

Suhaimi Ali: Opening remarks - Sandbox Open Day

Opening remarks by Mr Suhaimi Ali, Assistant Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Sandbox Open Day, Kuala Lumpur, 24 June 2024.

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Good morning. It is a pleasure to welcome everyone to our inaugural Sandbox Open Day.

Emerging innovations, such as Generative AI, quantum computing, blockchain, and the Internet of Things (IoT) are poised to revolutionise the way we operate and deliver financial services. These technologies promise a new age of possibilities to enhance efficiency, security, and customer experience.

Up until now, BNM's regulatory Sandbox has had a role in facilitating testing of innovative use cases and business models such as e-KYC, Buy-Now-PayLater, digital insurance, and digital remittance.

Our event today is intended to bring together traditional players and disruptors within the financial ecosystem for meaningful discourses that will chart our journey ahead in fostering experimentation and driving responsible innovation.

In line with our theme, "Innovation Reimagined", I would like to take the opportunity to share some insights and suggestions on how we as key agents of the financial ecosystem can move forward in this area.

First, BNM's role as the regulator is to ensure that avenues such as Sandboxes continue to support responsible innovation and regulatory adaption. Since its inception in 2016, the Bank's Regulatory Sandbox has been key in providing a safe haven for experimentation and contributing to the Bank's calibration of regulatory policies.

As digital innovation constantly evolves, BNM is therefore committed to ensure that our regulatory framework continues to remain proportionate to risks and can better unlock the upsides of innovation. This means creating a conducive environment where responsible innovation and healthy competition are nurtured, agile players are given an opportunity to flourish, and associated risks are managed effectively – especially those that may threaten system-wide stability, consumer outcomes, and confidence in the financial sector.

With this in mind, we have recently refreshed the Sandbox Framework with two key enhancements, guided by the principles of parity, proportionality and neutrality:

1. One, the eligibility assessment for admission to the Standard Sandbox has been simplified for all applicants, making it easier for innovative solutions to be tested.
2. Two, a Green Lane is also introduced to enable financial institutions with proven risk management capabilities to test their innovations more quickly and flexibly. Once qualified, financial institutions will be able to register any number of test

projects, with shortened approval windows. I strongly encourage you to plan ahead on the types of solutions that can benefit from this accelerated track.

Ladies and gentlemen,

Besides regulators, the industry and their strategic partners have a role in promoting a robust fintech ecosystem. Collaboration has never been more vital as financial consumers' activities become deeply entrenched in digital ecosystems. For example, the last three Sandbox test cases involved 17 partnerships between financial institutions, fintech companies and technology providers. These collaborations have facilitated the sharing of knowledge and expertise, realising the benefits of innovation across partners.

Beyond value and unlocking new opportunities, partnerships must also be approached with a consideration of associated risks and how they can create synergies for improving risk management practices. I urge everyone to continue exploring how such partnerships can be better utilised as the winning formula to advance innovation responsibly.

Today marks such an occasion with the launch of the Sandbox pre-screening programme by FAOM. This programme provides financial service providers with advisory support through engagements with experienced mentors within the industry. Therefore, I encourage interested parties to take advantage of this programme to better support your journey through the Sandbox.

Third, is for all stakeholders to foster a culture of agility and resilience for innovation to flourish. Innovation does not happen in isolation. It thrives in an environment where creativity is encouraged, risks are managed, and failures are seen as learning opportunities. Fostering a culture of agility and resilience is paramount. Different stakeholders play key roles in this process, each contributing their unique perspectives and strengths.

For instance, our financial institutions are generally well-resourced and have established risk management capabilities, providing them the ability to scale up in an effective manner. On the other hand, fintech players are more agile with greater flexibility to experiment newer forms of solutions and value creation. By harnessing such synergies, we can welcome new ideas, challenge the status quo, and continuously seek better ways to serve our customers and communities. This must come with parallel efforts on your part to enhance innovative capacity and upskill talent, where necessary.

To conclude, today marks more than just an event – it is a platform for growth and collaboration. I urge everyone to actively participate, share your insights, and seize the opportunities presented today. BNM stands committed to create a robust regulatory environment where innovation can thrive within.

Thank you for being here and for your continued commitment to responsible innovation and value creation. Let us embark on this journey of "Innovation Reimagined" together.

