertainty around how these products interact with existing frameworks and regulator attitudes. A sandbox gives these entities a structured environment where testing is encouraged and supervised, allowing quicker speed to market or full licensing capabilities. Regulators can allow limited testing environments with safeguards (such as time constraints and caps on customer numbers or transaction volumes) so firms can refine their models while regulators ensure consumer and investor risks are minimised.

- **Supporting a fintech ecosystem**

Some jurisdictions explicitly position their regulatory sandboxes as tools to strengthen and grow their broader fintech sectors. In markets with mature innovation infrastructure like the United Kingdom and Singapore, general fintech sandboxes are intentionally designed to enhance the overall growth of the fintech sector by improving collaboration between regulators and industry, accelerating product development, and creating clearer pathways from experimentation to full authorisation. These mechanisms help convert supervised testing into lasting regulatory clarity, which in turn can attract investment and support sustained sectoral growth.

However, while some jurisdictions have explicitly targeted pathways to authorisation and licensing, this can be misunderstood by market participants as a lowering of licensing standards. From consultations and research, there does not appear to be any jurisdiction that has used the sandbox to lower licensing standards. It has also been misunderstood that regulatory sandboxes offer a badge of approval or legitimacy by the regulator, a claim that regulators consistently counter given their role is not to pick winners or endorse business models.

- **Helping address regulatory gaps and areas of uncertainty**

Another frequent core objective of sandboxes is to allow for regulators to learn how existing frameworks should apply to, or be modified to accommodate, innovative products and services. A sandbox helps regulators observe how new technologies, products, or business models behave in real-world conditions, rather than regulating based on assumptions or consultations alone. The objective is that by seeing operational risks, consumer interactions, data flows, and business processes firsthand, regulators can move towards better and more effective regulation, including by identifying where further regulation is likely to be necessary. Participants also benefit, as they can test and adjust compliance approaches in real time, which is particularly valuable when regulations lag behind technological developments or when entirely new categories of services are being explored.

- **Facilitating specific use cases**

Some sandboxes are designed not for broad experimentation, but to support testing of defined use cases for specific industries, themes or technologies. In these cases, regulators may offer targeted and temporary regulatory relief tailored to the specific technology or business model being tested. This helps firms focus on demonstrating viability, consumer value and preventing consumer harms (such as financial firms testing AI use cases for customer-facing or back-office functions); or alternatively to provide access to government-controlled infrastructure necessary to support specific

technology use cases (such as in blockchain/distributed ledger technology (DLT)-based tokenisation and settlement sandboxes). At the same time, regulators gain structured insight into emerging technologies and their potential impacts while managing consumer risks, which strengthens their ability to assess future regulatory needs and calibrate policy-making accordingly.

Benefits

There are a number of benefits to implementing sandboxes. These benefits generally align with the objectives outlined above, although they can vary depending on the broader regulatory environment. When designing and establishing a sandbox, the benefits of a sandbox must be clearly articulated with reference to the associated costs and risks in order for the design of the sandbox to be effective.

Signalling is one of the most frequently cited benefits of establishing a regulatory sandbox.[86] In particular, sandboxes signal regulatory openness to innovation and a willingness to engage directly with industry. For example, the FCA shifted global expectations when it launched its sandbox in 2016, helping position the UK as an innovation-friendly jurisdiction and drawing international fintech interest. Similarly, the MAS uses its sandbox framework to promote Singapore as a trusted, technology-forward financial centre.

Sandboxes can also support fintech growth and innovation, though jurisdictions vary on whether this should be a formal objective. Some regulators publish data on post-sandbox outcomes. For instance, the FCA reports how many firms progress to market launch. Others, such as Australia's original regulatory sandbox, treat innovation economic impacts as secondary benefits.

For firms entitled to participate in a sandbox, the benefits are practical, but vary depending on the precise design. Sandboxes can reduce regulatory uncertainty, speed up time to market, and offer clearer regulatory expectations. Further, the temporary regulatory relief provided to sandbox participants can free up resources for firms in early testing stages, when capital can be particularly constrained. MAS's Sandbox Express, for example, allows low-risk propositions to operate temporarily under streamlined requirements, helping firms refine products before entering full compliance.

Regulators also benefit. Sandboxes give supervisors early visibility of new technologies and business models, helping them build capability and understand risks before they scale. The FCA has used its sandbox to explore areas such as digital identity and crypto-assets, while MAS and HKMA use sandboxes tests to better understand distributed ledger–based payment systems. In Canada, securities regulators have used sandbox deployments to explore tokenisation and alternative fundraising models, informing more proportionate regulatory approaches.

Participation in a fintech regulatory sandbox can also play a significant role in improving access to investment capital, as investors often view sandbox-admitted firms as more trustworthy and better positioned to navigate future licensing and compliance pathways. For example, firms in the FCA's

86 R Buckley, D Arner, R Veidt, D Zetzsche, Building FinTech ecosystems: Regulatory sandboxes, innovation hubs and beyond, 2019, https://journals.library.wustl.edu/lawpolicy/article/750/galley/17585/view/

sandbox often report higher investor confidence, improving their ability to raise capital.[87] These ”trustworthiness” benefits also help firms form commercial partnerships and relationships with established firms, investors and consumers, compounding innovation benefits. These effects are particularly pronounced in mature fintech ecosystems such as the United Kingdom, and Singapore, where regulatory sandboxes are well-established and closely integrated with broader innovation frameworks, amplifying their impact on funding access and commercial scaling.

A further benefit is that sandboxes avoid forcing regulators into a zero-sum choice between innovation and consumer protection. This has become particularly important following the trends outlined above in Australia and overseas of increased regulation focused on consumer protection, set alongside a growing global trend of pro-innovation policies. A sandbox breaks this trade-off by creating a controlled environment where both objectives can be pursued at the same time. Firms are allowed to innovate and test in real conditions, while regulators set safeguards, limits, and reporting requirements to manage risks. This gives regulators space to protect consumers while still enabling new products to emerge, rather than choosing one priority at the expense of the other.

Finding 2.2

- Regulatory sandboxes have evolved as a way of facilitating financial innovation while also managing consumer protection risks that arise from new financial technologies and innovations.

87 J Kálmán, The role of regulatory sandboxes in FinTech innovation: A comparative case study of the UK, Singapore, and Hungary, 2025, https://doi.org/10.3390/fintech4020026

Chapter 3 – Evaluating the Enhanced Regulatory Sandbox

The ERS was established by the government in September 2020 to provide a mechanism for start-ups and other innovative businesses to develop, test and launch their financial and credit products and services in a live market environment with real consumers.

History of the enhanced regulatory sandbox

2016 ASIC regulatory sandbox

The ERS evolved from the previous ASIC regulatory sandbox that was established in December 2016. Australia was an early adopter of regulatory sandboxes, with ASIC's sandbox implemented shortly after the launch of the UK Financial Conduct Authority's sandbox in June 2016. This sandbox formed part of the Turnbull Government's Backing Australian FinTech report, which outlined several policy priorities for supporting the fintech industry.[88]

At the time, ASIC noted the goal of the sandbox was to speed up entities ability to undertake testing of business models. To achieve this objective, the sandbox allowed participants to offer a range of prescribed financial services without any requirement to hold a full or modified licence provided they met a minimum set of conditions (including customer exposure limits, compensation arrangements and disclosure and conduct requirements).

