



Fintech Regulatory Sandbox Guidelines

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1. Introduction

- 1.1 In recent years, the financial services sector in Zimbabwe has witnessed a growing number of financial technology (fintech) start-ups keen to offer innovative financial products and services. It has been noted that, as in many jurisdictions across the globe, these institutions require support and an enabling research and development environment.
- 1.2 In this regard, the Reserve Bank of Zimbabwe (Reserve Bank), has undertaken to encourage innovations in the financial services sector, by developing guidance and standards on controlled testing of technologies with broad relevance for financial services market development.
- 1.3 As part of the process, the Fintech Regulatory Sandbox Guidelines have been introduced to provide a regulatory environment that is conducive for the deployment of fintech. The Fintech Regulatory Sandbox (the Sandbox) is a contained environment with regulatory oversight which enables participating institutions to test their products, services or solutions subject to the requirements under these Guidelines.

2. Purpose of the Fintech Regulatory Sandbox Guidelines

- 2.1 The Fintech Regulatory Sandbox Guidelines provide guidance and requirements for participants to operate in the Regulatory Sandbox. They also seek to encourage the development of responsible innovation in the Zimbabwean market and to foster collaboration between the financial sector and fintechs.

3. The Regulatory Sandbox

Objectives

- 3.1 The Regulatory Sandbox framework seeks to achieve the following objectives:
- a) promote safe and responsible innovation of financial products or services in order to enhance access, usage and quality of digital financial services;
 - b) enable innovation of fintech to be deployed and tested in a live environment without compromising on safety for consumers and financial services sector;
 - c) encourage collaboration between the traditional financial services sector and fintechs;
 - d) promote competition and efficiency in the financial services sector while protecting consumers;
 - e) monitor disruptive technologies to ensure appropriate safeguards to manage the risks and contain the consequences of failure;
 - f) provide an avenue for regulatory engagement with fintech firms in the financial services space; and
 - g) inform financial sector regulation and policy.

Benefits

- 3.2 It is envisaged that the Regulatory Sandbox will enable the following benefits;
- a) the ability to test products and services in a controlled environment;
 - b) reduction in time-to-market at potentially lower cost;
 - c) ability to monitor disruptive technologies to ensure that they do not introduce systemic risk to the financial system;
 - d) support in identification of appropriate consumer protection;
 - e) provision of avenues for regulatory engagement with fintech firms in the financial services space while contributing to economic growth; and
 - f) inform regulatory reforms to meet the changing demands of the financial sector.

Scope

- 3.3 The Fintech Regulatory Sandbox is intended for innovators in the financial services sector who have already developed their service, product or business model and are ready to undertake a proof of concept through monitored market testing.
- 3.4 The sandbox activities which shall be tested are those which the Reserve Bank would be able to oversee in terms of the *Reserve Bank of Zimbabwe Act, [Chapter 22:15]*; *Banking Act, [Chapter 24:20]*, *The National Payment Systems Act, [Chapter 24:23]*; *The Money Laundering And Proceeds of Crime Act, [Chapter 9:24]*; *Exchange Control Act [Chapter 22:05]* and any other relevant regulations. Accordingly, all activities to be tested should have the appropriate regulatory approval.
- 3.5 To support innovators, the Reserve Bank has included a list of permissible products and technologies for testing under *Annex 3*.

- 3.6 The Reserve Bank may, to the extent permitted by law and in consultation with relevant financial sector players, relax or waive some of the existing regulatory requirements with a view to promoting innovation.
- 3.7 The Regulatory Sandbox will not act as a permanent license to operate; or a “free pass” to operate without regulatory oversight or supervision; and will not be required when the regulatory status of an innovative product can be determined without live-testing in the marketplace.

