Ministry for Regulation
Te Manatū Waeture

Regulatory Sandboxes

Adapting your system in a safe-to-try way

Guidance for Ministers and agency leaders

March 2026

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Version: 1.0

Date: 18/03/2026

Classification: Public

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Published in March 2026 by the Ministry for Regulation, Wellington, New Zealand.

ISBN 978-1-991372-08-6 (Online)

This document is available on the Ministry for Regulation website: **regulation.govt.nz**

Purpose

This guidance promotes increasing regulatory flexibility and innovation. Regulatory sandboxes support this improvement work by helping to manage uncertainty.

The guidance supports Ministers and agency leaders to set up regulatory sandboxes and to manage them for success.

It explains how sandboxes build on existing tools for regulatory flexibility while accelerating system improvement.

What do I most need to know?

Regulation that adapts to changes is something we can all agree is important. Difficulty determining the future impacts of a regulatory change can get in the way.

A regulatory sandbox is a time and place where regulatory requirements have been relaxed, so that people can work out the best future regulation together.

It needs to have four walls:

1. pausing certain rules
2. working with firms that volunteer and are selected
3. operating within defined limits, especially time
4. completing the process with an evaluation.

A regulator does not need to wait for innovative products or services to come along before testing whether its own rules are ready for the future.

A regulatory sandbox is not a commitment to a future change. What is being tested may not turn out to work well enough to be broadly desirable.

Sandboxing is one method for regulators and regulated parties to innovate and deal with unknowns. It fits many situations, not all. They are particularly effective when the issue is *uncertainty*.

Why, what and where

The dilemma of taking risks to manage risks

Regulation needs to constantly balance certainty for regulated parties with flexibility for changing circumstances. Once a system has been designed and is generally considered to be working well, making changes can feel like upsetting the balance.

In dynamic situations it is hard to predict through consultation and analysis how people and systems will actually respond in future. The positive effects of a change may not happen, and unanticipated negative effects may happen too.

The regulatory sandbox is a solution

Definition

> **A regulatory *sandbox* is a time and place where regulatory requirements have been relaxed, so that people can work out the best future regulation together.**

Regulatory sandboxes can be thought of as like a medical clinical trial and a child's sandbox.

Like a child's sandbox:

- any structures made in it are flexible and temporary
- there are walls holding the sand back from affecting the rest of the garden
- the controls allow for some risk in order to find out about more risks
- people can work in it live, and together.

Like a clinical trial:

- there is reason to believe the treatment works, but the extent and side-effects on people need to be established
- the approval is temporary, and monitoring of results and effects is intensive
- it is limited to volunteers who are likely to benefit from it, rather than available to most of the population.

Value

Sandboxes speed up the improvement of systems. They also allow both regulators and firms to make sure that future regulatory changes work as intended. Getting real information about people's responses to different rules and processes manages down uncertainty.

Any individual sandbox can target opening economic opportunities, and/or reducing cost of compliance, and/or reducing the cost of harm, depending on the circumstances.

Whether the sandbox delivers value to the system will depend. The 'thing' being tested in a sandbox needs to turn out to actually work, turn out to be socially acceptable, and attractive enough to gain broad enough Ministerial and Parliamentary support. **A sandbox can improve all of these but does not guarantee any of them.**

Lastly, for some regulated industries it is increasingly true that disruption arrives from overseas already at a scale that the regulator needs to catch up with swiftly. The learning a regulator gets from running a sandbox can allow them to catch up more swiftly and safely.

Where are they being used already?

International

Regulatory sandboxes rose to prominence around 2015 because of the UK Financial Conduct Authority (FCA). [1] Singapore's Licensing Experimentation and Adaptation Program (LEAP) started in 2018 and has worked on telemedicine and community pharmacy. Other countries with sandboxes have included Australia, China, Japan, Taiwan, India, certain states of the USA, and Sierra Leone.

In addition to the payments, lending, and insurance sector, there have been regulatory sandboxes in healthcare, transportation, energy, and social care. Sometimes they target specific technologies or issues, such as cell-cultivated foods, blockchain, machine learning, autonomous vehicles, financial inclusion, and mobile payment on farms.

[1] **https://www.fca.org.uk/firms/innovation/regulatory-sandbox** and **https://www.fca.org.uk/news/speeches/aiming-calm-seas-our-market-reforms**

Case study: Japan's wide-ranging regulatory sandbox

In 2018 Japan enabled regulatory sandboxes for any regulatory system. This was through the *Act on Special Measures Concerning Productivity Improvement* and the *Revised Act on Strengthening Industrial Competitiveness*.

By March 2025, 33 sandboxes had happened, with 152 entities participating.

