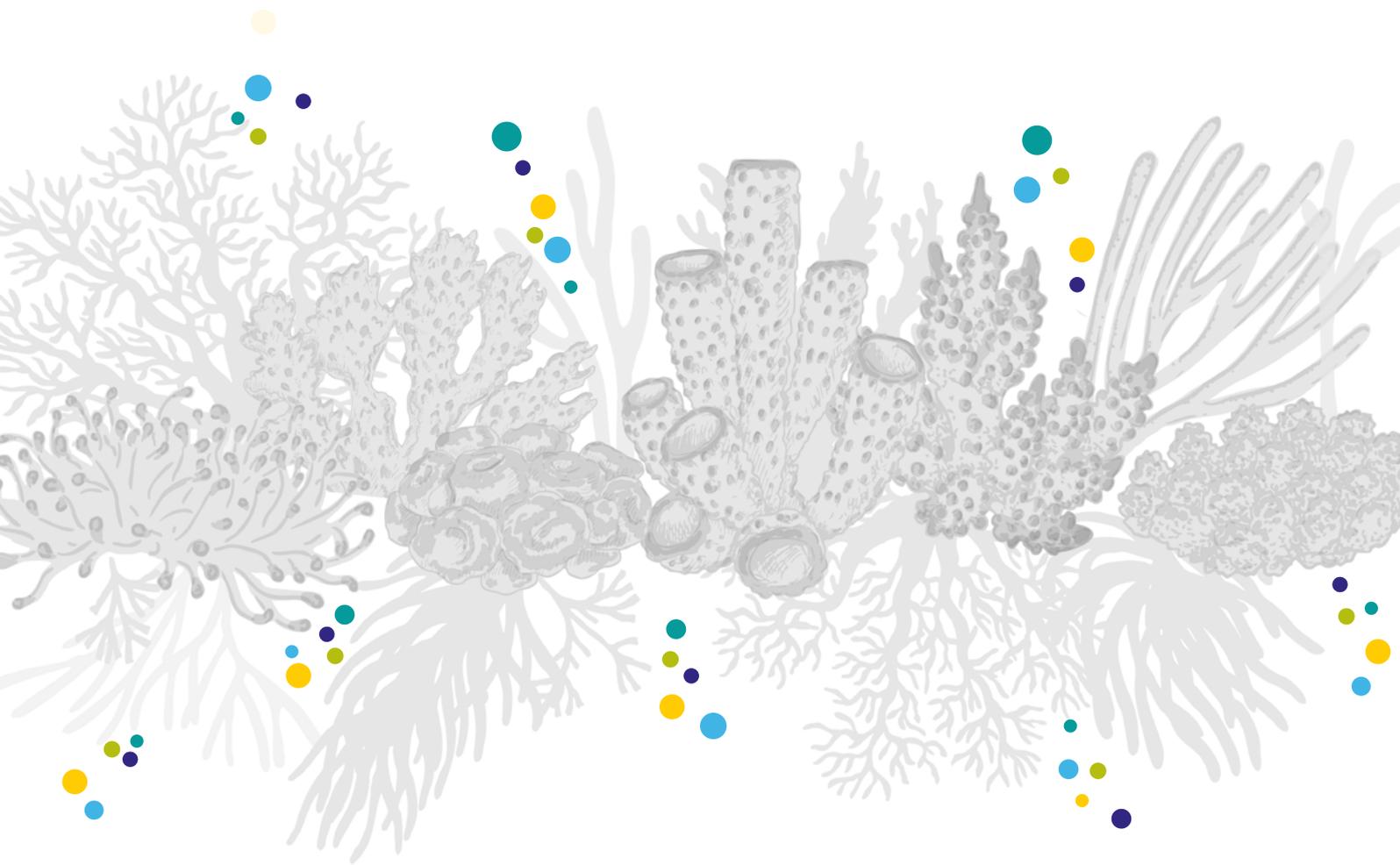




BRINGING  
SMART  
POLICIES  
TO LIFE

# PACIFIC REGIONAL REGULATORY SANDBOX GUIDELINES

March 2020



BANK OF PAPUA NEW GUINEA





## ACKNOWLEDGMENTS

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This Regional Regulatory Sandbox Guidelines is a product of the central banks that make up the Pacific Islands Regional Initiative (PIRI) under the direction of the PIRI Regulatory Sandbox Technical Subgroup from Fiji, Samoa, Solomon Islands, Vanuatu, Papua New Guinea, Timor-Leste and Tonga. AFI is also thankful to Wameek Noor for helping the technical subgroup conduct relevant research and drafting the document.

Contributions from the AFI Management Unit was led by Adeyemi Omotoso - AFI Policy Specialist, FinTech, with support from Ghiyazuddin Mohammad - AFI Senior Policy Manager, Digital Financial Services, and Eliko Boletawa - AFI Head of Policy Programs & Regional Initiatives.

We would like to thank AFI's PIRI leaders and member institutions, partners and donors for generously contributing to development of this knowledge product.

This initiative is partially funded with UK aid from the UK government.

# 1. INTRODUCTION

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**1.1.** The monetary authorities and central banks of the sovereign countries of the Pacific Islands Regional Initiative (PIRI), a platform of the Alliance for Financial Inclusion (AFI) that currently includes (in alphabetical order) Fiji, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga and Vanuatu (“the countries”), are creating a regional regulatory sandbox (“the sandbox”) – an emerging regional novelty that is first of its kind.