Confidentiality

- 3.8 The Reserve Bank shall treat all information availed or submitted by any entity seeking to participate in the Sandbox as confidential, unless the same is already in the public domain. The Reserve Bank shall not disclose such information to third parties without the applicant’s or participant’s written consent unless required to do so under any law or court order.
- 3.9 For the avoidance of doubt, the intellectual property laws of Zimbabwe shall apply.
- 3.10 In order to provide stakeholders with information on emerging risks and regulation of financial technologies and business models, the Reserve Bank may produce reports on anonymised data, regulatory insights and any lessons learnt from the Sandbox.

Target Audience

- 3.11 The Reserve Bank will consider participants in the financial services sector such as innovators, start-ups and financial institutions. Participants currently outside the sector with solutions for financial services may apply.
- 3.12 The Reserve Bank will consider innovations that enhance financial services, improve consumer experience with financial products, promote competition and efficiency, or enhance financial inclusion.

- 3.13 The innovation should provide a product that is unique or different from those existing in the market or offer a new or different technology.
- 3.14 Applicants may refer to the list of permissible products, services and/or technologies under *Annex 3*.
- 3.15 Applicants should demonstrate a need for a live testing environment, readiness to test their solution and unconditional intention to deploy the tested solution in Zimbabwe.
- 3.16 The Reserve Bank will publish the name, start date and end date of the sandbox test for any entity approved to participate in the testing of a product or service.

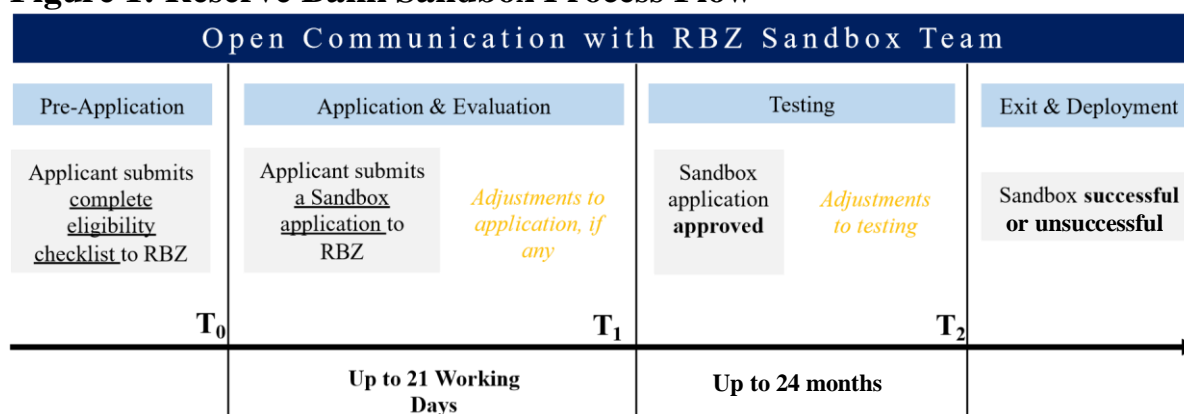
Safeguards

- 3.17 The Sandbox approach will aim to provide a safe environment for testing with regards to key risks in the financial sector including Terrorist Financing, Money Laundering, Consumer Protection, Cyber Risk and Information Security, among others.
- 3.18 An authorised Regulatory Sandbox Participant must adhere to the relevant regulations on confidentiality of customer information, Know Your Customer (KYC), Anti Money Laundering (AML) and Countering Financing of Terrorism (CFT) requirements at all times.
- 3.19 Testing will be limited to customers who have consented to be part of the tests and have been educated on the risks involved by the Applicant.
- 3.20 Given the live nature of the Sandbox, the Applicant will be required to implement sufficient safeguards to ensure the protection of the volunteer customers including resources or measures to compensate for any losses to the customers.
- 3.21 Applicants must demonstrate capacity and resources including those necessary to mitigate and control potential risks and losses.

