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The Treasury
Langton Crescent
PARKES ACT 2600
via online portal

Review of the Enhanced Regulatory Sandbox

The Business Council of Australia (BCA) welcomes the opportunity to provide a submission to Treasury's consultation on the Review of the Enhanced Regulatory Sandbox (ERS).

The BCA represents and advocates for some of Australia's largest employers, operating across all sectors of the economy. Our members are significant investors in innovation, digital transformation and financial services, and have a strong interest in regulatory settings that support productivity, competition and long-term economic growth.

The BCA supports regulatory frameworks that enable innovation while maintaining appropriate consumer protections and views the ERS as an important tool within Australia's broader innovation ecosystem. While Australia has a strong and growing fintech and digital asset sector, regulatory complexity, fragmentation and uncertainty continue to constrain innovation, investment and scale relative to peer jurisdictions. To remain competitive, Australia must maintain an open and adaptive regulatory mindset, ensuring that insights from sandbox participation inform timely regulatory refinement where barriers or unintended constraints are identified. In this context, the ERS plays a valuable role by allowing firms to test innovative products and services in a controlled environment, but it has not yet realised its full potential, particularly in supporting scale-up, attracting global capital and enabling cross-border innovation.

The low utilisation of the ERS, as outlined in the consultation paper, warrants careful consideration of the scheme's design and settings. International experience indicates that modest utilisation of regulatory sandboxes is not unique to Australia. In many jurisdictions, participation has remained limited, reflecting similar challenges around scale, commercial viability and uncertainty regarding regulatory outcomes following sandbox testing. For example, the Australia scheme has received 103 applications since 2020, while the UK scheme has received 630 applications since 2016¹. Like its UK counterpart, the Australian scheme has a low application-to-acceptance ratio.

While the ERS is still relevant, the rapid pace of financial innovation in the last few years, particularly in areas such as tokenised asset markets, suggests that different frameworks can complement the ERS to achieve similar objectives. We point to Project Acacia, a joint initiative between the Reserve Bank of Australia and the Digital Finance Cooperative Research Centre, as one such example. This initiative,

¹ [Regulatory Sandbox accepted firms | FCA](#)

supported by ASIC and APRA, acknowledges that a sector wide bespoke approach is more appropriate for testing and assessing risks and opportunities, rather than utilising the ERS given the scale and potential impact on the domestic and global financial market and underlying infrastructure.

Below we make some broad observations and recommendations related to the paper:

1. Effectiveness of the current ERS

The following strengths exist with the current framework:

- Provides early-stage regulatory flexibility for innovative business models.
- Helps regulators better understand emerging technologies and risks.
- Signals government support for innovation-friendly regulation.

However, these benefits are often offset by:

- Narrow scope and eligibility criteria limit uptake, particularly for larger or more complex business models.
- Time and activity caps can constrain meaningful testing and commercial viability.
- Interaction with other regulatory regimes (e.g. payments, credit, digital assets) can create uncertainty.
- The ERS does not always provide a clear pathway from testing to full authorisation, which can discourage participation.

2. Fit-for-purpose assessment

The BCA considers that while the ERS remains relevant, its design should evolve to reflect the maturity and diversity of financial innovation now occurring in Australia. In particular:

- Innovation is increasingly occurring at scale and across integrated platforms.
- Businesses require regulatory certainty not just for testing, but for transition to market deployment.
- Global competition for fintech investment is intensifying, and regulatory responsiveness is a key differentiator.

3. International comparisons and best practice

International experience demonstrates that effective sandbox frameworks:

- Are flexible and principles-based, rather than overly prescriptive.
- Are integrated into a broader regulatory innovation strategy.
- Provide clear regulatory pathways from sandbox participation to full licensing.
- Are supported by active regulatory engagement and guidance.

4. The BCA supports the intent of the ERS and views tools such as the ERS as important levers for supporting the government's productivity and innovation ambitions. However, to maximise its effectiveness, the ERS will need to evolve. The BCA therefore recommends that the Review consider the following reforms:

- **Broaden eligible activities and participant profiles to reflect modern fintech, payments and digital asset business models.** As initiatives such as Project Acacia demonstrate the importance of structured experimentation in areas such as tokenisation and wholesale CBDC, the ERS should evolve to support a wider range of emerging innovations and better complement regulator-led pilots operating at system scale.
- **Further embed and advocate for the ERS framework as part of the government’s productivity agenda:** Position the ERS, and similar tools that allow for safe testing environments, as part of a coordinated national approach to innovation, productivity and competitiveness.
- **Improve pathways to authorisation:** Provide clearer guidance on how sandbox participation supports progression to full licensing or ongoing regulatory compliance.
- **Enhance regulatory coordination:** Improve alignment between the ERS and parallel reforms to payments, digital assets and credit regulation to reduce duplication and uncertainty.
- **Increase flexibility in testing parameters:** Allow more tailored testing periods and thresholds, based on risk and consumer exposure.

Conclusion

The BCA supports the continued use of regulatory sandboxes as a mechanism to foster innovation, improve regulatory understanding and enhance Australia’s global competitiveness. However, to remain effective, the ERS must evolve to better reflect the scale, complexity and pace of modern financial innovation.

A more flexible, coordinated and outcome-focused ERS would support investment, productivity growth and consumer choice, while maintaining strong regulatory safeguards.

Yours sincerely



Bran Black
Chief Executive
Business Council of Australia