ASIC's approach differed from that of other regulators. There was no requirement for prospective sandbox users to outline how their offering was innovative (this is an "innovation test"), nor any requirement for applicants to indicate the economic benefits their business would offer consumers (that is a "public interest test"). Instead, sandbox participants were only required to notify ASIC before testing, with access to the sandbox only revoked if ASIC deemed the business had engaged in poor conduct or were not meeting required conditions.[89] Moreover, as sandbox participants were unlicensed, these entities were not supervised by ASIC and no staff were allocated to monitoring or engaging with sandbox entities.[90]

At the time, the actual effect of these design choices was that they provided mixed messages on ASIC's commitment to financial innovation and new entrants: early adoption of regulatory sandboxes by ASIC in 2016 signalled its openness to innovation, but at the same time, its design required ASIC to commit few resources.

88 Australian Government, Backing Australian FinTech, 2016, accessed 3 March 2026.
89 ASIC, Comparison of key features of the ASIC sandbox and the Australian Government's enhanced regulatory sandbox, 2020, accessed 4 March 2026.
90 ASIC, Submission to ERS exposure draft legislation, 2017, accessed 4 March 2026.

Establishment of the ERS

In early 2020, the Morrison Government legislated the ERS which built upon the previous ASIC sandbox by extending the period of testing from 12 to 24 months and expanding the eligible range of financial services and credit activities. The ERS formed part of a broader package of reforms to support the Australian fintech sector, driven by the then Government's objective of improving consumer choice and competition in financial services.[91]

In contrast to the previous ASIC sandbox which relied upon existing ASIC powers,[92] the ERS was implemented through primary law amendments and regulations that defined the scope of eligible financial services and specified limits and requirements (including innovation and public benefit tests) that must be met by sandbox participants. This approach reflected the then Government's strong appetite to drive financial innovation and support fintech growth, over and above the steps that had previously been taken by ASIC.

Design of the ERS

The ERS provides eligible participants a full licensing exemption for up to two years. Consistent with overseas sandboxes, ASIC will only accept an entity if it is satisfied the business model offers a new innovative financial service or new adaptation of an existing service. The entity must also demonstrate its offering provides benefits to consumers that outweigh any potential risks.

ASIC does not provide bespoke relief to sandbox participants. Instead, all participants are subject to a common set of consumer exposure limits (see Box 3.1). In addition, sandbox participants must meet disclosure obligations as well as fit and proper and conduct requirements. This design streamlines administration of the ERS by not requiring resources (particularly from supervisory and licensing areas) to consider tailored regulatory relief based around the specific business model of a participant. However, it limits the flexibility available to participants, and given resource constraints, likely disincentivises ASIC from engaging with participants in greater depth. ASIC has fairly indicated that this legislative design limits their ability to use their powers to provide additional flexibility, in a way that could be perceived to be contrary to the intent of the legislation and/or acting in a manner contrary to the intention of Parliament.

91 Bragg, A, Senate, Parliament of Australia, Treasury Laws Amendment (2018 Measures No. 2) Bill 2019, second reading, 2020.

92 The ASIC sandbox was setup via class order relief instruments issued under existing ASIC powers to exempt licensing obligations for entities that meet eligibility criteria.

Box 3.1: Enhanced Regulatory Sandbox Eligibility Criteria

In Australia, applicants must currently meet entry requirements as well as comply with ongoing conditions as outlined below:

- not be licensed for, or have previously tested, the proposed financial service or credit activity
- satisfy minimum requirements on probity, net public benefit (public benefit outweighs any consumer detriment) and innovation (service is genuinely new or a significant improvement)
- plan to test for no more than 24 months
- provide only eligible financial services and products or engage in only eligible credit activities
- have total customer exposure of no more than $5 million
- limit individual retail client exposure to $10,000 for certain products
- have adequate compensation arrangements (such as professional indemnity insurance)
- be a member of the Australian Financial Complaints Authority
- meet disclosure and conduct requirements.

ASIC has 30 days to assess and respond to an application. If ASIC does not respond within the 30-day period, then the exemption is taken to start on the 31st day after the date of the application.

This design of the ERS is unusual compared to overseas models (see Chapter 2). For example, most overseas sandboxes provide participants a conditional or restricted licence, rather than a full licence exemption. The practical impact of this approach is to reduce ASIC's supervisory intensity (and by extension, resourcing requirements) of sandbox participants, with ASIC noting:

> *"These [sandbox participants] will be unlicensed entities and as such ASIC will not monitor or supervise them. … While ASIC does monitor and supervise existing licensed businesses this is supported by a broader regulatory toolkit and framework applicable to licensed financial services. We do not have this capacity or capability for unlicensed entities."*[93]

Additionally, the use of regulations to define the scope of the sandbox contrasts with many overseas regulators who generally rely on their broad, discretionary powers to provide bespoke, case-by-case relief to individual firms where they are accepted into the sandbox. This has meant the ERS provides 'one size fits all' relief for participants that does not allow for limits and conditions to be based on the nature of the business model and its risks, which can constrain the suitability of the ERS for prospective applicants. Moreover, defining the parameters of the ERS in primary law and regulations has inadvertently led to a reluctance from ASIC to evolve their approach to sandboxes using their existing powers in response to innovation and technology developments.

93 ASIC, Submission to ERS exposure draft legislation, 2017, accessed 4 March 2026.

In contrast, participants in many overseas sandboxes will receive bespoke regulatory relief that is specific to their business model, which provides greater flexibility to accommodate different business models such as new entrants versus incumbents, but increases the resourcing intensity required to administer the sandbox.

Compared with the use of regulator powers, the reliance on regulations also makes the ERS less flexible and more difficult to amend in response to industry and technology developments or emerging risks. Though at its inception the use of regulations was noted for its flexibility,[94] it is noteworthy that there have been no amendments to the ERS despite substantial evolution in financial regulation and technological development since its commencement in 2020.

Finding 3.1

The design of the ERS limits its ability to evolve in response to financial system or technological developments, and to provide flexible relief tailored to the business models of participants.