**1.2.** The countries recognize that advances in financial technology (FinTech) have led to new business models and solutions that are helping to create better value and experiences for customers, and improve the efficiency and risk management of financial institutions. They could also play key roles in the responsible development of the financial sector and economies of Pacific Island countries, including enhancing financial inclusion and reducing poverty.

**1.3.** With the global FinTech environment evolving rapidly, emerging financial services and innovations are becoming more sophisticated. For startups, private sector players and financial services providers (herein referred to as “applicants”) interested in operating in Pacific Island countries, uncertainty about compliance with legal and regulatory requirements (which can vary across countries) may cause them to err on the side of caution and decide not to implement their solutions in the region.

**1.4.** The sandbox, therefore, presents the Pacific as a regional bloc and attractive market that addresses concerns about regulatory compliance and ensures access to a vibrant and growing single market.

**1.5.** The sandbox has been designed to provide a common, official regional platform for regulatory authorities from PIRI countries to harmonize policies and regulatory requirements. The objective of the sandbox is to enable applicants to test their financial service as easily, conveniently and efficiently as possible, in a timely and cost-effective manner, without placing undue risk on customers and the financial systems of the participating countries.

**1.6.** Sandbox applicants can apply to test their innovative financial service in a live environment bounded by clear parameters, legal guidelines, appropriate safeguards and well-defined terms and conditions and duration, all set by the respective sovereign monetary authorities. This is to contain the consequences of failure, protect consumers and maintain the safety and soundness of the sovereign and regional financial system.

**1.7.** The sandbox represents all participating countries and, as officially agreed, provides an integrated and harmonized mechanism through which the countries can review prospective applicants – as mandated and required under their sovereign laws and statutes – in a coordinated manner. Each country will review and make decisions about the applications separately. Should the applicant meet the criteria for a successful application to the sandbox (as detailed in this Guidelines document), the sandbox will notify applicants that they are approved to proceed with testing their financial service in the respective jurisdiction.

**1.8.** The sandbox is delivered and accessed through a shared digital portal, creating a digitized, efficient and integrated mechanism to accept applications and evaluate applicants without placing undue complexity, time or effort on applicants with drawn-out duplicate processes. The sandbox allows the countries to evaluate the applicant at the same time and coordinate with each other efficiently while ensuring all applicants go through a single, unified, coordinated process and lens.

**1.9.** The medium-term goal of the sandbox is to become a global benchmark for innovative regulatory approaches and facilitate the ease of doing business in the region over time (a long-term goal). Both goals are signals that PIRI countries are embracing and welcoming private sector innovation that strengthens access to and use of financial services, and ultimately improves the well-being of their populations.

**1.10.** The following Guidelines set out the rationale, objective and principles of the sandbox. They also provide guidance to prospective applicants on the requirements, information, stages and procedures governing the application and approval processes.

## 2. RATIONALE OF THE REGIONAL REGULATORY SANDBOX

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Monetary authorities and financial regulators of participating countries in the PIRI regional regulatory sandbox have identified the following benefits for prospective sandbox applicants:

**2.1.** The sandbox presents participating countries as a regional bloc rather than individual markets, which provides interested startups and FinTech companies with an attractive business proposition, a bigger and more diverse market, and greater potential within a well-defined, requisite regional regulatory structure.

**2.2.** Participation in the sandbox does not permit applicants to circumvent existing laws and regulations of the participating countries. Rather, it provides opportunities for applicants to interact with regulators more effectively. This is intended to strengthen compliance, incorporate consumer protection in innovative new solutions and develop proportionate regulations and policies in the future.

**2.3.** Applicants that successfully experiment in and exit the sandbox will have a better understanding of due diligence and compliance requirements for their proposed financial service. However, notice of admission into the sandbox from monetary and regulatory authorities does not constitute any form of endorsement nor confer any preferential status to the applicant or their proposed service. The regulator is also indemnified against any form of liability for services and activities that have been issued with a notice of admission, tested in the sandbox or successfully exited the sandbox.

**2.4.** Following application and admission to the sandbox, and upon successful experimentation, participating countries will provide guidance to the applicant on the commercial deployment process based on the sovereign regulations of their country.

**2.5.** Other reasons to apply to the sandbox include:

**2.5.1.** A wide pool of resources and expertise from the countries providing guidance and conducting

appropriate due diligence on the applicant. This leads to fewer time delays and more thoughtful testing parameters while in the regional sandbox.

**2.5.2.** Participation in the regional regulatory sandbox waives the need to participate in the national sandboxes of the participating countries. Waivers will be on a case-by-case basis and determined by each sovereign monetary authority. A waiver will only be issued if the applicant's proposed service (equivalent in nature and scope) has gone through the regional regulatory sandbox evaluation process and received favorable consideration and approval to proceed from the same monetary authority.

**2.5.3.** If the applicant has already participated in the national sandbox of any of the participating countries prior to applying to the regional sandbox, the evaluation process will proceed as prescribed under the regional regulatory sandbox. Specific waivers obtained from the monetary authority of the national sandbox that the applicants have successfully exited might be considered in the determination of the application, subject to the discretion, sovereign laws and statutes of the other participating countries.

## 3. PRINCIPLES OF THE SANDBOX

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**3.1.** The “principles” (or overall requirements) of the sandbox are as general as possible, emphasizing the need for governance, compliance with international standards, reporting requirements and financial innovation.

