

Date: 18 August, 2019



Pen drive Courses  
for UPSC CSE  
preparation

## 1. RBI issues final norms for regulatory sandbox

- What is a regulatory sandbox?
- What is the significances and Limitations of regulatory sandbox?
- How will it benefit fintech firms?
- What are the issues associated with Data Privacy and regulatory sandbox?

**GS paper 3 (Indian Economy)**

Date: 18 August, 2019



Pen drive Courses  
for UPSC CSE  
preparation

**In this video, you can find detailed answers for all  
the above questions.**

**The above article has been retrieved from:**

N.A. ( 2019, August , 17). RBI issues final norms for regulatory sandbox. The Hindu.

Retrieved from <https://www.thehindu.com/business/rbi-issues-final-norms-for-regulatory-sandbox/article29086487.ece>



## What is the context about?



The Reserve Bank of India (RBI) on Tuesday issued the final framework for regulatory sandbox in order to enable innovations in the financial technology space.

## What is a regulatory sandbox?



A regulatory sandbox usually refers to live testing of new products or services in a controlled/test regulatory environment for which regulators may permit certain regulatory relaxations for the limited purpose of the testing.



The objective of the sandbox is to foster responsible innovation in financial services, promote efficiency and bring benefit to consumers.

## What is the significances and Limitations of regulatory sandbox?



Date: 18 August, 2019



Pen drive Courses  
for UPSC CSE  
preparation



The regulatory sandbox will help fintech companies launch innovative products at a lower cost and in less time. The sandbox will enable fintech companies to conduct live or virtual testing of their new products and services.



These companies will also be able to test the viability of the product without a wider and expensive rollout. It will help companies to experiment with fintech solutions, where the consequences of failure can be contained and reasons for failure analysed.



### **Limitations:**

The RBI said innovators may lose some flexibility and time in going through the sandbox process. However, running the RS in a time-bound manner at each stage can mitigate this risk.



## How will it benefit fintech firms?



These testing grounds are especially relevant in the fintech world, where there is a growing need to develop regulatory frameworks for emerging business models.



The purpose of the sandbox is to adapt compliance with strict financial regulations to the growth and pace of the most innovative companies, in a way that doesn't smother the fintech sector with rules, but also doesn't diminish consumer protection.



It allows the regulator, the innovators, the financial service providers (as potential deployers of the technology) and the customers (as final users) to conduct field tests to collect evidence on the benefits and risks of new financial innovations, while carefully monitoring and containing their risks.

# What are the issues associated with Data Privacy and regulatory sandbox?



Date: 18 August, 2019



The risks for fintech products may arise from cross-border legal and regulatory issues where confidentiality and customer protection are major areas that needed to be addressed.



The proposed Personal Data Protection Bill, 2018, had categorised all financial data as “sensitive personal data”, which is not the case for many European countries



Pen drive Courses  
for UPSC CSE  
preparation