

1. Discuss the importance of Inter-operable Regulatory Sandbox developed by Financial Stability & Development Council.

Interoperable Task group developed Interoperable Regulatory Sandbox on fintech under Financial Stability & Development Council. RBI has issued Standard operating procedure (SOP) on this sand box. Though the Sand box - addresses the cross-sectoral fintech innovations, it must address the issues arising to hamper the fintech innovation.

Regulations between different regulators.

Presently in India, Regulators, RBI, SEBI, IRDAI etc. has separate Regulatory sandboxes. This is a traditional silo approach.

Eg: Fintech app - providing for farm loan - may provide advice on Farm loans its usage. But if the app falls within different regulators - RBI, sebi etc, The developer has to comply with both separately, hampering the innovation. Interoperable Regulatory Sandbox - addresses these issues by providing cross-sector fintech ^{Regulatory sandboxes} innovation.

Need for uniform regulatory mechanism

Though Interoperable Sand box address cross sectoral innovation, it. The Sop still rely on follows the

Regulations of regulators. For instance, Sop provides that the Dominant feature falling within Regulator is the Principal regulator while other is Associate regulator. Determination of both regulator is required. This may hamper innovation as it asks to comply more than one regulator. This may be disadvantageous if difference arise between both

-eg: RBI, SEBI allows for compensation to customers while IRDAI - silent on this.

Another issue is differences between regulators -

1. consumer protection mechanism, 2. NO uniform testing sandboxes
3. compliance mechanism - Report Submission,

UK - Financial Committee authority provide for cross-sector innovation. ~~Inter~~ with uniform Regulation across sector.

way forward

The current Sop must include common standards for addressing customer protection, duration of sandboxes, testing, compliance mechanism. The common standards with provide harmonise regulatory realise true potential of Inter operable Sandbox.