



Reserve Bank of Fiji
Financial Sector Development Policy Statement No. 2
**FinTech Regulatory Sandbox
Guideline**

December 2019

1.0 Introduction

- 1.1 This Guideline is issued under Section 4(c) and (d) of the Reserve Bank of Fiji Act 1983 as part of the Reserve Bank's principal purposes to promote a sound financial structure, and foster credit and exchange conditions conducive to the orderly and balanced economic development of the country.
- 1.2 In developing the Guideline, the Reserve Bank of Fiji ("Reserve Bank") referred to guidelines and international best practices of selected jurisdictions.

2.0 Application

- 2.1 This Guideline applies to innovative solutions including FinTech.

3.0 Background

- 3.1 One of the key elements of having an internationally reputable financial system is the provision of an enabling regulatory environment which is relevant and conducive to innovation and development, in particular through Financial Technology ("FinTech").
- 3.2 In recognition of the potential role of innovations to foster the development of Fiji's financial system as well as the need to respond to the risks associated with financial stability and consumer protection, the Reserve Bank has introduced a Regulatory Sandbox.
- 3.3 A Regulatory Sandbox is a framework under which the live testing of FinTech and other innovations (i.e. financial products, services, processes or other solutions) can be conducted under a controlled environment with guidance provided by the Reserve Bank, prior to the introduction of the innovation to Fiji's financial sector.
- 3.4 The framework is introduced with the aim of encouraging experimentation in FinTech so that innovations can be tested in the market which will promote wider adoption in Fiji, foster increased efficiency, improved ability to manage risks and the creation of new opportunities and improved standards of living.
- 3.5 The framework therefore is an approach to fostering responsible innovation that intends to:
- (i) encourage market-led solutions for the financial sector;
 - (ii) reduce and contain risks;

- (iii) improve time-to-market deployment of new solutions;
- (iv) guide the introduction of new solutions to the financial sector through an enhanced understanding of and compliance with applicable laws, regulations and policies;
- (v) enhance the Reserve Bank’s ability to identify and address emerging risks as well as barriers to innovation and development in the financial sector;
- (vi) enable entities to assess the business case of new solutions so as to support capital raising; and
- (vii) encourage collaboration between licensed financial sector players and other non-regulated entities, particularly technology firms on innovative solutions.

3.6 Regulatory sandboxes allow regulators to understand new solutions in the market in order to enhance their response to emerging and heightened risks. Similarly, developers of such solutions will have the opportunity to develop their proposals through dialogue with regulators on what the expectations and requirements are prior to testing and commercial deployment.

3.7 The Reserve Bank has therefore adopted the regulatory sandbox approach and welcomes applications to test innovative solutions that could potentially benefit the Fijian market.

4.0 Objectives of the Guideline

4.1 The primary objectives of the FinTech Regulatory Sandbox (“Regulatory Sandbox”) Guideline are to outline:

- (i) the terms of the Sandbox (i.e. participants, scope, processes for application and testing, timelines, etc.); and
- (ii) minimum requirements for an applicant to operate its proposed solution in the regulatory sandbox.

5.0 Guiding Principles

5.1 This Policy Guideline was developed using the following guiding principles:

- (i) **Flexibility:** The Reserve Bank recognises the uniqueness of each new solution and will therefore determine applicants’ minimum requirements to be eligible

to test under the Sandbox on a case by case basis. The Reserve Bank may, in exceptional cases, waive some regulatory policy requirements which have been identified as genuine barriers to testing subject to existing laws. However, the Guideline provides specific conditions ("Sandbox Conditions") that are mandatory. It must be understood that the Sandbox is not to be viewed as a means to circumvent existing regulatory requirements.

