

Comparison of key features of the ASIC sandbox and the Australian Government's enhanced regulatory sandbox

The ASIC regulatory sandbox, established in December 2016, allowed eligible fintech companies to test certain products or services for up to 12 months without an Australian financial services (AFS) licence or Australian credit licence (credit licence). The Australian Government's enhanced regulatory sandbox commences on 1 September 2020 and supersedes the ASIC sandbox. The enhanced regulatory sandbox expands on the ASIC sandbox and allows for a longer testing period (of up to 24 months) for a broader range of financial services and credit activities and for a wider range of businesses (including existing licensees).

This document provides a summary and comparison of the ASIC sandbox and the enhanced regulatory sandbox. Differences between the two sandbox exemptions are indicated in bold font.

For more information on the enhanced regulatory sandbox, see [Information Sheet 248 Enhanced regulatory sandbox](#) (INFO 248).

Note: This comparison uses terms that are defined terms under the *Corporations Act 2001* (Corporations Act) or the *National Consumer Protection Credit Act 2009* (National Credit Act). See the appendix to this document for information on the meanings of these terms.

Sandbox eligibility

Key features	ASIC sandbox (superseded)	Australian Government enhanced regulatory sandbox
Eligibility	<ul style="list-style-type: none"> Unlicensed Australian businesses Locally registered foreign companies 	<ul style="list-style-type: none"> Unlicensed Australian businesses Locally registered unlicensed foreign companies Licensed businesses testing new services they are currently not authorised to provide
Conditions of entry	<ul style="list-style-type: none"> Notify ASIC before testing ASIC can notify a business that it cannot rely on the licensing exemption due to poor conduct, failure to meet conditions, previous misconduct A business can use the regulatory sandbox only once 	<ul style="list-style-type: none"> Notify ASIC in prescribed notification form ASIC to review notifications received to confirm all criteria have been met, including whether two new tests have been met – the net public benefit test and the innovation test. ASIC can notify a business that it cannot rely on the licensing exemption due to poor conduct, failure to meet conditions, previous misconduct A business can use the enhanced regulatory sandbox to test a particular financial service or credit activity only once but can use the sandbox multiple times to test different services and activities for which they do not have a licence and have not already tested.

Eligible testing parameters

Key features	ASIC sandbox (superseded)	Australian Government enhanced regulatory sandbox
Timeframe for testing	<ul style="list-style-type: none"> Up to 12 months Option to apply to ASIC for a time extension 	<ul style="list-style-type: none"> Up to 24 months No provision to apply to ASIC for an extension of time or to pause testing
Aggregate client exposure limits – overall cap on services and activities	<ul style="list-style-type: none"> An aggregate wholesale and retail client exposure limit of \$5 million 	<ul style="list-style-type: none"> An aggregate client (wholesale and retail clients and credit consumers) exposure limit of \$5 million. Includes gross written premiums for general and life insurance, superannuation contributions, commitments to other financial products and value of credit contracts.
Maximum number of clients	<ul style="list-style-type: none"> Wholesale <ul style="list-style-type: none"> Unlimited number of clients Retail <ul style="list-style-type: none"> 100 client maximum 	<ul style="list-style-type: none"> Wholesale <ul style="list-style-type: none"> Unlimited number of clients Retail <ul style="list-style-type: none"> Unlimited number of clients
Client exposure limits	<ul style="list-style-type: none"> Wholesale: <ul style="list-style-type: none"> No individual exposure limit. Retail: <ul style="list-style-type: none"> \$10,000 per retail client for deposit products, simple managed investment schemes, securities, government bonds and payment products \$50,000 sum insured for each general insurance contract Between \$2,000 and \$25,000 for credit contracts 	<ul style="list-style-type: none"> Wholesale: <ul style="list-style-type: none"> No individual exposure limit. Retail: <ul style="list-style-type: none"> \$10,000 limit per retail client for: <ul style="list-style-type: none"> interests in simple managed investment schemes Commonwealth debentures, stocks, bonds securities listed on approved domestic or overseas markets securities offered under a crowd-funding service No limit for certain products issued by an entity regulated by the Australian Prudential Regulation Authority (APRA) (general and life insurance, superannuation, deposits and non-cash payments) Between \$2,000 and \$25,000 for credit contracts
Services and activities for wholesale clients	<ul style="list-style-type: none"> Providing advice on, dealing in or distributing the following products: <ul style="list-style-type: none"> deposit products payment products general insurance liquid investments consumer credit contracts 	<ul style="list-style-type: none"> Providing financial services (including advice, dealing and issuing) related to all financial products, except: <ul style="list-style-type: none"> derivatives margin lending products