One example was over 10 months to test technologies for **real-time blood sampling for athletes** to improve international competitiveness in rugby and other sports.

One benefit was real-time physiological monitoring to improve athlete performance. In addition, allowing micro capillary blood sampling enabled less invasive and more accurate data collection to qualify athletes for the World Anti-Doping Agency's athlete biological passports. [2]

Other fields in which sandboxes have happened include personal mobility, healthcare, AI, internet-of-things, blockchain, and fintech.

New Zealand

In the ten years since the UK FCA sandbox, there has been interest in New Zealand. However, only two have gone fully into operation. They are the financial technology regulatory sandbox from the Financial Markets Authority that launched in January 2025[3] and the advanced aviation regulatory sandbox changes to the Civil Aviation Authority's rules, announced in November 2025.

Although regulatory sandboxes are relatively new here, they build on our current ways to be adaptable

Regulatory stewardship has been pointing New Zealand in the direction of regulatory sandboxes for some time. For instance, guidance sets out that "flexible, adaptable regulation can help to identify and realise opportunities, there also needs to be an organisational culture that supports and encourages regulatory experimentation, and an acceptable appetite for making adjustments to get it right." [4]

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[2] **https://www.cas.go.jp/jp/seisaku/s-portal/pdf/underlyinglaw/Japans_Regulatory_Sandbox_e.pdf**
[3] **https://www.fma.govt.nz/library/opinion/fma-launches-regulatory-sandbox-pilot-for-2025/**
[4] Page 20: **https://www.regulation.govt.nz/assets/Uploads/Starting-out-with-regulatory-stewardship-a-resource.pdf**

Also, using the power to approve exemptions from rules to respond to the unexpected is not new, although not every system has it. For instance:

- the land transport regulatory system allows bus drivers to be licenced for both diesel and the increasing number of electric buses, even though the latter are at a weight that would normally trigger a higher licence and higher cost. An exemption is in place to avoid someone being re-licensed for driving effectively the same vehicle. [5]
- the medicines regulatory system allows for medical professionals and patients to agree on using unapproved medicines, or using approved medicines in unapproved ways, as part of treatment. To use this exemption care decisions are taken by appropriate professionals under a code of practice. [6]
- the teacher professional regulation system allows for teaching to still take place when there is not a registered teacher available in a geographical area, and/or specialist skills are needed.

Good practice for risk-based regulators includes publishing approaches or priorities for compliance monitoring, and enforcement, so that limited resources are used wisely, the full range of options for enforcement are considered, and expectations on regulated parties are clear.[7] Depending on the nature of the rules being paused for a sandbox, adapting these strategies could be the appropriate vehicle. In more prescriptive systems formal legal measures may be required to achieve a sandbox. Note that the regulator discretion discussed here is separate from the independence, duties and discretion of prosecutors, which are under the Solicitor-General's guidelines for prosecution.

Lastly, there is a view that if an Act has flexibility or exemptions designed into it, then there isn't a need for the regulator to actively innovate. The challenge here is that flexibility can still create uncertainty for regulated parties. Published criteria for applying for flexibility, or reasonable estimates of how long an exemption decision might take are important supports. Without these, passive flexibility like exemptions, and active flexibility like regulatory sandboxes, may be under-used.

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[5] **https://nzta.govt.nz/assets/resources/land-transport-driver-licensing-rule-1999-electric-urban-bus-drivers-class-exemption-notice-2025/Land-Transport-Driver-Licensing-Rule-1999-Electric-Urban-Bus-Driver-Class-Exemption-Notice-2025.pdf**

[6] **https://www.medsafe.govt.nz/profs/RIss/unapp.asp**

[7] For further discussion see: **https://www.regulation.govt.nz/assets/Resource-Documents/b809a8a4fe/Quick-Guide-Regulatory-Compliance-Activities.pdf**
and **https://www.regulation.govt.nz/assets/Resource-Documents/RPE-Quick-Guide-Regulatory-Approaches-Models-and-Tools.pdf**

How and when

The method – the four walls of the sandbox

A regulatory sandbox needs to have the following four features or walls:

1. pausing certain rules

   Sometimes an activity is outside the original design of a regulatory system and is not explicitly authorised by default. This would need a temporary authorisation. Sometimes an activity is deliberately prevented by the system, but the risk it poses is no longer significant. This is likely to require an exemption.

2. working with firms that volunteer and are selected

   Entry into a regulatory sandbox is at the discretion of the regulator, due to the risks involved. Firms should be capable to operate in that environment. This can mean that they have certain types or numbers of staff available, and suitable information systems, and potentially a suitable compliance history.

