Australian Government

Government response to the Independent Review of the Enhanced Regulatory Sandbox

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Background

In 2020, the Enhanced Regulatory Sandbox (ERS) was introduced, allowing 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. The ERS replaced the previous ASIC regulatory sandbox that was established in December 2016.

The ERS included a legislated requirement for an independent review to assess whether the regime was achieving its objectives and supporting financial innovation as intended. To support this, section 4 of the *Treasury Laws Amendment (2018 Measures No. 2) Act 2020* (Cth) required an independent review to commence as soon as possible 12 months after the commencement of the regime and to report to Government within six months.

On 2 September 2025, the Government established an independent review to be undertaken by Maha El Dimachki. The review commenced in November 2025, examining the role of regulatory sandboxes in supporting financial innovation in Australia, including the design, operation and effectiveness of ASIC's ERS. Following consultation with industry, regulators and other stakeholders, the final report was delivered to Government on 22 May 2026 and subsequently tabled in Parliament on 1 July 2026.

The Government has considered the review's six recommendations. The Government agrees to all recommendations directed to it and supports the recommendations directed to ASIC or industry, recognising that those recommendations will inform the Government's forward work program.

The Government is committed to supporting responsible financial innovation, reducing unnecessary regulatory burden and maintaining strong consumer protection, market integrity and financial stability. This response forms part of the Government's broader productivity and financial innovation agenda, including work on payments modernisation, digital assets, tokenisation, Digital ID, the Consumer Data Right and responsible AI adoption.

Summary of the Government response

No.	Recommendation theme	Government response	Key action
1.1	Financial innovation strategy	Agree	Release a financial innovation strategy to articulate ambition, coordinate effort and support a common understanding across industry, regulators and government.
1.2	Industry-led regulatory understanding	Support	The Government is engaging with industry on how best to achieve this, including through the public-private financial innovation committee and other industry working groups.
3.1	Reform the general regulatory sandbox	Agree	Progress repeal of the current ERS legislation and regulations through a future legislation prioritisation process, enabling ASIC to design a more flexible replacement model using existing relief powers.
3.2	Integration with ASIC functions	Support	The Government is working with ASIC to ensure any renewed sandbox framework is well integrated with ASIC's broader functions.
4.1	Thematic sandboxes	Support	Support ASIC consideration of thematic sandboxes, including digital financial market infrastructure sandbox arrangements, subject to resourcing and detailed design.
4.2	Public-private financial innovation committee	Agree	Establish a Treasury-convened committee to support coordination, prioritisation and monitoring of thematic sandboxes and financial innovation developments.

Response to the recommendations

Recommendation 1.1 — Financial innovation strategy

The Government agrees: The Government **agrees** to this recommendation.

The Government has developed a financial innovation strategy to articulate Australia's ambition for financial innovation, coordinate efforts across industry, regulators and government, and provide a common understanding of objectives. The strategy is forward looking and informed by the fintech landscape in Australia, relevant policy developments and global developments.

Following a period of targeted consultation, the Government has now published a financial innovation strategy. The strategy builds on existing and announced initiatives, including payments modernisation, Digital ID, the Consumer Data Right, Project Acacia, work to support responsible AI adoption and Budget initiatives relating to tokenisation and strengthened regulator–industry coordination.

Recommendation 1.2 — Industry-led regulatory understanding

The Government supports: The Government **supports** the intent of this recommendation, noting it is directed to industry.

This recommendation is directed to the financial sector. The Government supports industry playing a leading role in improving understanding of regulatory requirements, particularly for new entrants and innovative firms seeking to engage with Australia's financial regulatory framework.

Recommendation 3.1 — Reform the general regulatory sandbox

The Government agrees: The Government **agrees** to this recommendation, noting that elements of the recommendation are directed to ASIC.

The Government supports reforming the current ERS to broaden its scope, increase its flexibility and better align it with ASIC's broader regulatory toolkit. Repealing the current ERS legislation and regulations would allow ASIC to develop a better-functioning replacement sandbox that leverages ASIC's existing relief powers and can adapt to evolving technologies, business models and policy priorities.

Recommendation 3.2 — Integration with ASIC's broader functions

The Government supports: The Government **supports** the intent of this recommendation, noting it is directed to ASIC.

This recommendation is directed to ASIC. The Government supports the view that a renewed sandbox framework should be better integrated with ASIC's licensing, supervision and innovation functions so participants have clearer pathways and ASIC can build stronger knowledge of emerging technologies and innovative business models.

Recommendation 4.1 — Thematic sandboxes

The Government supports: The Government **supports** the intent of this recommendation, noting it is directed to ASIC.

This recommendation is directed to ASIC. The Government supports consideration of thematic sandboxes as a way to target specific sectors, emerging themes and technologies and to facilitate innovation and policy development within ASIC's areas of sole regulatory responsibility.

Recommendation 4.2 — Public-private financial innovation committee

The Government agrees: The Government **agrees** to this recommendation.

The Government will establish a public-private committee, including regulators, industry representatives and independent members, to support coordination across government, regulators and industry. The committee will help identify and prioritise high-value themes, sectors and technologies, consider the case for thematic sandboxes, monitor developments and support coordination between regulators on financial innovation.