**3.2.** The objective of the sandbox is to foster responsible financial innovation that improves efficiency, nurtures new opportunities, provides safeguards and robust risk mitigation, and achieves the mandates of financial inclusion by improving the access, use and quality of financial services for people living in the participating countries.

**3.3.** Failures, new types of risks and consumer protection issues are expected consequences of innovation. Given that the regional sandbox operates in a live environment, the mandate to guide sandbox participants and protect their customers from financial and other forms of loss requires the sandbox to establish clearly defined parameters for the environment and duration of the proposed service and other measures to ensure the consequences of failure are contained.

**3.4.** Applicants should have the potential to contribute meaningfully to one and/or more of the following policy objectives, as agreed and communicated by the participating countries (note that this list is not exhaustive):

- (a) Expanding account ownership among the financially unbanked or underserved;
- (b) Ensuring regular use of a secured store of value with financial services providers, including e-money wallets and no-frills bank/deposit accounts, by addressing identification and other documentation barriers;
- (c) Enhancing the range, diversity, quality and distribution network of financial services infrastructure and products through more sophisticated and innovative digital infrastructure;
- (d) Creating an enabling regulatory and supervisory environment to support innovation;
- (e) Supporting financial policymakers and regulatory communities to improve market regulations and supervision;
- (f) Improving digital and financial literacy among people in participating countries;
- (g) Promoting the development of the MSME sector by improving access to information, markets and financing;

- (h) Mitigating the loss of correspondent banking relationships and formal remittances services with a focus on affected small island states;
- (i) Encouraging consumer behavior and adoption of inclusive green finance or other initiatives that help low-income consumers in Pacific countries adapt to the impacts of climate change;
- (j) Enhancing the uptake and use of digital financial services by low-income women in developing countries;
- (k) Providing low-income young entrepreneurs in Pacific countries with enhanced opportunities to access financial services and grow their business;
- (l) Enhancing the quality of financial inclusion for the elderly;
- (m) Enhancing access to formal financial services for refugees and other forcibly displaced persons;
- (n) Promoting and advancing gender-sensitive financial services to increase financial inclusion for women; and
- (o) Collecting and continuously improving services using unbiased, gender-disaggregated data analytics.

**3.5.** The applicant should clearly understand the objective and principles of the regional sandbox. The sandbox is not intended to, nor can it be used to, circumvent the legal and regulatory requirements of any of the participating countries.

**3.6.** The applicant may be denied participation in the sandbox in the following circumstances:

**3.6.1.** The applicant’s proposed financial service is not complete or is not yet a minimum viable product as demonstrated through its own testing. Hence, the service is not market ready or at a stage at which sandbox participation makes sense.

**3.6.2.** The applicant has an adverse record of unscrupulous business dealings, a criminal record or other non-compliance with regulations in other jurisdictions.

**3.6.3.** The applicant cannot demonstrate they have conducted due diligence on the applicability, relevance and legal and regulatory requirements of their proposed financial service for all participating countries, as part of their sandbox preparation.

## 4. TARGET AUDIENCE

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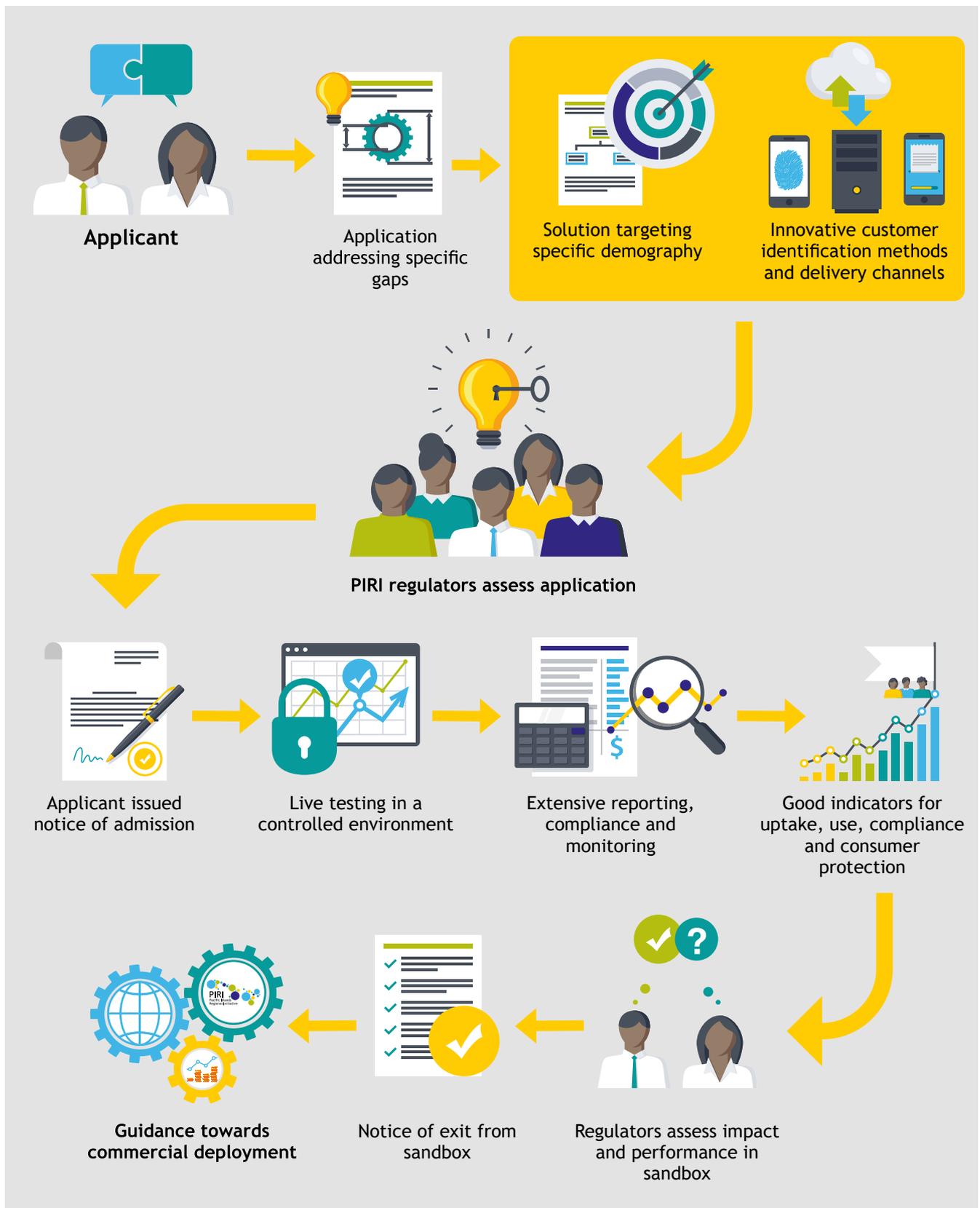
- 4.1.** The target applicants are for-profit or non-profit companies interested in applying technology in an innovative way to support or offer financial services that are regulated, or likely to be regulated, in some form in the participating countries to improve the access, use and quality of financial services and promote financial inclusion.
- 4.2.** The target applicants are registered businesses in at least one jurisdiction globally, and include, but are not limited to, financial institutions, non-bank financial institutions, FinTech firms or professional services firms (broadly speaking, “financial services providers”) partnering with and/or providing support to such businesses.
- 4.3.** Applicants based in the Pacific region are strongly encouraged to apply as the sandbox is keen to harness and promote local innovations.
- 4.4.** The sandbox also encourages international applicants interested in deploying their financial service in the Pacific region. These applicants could be based outside the Pacific but operating in Pacific jurisdictions, or currently based/operating only in non-Pacific jurisdictions. Some of the participating countries require an applicant’s company and/or its service to be incorporated in its jurisdiction. The sandbox’s online portal will alert applicants to this requirement, if applicable.

