

NEW FINANCIAL TECHNOLOGY MEANS SPANISH REGULATORS WILL ADOPT 'SANDBOX' APPROACH - RAMÓN Y CAJAL ABOGADOS

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Regulators acknowledging that they need to develop a new strategy in order to facilitate the development of the fintech industry

It is anticipated that Spanish regulators will soon adopt a regulatory 'sandbox' approach, in order to keep up with the growth of financial technology, says Javier Menchén, partner at Ramón y Cajal Abogados in Madrid. Such a scenario would involve regulators testing regulations on a small number of financial institutions to see if they are workable.

"We are currently working with a lot of Spanish and international banks in order to help them legally adapt their banking procedures to new fintech scenarios," says Menchén. "However, as lawyers, we can see that regulation is falling behind reality as things move so fast – sometimes, we have to say to a technical team that we will have to talk to regulators about some of the developments they are proposing, as while it may look reasonable, there is no case law, no precedent."

Already an established approach in other countries, a regulatory sandbox is a safe way for banks or

financial institutions to build and test in a live environment how new products, services and delivery mechanisms, not yet included in the law, work in the market, according to Menchén. "Regulators are acknowledging that in order to let the fintech economy progress, we cannot view regulation like we did in the past, or else we would be having to change EU and local laws every day, which in itself is a slow process," he explains. "A sandbox scenario enables banks to find out from a relatively small number of users if a new procedure works technically and from a compliance perspective – it's an innovative way to do things."

Menchén says that if Spanish regulators do decide to adopt the sandbox approach in the future, it will be an atypical process. "We won't be sitting at our desks doing a report on the law, we will be collaborating with companies and even the regulators to see how this sandbox scenario will work."