- (ii) **Risk Management and Security:** Appropriate risk management practices must be in place, including governance and internal controls, to contain the risks from malfunction or failure from testing proposed solutions. Applicants must also conduct due diligence and ensure that their proposals are protected from abuse or criminal activities. Applicants must understand that they are themselves solely liable for losses or damages incurred at all times i.e. before, during and after Sandbox testing. This emphasises the importance of working closely with the Reserve Bank to ensure necessary controls and safeguards are implemented to minimise such risks.
- (iii) **Consumer Protection:** The Guideline requires that applicants have sufficient safeguards to ensure consumer interests are protected. This includes, but is not limited to, effective consumer complaints handling and redressal frameworks, clear disclosure of fees and charges, strict internal controls to ensure consumer privacy, measures to mitigate liability risks involved in live testing, etc.
- (iv) **Collaboration:** The Guideline requires collaboration between the Reserve Bank and potentially suitable applicants for mutual learning and determining conditions of testing under the Regulatory Sandbox.
- (v) **Disclosure:** The Guideline places importance on disclosure to enhance the transparency of the Regulatory Sandbox process as well as to ensure tests are closely monitored by the Reserve Bank.
- (vi) **Liability:** The Reserve Bank of Fiji shall have no liability in connection with losses arising from an entity's admission into the sandbox, including any damages to its name, its product, service, or business or to any end users or consumers. By participating in the Regulatory Sandbox, the Sandbox Entity agrees to waive all claims against the Reserve Bank. The participant will be wholly and solely liable for any damages incurred.

6.0 Intended Participants

6.1 The intended participants of the Regulatory Sandbox include:

- (i) financial institutions licensed and/or supervised by the Reserve Bank;
- (ii) domestic non-regulated entities including technology and data vendors, start-ups, professional services, venture capitalists;
- (iii) foreign entities which are permitted to conduct live testing of new solutions in Fiji and must comply with the Laws of Fiji; and
- (iv) in exceptional circumstances, individuals.

6.2 Sandbox participation is limited to solutions that demonstrate innovation.

6.3 Solutions can either be applied to existing financial services or lead to the development of new financial services for which existing regulatory requirements are unclear or non-existent.

6.4 The Reserve Bank welcomes interest from technology firms, academic institutions and individuals for which early consultation with the Reserve Bank is highly encouraged.

6.5 In particular, the Reserve Bank invites those solutions which demonstrate potential to meet one or more of the following objectives:

- (i) enhance efficiency in delivery of financial services and promote competition in Fiji's financial sector;
- (ii) provide some form of direct or indirect benefits to consumers;
- (iii) improve security and risk management;
- (iv) improve access and usage of financial services across underserved segments of Fiji's economy;
- (v) promote financial deepening;
- (vi) address information asymmetries and improve the exchange of information on the financial sector; and
- (vii) improve compliance with existing or new laws, regulations and policies governing Fiji's financial sector.

7.0 Early Consultation

- 7.1 Licensed and/or supervised financial service providers and non-regulated entities are encouraged to consult the Reserve Bank in the conceptualisation and early development stages of new solutions intended for deployment in Fiji's financial sector.
- 7.2 This allows for the determination of whether entities either require or are eligible for the Regulatory Sandbox and provide the opportunity to better align the development technicalities and timelines of new solutions to meet requirements of the Guideline.
- 7.3 The Reserve Bank may also facilitate consultations with relevant stakeholders and key development partners to address barriers to entry for new solutions as they are identified.

8.0 Stages of the Regulatory Sandbox

8.1 Stage 1 – Preliminary Assessment

- 8.1.1 An interested entity is required to submit a completed Regulatory Sandbox Application Form ("Application Form") to the Reserve Bank [Annex 1].
- 8.1.2 The Reserve Bank will assess the applicant's submission against the *Regulatory Sandbox Eligibility Criteria* to determine whether the solution is potentially suitable for testing in the sandbox.