Objectives of the ERS

Identifying the key objectives of the ERS is difficult. For example, specific objectives are not clearly published, and the Explanatory Memorandum for the ERS published in 2019 provides only a high-level purpose for the ERS, indicating:

"The enhanced regulatory sandbox is intended to:

- *Further promote Australia's FinTech capability by supporting start-ups and innovative businesses to develop, test and launch financial and credit products and services under certain conditions; and*
- *Strike a better balance in encouraging innovation that delivers choice for consumers and minimising risks to consumers and the integrity of the financial system."* [95]

Other government statements at the time provided a range of views on the purpose of the ERS, including that it would support the establishment of Australia as a leading global fintech centre,[96] as well as accelerate new services and products offering greater consumer choice and competition.[97]

94 Parliament of Australia, House of Representatives, Treasury Laws Amendment (2018 Measures No. 2) Bill 2019, second reading speech, Michael Sukkar, 2019.
95 Parliament of Australia, Treasury Laws Amendment (2018 Measures No. 2) Bill 2019, Explanatory Memorandum, 2019
96 Parliament of Australia, Senate, Treasury Laws Amendment (2018 Measures No. 2) Bill 2019, second reading speech, Senator Jane Hume, 2020
97 Parliament of Australia, House of Representatives, Treasury Laws Amendment (2018 Measures No. 2) Bill 2019, second reading speech, Michael Sukkar, 2019

In the absence of clearly stated objectives, the design and real-world operation of the ERS provides the best indication of its intended objective. Through this lens, the licensing exemption and standardised conditions of the ERS suggest its objectives are narrow and limited to speeding up the time taken to bring financial innovations to market in a testing environment. More specifically, the design of the ERS does not support the testing of innovations that are covered under existing licenses which limits the usefulness of the ERS for existing licensed entities. In practice this means it largely only operates in a way that supports experimentation by new entrants, and does not further broader efforts to boost the fintech ecosystem, regulatory learnings or policy development. In consultation, a common theme that emerged from industry stakeholders, including current and former ERS participants, was a lack of clarity over the ERS's objectives and understanding of what it was designed to achieve.

In contrast, general regulatory sandboxes offered by most overseas regulators have clear objectives that are well understood by stakeholders and guide their operation. Overseas regulatory sandboxes have a range of objectives including:

- The Dubai Financial Services Authority's Innovation Testing Licence is intended to provide firms the opportunity to develop and test innovative concepts, as well as to develop the DFSA's understanding of supervisory demands of innovative firms and the impact of new technology on the industry.[98]
- The Financial Conduct Authority's regulatory sandbox is targeted at both accelerating innovation by providing incumbents and new firms an environment for testing to assess the viability of business models and reduce their time to market, as well as improving regulation by identifying how consumer safeguards can be built into new products and services.[99]
- South Africa's Intergovernmental Fintech Working Group regulatory sandbox is focused on regulatory learning rather than accelerating financial innovation, by providing an environment for testing innovations against existing regulatory frameworks.[100]

Because these regulators have clear objectives for their sandboxes, they have generally been more effective at measuring the success of their models and establishing clear expectations with stakeholders about what these sandboxes can and can't offer (see for example, the DFSA's 2020 Progress Report).[101] Clear objectives can also help clarify how sandboxes sit within a regulator's broader regulatory strategy and innovation priorities, as well as the broader financial innovation ecosystem. The ambiguity of the ERS's objectives therefore makes it difficult to evaluate its success and articulate to stakeholders how it links to ASIC's broader regulatory approach.

98 DFSA, Progress Report 2020, 2020, accessed 2 March 2026.
99 FCA, Regulatory Sandbox, 2015, accessed 6 March 2026.
100 IFWG, Feedback on the Intergovernmental Fintech Working Group's first regulatory sandbox initiative, 2022, accessed 6 March 2026.
101 DFSA, Progress Report 2020, 2020, accessed 4 March 2026.

Finding 3.2

The objectives of the ERS are ambiguous, and to the extent they can be identified, narrowly defined compared to overseas regulatory sandboxes. The role of the ERS in ASIC's overarching regulatory strategy is also unclear.

Who is using the ERS?

Since 2020, 103 applications have been received for the sandbox, with all ERS applicants early-stage businesses. Applications have overwhelmingly been from businesses seeking to provide payment services. Though the ERS design was intended to allow established financial institutions to test new products and services that extend beyond the scope of their existing licenses, no established entities have applied to use the ERS.

ASIC has accepted 19 entities (18 per cent of applicants) into the ERS since 2020. Though the number of acceptances is low, the rate of acceptance is broadly what is observed at other regulators. Of the 84 applications not approved, most were unsuccessful due to incomplete information (48 entities), with inadequate management of risks (22 entities) and failure to meet the ERS eligibility criteria (14 entities) driving ASIC's decisions for the remaining applications.

Several stakeholders suggested the low number of participants admitted to the ERS was evidence it was ineffective at supporting financial innovation. However, the number of participants is a narrow lens to assess performance that does not consider longer term outcomes for participants or broader benefits such as regulatory lessons. Participant numbers may also reflect broader conditions in the economy's financial innovation ecosystem, such as a low volume of highly innovative ideas developed by industry, rather than specific sandbox issues.

Finding 3.3

The number of participants admitted to the ERS is comparable with that observed by other overseas regulators and cannot, on its own, be used as a measure of sandbox performance.

Feedback from entities that considered but did not apply to the ERS suggests it is not sufficiently flexible to accommodate some business models. For example, some stakeholders considered the conditions of the sandbox (particularly the 'one size fits all' consumer exposure limits) too constraining on the potential growth of innovative business models:

> *"The $5 million aggregate exposure limit and $10,000 individual retail client exposure limit are too restrictive to attract meaningful participation from a broad range of innovative firms".* Law Council of Australia.

Others suggested the absence of some products and services from the eligibility criteria (for example insurance claims handling or issuing a managed investment scheme) prevented potential participants from testing these services. The lack of structured exit paths from the ERS to licensing (discussed further below) was also identified as a factor that discouraged (potentially stronger) participants from the ERS. The Digital Economy Council of Australia's submission argues that, in its current form, the ERS is viewed "*not as a pathway to market but as a regulatory cliff edge*."[102] Finally, some stakeholders noted applicants may not apply due to low industry awareness of the ERS.

No licensed entities have applied to the ERS, despite the intention at implementation for it to support innovation by existing firms (such as through improvements and modifications to existing products and services already available to consumers).[103] Many licensed financial institutions provided feedback that the design of the ERS does not support the testing of innovative products and services. Specifically, licensed entities are only eligible to use the ERS if their licenses do not already extend to cover the product or service they are seeking to test. In practice this means the broad scope of the AFSLs held by large financial institutions (such as major banks) effectively excludes them from using the ERS, and they cannot use the ERS to test improvements to existing products and services.

Several established financial institutions recommended the ERS be amended to support testing by already licensed entities. For example, ANZ noted:

> *"…licensed entities are already conducting controlled experimentation outside of the ERS, usually through bespoke regulatory exemptions. Bringing this activity within the ERS could reduce cost by replacing bespoke processes with a more streamlined and predictable mechanism for temporary regulatory relief."*[104]

Stakeholders have suggested this could be done by providing an environment for iterative experimentation which would support testing and continuous improvement of innovative products and services to help manage the unique risks and compliance challenges associated with new technologies such as AI (see Chapter 4). This type of experimentation is difficult to facilitate through other forms of regulatory relief, which cannot easily accommodate iterative changes to the design of a new product or service.

Finding 3.4

The ERS does not support already licensed financial institutions to test or experiment with new innovative products and services. As a result, licensed entities do not have access to an environment for iterative testing of innovative products and services.

102 Digital Economy Council of Australia, Submission to the Enhanced Regulatory Sandbox Review, 2026, accessed 18 February 2026.
103 Explanatory Memorandum, Treasury Laws Amendment (2018 Measures No. 2) Bill 2019 (Commonwealth), p. 6, accessed 2 March 2026.
104 ANZ, Submission to the Enhanced Regulatory Sandbox Review, 2026, accessed 25 February 2026.