Application, Approval, Testing & Exit Process

3.22 This section provides an overview of the key processes in the Sandbox. The Sandbox will have four distinct phases: namely *the pre-application phase, the application and evaluation phase, the testing phase and the exit and deployment phase*. Each phase will have key milestones and the movement through the phases will be communicated to the Applicant by the Sandbox Team. The diagram below represents each stage and key decision points.

Figure 1: Reserve Bank Sandbox Process Flow



3.23 Before submitting an application for operating in the Sandbox the Applicant must ensure that it has met all the eligibility criteria set out in *Annex 2* of these Guidelines. The checklist must be submitted for review by the Reserve Bank.

3.24 This is shown in *Figure 1*; named the *eligibility checklist* to be submitted before (T_0).

Application & Evaluation Stage

3.25 The Reserve Bank will assess the application against the requirements outlined in *Annex 4* and communicate the decision in writing in a period of **21 working days** following submission.

- 3.26 In the course of the assessment period the Applicant may make adjustments to the application. This may include changes to the parameters of the intended tests to be conducted in the Sandbox.
- 3.27 Upon approval, the Applicant becomes the entity responsible for deploying, operating and meeting the costs of the test to be conducted in the Sandbox, with the Reserve Bank providing the appropriate regulatory support for the duration of the test.

Testing

- 3.28 On entering the **testing phase**, the Applicant will be referred to as a Participant.
- 3.29 The Participant should be prepared to begin the tests outlined in the approved application.
- 3.30 In the event of a successful application entities outside the financial sector must enter into partnership with a licensed financial services business in the country prior to the testing stage and full-scale deployment should the test(s) be successful.
- 3.31 For the avoidance of doubt, the participant should enter into partnership with a financial services business before undertaking any tests of the approved product or service.
- 3.32 The period for testing is limited to a maximum of **24 months**, after which the regulatory approval and relaxations received by the Participant will expire.
- 3.33 Each Participant will be bound to the agreed testing dates set out in the application not exceeding **24 months**.
- 3.34 If the Participant, for whatever reason requires an extension to the agreed testing period, this should be communicated in writing to the Reserve Bank at least three months and no less than one month before the end of the agreed testing period.

- 3.35 The Reserve Bank will consider the application for extension and reserves the right to reject any extension.

Revocation of Approval

- 3.36 The Reserve Bank reserves the right to revoke any approval for the testing of a financial service or product in the Regulatory Sandbox where a Participant:
- i. has failed to develop or implement safeguards, or
 - ii. breaches data security requirements, or
 - iii. is noted to have submitted misleading information or misrepresented the Reserve Bank, or
 - iv. goes into liquidation or has primary licence cancelled, or
 - v. fails to address any technical defects.

Exiting the Sandbox

- 3.37 On the completion of the testing period, the Participant will exit the Sandbox guided by the exit plan which shall guarantee an orderly exit without disruption to financial system and prejudice to customers.
- 3.38 For entities outside the financial sector partnership with a financial services business is required for full-scale deployment of a successfully tested product or service.
- 3.39 The participating entity will be responsible for submitting the relevant reports to the Reserve Bank within the specified time. For details please see *Annex 5*.
- 3.40 A review of the required reports will be conducted to determine the success or failure of the test. The Reserve Bank will communicate in writing whether the test has been successful or may require an extension

to the testing period if it determines that there is insufficient information to make a determination.

- 3.41 The Reserve Bank will also assess the readiness of the product or service for full-scale deployment in Zimbabwe and will communicate this in writing.
- 3.42 Successful Participants will be expected to follow the transition to full deployment of the tested product or service in the Zimbabwean market as outlined in the exit plan.

4. Contact Details

- 4.1 For interested parties, enquiries can be directed to the Sandbox Team at fintech@rbz.co.zw

5. Document Review

- 5.1 This document is subject to review as the need may be.

6. Effective date

- 6.1 These Guidelines are effective from 1st March 2021.