8.1.3 Requirements

- 8.1.4 The applicant must provide all information required in the Application Form provided in Annex 1 and provide relevant supporting documents where applicable. In its submission, the applicant is expected to demonstrate how it meets the following **Regulatory Sandbox Eligibility Criteria**:
- (i) the proposed solution is innovative, i.e. it constitutes a significantly unique offering in Fiji's financial sector;
 - (ii) the proposed solution addresses an existing problem or gap and demonstrates potential to meet one or more of the objectives defined in 8.5;
 - (iii) the applicant is at a sufficiently advanced stage of preparation to warrant live testing;

- (iv) the applicant has undertaken appropriate due diligence and proposes sufficient measures to combat anti-money laundering and financing of criminal activity;
- (v) the applicant does not have an adverse criminal record and undertakes that the proposed solution will comply with domestic laws and regulations administered by other regulators;
- (vi) the applicant has sufficient safeguards in place to ensure the protection of consumers if permitted the chance to test and operate and/or containment of losses or injury as a result of failure of the solution;
- (vii) the applicant is willing to accept full liability for any losses incurred related to any failures that may occur in relation to the Sandbox; and
- (viii) the applicant has proposed an acceptable exit strategy that should be clearly explained in the event of discontinuation at any time or deployment on a broader scale after successful testing.

8.1.5 Assessment

- (i) The Reserve Bank may request for additional information during this process if needed. Applicants are expected to be informed of the outcome within 30 working days of receipt of the full application submission.
- (ii) Successful applicants will proceed to the next stage whereas unsuccessful applicants will be advised of the reasons for their inability to meet the eligibility criteria and may improve their proposition for re-submission in future.

8.2 Stage 2 – Preparation

8.2.1 Suitable applicants identified from the Preliminary Assessment Stage will be required to meet with the Reserve Bank to discuss and develop conditions for operating in the sandbox. When this is established, the applicant will be evaluated on its ability to meet and maintain these conditions if permitted to operate in the Regulatory Sandbox.

8.2.2 Requirements

- (i) The Reserve Bank will organise meetings with the applicant to determine conditions of operating in the sandbox.

- (ii) Besides those conditions determined in the meetings, there will be several key fundamental obligations that the applicant must meet if given the opportunity to be admitted to the Regulatory Sandbox.
- (iii) All conditions will be documented as the **Sandbox Conditions** for the applicant to sign prior to admission into the Regulatory Sandbox.
- (iv) Some key fundamental obligations include:
 - (a) adequate resources to develop and test its proposed solution;
 - (b) adequate measures to prevent money laundering and other criminal activity;
 - (c) confidentiality of consumer information;
 - (d) compliance with all laws relevant to the solution;
 - (e) strong safeguards for all risks identified;
 - (f) an exit strategy; and
 - (g) other defined parameters specific to the nature of the solution.
- (v) The conditions that will be determined through the applicant's discussions with the Reserve Bank include:
 - (a) test parameters and control boundaries which includes, but is not limited to, the type and volume of consumers and the value of transactions permitted;
 - (b) intended key outcomes of testing and key performance indicators for reporting to the Reserve Bank;
 - (c) the period of time – up to 12 months – during which testing will be permitted ;
 - (d) the terms under which a request can be made for an extension to the period of time during which testing will be permitted including the time by which an application for extension must be made;

- (e) requirements which are relaxed for the purpose of testing if any;
- (f) refinements or additions to safeguards for the protection of consumers as well as the containment of risks to the financial sector;
- (g) measures to mitigate or address liability risks arising during tests;
- (h) refinements to the applicant's proposed exit strategy which includes procedures of ensuring that existing consumer obligations are fulfilled upon premature exit from the Regulatory Sandbox;
- (i) the standards and schedule of reporting and disclosure during and after the experimentation stage;
- (j) flexibilities in allowing the applicant to address its inability to meet some of its minimum conditions or unforeseen issues emerging from its tests;
- (k) the conditions where the Reserve Bank requires the applicant to exit the Regulatory Sandbox; and
- (l) other relevant conditions specific to the nature of the solution.