Feedback from ERS participants

The Review team sought feedback from a range of current and previous ERS participants on their experiences using the ERS. All these participants were attracted to the sandbox due to its ability to accelerate the time taken to bring their product or service to market and demonstrate viability without the expenses associated with licensing or other regulatory pathways. Additionally, some participants considered the ERS provided them the potential to gain greater understanding of ASIC's regulatory frameworks. The experience participants had with the sandbox varied at different stages of the ERS.

Entry into the ERS

Stakeholders generally provided positive feedback about the ERS application process, noting it was straightforward and fast with ASIC responding within a month of applying. Though many participants noted their interactions with ASIC (specifically the Innovation Hub) had been easy, some noted practical support was limited, reflecting the few resources allocated within ASIC to administering the ERS.

Compared with other regulators such as the FCA and DFSA, ASIC does not allocate dedicated case officers, nor provide material pre-application guidance (though some advice may be provided through ASIC's Innovation Hub). Although the ERS application form and ASIC's public guidance recommends that applicants contact ASIC prior to lodgement, few actually do. While this approach limits the support provided to applicants, it also substantially reduces ASIC's resourcing requirements for the ERS compared with the approaches of other regulators which are highly resource intensive.

Testing period

Once admitted into the ERS, participants have few interactions with ASIC. There are no requirements for participants to report to ASIC on progress, and while ASIC has attempted to follow up, no progress reports were provided due to the absence of a reporting obligation. Some participants suggested this design diminished the value they gained from being in the sandbox, with one participant noting:

> *"Overall the sandbox was a valuable tool to lower the barrier to innovation… but we didn't really feel we were talking to the 'innovation hub'. It was like working with the regulator but without much guidance as to how to go about what we wanted to do."*

Though sandboxes (and innovation hubs) are not replacements for participants undertaking due diligence on their regulatory requirements, many entities are attracted to the ERS because of the opportunity to gain regulatory clarity on their business models. Feedback from participants suggests the design of the ERS is not supporting this goal. Further, ASIC's limited engagement and oversight of ERS participants in the current ERS design raises questions about how effectively it can monitor compliance and potential consumer risks.

Exiting the ERS

The ERS does not have specific exit pathways for participants. Instead, to continue providing regulated financial services, participants must obtain an AFSL or ACL or find another pathway to continue providing regulated services (such as becoming a Corporate Authorised Representative, or CAR).

Compared with overseas models, ERS participation does not feed into the licensing process such as by reducing the time taken by ASIC to assess a participant's AFSL or ACL application. Moreover, several participants indicated little assistance or guidance was provided about 'what comes next'. Participants noted this created a hard transition point, which was compounded by uncertain timing around licence application decisions (with some stakeholders suggesting entities should be able to extend their time in the ERS beyond two years if they are waiting on the outcome of a licensing decision). Additionally, admission to the sandbox was not directly considered as part of licensing application assessments as there was no engagement between ASIC's ERS team and the rest of ASIC on the performance or experience of ERS participants. In practice, though the ERS can speed up initial consumer testing of a product, participation does not change the time required to obtain a licence, and may, counterproductively, increase the overall time an entity takes to fully launch their business.

Evaluating the ERS

The effectiveness of the ERS can be evaluated by considering how well it meets its intended objective, as well as by assessing the impact of the ERS on participants and regulators. The ERS does partially meet its objective of speeding up time to market of financial innovations by accelerating a participant's initial testing of its innovative product with a limited number of consumers. However, when broader impacts are considered, including whether and how quickly participants become licensed, the value of the ERS in its current form appears limited. Nonetheless, there are likely to be broader benefits for participants and ASIC to retaining a general regulatory sandbox, if changes to the design of the ERS are made.

Outcomes for participants

Participants that provided feedback to this review were positive about the benefits the ERS had provided their businesses. Participants highlighted the ERS provided them the flexibility to test their idea with a small number of consumers and demonstrate viability before fully launching their products and being subject to full regulatory requirements. All interviewed participants identified that reduced regulatory requirements in this initial testing period freed up resources that would otherwise be required for compliance. One participant also indicated the ERS had allowed them to understand their future licensing obligations and build their regulatory maturity.

Some participants suggested being accepted into the ERS had provided 'legitimacy' which helped them establish partnerships with larger financial institutions and build trust with clients. As admission to the ERS may provide a positive signal to the broader market, there is a risk participants seek to use sandboxes to gain a regulator's tacit endorsement (and, in the case of the ERS, as a short-term bypass of the full licensing process) when the purpose of a sandbox is only to allow testing of a business model within safe limits so as to give a regulator confidence any risks can be managed. Clear sandbox objectives, a criteria that limits admission to innovative business models

that can offer public benefit, and participants understanding regulatory frameworks are therefore important for ensuring sandbox relief is only provided to appropriate participants.

Beyond the testing period, benefits for participants are less positive. As participants are unlicensed, they must either seek an AFSL or ACL, or become a Corporate Authorised Representative (CAR) to continue operating after the two year testing window has ended. The design of the ERS does not include a structured exit mechanism to facilitate or accelerate licensing applications. Neither are participant ERS experiences formally recognised or considered in the licensing assessment process. ERS participants therefore face the same cost and time required to apply for a license as any other new entrant who may not have gone through the sandbox, which significantly diminishes the value proposition of the ERS for many prospective applicants, and creates uncertainty and risk around participants' ability to continue operating at the end of the testing period.

> *"A central limitation of the current framework is that ERS participation does not materially accelerate or streamline progression to an AFSL or ACL. In practice, firms may instead elect to pursue direct licensing, authorised representative arrangements or acquisition of an existing licensed entity. If participation does not reduce time-to-licence, regulatory uncertainty or evidentiary duplication, it will remain commercially marginal." Fintech Australia*

> *"The current ERS lacks commercial utility, effectively acting as a 'bridge to nowhere' due to restrictive caps and the absence of a graduation pathway."* DECA

The implications of this design of the ERS are reflected in the low number of participants that obtain an AFSL or ACL. Since 2020, only one former participant has acquired an AFSL after exiting the sandbox (though two current participants have indicated they are in the process of applying for AFSLs). Instead, the majority of participants that continued to operate after leaving the ERS became CARs of existing licensees, likely reflecting the lower costs and faster timeframes this pathway offers.

More generally, few ERS participants remain operational beyond the testing period. Of the 16 participants no longer in the ERS, 12 appear to be no longer operating. These outcomes contrast with those observed overseas: for example, data from 2017 suggests 40% of firms using the FCA sandbox received investment following their sandbox tests, suggesting generally more positive outcomes than what is observed with the ERS[105]. As ASIC does not track outcomes for participants (or applicants more generally) nor require participants to report on their time in the ERS, there is little information available to understand what may be driving the business failure rate for participants.

105 FCA, Regulatory sandbox lessons learned report, 2017, accessed 4 March 2026.

Finding 3.5

The ERS is not formally integrated with key ASIC functions and processes (such as licensing assessments and supervision), resulting in little to no feedback loops between participants and other parts of ASIC. As a result, participants do not derive material benefits from the ERS beyond the initial two-year testing period.

Outcomes for regulators

For regulators, sandboxes can provide benefits such as signalling to industry their openness to financial innovation, and building regulatory understanding of new technologies. However, the extent to which ASIC has achieved these outcomes is mixed.

