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Streamlining Regulation for International Growth and Innovation: A Legal Perspective

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I. Introduction

In September 2024, Mario Draghi delivered a diagnosis that few in Brussels wished to hear. His report on European competitiveness portrayed a continent choking on its own rules. With an average of 19 months to pass legislation and over one hundred technology-focused laws, Draghi argues that Europe is not merely slow but structurally incapable of adapting its regulatory architecture to the speed of the economy it sought to govern.[1] To keep pace with accelerating change, the production and implementation of regulation must itself accelerate. Streamlining appears to be the answer.

As Koop and Lodge observe, regulation is a concept harbouring many definitions. However, a shared core emerged as the intentional and direct intervention by public-sector actors in private economic activity, involving binding standard-setting, monitoring and sanctioning.[2] Building on this definition, streamlining regulation must not be understood as a diminution of this intervention but merely as the process of consolidating, simplifying and modernising regulatory frameworks so that they remain effective without being unnecessarily burdensome.

The challenge facing regulators today is not just complexity but also speed. Financial crises have always exposed weaknesses that supervision failed to catch. What has changed is the tempo at which these crises unfold. The collapse of Silicon Valley Bank in March 2023 was not a traditional bank run unfolding over weeks of whispered anxiety. It was a 42-hour implosion, triggered by a single social media post and accelerated by instant digital withdrawals. The Financial Stability Board drew the lesson plainly in 2025: the financial system now moves faster than the rules designed to govern it.[3] This creates a dilemma with no comfortable answer. Regulate too tightly, and you suffocate the

[1] Mario Draghi, The Future of European Competitiveness: A Competitiveness Strategy for Europe (European Commission 2024) 8, 67–69.
[2] Christel Koop and Martin Lodge, 'What is regulation? An interdisciplinary concept analysis' (2017) 11 Regulation & Governance 95, 104.
[3] Financial Stability Board, 'Mind the Speed: How Regulators Can Prepare for a Faster Financial System' (FSB, March 2025).

innovation that drives growth. Regulate too loosely, and you leave the system exposed to risks that are not only systemic but, in the age of viral information, contagious.

This essay argues that streamlining is not only desirable but necessary if regulatory frameworks are to match the pace of technological change. However, streamlining pursued without regard of broader objectives of regulation such as consumer protection or financial stability risks replacing one set of failures with another. The question is not whether to streamline, but how to do so intelligently.

II. The Architecture of Clarity

The post-crisis regulatory framework achieved what it was designed to achieve. As the General Manager of the Bank for International Settlements observed in March 2026, two decades of reforms have made the global financial system "safer, stronger and more resilient."[4] The challenge is preserving this resilience while reducing unnecessary complexity.

The coherence that streamlining pursues reinforces two foundational legal principles: certainty and proportionality. Economic actors, particularly those fostering innovation, must be able to anticipate their regulatory obligations and trust that these obligations reflect the nature and scale of their activity. Before MiCA, a crypto-asset firm authorised in Estonia could not operate in France without a separate licence under an entirely different regime. MiCA replaced twenty-seven divergent frameworks with a single authorisation and passporting system, without weakening oversight. Proportionality, enshrined in Article 5(4) TEU, demands the same logic at firm level. DORA scales compliance obligations to the size and risk profile of the entity, rather than applying a template designed for systemically important institutions. The point is not to lower the bar. It is to stop demanding that a two-person fintech startup clear the same bar as a global bank.

[4] Pablo Hernández de Cos, 'Streamlining financial regulation while safeguarding stability and tackling new risks' (Speech, BIS, Geneva, 4 March 2026).

But streamlining is not only a matter of rules on paper. It is also a matter of relationships. The FCA's regulatory sandbox, launched in 2016, demonstrates what becomes possible when regulators and firms operate in a framework designed for dialogue rather than confrontation. By allowing firms to test products under live supervision with certain requirements temporarily relaxed, the sandbox earned trust while preserving oversight. Cornelli and others found that participating firms raised 15% more capital than comparable firms and were significantly more likely to survive.[5] The model worked because investors saw regulatory engagement as a signal of legitimacy, not a threat. The sandbox channeled private capital toward supervised innovation rather than unregulated alternatives.