8.2.3 Conditions of Revocation of Admission and Early Exit from the Regulatory Sandbox

- (i) An applicant's admission to operate in the Sandbox will be revoked and exit strategy initiated early if the applicant:
 - a) becomes insolvent;
 - b) engages in criminal or other unlawful activity;
 - c) is assessed to be unable to manage its risks adequately;
 - d) has not addressed shortfalls to the minimum conditions in the Sandbox emerging from its testing within the time given by the Reserve Bank to do so; and
 - e) is unable to satisfy any other conditions specific to the solution being tested that will be determined on a case-by-case basis.

9.2.4 Assessment

- (i) After finalising the Sandbox Conditions, the Reserve Bank will make a final assessment on the applicant's ability to meet all the conditions before it is admitted to the Sandbox.
- (ii) The timeframe for the *Preparation* stage will depend on the nature of the solution, the extent of consumer involvement and the regulatory requirements in question.
- (iii) If an applicant has successfully demonstrated its ability to meet and maintain the Sandbox Conditions, the applicant will be duly notified and will be admitted for testing in the Sandbox.
- (iv) The test scenarios and expected outcomes of the sandbox experimentation should be clearly defined, and the sandbox participant should report to the Reserve Bank on the test progress based on an agreed schedule;
- (v) Unsuccessful applicants may be permitted to review and re-submit their proposition.

8.3 Stage 3 – Experimentation

8.3.1 In this stage, a Sandbox Entity will test its proposed solution in the Regulatory Sandbox within the approved period of time in accordance with the Sandbox Conditions.

8.3.2 As a measure to enhance the transparency of the Regulatory Sandbox process and ensure public awareness on legitimate Sandbox Entities and their solutions undergoing live testing, the Reserve Bank reserves the right to publish brief details of Sandbox Entities on its official website which includes:

- (i) Name of the Sandbox Entity;
- (ii) Name of the solution being marketed to consumers during live testing if applicable;
- (iii) Duration of live testing; and
- (iv) A brief statement describing the solution being tested by the Sandbox Entity.

8.3.3 The Reserve Bank will work with Sandbox Entities to ensure that such disclosure does not include sensitive details relevant to intellectual property.

8.3.4 Requirements

- (i) Sandbox Entities must comply with the Sandbox Conditions throughout the Sandbox Experimentation stage.
- (ii) The Sandbox Entity must have adequate consumer awareness procedures for their solutions and obtain written consumer consent for their participation.
- (iii) The Sandbox Entity must ensure it fully meets its reporting requirements as required in the Sandbox Conditions in a timely manner.

8.3.5 Assessment

- (i) The Reserve Bank will periodically monitor the Sandbox Entity's compliance with agreed terms and conditions.
- (ii) The Reserve Bank will assess the Sandbox Entity's awareness of risks and its ability to mitigate, respond and manage them.
- (iii) The Reserve Bank reserves the right to revoke admission to the Regulatory Sandbox at any given time if the Sandbox Entity fails to abide by the requirements under the Sandbox Conditions.
- (iv) The Reserve Bank, from its monitoring and assessment of the Sandbox Entity, will decide whether the solution can be deployed in the wider market at the end of the tests.

8.4 Stage 4 – Exit and Transition

8.4.1 After the expiry of admission to the regulatory sandbox, Sandbox Entities without an approval for extension will be required to exit the Sandbox. .

8.4.2 The Reserve Bank will decide whether waivers or exemptions to specific regulatory or policy requirements may continue for which any requirements relaxed by the Reserve Bank will no longer be applicable and the Sandbox Entity must immediately execute the exit strategy specified in its Sandbox Conditions.