3. operating within defined limits, especially time

   Other limits can include certain urban or rural spaces, heights of operation, for no longer than a set period and/or away from certain peak periods.

4. completing the process with an evaluation.

   The fundamental setting of a sandbox is a learning environment. An evaluation for both government and firms is to avoid a future regulatory change from going wrong because it went ahead without good information.

The checklist at the end of this guidance helps regulators design each of the four walls.

Two types of regulatory sandbox

The Ministry for Regulation encourages two types of regulatory sandbox:

- firm advocated: a firm has a novel product unanticipated by existing regulation, leading to fears its further development spells legal jeopardy; and
- regulator-advocated: a regulator knows that some rules are not working, but can't predict how regulated parties would respond to different or no rules.

Our view is that a regulator does not need to wait for innovative products or services to come along before testing whether its own rules are ready for the future.

How to know whether to get started?

This guidance intends to bring New Zealand more up to speed in the adaptation of our regulatory systems, by promoting an established method. **To be clear, regulatory sandboxes do not work in all situations and are not the only adaptation or innovation method.** They bring formality and credibility, but at a cost.

Proving that adding a new measure, or removing an old one, either would or wouldn't work are equally valuable. If the avoided measure would have been costly but ineffective, then this is an excellent use of the spend that comes with a sandbox.

Optimal size of potential benefits

If the expected benefit of the change is not large, or it doesn't bring a substantial trust-building opportunity, then the expense of building all four walls of a sandbox may be less justified than a simpler trial or pilot.

If the benefits are large, such as great impact on lifespans, new markets for high margin products, or solving a long-standing regulatory burden then a regulatory sandbox is an excellent way to get progress on the issue, despite risk. It tips the balance in favour of getting the change done.

Optimal size of risk

Ultimately a regulatory sandbox needs to result in a credible conclusion that a regulatory change is beneficial. If the measure has very low risk, then other testing methods, or simply proceeding, should be considered.

If the measure being tested could get out of hand and be highly harmful, then the regulator's handbrake on the sandbox needs to be designed for rapid use. If that isn't practical, then the measure may need to be tested some other way that does not pose serious risks to the credibility of all involved.

Practically containable

If the risk that has previously been holding back a change can be scaled or contained, then a sandbox is well-suited. For instance, it could:

- be available nationally, but only to people with more experience in the regulatory system and who are easier to contact
- only allowed in spaces away from infrastructure and population centres
- only near an office of the regulator
- only include as many participants as can be overseen by available staff.

Good authorising relationships

As sandboxes are experiments, sometimes they show that an idea doesn't work. There is also a prospect that controls may fail, and some harm occur. It is important that the relevant Chief Executives and Ministers are comfortable with accepting some risk, especially jointly. Various arrangements discussed below can aid with this risk acceptance.

Using language that is natural to your staff and stakeholders is important. A regulatory sandbox needs the four walls described above, but it can be called other things. Other options can include pilots, proofs of concept, or tests. Science-based organisations may find words such as experiment or test to have positive associations. In contrast, financial organisations may find that pilot sounds like a commitment has already been made, and that the sandbox is just managing the rollout. In that case test would make more sense.

Public confidence

It is important that the sandbox design creates confidence among the public that care has been put into managing any risks to them. For geographically limited sandboxes for testing a technology this is particularly important, especially if the likely benefit to that area may be a few years away.

If a firm or product has poor social licence, then high public confidence in the regulator can be a counterbalance. If both social licence and public confidence are low at the time, then proceeding may be fraught. How firms get into the sandbox and can be removed is also important for credibility.

Commitment to evaluation spend

If the above value and preconditions are met, then the decision whether to pursue a sandbox will come down to the readiness of all parties, and cost.

Evaluation of a sandbox is a critical support to regulatory change and to transparency about the process. Although it might appear costly to set up the measurement, it is ultimately beneficial to the regulator and firms. Sharing costs is an important consideration. Some phases of a sandbox will be intensive for the regulator's staff, which needs to be recognised.

What is specific to NZ?

There are two particular New Zealand factors to consider for sandboxes.

The **role of local government** in regulatory systems varies by sector. For instance, in the land transport system local government acts as road controlling authorities and make decisions that affect entire communities, such as approving road use. In the food safety system local authorities typically make decisions at the firm level such as licensing and enforcement.

For geographically limited trials in particular, local government can be a powerful partner. It can reinforce the political licence for the sandbox, as well as increasing the social licence and community trust.

The second issue is that **regulator authority and legislative flexibility** also vary by system. Not all regulators have the same level of control over their own policy and legislation. Some regulators lead policy changes in their sector. Others implement legislation developed by a separate agency. This matters because it may affect how well their legislation supports discretion and flexibility.

