

Frame the Future Thought Pieces



Evolving Regulation to Fuel Innovation



Tengku Azrul Tengku Azhar
Head of Innovation Ecosystem, Futurise

New technologies such as artificial intelligence (AI), machine learning, big data analytics, and the Internet of Things (IoT) are the hallmarks of the Fourth Industrial Revolution, but they are only the tip of this disruption iceberg. These 21st century technologies continue to emerge and drastically affect our lives, and they come with an apparent side effect — a gap between regulation and innovation.

As technological advancement continues to shape the future at an unprecedented speed, laws, regulations, and policies have not been able to keep up with it, creating a growing need to fill this gap.

Addressing this need, of course, begs the question: How do we strike a balance between fostering innovation, protecting consumers, and addressing the potential unintended consequences of disruption?

An Age-Old Challenge

The gap between innovation and regulation is an age-old challenge. The presumption that policies and regulations could be drawn and remain unchanged for years has been upended in today's societies. Regulations will continue playing catch-up, hampering the emergence of what could be the next best invention, brand, company, product, or service unless something is done.

When motor vehicles were first introduced, automobile regulations and restrictions were implemented to protect pedestrians, drivers, horse-drawn car-

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riages, and even cattle. This hindered advances in automobile development for decades. Today, regulators face similar challenges. They must balance their charge to protect the people with advancing innovation in new technologies and businesses, resisting both over and under regulation.

A most recent example would be the challenging regulatory regimes faced by ridesharing companies that placed enormous strain on traditional regulations. The sharing economy has disrupted policies and laws, blurring the lines between customer, vendor, and

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business. For example, should a ridesharing vehicle be involved in a crash, who bears liability — the company, the driver, or the passenger?

Adaptive Regulation

If we are to keep history from repeating itself, an effective method to regulate technology is by constantly interacting with technology — identifying and modifying regulations in real-time, enforcing them, and communicating them to the public swiftly. And all this must be done while working within legacy frameworks and fostering innovation.

Being adaptive allows for a lot more flexibility and leniency, as it relies on a trial and error method of regulatory design. Adaptive regulation calls for the involvement and collaboration of both the public and private sector, ensuring frameworks and pilots are drafted taking into account feedback from various parties.

This work-in-progress approach allows regulators to evaluate policies against standards and revise them accordingly. It requires continuous or iterative re-evaluations, while bolstering innovation.

The Sandbox

In most cases, regulations do not get passed. Instead, a regulatory framework is put in place in the form of a guideline, standard operating procedure, or legislation to continue to encourage creativity, fuelling the flames of innovation. The Regulatory Sandbox Approach in recent years has sprung up globally, enabling the testing of new innovations in a controlled environment under the facilitation and supervision of a regulatory body.

The sandbox typically relaxes or adapts existing rules to create a conducive environment that does not impede experimentation.

Sandboxes provide regulators with a framework to base their regulatory response to innovations on the results of live experiments. In frontier cases, this helps regulators make swift and informed decisions on how to congruously regulate these new technologies.

The Malaysian Innovation Regulation Momentum

The need for new regulations to keep up with the technological change in Malaysia has gained momentum in recent years. The Malaysian government has been playing a critical role in ensuring knowledge and best practices relating to the governance and regulation of innovative technologies are tested and shared across sectors by forging collaborative ties between governments, the private sector, and experts.

Through the Ministry of Finance, Malaysia has introduced the National Regulatory Sandbox, a strategic collaboration headed by Futurise, a state-owned company, that aims to expedite progressive and anticipatory regulation intervention, while simultaneously enabling innovations and technology solutions to be tested in a controlled environment.

The National Regulatory Sandbox has facilitated various regulators in Malaysia to understand the impact of regulations on drone-tech, autonomous vehicles, and digital health, while at the same time attracting innovation and investment to Malaysia.

In a context of rapid and high uncertainty, we must make peace with the fact that regulatory independence and predictability require adaptation. Malaysia has focused on maintaining a clear and enduring economic regulatory framework that promotes growth in innovation. With new technologies holding the promises of a brighter future, we will strive to ensure that the implementation is responsible, equitable, and boosts a growing innovation ecosystem.