- 8.4.3 A Sandbox Entity which has requested and received approval for extension can continue testing in the Regulatory Sandbox.
- 8.4.4 The Reserve Bank may develop new regulatory or policy requirements where applicable or make changes to existing requirements if the need arises.
- 8.4.5 Upon exit, applicants will be notified by the Reserve Bank on whether:
- (i) the tested solution has achieved its desired outcomes;
 - (ii) the Sandbox Entity has demonstrated that it has maintained its safeguards and competently managed its risks; and
 - (iii) the Sandbox Entity can fully comply with the relevant and legal regulatory requirements.
- 8.4.6 A Sandbox Entity that has successfully exited the regulatory sandbox is required to apply for relevant licenses or comply with relevant regulatory requirements specific to their activity.
- 8.4.7 The Reserve Bank may work on the legal framework which the Sandbox Entity must fully comply with after exiting the Regulatory Sandbox.
- 8.4.8 The Reserve Bank may also extend the timeframe for operating in the Regulatory Sandbox to allow Sandbox Entities to conduct necessary adjustments to comply with regulatory requirements after receiving notification of approval for commercial deployment.

9.0 Special Technical Committee

- 9.1 Where required, a technical committee may be established by the Reserve Bank to evaluate, advise, monitor and admit applicants throughout all stages until commercial deployment during which the Reserve Bank's regulatory and supervisory divisions will take over. The Committee may employ the services of experts or consultants for proposed FinTech solutions if required.

10.0 Oversight and Implementation Arrangements

- 10.1 This Guideline is applicable to financial service providers, interested firms or persons seeking to provide technologically-driven solutions to improve the current processes relating to existing or new financial products or services. It is also applicable for new

types of technologically-driven financial products and services for which there are no adequate or clear provisions under existing regulations.

10.2 The Reserve Bank welcomes interested applicants referred to under section 8.0 to complete and submit the Regulatory Sandbox Application Form provided in Annex 1.

10.3 This Guideline will be effective from 31 December 2019.

Attachments:

- 1) Schedule: Interpretation
- 2) Appendix 1: Financial Technology Regulatory Sandbox Application Form

Reserve Bank of Fiji
31 December 2019

SCHEDULE

Interpretation –

In this Guideline, unless the context otherwise requires:

'Applicant' refers to an entity that has submitted an application to the Regulatory Sandbox.

'Consumer(s)' refer(s) to all natural persons and all registered entities (including non-profit, corporate and statutory entities) in Fiji who use financial products and services.

'Exit strategy' refers to a business plan that documents the course of action taken in the event of: a) failure of a test and cessation of operations and b) success of a test and commercial deployment beyond testing under the Regulatory Sandbox.

'Entity' a registered business, either incorporated or unincorporated.

'Financial inclusion' refers to enhancing access and usage to financial products and services across underserved segments of society.

'Financial deepening' refers to increasing the variety of products and services available to consumers.

'FinTech' refers to 'Financial Technology' or technology used to support or enable banking and financial services.

'Innovation' refers to a solution that either does not exist in the Fijian financial sector or is significantly different from solutions currently available.

'Live testing' refers to testing of proposed solutions with consumers.

'Regulatory Sandbox' refers to a framework under which controlled live testing of proposed solutions occur with guidance provided by the Reserve Bank.

'Reserve Bank of Fiji' refers to the Reserve Bank of Fiji established under section 3 of the Reserve Bank of Fiji Act 1983.

'Sandbox Conditions' refer to the document that outlines all the conditions that an applicant must meet if given the approval to test under the Regulatory Sandbox.

'Sandbox Entity' refers to an applicant that has successfully demonstrated its ability to meet and maintain the Sandbox Conditions and whose proposed solution is admitted for testing.

'Solution' is a financial service or product that may or may not be information technology related.