Finally, streamlining operates increasingly through transnational regulatory networks rather than formal treaties.[6] Initiatives such as the Global Financial Innovation Network enable cross-border supervisory coordination, reducing fragmentation while preserving national autonomy.

III. The Deregulation Trap

The case for streamlining is compelling in theory. In practice, however, simplification carries its own dangers. When the US Congress passed the Economic Growth, Regulatory Relief, and Consumer Protection Act in 2018, easing oversight of mid-sized banks, the result was not the growth its title promised. It was a measurable increase in both individual and systemic risk among affected institutions, even as their short-term profitability rose. Removing rules does not automatically produce the innovation that matters.[7]

Moreover, growth and innovation are not the sole objectives of regulation. Consumer welfare, financial stability, market integrity and public trust are not secondary considerations to be traded

[5] Giulio Cornelli and others, 'Regulatory Sandboxes and Fintech Funding: Evidence from the UK' (2024) 28 Review of Finance 203, 210.
[6] Anne-Marie Slaughter, *A New World Order* (Princeton University Press 2004) ch 1.
[7] Economic Growth, Regulatory Relief, and Consumer Protection Act 2018, Pub L 115–174 (US).

away for competitive advantage. As Yeung and Ranchordás observe, regulation serves not only efficiency but also legitimacy and accountability.[8] A regulatory framework that optimises for speed at the expense of these objectives may win the race but lose the public.

There is a further, more practical objection. International harmonisation can itself produce unfairness. Basel III, designed to strengthen global banking standards, imposed capital and reporting requirements that smaller institutions in emerging economies struggled to meet. The Basel Committee itself issued proportionality guidance in 2022. A single rule applied uniformly can be as disproportionate as twenty-seven rules applied inconsistently. Conversely, where harmonisation is absent, the risk inverts. National regulators competing for mobile capital face structural incentives to lower standards, producing a race to the bottom that streamlining, if coordinated, could itself prevent.[9]

Streamlining must attend to the specificity of those it regulates, not merely to the convenience of those who regulate.

IV. Three Tools for Balancing Competing Objectives

If the challenge is to streamline without sacrificing safeguards, the most promising tools are those that reduce the cost of compliance without altering its substance.

First, regulation need not always take the form of binding command-and-control rules. As Yeung and Ranchordás note, the regulatory toolkit includes softer mechanisms such as guidance, regulatory sandboxes and co-regulatory frameworks. These tools allow regulators to adapt to emerging technologies without waiting for the legislative cycle to catch up. The FCA's AI Lab, launched with the Bank of England in 2024, is exactly this kind of instrument: a space where regulators and

[8]Karen Yeung and Sofia Ranchordás, 'Hybrid Instruments and Experimental Regulations' in Karen Yeung and Sofia Ranchordás, *An Introduction to Law and Regulation: Text and Materials* (Cambridge University Press 2024) 194.
[9] Giovanni Dell'Ariccia and Robert Marquez, 'Competition among Regulators and Credit Market Integration' (2006) 79 Journal of Financial Economics 401.

innovators co-develop models for supervisory use, learning alongside the market rather than dictating to it.

Second, regulatory technology offers a structural response to compliance costs. As AI tools become more accessible, automated reporting, machine-readable regulation and algorithmic surveillance can drastically reduce the operational burden of compliance without altering its substance. RegTech does not change what firms must do, it changes what it costs to do it. For SMEs facing disproportionate compliance burdens, this is not a marginal improvement.

Third, and most fundamentally, the objective should not be less regulation but smarter regulation. The OECD's Regulatory Policy Outlook has consistently argued that regulatory quality, measured by coherence, proportionality and evidence-based design, matters more than volume.[10] Smart regulation means designing technology-neutral frameworks that do not need rewriting every time a new platform emerges, and systematic review of rules after implementation rather than assuming they work. This is not a call to do less. It is a call to do it better.

V. Conclusion

There is an uncomfortable truth at the heart of financial regulation: it is almost always designed to prevent the last crisis, not the next one. In a world where uncertainty is multiplying and technology is accelerating, that lag is becoming more dangerous. Streamlining regulation is one way to close the gap. But it is only effective if pursued with the same discipline and rigour as the regulation it seeks to improve. The best regulation does not choose between innovation and stability. It designs the architecture in which both can coexist.

[10] OECD, *OECD Regulatory Policy Outlook 2025* (OECD Publishing 2025) ch 3.