Annexes

Annex 1: Definition of Terms

1. For the purpose of this Framework the following definitions are provided
- 1.1 **“Applicant”** –the party interested in being a Participant in the Sandbox as indicated through the submission of an application form. The Applicant could be an authorized and regulated financial institution either on its own or in collaboration with a potential Fintech company.
- 1.2 **“Fintech”** –technological innovation to be utilised in the provision of financial products and services.
- 1.3 **“Fintech Company”** – A company other than a regulated financial institution that utilises or plans to utilise fintech to provide financial services.
- 1.4 **“Participant”** or **“Participating entity”** – Any institution authorized by the Reserve Bank to participate in the Sandbox. The term “Participants” shall be construed accordingly.
- 1.5 **“Regulated Entity”** –a licensed or registered Financial Institution which is subject to regulation and supervision by the *Reserve Bank of Zimbabwe Act, [Chapter 22:15]; Banking Act, [Chapter 24:20], The National Payment Systems Act, [Chapter 24:23]; The Money Laundering And Proceeds of Crime Act, [Chapter 9:24]; Exchange Control Act [Chapter 22:05]* and any other relevant regulations. The term “Regulated Entities” shall be construed accordingly.
- 1.6 **“Regulatory Sandbox”** or **“Sandbox”** – A contained environment in which participating institutions may test their products, services or solutions subject to the requirements under these Guidelines.
- 1.7 **“Financial product or service”** means any product or service regulated by the Reserve Bank

Annex 2: Eligibility Criteria

2. Eligibility Criteria include but is not limited to following:
 - 2.1 **Innovation:** The proposed product or service must be genuinely innovative or offer a new use of existing technologies evidenced through market research and a comparison of the key features of the Applicant's technology or operating methodology against competitors. The product must fall on the eligible products list.
 - 2.2 **Financial inclusion:** it is desirable for the proposed product or service to enhance financial inclusion of at least one group as identified by the National Financial Inclusion Strategy. The Applicant must demonstrate this through quantifiable estimations or demonstration where possible.
 - 2.3 **Need for a Sandbox:** the Applicant must demonstrate that live testing is necessary to achieve the testing objective; that the Applicant cannot carry out the test easily without the support of the Reserve Bank; and that a dedicated supervisor or direct support team could not accommodate the concept under its current regulatory framework.
 - 2.4 **Technical testing for existing Solutions:** In case of existing solutions, results of the technical testing must be made available to the Reserve Bank. Alternatively, an independent external validation from a reputed third party of the technical soundness of the solution must be obtained.
 - 2.5 **Readiness for regulatory testing:** The Applicant must show well-developed regulatory testing plans and sufficient safeguards to protect volunteer customers. Key risks of the solution and how they can be mitigated must be separately highlighted.
 - 2.6 Intention to deploy in Zimbabwe post Sandbox.
 - 2.7 The Applicant must demonstrate eligibility to the satisfaction of the Reserve Bank by showing clear evidence of items outlined above or in any other way acceptable to the Reserve Bank.
 - 2.8 Before submitting an application, the Applicant should clarify any question regarding the Sandbox with the Reserve Bank via the designated email.
 - 2.9 To begin the process of determining eligibility the relevant entity should make contact with Reserve Bank sandbox team, as an enquiry. The Reserve Bank team will then engage the entity on the matter and provide a checklist for eligibility criteria.

Annex 3: Eligible Products and Services List

3. The products and services eligible and non-eligible for Sandbox testing are indicated below:

3.1 Eligible

- APIs
- Mobile money services
- Retail payments
- Money transfer services
- Peer-to-peer/Marketplace lending
- Digital KYC
- Financial advisory services
- Wealth management services
- Digital identification services
- Smart contracts
- Financial inclusion products
- Cyber security products
- Equity crowdfunding
- Regulatory technology products