Annex 1: Financial Technology Regulatory Sandbox Application Form

1. The Reserve Bank of Fiji maintains that all information acquired through this application will be kept strictly confidential and is intended for internal assessments and due diligence only.
2. A softcopy of this form will be provided upon request. The completed application form and its supporting documents can be should be addressed to:

Postal address:

[Confidential]
The Chief Manager
Financial System Development Group
Reserve Bank of Fiji
Private Mail Bag
Suva

Email:

info@rbf.gov.fj

| Fintech Regulatory Sandbox Application Form | | | |
|--|-----------------|--------------------|--------------------|
| | Entity 1 (Lead) | Entity 2 (Partner) | Entity 3 (Partner) |
| Legal/Registered Name of Entity | | | |
| Legal Nature of Entity (Sole trader, limited liability company, etc.) | | | |
| Applicable Registration Number (e.g. Business/Company Registration or Tax Identification Number) | | | |
| Jurisdiction(s) of Registration | | | |
| Registered (Physical) Address | | | |
| Postal Address | | | |

| | | | |
|--|--|--|--|
| Company Website Address | | | |
| Owner(s)/Shareholder(s) and/or Director(s) of Entity | | | |
| Name(s) of Key Contact Personnel | | | |
| Email Address(es) | | | |
| Phone Number(s) | | | |
| Briefly describe the present nature and scale of your business in the jurisdiction(s) of registration and/or operation | | | |
| Proposed Solution | | | |
| 1. Briefly describe the proposed solution. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> | | |
| 2. Briefly describe the timelines relevant to development and deployment of the proposed solution. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> | | |
| 3. Briefly describe the stage of development/preparation the solution is currently at. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> | | |
| Eligibility Criteria | | | |
| 4. Briefly describe how your solution is innovative, i.e. it constitutes a significantly unique offering in Fiji's financial sector. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> | | |
| 5. Briefly describe how your solution addresses an existing problem or gap and demonstrates the potential to meet one or | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> | | |

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| more of the objectives under 7.5. | |
| 6. Briefly describe how your solution is approaching or is at a sufficiently advanced stage of preparation to warrant live testing. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| 7. Briefly describe how you have undertaken appropriate due diligence. Please describe proposed measures to combat anti-money laundering and financing of criminal activity; | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| 8. Please disclose information relevant to the compliance of your solution to applicable domestic laws and regulations. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| 9. Briefly describe safeguards to consumers relevant to the proposed solution. Please describe proposed consumer redressal frameworks and other relevant proposed policies in place. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| 10. Briefly describe your proposed exit strategy in the event of discontinuation at any time or deployment on a broader scale if testing is successful. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| Technology And Infrastructure (If Applicable) | |
| 11. Briefly describe the underlying technologies | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |

| | |
|--|--|
| and infrastructure of the proposed solution. | |
| 12. Briefly indicate relevant standards/compliance/ac creditations of underlying technologies and infrastructure. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| 13. Briefly indicate the location of the technological solution and infrastructure involved (physical/virtual). | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| Security And Risk Management | |
| 14. Briefly outline ALL risks of the proposed solution and corresponding measures to mitigate them. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| Resources | |
| 15. Briefly indicate source of funding (both present and future arrangements) for the development and deployment of the solution. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| 16. If more than one entity is involved in the proposed solution briefly describe the nature of collaboration (outsourcing of service, equity stake participation, joint venture etc.) | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| Additional Information Or Requests | |
| 17. Please provide any other information that may be relevant to your application. | <i>Please limit your response to 600 words. You may provide additional information through relevant supporting documents to be attached to this application.</i> |
| Declaration | |
| Declaration by Director(s)/Executive Representative(s) of the Entity | |

I/We,
 _____, the (positing in the entity) of (name of entity)
 _____;
 _____, the (positing in the entity) of (name of entity)
 _____;
 _____, the (positing in the entity) of (name of entity)
 _____;
 _____, the (positing in the entity) of (name of entity)
 _____;

Hereby certify that, to the best of our knowledge, the information we have provided in this application form and in the documents attached is correct.

| | | | | |
|--------------|--|--|--|--|
| Entity Names | | | | |
| Signatures | | | | |
| Date | | | | |

Additional Attachments

Please list supporting documents attached to this application (if any):