Key features	ASIC sandbox (superseded)	Australian Government enhanced regulatory sandbox
Services and activities for retail clients	<ul style="list-style-type: none"> • Providing advice on, dealing in or distributing the following products: <ul style="list-style-type: none"> – deposit products – payment products, if issued by an Australian deposit-taking institution (ADI) – general insurance (excluding consumer credit insurance) – listed or quoted Australian securities – debentures, stocks or bonds issued or proposed to be issued by the Australian Government – simple managed investment schemes – consumer credit contracts with certain features 	<ul style="list-style-type: none"> • Providing advice, dealing in or distributing in relation to the following products: <ul style="list-style-type: none"> – deposit products (ADI issued) – non-cash payment products (ADI issued) – general insurance (excluding consumer credit insurance) – life insurance – superannuation products – interests in simple managed investment schemes – Commonwealth debentures, stocks and bonds – securities (shares and bonds) listed on the official list of a prescribed financial market or an approved foreign market – crowd-sourced equity securities • Issuing credit, or providing credit advice or intermediary services • Issuing general or life insurance as an agent of the insurer • Issuing a non-cash payment facility • Providing a crowd-funding service

Consumer protections

Key features	ASIC sandbox (superseded)	Australian Government enhanced regulatory sandbox
Consumer protections – applied as a condition of the exemption	<ul style="list-style-type: none"> • Adequate compensation arrangements (such as professional indemnity (PI) insurance) – minimum \$1 million cover • Internal and external dispute resolution processes • Disclosure and conduct requirements <p>Note: An exempt entity must still comply with other applicable laws – for example, the prohibitions against misleading or deceptive conduct.</p>	<ul style="list-style-type: none"> • Adequate compensation arrangements (such as PI insurance) – minimum \$1 million cover • Internal and external dispute resolution processes • Disclosure and conduct requirements, including notifying clients and/or ASIC when certain events occur (e.g. a provider materially changes its offering) • Power for ASIC to issue a make-good order to eligible persons, requiring compliance within 30 days of notice being issued <p>Note: An exempt entity must still comply with other applicable laws – for example, the prohibitions against misleading or deceptive conduct.</p>

Key features	ASIC sandbox (superseded)	Australian Government enhanced regulatory sandbox
Other protections	<ul style="list-style-type: none"> • Best interest duty – financial advice • Conflicted remuneration provisions • Responsible lending obligations 	<ul style="list-style-type: none"> • Best interest duty – financial advice • Conflicted remuneration provisions • Responsible lending obligations, unfair contract term protections and other protections under consumer credit laws • Crowd-sourced funding (CSF) intermediary obligations, including gatekeeper and disclosure obligations
Disclosures	<ul style="list-style-type: none"> • Businesses must notify clients and potential clients that they are operating without a licence • Businesses must provide clients and potential clients with (as applicable): <ul style="list-style-type: none"> – a Financial Services Guide (FSG) – a Statement of Advice (SOA) – a Credit Guide – a Product Disclosure Statement (PDS) 	<ul style="list-style-type: none"> • Businesses must notify clients and potential clients that they are operating without a licence • Businesses must provide clients and potential clients with (as applicable): <ul style="list-style-type: none"> – an FSG – an SOA – a Credit Guide – a PDS • Client notification requirements if tested financial service or product or credit activity changes significantly or is no longer offered, business ceases to operate, business ceases testing in enhanced regulatory sandbox, or business obtains a licence for the service or product being tested

Post-testing

Key features	ASIC sandbox (superseded)	Australian Government enhanced regulatory sandbox
Reporting and evaluations	<ul style="list-style-type: none"> • Business should send a short report to ASIC soon after testing (not mandated). • ASIC review sandbox after 12–18 months. 	<ul style="list-style-type: none"> • Business should send a short report to ASIC soon after testing (not mandated). • Legislative requirement for Treasury to arrange a review of the enhanced regulatory sandbox after it has been in place for 12 months

Appendix: Information on concepts used in this document

Financial services and products

Concept	More information
ADI	Section 5 of the <i>Banking Act 1959</i>
compensation arrangements	Regulatory Guide 126 Compensation and insurance arrangements for AFS licensees (RG 126)
controller	Section 9 of the Corporations Act
financial service	Part 7.1 of the Corporations Act
financial product	Part 7.1 of the Corporations Act
officer	Section 9 of the Corporations Act
retail client	Section 761G of the Corporations Act
wholesale client	Section 761G of the Corporations Act
fit and proper requirements	Sections 913BA and 913BB of the Corporations Act and Information Sheet 240 <i>AFS licence applications: Providing information for fit and proper people and certain authorisations</i> (INFO 240)

Credit activities

Concept	More information
controller	Section 9 of the Corporations Act
credit activity	Section 6(1) of the National Credit Act
fit and proper requirements	Section 37A of the National Credit Act and INFO 240
officer	Section 9 of the Corporations Act