3.2 Non-Eligible

- Crypto currency
- Digital currency
- Central bank digital currency

Annex 4: Application Requirements

4. The Sandbox Application requirements include the following:
 - 4.1 Full details of the Applicant's organization, including its governance arrangements, financial standing, technical and business domain expertise; and authorised regulatory status if any under the Reserve Bank or any other regulator.
 - 4.2 Full details of the financial service or product to be experimented on in the Sandbox; covering the following:
 - a) Problem statement that the proposed product or services intends to address;
 - b) Benefits of the proposed product or service and any which do not exist yet;
 - c) Business model(s), including the target customer and specific use cases. For each use case, provide an end to end illustration on how the proposed financial product or service will be made available
 - d) Technical architecture of solution, detailing the specific technology and innovative ways in which the technology will be applied.
 - 4.3 Provide full details of the proposed sandbox design, including a description of the tests to be conducted in the sandbox, including specific testing of the application of technology in the proposed financial service/product and the preferred length of the testing period not exceeding 24 months.
 - 4.4 For each test describe the targets and key performance indicators, which will be used to determine the success of test. Ahead of any tests the participating entity should enter into a partnership with a regulated financial services business in Zimbabwe.
 - 4.5 State and justify the boundary conditions for the Sandbox such as start and end dates, target customer types, customer limits, transaction limits, transaction flows, and so on. The applicant may include the expected size of customer for the test and how to obtain the consent of those customer.
 - 4.6 Please provide full details of the applicable legal/regulatory requirements and the relaxation that you are seeking in order to deliver the proposed financial product or service in the sandbox:

- 4.7 A description of how the Applicant has met the Eligibility Criteria described in *Annex 2* with supporting evidence.
- 4.8 An assessment of the Applicant's readiness for testing which shall include target customer safeguards and testing. Test scenarios must include a quantification of the maximum potential direct and indirect losses and impact of the experiment.
- 4.9 A description of the target customer communications plan, which must include risk disclosures and material information about the company and the Sandbox.
- 4.10 A description of information and cyber security; money laundering, terrorism financing, consumer protection and other relevant controls taken by the Applicant to ensure safety of the solution.
- 4.11 A description of any third-party outsourcing arrangement including the due diligence conducted by the Applicant on the third party to ensure information and cyber security
- 4.12 An assessment of the exit and transition plan for customers, scale-up and deployment strategy, along with an assessment of the timeline and gaps if any in meeting any heightened legal and regulatory requirements after exiting the Sandbox ; and
- 4.13 The Curricula Vitae (CV), police and tax clearance of all the founders or senior management.

Annex 5: Reporting Requirements

5. The Sandbox Reporting Requirement include the following:
- 5.1 The authorised Sandbox entity or Participant must submit a weekly progress report to the Reserve Bank on the Tuesday following the reporting week. The report must be signed by senior management and emailed to the Sandbox Team fintech@rbz.co.zw. The weekly reports must include the following minimum requirements:
- Progress on the defined Key Performance Indicators (“KPIs”)
 - Key milestones achieved relative to the defined KPIs;
 - Number of volunteer customers;
 - Value and volume of transactions accomplished;
 - An updated risk register including trigger events, treatment and possibility of any risks materialising;
 - Detailed log of operational or technical incidents, including any cyber security issues or breaches (if any) and steps taken to address the same; and
 - Details on any audits conducted (and, where applicable, submission of signed audit reports).
 - Details of any customer complaints.
- 5.2 The Reserve Bank at any time may request the authorised Sandbox entity or Participant to submit additional information as the case may be. In cases where the Participant fails to submit the weekly progress report the Reserve Bank reserves the right to terminate the regulator sandbox authorisation to the particular Participant.
- 5.3 On exit from the Sandbox the Participant must submit a review report no later than 30 business days following exit from the Sandbox as the case may be. The report must comply with and include the following:
- Be completed by a third-party consultant; and
 - Actual performance against defined targets
- 5.4 Additionally, the Participant will need to provide a final management report.



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