The purposes and functions of the regulator or system may already be broad enough to enable innovation and flexibility. Some systems may have enough exemption powers to make sandboxing possible. For others, regulatory amendments are likely to be needed — through secondary legislation (if already authorised by primary legislation) or enabling primary legislation — before a sandbox can proceed.

If after working through this guidance and checklist with your legal advisers there are no avenues found to support flexibility and innovation, then senior leaders and Ministers will need to address this.

What next?

The Ministry for Regulation is collecting further information on how to set-up teams in your agency to do this work. Get in touch with **systemcapability@regulation.govt.nz** if you would like to discuss further.

Acknowledgements

We are grateful for support from the New Zealand Financial Markets Authority, and to all agencies who have published guidance, particularly from the New South Wales Productivity Commission and the Canadian Centre for Regulatory Innovation.

Further reading

More detailed information can be found at:

- *Smarter Regulation through experiments:* **https://www.productivity.nsw.gov.au/smarter-regulation-through-experiments**
- *The Regulators' Experimentation Toolkit:* **https://www.canada.ca/en/government/system/laws/developing-improving-federal-regulations/modernizing-regulations/report-and-resources.html**
- *OECD Regulatory sandbox toolkit* (note that this is focussed on firm-initiated sandboxes): **https://www.oecd.org/en/publications/regulatory-sandbox-toolkit_de36fa62-en.html**
- *Designing regulatory sandboxes: a comprehensive framework for aligning functionalities and objectives*. Chen, G. K. H., & Taeihagh, A. (2025). Policy Design and Practice, 1–15. **https://doi.org/10.1080/25741292.2025.2570954**
- *The Sandbox Approach and its Potential for Use in Health Technology Assessment: A Literature Review.* Appl Health Econ Health Policy. 2021 Nov; 19(6):857-869. **https://doi.org/10.1007/s40258-021-00665-1**

Getting started: Checklists

☑ Pausing certain rules	
☐	Establish a project team with senior sponsorship that includes expertise from legal, evaluation, and stakeholder engagement from the outset.
☐	When identifying what is possible under existing legislation consider a range of safe harbour measures, such as post-trial certificates of compliance, restricted authorisations, waivers, exemptions, published enforcement priorities, and “no enforcement action” letters.
☐	When proposing legislative change to enable experimentation, try to permanently enable experimentation, rather than just for the single case at hand.
☐	After preparing the required regulatory exemptions, design the specific testing environment in collaboration with the firms that have been accepted. This phase is resource-intensive and often requires dedicated staff.
☐	Develop an agreement with participants that outline the terms of the sandbox, including responsibilities, procedures, and conditions for stopping the experiment.
☐	Retain authority in cases of gross harm or negligence arising during the trials.
☑ Working with firms that volunteer and are selected	
☐	Consider whether taking firms in in batches or cohorts would be more efficient than having the sandbox open for entry at any time.
☐	Devise an application process and communicate it widely.
☐	Engage with the public and prospective firms from the outset to ensure the sandbox design meets their needs.
☐	In some situations, entry to the sandbox can be made automatic based on the firm meeting easily verified criteria. This accelerates the process.
☐	Look out for undue disadvantage to New Zealand firms.
☐	Devise appropriate diligence and entry criteria on all applying firms and products before accepting them into the sandbox.

☑ Operating within defined limits, especially time	
☐	Establish an appropriate time limit through a sunset clause on the exemptions, and also the ability to extend it once in case of the unexpected.
☐	Placing a boundary around the sandbox supports managing risks and reducing extra factors that may confuse the learning environment. Boundaries can be geography, sub-sector, number of people who will be customers of a service being trialled, size of firms included, how many agency remits might be crossed and therefore need to be coordinated.
☐	Establish safety monitoring that predicts and/or mitigates unexpected events.
☐	Establish checkpoints at which all parties can review progress and propose closure.
☐	Create advisory bodies as needed, for local or industry involvement, or advice from other regulators.
☐	Include an exit strategy or "handbrake" that allows the regulator to suspend or end a firm's participation, or the sandbox itself, if certain thresholds are breached for instance safety, legal, or reputational risks.
☐	In summary, design the sandbox that you need to learn from, not the one that makes everything feel safe.
☑ Completing the process with an evaluation	
☐	Develop an evidence approach, planning for KPIs, data collection, analysis, and interpretation, for an evaluation report for each product or service tested within the sandbox, assessing its viability, public value, potential risks, and remaining uncertainties based on data collected.
☐	Similarly, an evaluation report for the sandbox, about objectives, participants, achievements, general insights, and follow-up actions and recommendations.
☐	Schedule regular, informal meetings with participants and stakeholders throughout to address concerns promptly