Establishing a regulatory sandbox, as well as associated innovation hubs, can provide a valuable signal to industry and other stakeholders of the regulator's willingness to accommodate financial innovation. In 2016, ASIC was an early adopter of regulatory sandboxes, which likely provided a positive signal of its openness to financial innovation. However, regulators cannot maintain a reputation of being open to innovation without constantly evolving their approaches in response to emerging ideas, technological advancement and changes to regulation.

Leading regulators in this space, such as the FCA, MAS and DFSA have continuously reviewed their sandboxes' approaches and broader innovation support policies, and ensured their innovation priorities are reflected across the whole organisation. In contrast, neither the ERS nor ASIC's innovation hub have evolved since their inception in 2020 and 2015 respectively. Over time, ASIC's innovation tools have fallen behind those offered by overseas regulators, and the extent to which they signal ASIC's openness to financial innovation has likewise diminished.

Sandboxes can also benefit regulators by providing insights on emerging innovative business models. Both the ERS and the Innovation Hub provide channels through which ASIC can interact with innovative firms that might not otherwise engage with the regulator. However, these channels do not appear to be translating into improved outcomes for firms. Through these interactions, ASIC could improve its understanding of these new technologies and the nature and risks associated with new business models. Moreover, some participants provided feedback that lessons from their time in the sandbox did not carry over to other ASIC processes such as licensing, suggesting there are no formal mechanisms for sharing information between the ERS and other parts of ASIC. These limitations likely constrain the capacity of ASIC to gain regulatory insights through its sandbox.

Finding 3.6

There is limited evidence of formal processes for sharing information gathered from the ERS and Innovation Hub with other parts of ASIC to improve its regulatory understanding, such as by building knowledge of new innovations and technologies

How should the ERS be improved?

Notwithstanding the limitations of the current ERS, there is value in ASIC continuing to operate a broad regulatory sandbox that provides a targeted testing environment. A more flexible and effective sandbox could allow a greater range of innovative products and services to be tested and send a clear signal of ASIC's renewed openness to financial innovation. A sandbox does not sit in isolation and should be connected to the regulatory lifecycle for a firm from startup testing of an innovative product, to obtaining a licence to operate and becoming a supervised entity that must meet its licencing conditions and stay compliant with ongoing regulatory updates. A sandbox must therefore be integrated with the overarching objectives, approach and strategy of the government and the regulator. ASIC have expressed awareness that the ERS would benefit from 'recalibration' to improve its effectiveness as a general sandbox, and a broader willingness to look at new ways of supporting financial innovation.[106]

A new regulatory sandbox model should consider a number of changes from the current ERS design, including:

- Providing successful applicants with bespoke regulatory relief (rather than a one-size-fits-all approach) to better accommodate variation in business models and support innovation by established entities which cannot easily be supported through the license exemption model.
- Clearer integration between the regulatory sandbox (and ASIC Innovation Hub) and other ASIC areas, including as a priority licensing and supervisory functions, to ensure the performance of a participant in the sandbox is an input into licensing outcomes and ASICs' approach to business models is consistent across the firm's lifecycle.
- More proactive support for applicants and successful participants (case managers) to better monitor outcomes from testing and assist with navigating licensing and other ASIC processes.
- Formal participant reporting requirements and increased tracking of applicant and participant outcomes.

These changes are intended to improve the flexibility of ASIC's regulatory sandbox, and to address the two key issues raised by stakeholders: the inability of already licensed entities to access the ERS, and the lack of pathways to licensing for ERS participants. Several stakeholders suggested the testing period for the ERS be extended to accommodate the time required to process a licensing application. However, at two years, the testing period is already long by international standards and therefore,

106 ASIC, Submission to the Enhanced Regulatory Sandbox Review, 2026, accessed 15 February 2026.

better integration between the ERS and licensing function combined with more proactive ASIC support for participants is a more appropriate approach.

As government has defined the scope of the ERS in primary law and regulations, ASIC has limited capacity to modify the specific operation of the ERS in response to technological and sector developments. This design has therefore inadvertently constrained ASIC's ability to take a more pro-innovation regulatory posture, for example by using its relief powers to support innovative business models. While modifying the existing regulations could enhance the ERS' operation in the near term, ASIC could still feel constrained to dynamically evolve its sandbox initiatives in response to market developments.

The Review's preferred approach for improving the ERS is therefore to move to a sandbox model that relies on ASIC's existing suite of regulatory relief powers (consistent with the approaches taken by overseas regulators and in response to the feedback from stakeholders in the Australian market), rather than parameters defined in primary law and regulations. ASIC has extensive powers to provide wide-ranging relief to licensed entities, as well as the capacity to exempt unlicensed entities from obligations (which it used for its 2016 regulatory sandbox). Moving to a model that uses these regulatory powers would provide greater flexibility to ASIC and participants, allow the sandbox to more easily accommodate industry and technological developments, and improve alignment with overseas sandboxes.

A shift to rely on ASIC's powers should be reinforced by strong government messaging to ASIC about the importance of fostering financial innovation to ensure stakeholders consider this new approach is credible. ASIC should also be expected to use its regulatory powers to support innovation ahead of any action to repeal the ERS legislation and regulations. This reformed sandbox should have clearly defined objectives, be integrated with the rest of ASIC, and have monitoring and reporting on outcomes for participants.

Recommendation 3.1

ASIC should continue to operate a general regulatory sandbox, but the ERS should be reformed to broaden its scope and enhance its flexibility. This reformed sandbox should have clearly defined objectives, be integrated with the rest of ASIC, and incorporate monitoring and reporting on outcomes for participants. ASIC should review outcomes for participants (including time to licensing) after one year of operation.

- The most effective way to achieve this outcome would be to repeal the current ERS legislation and regulations and evolve the sandbox to a model that leverages ASIC's existing relief powers.

Recommendation 3.2

The ERS should be better integrated with ASIC's broader functions, particularly licensing and supervision, to ensure it is aligned with ASIC's overarching regulatory approach, provides a clearer pathway to licensing for participants and improves ASIC's capabilities and knowledge of new technology and innovative business models.

Chapter 4: The future of sandboxes

Across the world, many regulators are expanding their approaches to sandboxes to include models that target specific sectors or emerging technologies. These new sandbox models have emerged in response to the changing nature of financial innovation which increasingly requires greater coordination between regulators and participants, or a wider set of tools than what is available under general sandbox models.

The use of sandboxes in Australia for financial innovation should evolve to introduce thematic or sector specific sandboxes similar to those currently used overseas. The expansion to these sandboxes should be supported by engagement between government, regulators and industry to prioritise resources for the most promising and impactful technologies and developments that require targeted regulatory facilitation or coordination. Facilitating some financial innovations may be best achieved by involving all of Australia's financial regulators, alongside industry involvement. Australia already has the benefit of learning from a similar and successful model within its own jurisdiction: the RBA-led Project Acacia testing the design of wholesale tokenisation markets in Australia.

Chapter 2 above discussed the value sandboxes offer to industry by signalling that the government and regulators are open to facilitating innovation. This was a commonly cited basis and objective for the first generation of sandboxes in the mid-2010s. However, it is now clear that the signalling value of sandbox programs depends on it evolving alongside industry and technology developments and remaining truly innovative and appropriately prioritised in regulatory strategies. If Australia wishes to retain the signalling benefits to industry of using sandboxes to facilitate innovation, it must ensure it remains towards the forefront of global models.