## 5. STAGES AND REQUIREMENTS OF THE SANDBOX

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- 5.1.** Interested prospective applicants must submit their application through the sandbox’s online portal at: <https://www.pirisandbox.org>
- 5.2.** The applicant should ensure that the objective, principles and criteria specified in this Guidelines document are satisfied before submitting the application. Prior to submitting the application, the applicant can and is encouraged to make enquiries and/or seek clarification on any aspect of or requirement for participation in the sandbox. Complete the form on the Contact Us page at: <https://www.pirisandbox.com> or send an email with a clear subject to: [info@pirisandbox.com](mailto:info@pirisandbox.com)
- 5.3.** The sandbox and participating countries reserve the express right to deny or reject an application or request clarification, modification and/or more information to support an application.
- 5.3.1.** The sandbox and participating countries can cancel or withdraw any approval or authorization to participate in the sandbox at any time.
- 5.3.2.** Application approvals will be communicated as a “Notice of Admission” or as defined by the participating countries.
- 5.3.3.** The sandbox will provide, as it deems sufficient, information and reasons (if any) for the consideration of and decision on any application or applicant.
- 5.3.4.** The sandbox or participating countries will not be liable for any financial or material loss, failure, harm or liability arising from the decision to reject, deny, cancel or withdraw an application or applicant.
- 5.3.5.** For a rejected, denied, cancelled or withdrawn application or applicant, in any of the five stages of the sandbox, a cooling-off period of three (3) months will be observed before the applicant is allowed to resubmit the application. This is provided that new information or material changes have been made in response to the reasons communicated by the sandbox.
- 5.4.** The five (5) stages of the sandbox are as follows:

# THE SANDBOX PROCESS



This flow is for illustration only. The scope of the PIRI Regional Sandbox is as determined by the participating monetary authorities and subject to change without notice.

## 5. CONTINUED

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### STAGE 1: APPLICATION (PRELIMINARY ASSESSMENT)

**5.5.** Interested applicants should access the sandbox's online portal at [www.pirisandbox.org](http://www.pirisandbox.org) and follow the steps to complete and submit their application, indicating the focus of their proposed service and markets (or countries) of interest. An expression of interest or preference for a particular country or countries does not qualify as an automatic right to participate in those countries, as this is subject to an evaluation process and specific considerations of the participating countries.

**5.6.** All applications submitted successfully via the portal will be acknowledged with a successful submission notification to the applicant.

**5.7.** Based on market(s) preferences indicated by the applicant, the respective participating country will receive the application in real time, including all submitted/uploaded documentation, for a preliminary assessment against the country's requirements as specified in its sovereign law and regulations to determine "potentially suitable applicants".

**5.8.** Applicants at this stage may not fulfill all requirements perfectly, but should demonstrate the benefits of the proposed service, safeguards and other attributes relevant to achieving the objectives of the sandbox. At this stage, participating countries may seek further information from applicants via the sandbox portal.

**5.9.** Applicants will receive a decision from the sandbox within 30 to 45 working days of the date of submission of the application, unless additional information is requested. The decision will provide a detailed response/remarks, including the terms and conditions of each participating country. This step will also serve to guide the applicant with business and resource planning for the preparation and experimentation stages. If applicants fail to proceed in the application stage, reasons for this outcome will be provided to the applicant.

