

# Australia's sandbox: A safe-place for FinTechs to play

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The corporate regulator plans to implement changes which will foster and encourage innovation in the financial services industry and position Australia to become a leader in the financial technology (**FinTech**) space.

ASIC proposes to introduce an Australian Financial Services (**AFS**) Licencing exemption to enable FinTechs to test their financial services product for a period of up to six months without holding an AFS licence (Sandbox Exemption). The Sandbox Exemption seeks to overcome a number of barriers to innovation traditionally facing FinTech start-ups, whilst continuing to maintain necessary consumer protections.

The changes detailed in [ASIC's Consultation Paper 260](#) released last week, are aimed at providing a safe environment for FinTechs to trial their product or service and gauge the market's appetite to potentially attract investment prior to incurring the costs involved with obtaining an AFS licence. The Sandbox Exemption aims to facilitate rapid development of the service or product being offered as well as business model changes and increased competition throughout the industry.

The Sandbox Exemption will only be available to services in relation to liquid products (i.e. shares or deposits) and where the testing business provides services to no more than 100 retail clients, each with a maximum exposure of \$10,000 and the total exposure of all clients is less than \$5 million.

A key advantage of Australia's proposed regime as compared to other countries is having these conditions defined upfront, as opposed to being specific to each testing business. This means that most businesses can take advantage of the Sandbox Exemption without the need for detailed scrutiny by ASIC in order to get the "go-ahead".

Testing businesses will need to notify ASIC if they intend to rely on the Sandbox Exemption and ASIC will have the power to withdraw the Sandbox Exemption where considered necessary.

If implemented, we think the Sandbox Exemption will allow FinTech start-ups to get to market quicker and at a lower cost, whilst providing Australia with the opportunity to become a main player in the global FinTech space.

ASIC is seeking feedback on its proposals and submissions are due by 22 July 2016.

For more information or discussion, please contact HopgoodGanim Lawyers' [Corporate advisory and governance](#) team.

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