Thematic sandboxes

General sandboxes emerged as a way of accelerating the development of innovative firms by providing specific regulatory relief that allowed firms to test the viability of new products and services. These general sandboxes are agnostic to the source of financial innovation and do not generally consider issues relating to specific technologies or sectors. At the outset, they also tended to be 'one way', with regulators considering the merits of individual applicants without a specific objective to prioritise particular use cases, technological developments or certain policy outcomes.

The rapid pace and changing nature of emerging technologies have led many regulators to expand their sandbox initiatives to directly target these technology developments. This response reflects an assessment by regulators that technologies such as AI and tokenisation could have profound transformative effects that bring about substantial productivity improvements and benefits to consumers. However, it also reflects an acknowledgement that maximising these positive outcomes will require greater collaboration between regulators and industry as well as specific tools to build understanding on the risks and opportunities from these technologies. Against this backdrop, thematic sandboxes can provide a mechanism for deeper testing and experimentation.

Overseas thematic sandboxes

Around the world, there are numerous examples of targeted, thematic sandboxes. For example, since launching its original general sandbox in 2016, the FCA has introduced a range of thematic sandboxes focused on data, digital assets, tokenisation and AI. In 2025, the FCA launched its 'Supercharged Sandbox' which enables firms to experiment with AI technologies using NVIDIA's full stack-accelerated computing platform, alongside synthetic datasets accessed via APIs.[107] This sandbox reflects a shift away from consumer-facing experimentation, to instead provide a controlled testing environment for entities to safely test their AI models and develop proofs of concept before they are deployed to consumers. The FCA has positioned the Supercharged Sandbox as part of a broader AI innovation pathway, complementing its AI Lab and supporting development from experimentation through to deployment readiness. Accepted firms in its first cohort feature both retail and wholesale innovation, with use cases across banking operations, fraud detection and market surveillance.

Beyond its original sandbox framework, the HKMA established a stablecoin issuer cohort in 2024 to enable the sustainable and responsible development of Hong Kong's stablecoin ecosystem. The sandbox allowed the HKMA to facilitate two-way communication on proposed regulatory requirements, with the aim of formulating a fit-for-purpose, risk-based regulatory regime; a framework for stablecoin issuers was introduced in 2025.[108]

The MAS has also supported several sandbox-like exploratory pilots focused on digital assets.[109] Project Orchid, for example, examines the various design and technical aspects pertinent to a digital Singapore dollar, from its functionalities to its interaction with existing payment infrastructures. Project Ubin explores the use of blockchain and DLT for clearing and settlement of payments and securities, aiming to help the MAS and industry better understand the technology and the potential benefits it may offer through practical experimentation. Similar to the RBA's role in Project Acacia (see Box 4.2), the MAS's role in Project Orchid extended beyond supervision to the provision of core settlement and technical infrastructure, reinforcing its role as a facilitator by providing key infrastructure, rather than purely a regulatory participant.

107 FCA, FCA allows firms to experiment with AI alongside NVIDIA, press release, 2025, accessed 16 March 2026

108 HKMA, HKMA announces stablecoin issuer sandbox participants, press release, 2024, accessed 18 March 2026

109 MAS considers initiatives such as Project Orchid and Project Ubin to be exploratory projects rather than formal sandbox frameworks. Nonetheless, given their structured, multi-phase testing environment and strong industry participation, we consider them to function as de-facto sandboxes and therefore relevant to our assessment.

Box 4.1: An AI Sandbox for the Australian financial system

AI regulatory sandboxes are gaining traction globally as a mechanism to enable experimentation with this rapidly evolving technology. The core features of a sandbox such as controlled testing, regulatory engagement, and defined parameters, help mitigate inherent risks while firms and regulators navigate and clarify the use of AI within regulatory frameworks. Unlike traditional regulatory sandboxes, which often focus on enabling new products to reach market, AI sandboxes are chiefly concerned with how regulatory frameworks accommodate AI's technical and operational nuances, and how firms and regulators adapt governance, oversight, and risk management in response.

Through this Review stakeholders expressed interest in an AI-specific sandbox to support testing of use cases such as financial advice and insurance claims handling, where there is significant innovation potential but where iterative testing of AI is necessary to ensure regulatory compliance and manage potential consumer risks. These stakeholders have suggested the unique nature of AI means it is difficult to anticipate the potential risks that could emerge without a robust testing environment, and that uncertainty around acceptable risk tolerances, safeguards, and accountability may constrain adoption. These concerns are likely to increase as AI technology continues to develop, particularly given the potential for agentic AI to materially transform payments and the financial system more broadly.

In this context, an AI sandbox is viewed as a proportionate mechanism to support iterative design and testing to identify risks and apply appropriate controls while enabling regulators to calibrate appropriate governance settings and consumer protections prior to broader deployment. Approaches in other jurisdictions – including the FCA's Supercharged Sandbox and AI Live Testing platform and the HKMA's GenAI sandbox – provide useful insights into how an AI sandbox could operate in Australia.

What are the key characteristics of thematic sandboxes?

These new thematic sandboxes represent a step change for regulators with how they interact with industry. In many cases these sandboxes include an expanded set of offerings by regulators, including via the tools provided by regulators and more targeted objectives. Key characteristics generally include:

- *Specific tools and resources* – thematic sandboxes often include targeted tools to support entities to experiment. For example, the FCA's Supercharged Sandboxes provide participants access to specific AI tools and synthetic data to support testing. Similarly, many regulators have developed prototypes and other technology solutions to support experimentation in tokenisation-focused sandboxes (see below). These tools increase the resources required to provide thematic sandboxes, but can provide deeper insights and better outcomes for regulators and industry compared to general sandboxes.
- *Policy focused objectives* – thematic sandboxes typically have specific objectives related to what is being tested that are more tightly defined than the broad objectives set for general sandboxes. These can include accelerating the uptake of a new technology (like the HKMA's AI sandbox), driving coordination between different participants where innovations require broad efforts to be realised (for example, wholesale tokenisation settlement sandboxes), or informing policy development (for example, stablecoin sandboxes).

- *Time limited* – thematic sandboxes place greater emphasis on defined time horizons, as they are designed to address specific objectives or feed into guidance or policy development. Unlike rolling sandbox frameworks which admit participants at any time, they typically operate using fixed cohorts, underscoring their temporary, targeted nature.

What are the benefits of thematic sandboxes?

Thematic sandboxes offer a number of benefits over open-ended general sandboxes, which help explain their growing expansion internationally. Broadly, thematic regulatory sandboxes deliver higher-quality regulatory learning, faster reform pathways and are designed to target specific risks in contrast to general fintech sandboxes, particularly for systemically important or infrastructure-level innovations.

For regulators, targeted sandboxes provide clear regulatory learnings to specific policy questions. The targeted focus of these sandboxes allows regulators to set clearer and more measurable objectives, and tailor the specific regulatory relief or support provided to meet those objectives. Regulators can test a consistent set of legal and regulatory questions across a defined cohort, drawing more consistent regulatory insights. This can also be beneficial to industry participants as a cohort approach allows firms facing a common challenge to obtain consistent regulatory relief for experimentation and can ultimately lead to greater policy clarity for both cohort firms and the broader industry.