**5.10.** Until further notice, applications will be selected on an ongoing basis, not as part of a cohort. This means there are no specific application deadlines, and the applicant will automatically be in line for review once the application is received on the portal.

**5.11.** All information shared by the applicant(s) are given with full consent to be used as required by the regulatory authorities and the sandbox. The applicant hereby indemnify the Sandbox and participating regulatory authorities from confidentiality and non-disclosure obligations and losses.

### STAGE 2: PREPARATION

**5.11.** This is the second stage of the sandbox process. If a potentially suitable applicant passes the preliminary assessment (para. 5.5-5.10) and receives a decision then they will move on to the preparation stage.

**5.12.** At this stage, guidance will be provided to the applicant by the regulatory authority on relevant parameters, boundary conditions and safeguards for a potential live pilot of the proposed service.

**5.13.** If potentially suitable applicants successfully proceed to this stage, they will be requested to consult, discuss and further develop their proposals in person or virtually (as permitted and efficient) with each monetary authority or financial regulator of the respective country.

**5.14.** The time required by each country to deeply assess, guide and consider the proposal for a well-defined live environment operation (i.e. pilot) at this stage depends on the completeness and complexity of the proposal and the specific legal and regulatory requirements, waivers or flexibility involved. However, it is expected to not exceed 60 calendar days.

**5.15.** Decisions in the preparation stage will be informed by a regional steering committee ("RSC") comprised of representatives of each country. The RSC in consultation with the participating countries shall communicate the decision of the regional sandbox based exclusively and without interference on the recommendations of the respective sovereign monetary authorities to the applicant.

**5.16.** The testing parameters and recommended changes to proposals on exit/transition strategies, consumer protection/redress frameworks and other risk mitigation measures recommended by the sovereign monetary authorities shall be communicated by the RSC to the applicants.

**5.17.** Approval to proceed to the experimentation stage will be in the form of an official approval from the sandbox within 30 to 45 working days and sent to the applicant via e-mail. The approval will detail the terms and conditions of each participating country, including all parameters and/or limitations governing the experimentation.

**5.18.** If the applicant fails to proceed in this stage, a detailed explanation is required to be provided.

### STAGE 3: EXPERIMENTATION

**5.19.** As per paragraph 5.16, and in consultation with regulatory authorities, applicants are granted official approval to test their solutions within agreed parameters in a live production setting with live customers in each participating country. The results of an experiment undertaken in a sandbox in one country can be considered by other countries of interest to the applicant.

**5.20.** The sandbox will actively monitor and supervise applicants at this stage (see section 8, “Reporting Obligations”).

**5.21.** A limit of 12 to 18 months of testing will be permitted, followed by provisions for extensions (a maximum additional 12 months). Extensions are granted on a case-by-case basis and subject to the sovereign laws and regulations of each participating monetary authority or financial regulator.

**5.22.** The applicant is obliged to notify all customers that the provided service is operating in a sandbox and disclose the key risks associated with the service. The applicant is also required to obtain the customers’ acknowledgment and documented consent that they have read and understood the risks associated with participating in the service, as communicated transparently (in simple, clear and concise language) in the terms and conditions.

**5.23.** In the event that the applicant intends to make material changes to the service during the “Experimentation Stage”, it must apply to the sandbox via the “change request” option on the online portal, providing details and justification for the change request at least 30 to 45 days in advance. The sandbox and/or any of the participating countries reserve the right to request additional information in their review of the change request. Successful submission and acknowledgement of receipt of the change request on the sandbox portal does not constitute a favorable determination, official consent or approval of any kind by the sandbox or any of the participating countries.

**5.24.** The applicant can continue experimenting with the existing financial service in the sandbox pending the determination of their change request. The sandbox shall communicate its decision to the applicant within 60 to 90 days of receipt of the application with all information required to inform a decision.

**5.25.** For the purpose of transparency, and to provide information to consumers, specific non confidential information from all approved sandbox applications, such as the name of the applicant and the start and end dates of the sandbox experiment, will be published on the sandbox portal and the websites of the monetary authorities in each of the countries where the applicant is experimenting.

### STAGE 4: EXIT/TRANSITION

**5.26.** When the approved time frame for operating in the regional sandbox has expired (as per relevant official approval from the sandbox), any requirements relaxed will no longer be applicable and the applicant must immediately execute the exit strategy specified in the terms and conditions of each respective country.

**5.27.** An applicant that has requested and received approval for extension can continue testing in the sandbox. When considering and making a decision on the extension request, the sandbox reserves the right to make necessary adjustments to parameters, conditions, safeguards and regulatory requirements.

**5.28.** To minimize market distortion, the sandbox will not approve a protracted extension of the testing period unless the solution has tested positively in general and it can be demonstrated that the extended testing is necessary to address specific issues or risks identified during initial testing. Extensions may be approved for other legitimate reasons, such as the iterative nature of some tests to reveal robust results and inform better assessments.

**5.29.** Once testing has been completed, the sandbox will decide whether to allow the financial product, service or solution to be introduced in the market on a wider scale, based on an evaluation of the monitoring and supervision reports obtained from the applicant (see section 8, “Reporting Obligations”). All applicants must guarantee that they will implement their financial service, if successful in the sandbox, within nine to 12 months of exiting the sandbox and with the guidance of monetary authorities to ensure regulatory compliance.

