

Encouraging Responsible and Inclusive Financial Innovation through Regulation

THE CHALLENGE

Tools that enable and promote innovation in financial services that benefit customers are globally in high demand. For many regulators, regulatory sandboxes¹ appear to be the single most powerful tool to advance policy objectives ranging from increased competition to advanced financial inclusion. However, regulators need to better understand their optimal design and use—especially in the context of efforts toward financial inclusion.

CGAP'S ROLE

CGAP developed [practical technical guidance](#) to help regulators make more intentional and objective-driven decisions about whether and how to build regulatory sandboxes to pursue and promote inclusive innovation. The guidance was based on CGAP's work with regulators on their sandbox initiatives, including the Capital Markets Authority of Kenya. CGAP also worked to raise awareness of the utility and impact of regulatory sandboxes with a variety of additional stakeholders, including CGAP members and partner organizations such as the World Bank, GIZ, and the UNSGSA.

CGAP'S IMPACT

CGAP conferred with various stakeholders, helping them shape their understanding of the topic and helping them develop the next stages of their strategies. The regulatory sandbox in Kenya, for example, helped the country's Capital Markets Authority put in place the regulatory framework for equity crowdfunding, which is expected to have a positive impact on the financing of Small and Medium-Sized Enterprises (SMEs). Regulatory sandbox initiatives in many countries were informed by CGAP's work, including efforts in Brazil, Nigeria, Pakistan, Peru, and Uganda.

1. A regulatory sandbox is a tool for developing evidence about how a new product, technology, or business model (innovation) works and the outcomes it produces. Evidence gathering can help assuage (or confirm) regulatory concerns about the impact of innovations, allowing beneficial innovations to reach the marketplace.

This influence was made possible by [CGAP's members](#): more than 30 leading development organizations.



INFLUENCE
STORIES