A key benefit is that these sandboxes can be structured to better allow for coordination across regulators, agencies and industry. Defined sectors, themes or technologies create a natural focal point for these bodies and firms to coalesce around and agree the appropriate structure, relief and resourcing needed.

While on the whole these sandboxes often demand more resourcing than general models, thematic sandboxes with clear objectives can generate outsized benefits to regulators and industry through policy input and productivity and other benefits. Further, the economic costs of inaction may mean new technologies are not widely adopted and the risks are not well understood by the regulator. This opportunity cost could ultimately exceed the resourcing required to run a well-structured sandbox with clear outcomes. To manage resourcing, regulators have taken different approaches to resourcing these sandboxes, including public-private partnerships or secondments from industry into regulatory bodies. Robust prioritisation and clear scoping are also beneficial to manage the resource imposts of these sandboxes.

Finding 4.1

Overseas regulators are increasingly using thematic sandboxes to achieve broader objectives, like supporting the uptake of a new technology, driving coordination across regulators and industry or as a policy development tool.

Recommendation 4.1

As part of its broader regulatory strategy, ASIC should consider using thematic sandboxes within its areas of sole regulatory responsibility to target specific sectors, emerging themes and technologies, thereby facilitating innovation and policy development.

Tokenisation experimentation initiatives around the world

Globally, a range of initiatives including both formal and informal sandbox approaches aim to help leverage tokenisation to improve efficiencies in legacy financial systems whilst also aligning legal, policy and regulatory settings. The Boston Consulting Group estimates that, by 2030, asset tokenisation could reach $16 trillion or 10% of global GDP,[110] underscoring its potential significance for financial markets and the importance of the pilots outlined below in shaping future approaches.

The use of targeted sandboxes to experiment with tokenisation has particular benefits given the inherent network challenges that must be overcome to adopt this technology. Where innovations affect core market infrastructure (as is the case with tokenisation), benefits are unlikely to arise through isolated firm-level activity. Thematic sandboxes in this space can therefore allow meaningful testing through collaboration between multiple participants, shared infrastructure and regulatory authorities. This resolves the limitations individual firms face in adopting these new technologies by providing government or regulatory leadership to manage network effects and enable collective experimentation at scale.

110 International Monetary Fund, Tokenization and Financial Market Inefficiencies, 2025, accessed 2 March 2026

Compared with general regulatory sandboxes, the structures established to test tokenisation often have a broader focus than regulatory relief, with these frameworks also considering the technical solutions required to develop specific use cases. This requires regulators to play an increasingly active role in designing the enablers of experimentation, ranging from both regulatory and policy changes to infrastructure support. Around the world, several jurisdictions are deploying sandbox style arrangements to specifically target the experimentation and adoption of tokenisation technology, including:

- **Project Guardian:** Launched by the Monetary Authority of Singapore in 2022, the initiative brings together regulators and industry to advance asset tokenisation in fixed income products, managed investment schemes, and collateral management by developing interoperable standards, risk and regulatory frameworks, and scalable cross-border applications to improve market liquidity and efficiency.
- **Project Ensemble:** Launched by the Hong Kong Monetary Authority in 2024, Project Ensemble is a multi-phase, industry-wide wholesale Central Bank Digital Currency (wCBDC) initiative exploring infrastructure for interbank settlement of tokenised funds, forming part of Hong Kong's broader tokenisation strategy alongside e-HKD and BIS Innovation Hub collaboration, with a new pilot announced in late 2025.
- **Digital Securities Sandbox (DSS):** Launched by the FCA in collaboration with the Bank of England in 2024, the DSS supports DLT-based financial market infrastructure through a staged "glidepath" that allows firms to scale as they demonstrate compliance, with the aim of informing and transitioning to a permanent regulatory regime.

In Australia, the use of tokenisation to support settlement in wholesale asset markets is being explored through the RBA-led Project Acacia (see Box 4.2).

Box 4.2: Project Acacia

Project Acacia is a research project being led by the Reserve Bank of Australia and the Digital Finance Cooperative Research Centre (DFCRC) to explore how different forms of digital money and associated infrastructure can support the development of wholesale tokenised asset markets in Australia.
The project is exploring the use of stablecoins, deposit tokens, and a pilot wholesale central bank digital currency (wCBDC) as potential settlement assets, as well as new ways of using banks' existing exchange settlement accounts (ESA) at the RBA.[111]

Although Project Acacia is not a formal thematic sandbox, its structure meets many of the typical characteristics of sandboxes, such as targeted regulatory relief and a controlled environment in which tokenisation activities can be tested without requiring full licensing during the experimental phase.
This framework enables industry to trial new forms of tokenised assets and money while examining the associated technical, policy, legal and regulatory considerations.

Because experimentation occurs at the intersection of payments infrastructure and emerging technologies, participants operate at both a regulatory and technological boundary. This inherent uncertainty makes regulatory relief important to ensure legal ambiguity does not impede meaningful experimentation. A governance mechanism similar to a sandbox approach is therefore essential to make this type of technological, legal and regulatory experimentation both feasible and appropriately managed.

From Design to Testing

In Phase 1, completed in August 2024, the RBA and DFCRC set out to define a 'design space' comprising a range of potential settlement models for using different forms of digital money to settle transactions in tokenised assets.[112]

Phase 2, which commenced in 2025, tested 20 industry-proposed use cases spanning a range of asset classes, including fixed income, private market funds, trade receivables and carbon credits. These use cases were conducted across both pilot and proof-of-concept models.[113]

These use cases are intended to help better understand how innovations in central bank and private digital money, alongside payments infrastructure, might help to uplift the functioning of wholesale financial markets in Australia.[114] The use cases have also explored the role that asset tokenisation itself, including associated trading, settlement, and asset servicing activities, could play in improving market functioning.

The RBA has expressed a willingness to explore a future sandbox or similar arrangement for tokenisation.[115]

111 RBA, Project Acacia: RBA and DFCRC announce chosen industry participants and ASIC provides regulatory relief for tokenised asset settlement research project, media release, 2025, accessed 4 March 2026.
112 RBA, Project Acacia, Exploring the role of digital money in wholesale tokenised asset markets, Consultation Paper, 2024, accessed 4 March 2026.
113 RBA, Project Acacia, media release, 2025, accessed 4 March 2026.
114 Ibid
115 B Jones, After Acacia: The Next Era of Financial System Innovation?, RBA, 25 March 2026

Lessons from Acacia

Project Acacia offers positive lessons as to how a sandbox-style project can be structured across industry and regulators to maximise success. It is important to note that the success of Project Acacia is in building a framework suitable for the technology and participants involved, rather than in providing a prescriptive framework that should be applied in all thematic sandboxes.

Project Acacia is overseen by a steering committee comprising senior representatives from the RBA, DFCRC, ASIC, APRA and Treasury. This multilateral membership ensures the integration of regulatory, policy and financial stability perspectives, and supports the timely development of key insights.