**5.30.** The sandbox may prohibit deployment of the service in the market upon completion of testing for the following reasons:

- (a) testing was unsuccessful based on agreed test measures; or
- (b) the service had significant negative consequences that the applicant was unable to remedy effectively or implement measures to prevent.

## 5. CONTINUED

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### STAGE 5: COMMERCIAL DEPLOYMENT

**5.31.** An applicant that successfully completes the experimentation stage, for example, by achieving agreed KPIs or sufficiently managing risks or other issues arising from tests (as per well-defined parameters set by the sandbox), will be in a “post-sandbox” stage. In this stage, the applicant may be given approval to proceed to commercial deployment. This will be determined by each monetary authority on a case-by-case basis subject to the sovereign laws and regulations of the participating countries.

**5.32.** To permit commercial deployment (as per 5.31), official approvals from all participating countries, including potential licensing for specific activities, will be provided to the applicant within the time frame recommended by individual monetary authorities. The validity period for this approval will be determined and communicated on a case-by-case basis, with provisions for possible extension (subject to sovereign national laws and regulations). This will apply only to solutions or new financial services that are not defined within existing sovereign laws and regulations of the participating countries, or have no licensing requirements related to the proposed activity.

**5.33.** To ensure the commercial deployment of the service is sustainable and effective, participating countries will provide an enabling regulatory environment for the deployment subject to the mandates and appropriate regulatory, supervisory and oversight frameworks of each jurisdiction.

**5.34.** An enabling regulatory environment will also include new principles, policies and guidelines specific to the innovative financial service within the scope and authority of the respective monetary authorities.

## 6. RISKS AND SAFEGUARDS

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**6.1.** The sandbox may revoke an approval to participate at any time before the end of the testing period if the applicant:

- (a) fails to implement the agreed safeguards;
- (b) fails to commence experimentation within an agreed and prescribed period determined by the monetary authorities and/or the sandbox;
- (c) submits false, misleading or inaccurate information, or has concealed or failed to disclose material facts in their application;
- (d) contravenes any applicable law in the participating countries, where prior potential regulatory flexibility as part of their participation in the sandbox had not been agreed or granted;
- (e) is undergoing or has gone into liquidation;
- (f) breaches data security and confidential requirements;
- (g) carries on business in a manner detrimental to customers or the public at large; or
- (h) fails to effectively address any technical defects, flaws or vulnerabilities in the service, resulting in continual service disruptions and fraud incidents.

**6.2.** The sandbox will give the applicant written notice of its intention to revoke the approval within 30 working days, and provide an opportunity for the applicant to respond to the sandbox on the grounds for revocation. However, if the breach is deemed significant by the sandbox, the sandbox reserves the right to revoke the approval immediately.

**6.3.** Upon revocation of an approval, the applicant must:

- (a) immediately implement their exit plan to cease the provision of the service to new and existing customers;
- (b) provide notification to customers informing them of the cessation and their rights to redress where relevant;
- (c) comply with obligations agreed with the sandbox to dispose of all confidential information, including personal information collected from customers over the duration of the testing;
- (d) compensate any customers who suffered financial losses arising from the test, in accordance with the agreed safeguards submitted by the applicant to the sandbox;
- (e) submit a report to the sandbox on the actions taken within 30 days of the date of revocation of approval; and
- (f) meet all contractual obligations to customers and contractors incidental to the testing.

## 7. ELIGIBILITY CRITERIA

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### APPLICATION INFORMATION

**7.1.** The application should include supporting information that shows how the following eligibility criteria for the sandbox will be met:

- (a) The applicant must ensure that the proposed service is genuinely innovative, with clear potential to advance the objectives of the sandbox by improving accessibility, efficiency, security and quality in the provision of financial services to consumers.
- (b) The proposed service must have clear potential to enhance the efficiency and effectiveness of risk management for financial services providers across the region.
- (c) The proposed service must address gaps or open new opportunities for financing or investments in the region's economy.
- (d) The applicant must conduct due diligence to understand the potential risks and legal regulatory requirements for deploying the proposed service.
- (e) The applicant must ensure the proposed service is sufficiently developed and mature to be offered to customers in a live production setting.
- (f) The applicant must ensure they have sufficient resources to participate in the regional sandbox, including resources and expertise to effectively mitigate and control potential risks arising from offering the proposed service.
- (g) The applicant must ensure they have a clear strategy and business plan for exiting the sandbox, which includes scenarios for deploying the proposed service on a commercial scale after a successful exit from the sandbox.
- (h) The applicant must ensure they have a robust corporate governance structure that mandates business and operations are led and managed by persons with credibility and integrity.
- (i) The applicant must ensure provisions of the proposed service are neither wholly nor partially incompatible with laws, regulations or standards aligned with the regulatory requirements of each participating country.

### COMPANY BACKGROUND

**7.2.** Applicants will be evaluated based on the team and/or company background; credibility and integrity; commercial viability; experience in countries worldwide, and more specifically in small island states; and relevant compliance requirements with participating country regulations.

### PROHIBITED PROPOSALS

**7.3.** Innovations, services or propositions entailing the use, promotion, distribution, exchange, issuance, trading or provision of cryptocurrencies (in any form) are not currently eligible to participate in the sandbox. This does not prevent or preclude the use of blockchain, cryptography and innovative ledger technologies or models in other digital financial services.