In addition to the steering committee, an Industry Advisory Group (IAG) was established to provide practical, market-based input into the project. The group includes experts from financial institutions, fintechs, law firms and other relevant industry entities. The IAG receives periodic updates and plays an important role in advising on the project's direction, findings and future research opportunities.[116] This structured integration of industry insights ensures that regulatory settings remain grounded in practical realities and responsive to emerging technologies.

ASIC's provision of bespoke regulatory relief in the second phase of Project Acacia has been critical. Without it, participants undertaking digital asset issuance, trading, custody, settlement and other activities would risk operating outside the scope of existing regulatory requirements, as Australia's Corporations Act and associated licensing framework, at the time of the project's conception, could not fully accommodate tokenised settlement models.[117] AUSTRAC has also been involved in providing relief, granting two entity-specific exemptions under the AML/CTF framework. This relief removes compliance barriers that would otherwise limit participation, particularly for smaller or less-licensed firms, and enables lawful involvement in the testing environment.

RBA leadership has been central to Project Acacia's success. In this case, leadership appropriately rests with the RBA given its unique authority over ESA settings, any potential wholesale CBDC, and the operation of Australia's payment system. Arrangements of this kind will only function effectively if there is a clearly designated lead agency. For multi-regulator initiatives, ensuring clear leadership should be a core design consideration in any future sandbox governance structure. Any thematic sandbox that Australia adopts in the future will benefit from a clearly mandated lead agency providing structured, time-bound, cross-agency oversight, regardless of the technology in scope.

116 Piper Alderman, RBA announces Project Acacia to test use cases for wholesale CBDC, 2024, accessed 9 March 2026

117 Hall & Wilcox, Live digital currency trials kick off under ASIC green light for Project Acacia, 2025, accessed 2 March 2026

Finding 4.2

Project Acacia has been effective at generating meaningful insights to drive forward the implementation of tokenisation in Australian wholesale asset markets. The effectiveness of this project reflects the strong RBA leadership, clearly articulated objectives, and buy-in and coordination across industry and other financial sector regulators.

Prioritising thematic sandboxes

Thematic sandboxes, when well targeted, can be effective tools for enabling financial innovation. However, they can be resource intensive and, in some cases (for example Project Acacia), require commitment and coordination across a broad range of actors including government, regulators and industry. Financial innovation and technological developments are continuing to accelerate, and this is likely to increase pressure from industry for targeted support through sandboxes to enable a broad range of use cases. A governance arrangement aimed at building consensus across regulators, government and industry on where to target resources to best facilitate financial innovation would support prioritisation and resource allocation for new thematic sandboxes.

Clear and appropriate governance arrangements can ensure that the right themes, technology and sectors are prioritised for use. It also helps participating firms receive coherent regulatory positions, rather than conflicting signals, and supports regulators to jointly manage risks that sit across regulatory perimeters, such as custody, settlement finality, operational resilience or consumer protection. For jurisdictions like Australia where financial regulation is divided amongst multiple regulators (for otherwise sound policy reasons), this importance is amplified, given themes can cut across multiple regulatory mandates.

The success of Project Acacia exemplifies Australia's capacity to adopt a coordinated multi-regulator model involving the RBA, Treasury, ASIC and APRA. However, this success was largely achieved through the RBA's initiative to drive the project forward, and coordinate efforts with regulators and industry. Further efforts to support financial innovation may not be as effective, particularly if there is ambiguity over the key priorities and the ambition of government. The experiences of international jurisdictions and Project Acacia in Australia clearly demonstrates the importance of a governance structure that can identify, prioritise and facilitate the most important opportunities for driving financial innovation and, in particular, candidates for targeted thematic sandboxes. Given both the RBA and other bodies like the DCFRC have indicated a desire to pursue future sandboxes on tokenisation or digital financial market infrastructure, this could be a suitable candidate for consideration for future cross-agency thematic sandboxes.

A governance structure for prioritising sandboxes

This Review proposes that a multi-agency and industry committee involving key financial regulators and industry participants should be constituted to identify, prioritise and manage the implementation of thematic sandboxes in the future. This committee would be focused on themes, subjects or technologies with a cross-agency or agency-industry character. As proposals for sandboxes can come from increasingly dynamic sources – from industry, academia, regulators and government – the committee should have broad representation of economy-wide participants to ensure the right proposals are captured and prioritised. This committee should be chaired by Treasury, to ensure alignment in outcomes with government ambition on financial innovation, as supported by a financial innovation strategy (see recommendation 1.1). It should also include key financial regulators such as ASIC, APRA and the RBA, as well as AUSTRAC and the ACCC where relevant.

The committee would provide a setting to monitor and understand key sector and technological developments and how they are influencing financial innovation. And it would be responsible for identifying the need for, and monitoring the implementation of, sandboxes. The committee could decide and facilitate the cross-agency interactions, resourcing, collaboration and regulatory relief required for the specific thematic sandboxes' operation.

Specifically, the committee could:

- Prioritise themes, sectors and technologies for sandboxes, acknowledging the limited resources available to manage resource burdens across all participants.
  - This would include establishing a clear case for why a sandbox is necessary, and the potential benefits to the Australian economy.
- Where sandboxes are considered a priority, ensure they are established with clear objectives and metrics for success.
- Decide on the appropriate cross-agency sandboxes to be pursued.
- Determine a lead agency for each sandbox, as well as other specialised expertise required such as the need for other regulatory agencies to assume complementary roles (such as to provide targeted regulatory relief or guide policy design and alignment).
- Identify appropriate timeframes, outcomes and the right mix of industry participants and use cases.
- Meet at an appropriate cadence (suggested to be semi-annually) to stay informed on the progress of established sandboxes, ensure they remain useful, and identify emerging trends and developments.

This Review considers that a structure with these characteristics would allow for a disciplined effort to identify the themes and technologies that will benefit from a dedicated sandbox. It is important to note that this does not presuppose that sandboxes will always be necessary, or that the committee should always have a specific number of sandboxes (or even a sandbox at all) on foot at any given time.

While this is a suggested framework, it is crucial that any governance structure includes a capacity for reflection and evolution. This is necessary to ensure that the committee serves a greater purpose than merely becoming a pro forma meeting for regulators. It also ensures that the committee, and the sandboxes it facilitates, continue to be world-leading and avoiding the restrictions and issues that have impeded the ERS.

Recommendation 4.2

A public-private committee should be formed, convened by Treasury and including regulators, industry representatives and independent members. The committee would prioritise and decide on the need for specific thematic sandboxes that cut across multiple regulators, agree on the lead and participating agencies and industry participants, review the performance of such sandboxes, monitor industry and technology developments, and support coordination between regulators on financial innovation.

Appendix

Consultation Process

The Review released its Consultation Paper in December 2025, inviting interested stakeholders to provide their views.

The consultation received 17 public submissions from a wide range of stakeholders including:

- banks and other financial service providers
- peak bodies and industry groups
- government bodies
- law firms
- fintech businesses
- crypto service providers
- individuals.

The Review engaged with stakeholders through virtual meetings, small group discussions and bilateral meetings, and drew on publicly available research and materials. More than 50 representatives from relevant organisations and groups were consulted. The Review also held virtual meetings with overseas policymakers and regulators to gain insights into international approaches.