### RESOURCE REQUIREMENTS

**7.4.** The applicant must be able to demonstrate they will have sufficient financial and technical resources (and provide evidence of these) for commercial live testing in the proposed jurisdiction. Clarifications and additional supporting information may be requested.

### APPLICATION FEE

**7.5.** There is no fee to apply or participate in the sandbox. However, post-sandbox, any regulatory or licensing fees or other financial obligation mandated by the participating countries will still apply. The sandbox does not waive this requirement and this will be communicated prior to commercial deployment by the respective monetary authorities.

## 8. REPORTING OBLIGATIONS

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### OVERVIEW

**8.1.** The sandbox (reference to the participating monetary authorities) will monitor the applicant's compliance with the terms and conditions, including the mitigation of potential risks and implementation of appropriate safeguards, as detailed and mandated by the relevant approval issued by the sandbox.

**8.2.** The sandbox (reference to the participating monetary authorities) will actively monitor and assess the applicant's awareness of risks and their ability to mitigate and manage them.

**8.3.** There will be ongoing reporting obligations in the preparation, experimentation and exit/transition stages, and as part of commercial deployment if the applicant successfully exits the sandbox.

### INTERIM AND FINAL REPORTS

**8.4.** During the experimentation stage, which involves testing in a live production environment, the applicant will be required to submit information relating to the test (see para. 8.7 for the required components of interim reports and para. 8.9 for the final report).

**8.5.** The applicant must ensure records are properly maintained during the testing period to support reviews of the test by the sandbox.

**8.6.** The applicant is required to provide their proposed reporting plans even though a minimum baseline reporting requirement for all applicants has been provided. If the reporting structure provided is unacceptable to the sandbox, it will be returned to the applicant for amendment with guidance from the sandbox.

**8.7.** The applicant must submit interim reports to the sandbox on the progress of the test, which will include information on the following:

- (a) key performance indicators (KPIs), criteria for success, key milestones and statistical information;
- (b) key issues observed arising from fraud or operational incident reports;
- (c) full account of incident reports and customer complaints; and
- (d) actions or steps taken to address key issues.

**8.8.** The frequency and specific details to be included

in the interim reports will be agreed between the applicant and the sandbox and will take into account the duration, complexity, scale and risks associated with the test.

**8.9.** The applicant must submit a final report to the sandbox within 30 calendar days of the expiry of the testing period/experimentation stage. The report will contain the following information (not exhaustive list):

- (a) key outcomes, key performance indicators for agreed measures of test success or failure and the findings of the test;
- (b) a full account of all incident reports and resolution of customer complaints; and
- (c) in the case of a failed test, lessons learned.

**8.10.** The interim and final reports must be confirmed and signed off by the CEO and, in the case of joint testing by more than one participating company, all CEOs of the participating companies.

**8.11.** This regional regulatory sandbox guideline is effective from March 2020.

## ANNEX A: APPLICATION FORM

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The Application Form shall be accessible via the sandbox portal through the Application Function.

### APPLICANT DETAILS:

1. Name of company
2. Type of company (sole trader, limited liability company, etc.)
3. Postal address and physical address (if different)
4. Telephone/mobile number
5. Business registration number (e.g. Tax Identification Number)
6. Email
7. Website
8. Name of key personnel (e.g. CEO, CFO, COO)
9. Name and contact details of key contact person for liaison purposes
10. Shareholders
11. Country or countries in which your company operates
12. Description of the nature and scale of the business in the countries where your company currently operates.
13. Has the innovative financial service being proposed been tested in other country sandboxes and/or interfaced with the regulatory authorities of other jurisdictions?

### PARTNER DETAILS:

We request information about your partner firms (i.e. infrastructure providers, financial institutions) linked to the nature of the service you are proposing to test in the PIRI regional regulatory sandbox.

1. Name of institution(s)
2. Name of designated officer (e.g. CEO or CIO)
3. Postal address
4. Telephone/mobile number
5. Email
6. Description of the collaboration between your company and the partner organizations (outsourcing of service, equity stake participation, etc.)

### INFORMATION ABOUT THE PROPOSED SERVICE

1. Describe the proposed service.
2. In which countries is your company interested in commercially deploying your proposed service and why? (Fiji, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu)
3. For each of the countries you are interested in, explain how your proposed service introduces or uses existing technology in an innovative way.

4. Do you see any variations in your proposed service across countries, and if so, why and how?
5. Explain how your proposed service meets the criteria in 7.1 (in “Eligibility Criteria”).
6. Explain how your proposed service meets the criterion in 7.1 and/or provide supporting documentation (in “Evaluation Criteria”).
7. Explain the business plan for the proposed service to be offered on a commercial basis in each of the countries where you are interested in pursuing commercial deployment. Does the business plan differ in each of the countries, and if so, how?
8. For each country you are interested in commercially deploying your proposed service, identify and describe the legal or regulatory requirements that are incompatible with the proposed service and the regulatory flexibilities you suggest are needed to undertake the test.

### TESTING PHASES

For each country where you are interested in pursuing commercial deployment:

1. Describe how the usefulness and functionality of your proposed service has already been assessed and/or tested.
2. Describe the risks associated with the sandbox testing and identify appropriate risk mitigation measures/safeguards.
3. Explain the intended key outcomes of the testing.
4. State the expected duration of the test.
5. State the location of the IT infrastructure.
6. State the source of funding for the testing.
7. Provide any other information that may support the application.
8. If not adequately reflected in 1-7 above, describe how any of the components in 1-7 may differ across the countries you are interested in pursuing (as applicable) and why.

### SUPPORT NEEDED FROM REGIONAL SANDBOX

1. Explain what support you would need from each of the countries you are interested in pursuing to test your proposed service live in the sandbox.

### OTHER

1. Please share any other information that may support your application. This includes specific requests (or additional information) for countries where you are interested in pursuing commercial deployment.

## ANNEX B: REGULATORY FLEXIBILITIES

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During the time the applicant is in the regional sandbox, each country's respective monetary authority will determine the legal and regulatory requirements it is prepared to relax (subject to their country's sovereign laws and regulations).

This will be dependent on the proposed financial service, the applicant involved and the materials in the application, as well as an examination of existing national legal and regulatory frameworks.

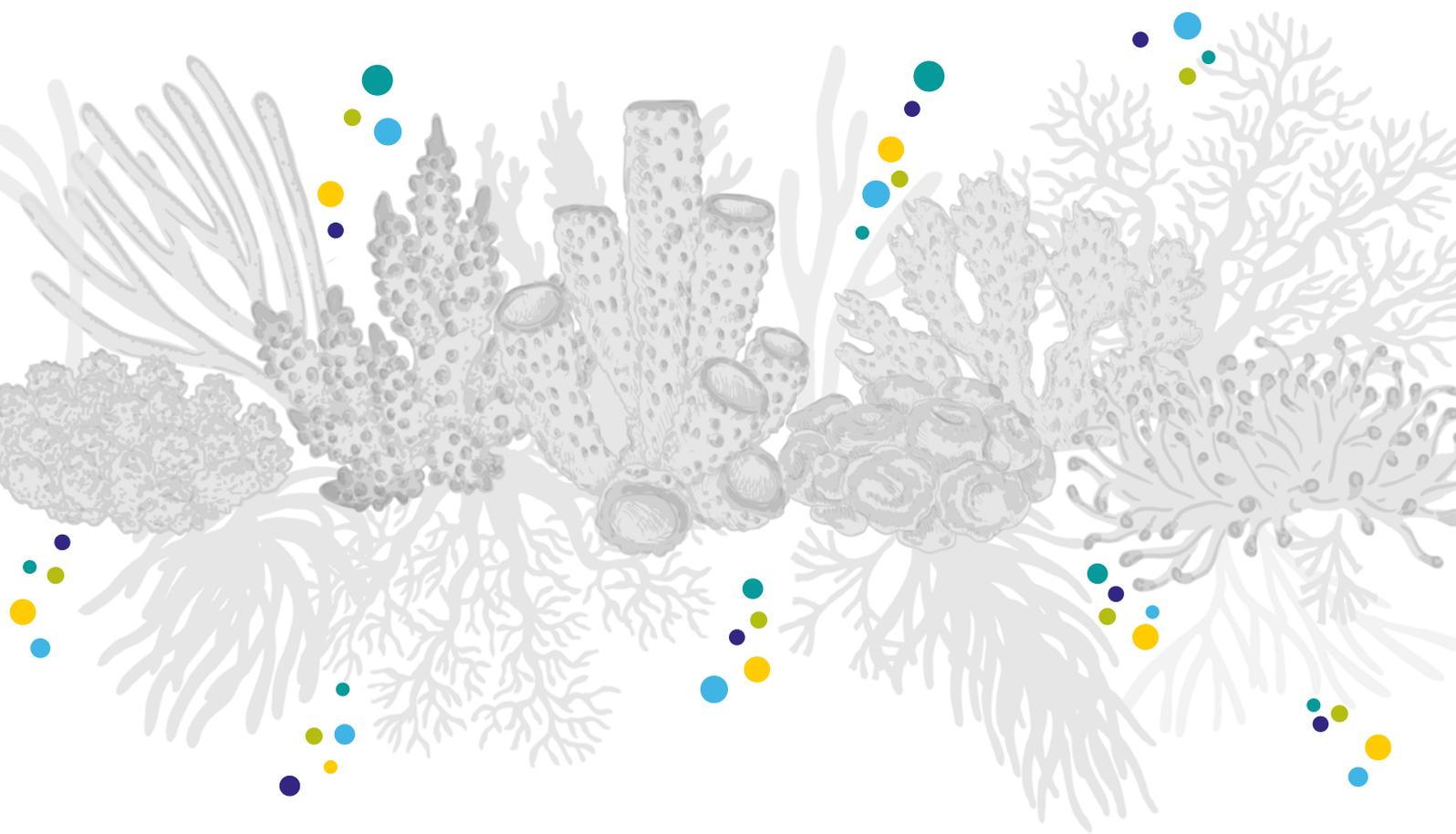
The following are a few illustrative examples of requirements that may be relaxed within the course of sandbox participation, as well as requirements that will very likely be maintained.

Examples of regulatory requirements for which flexibility may be accorded:

- 1) Capital requirements/minimum paid-up capital;
- 2) KYC thresholds;
- 3) Board composition;
- 4) Cash balances;
- 5) Credit rating;
- 6) Fund solvency and capital adequacy;
- 7) Management experience;
- 8) Minimum liquid assets; and
- 9) Track record.

Examples of regulatory requirements for which flexibility will not be accorded:

- 1) Confidentiality of customer information;
- 2) Handling of customers' money and assets, including through intermediaries, and appropriate customer redress and compensation mechanisms;
- 3) Fit and proper criteria, particularly for honesty and integrity; and
- 4) Specific provisions related to AML/CFT (anti-money laundering and combating the financing of terrorism).



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