



Bank of Sierra Leone

Regulatory Sandbox Program
Guidelines and Application Form

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Objectives and Principles

1. **This guidelines are issued under the authority of the Banking Act 2019, Credit Reference Act 2011, Payments System Act 2009 and the Other Financial Services Act 2001. These guidelines are adopted in order to permit the Bank of Sierra Leone to test and assess the viability and risk profile of designated products and services in a monitored and controlled market environment.**
2. The Bank of Sierra Leone (BSL) seeks to provide a regulatory environment that is conducive for the deployment of new and innovative financial technologies (FinTech) and business models in Sierra Leone. This includes reviewing and adapting regulatory requirements or procedures that may unintentionally inhibit consumer-friendly innovations or render them non-viable.
3. As part of this process, the Regulatory Sandbox Program (the “Sandbox”) is intended to enable innovative FinTech product, services, and solutions to be deployed and tested in a live environment prior to launch into the marketplace, within specified parameters and timeframes. Equally important, the Sandbox will facilitate BSL’s understanding of emerging technologies and support evidence-based approaches to regulation that advance the goals of financial inclusion, financial stability, integrity and consumer protection. Ultimately, then, the Sandbox is intended to foster responsible innovation that benefits consumers in Sierra Leone by improving the quality of, and access to, financial products and services.
4. Risk and failure are integral to innovation. Given the Sandbox operates in a live environment (i.e., involving actual customers using the product), test failures may result in financial loss or other risks to Participants, their customers and the financial system. It is therefore imperative that Sandbox tests incorporate appropriate safeguards to identify and manage potential risks and contain the consequences of failure.
5. The Sandbox may not be suitable for proposed products, services or solutions which, after review and consultation, are already adequately addressed under prevailing laws and regulations. For products, services and solutions that are not appropriate for the Sandbox, BSL may provide informal guidance and advice to Applicants to help align their proposed business models or solutions with prevailing laws and regulations.
6. BSL may limit the number of eligible Applicants that are invited to participate **in the Sandbox at any given time**. If the number of eligible Applicants exceeds the number of Participants the BSL deems reasonable to support, certain qualified Applicants may be invited to participate in a **future Sandbox intake**.

Definitions

7. In these Guidelines, unless the context requires otherwise:
 - a. **“Applicant”** means a legal entity who intends to apply or has applied for BSL’s approval to participate in the Sandbox;

- b. **“Participant”** means an Applicant that has been selected by the BSL to participate in the Sandbox;
- c. **“Sandbox”** refers to the tailored regulatory environment for live testing innovative financial products, services, and solutions subject to the requirements of these Guidelines.
- d. **“FinTech”** refers to any business that aims at providing financial services by making use of software and modern technology.
- e. **“Licensee”** means an entity holding a valid license issued under these guidelines.
- f. **“The Bank”** means the Bank of Sierra Leone.
- g. **“Security”** means assurance of the availability of customer funds held by the licensee and to be returned upon termination of the license.

Eligibility Requirements

- 8. For a FinTech, to be eligible to participate in the Sandbox, Applicants must be a registered business with the Corporate Affairs Commission of Sierra Leone with at least 10% ownership by a citizen of Sierra Leone. FinTechs will be treated on a **rolling basis and not on a cohort basis**.
- 9. Incumbents, i.e. licensed institutions, applying to test new products and services that do not meet the regulatory requirements of existing laws and regulations, can also apply on a rolling basis.
- 10. **No company shall be eligible to receive a license any of whose executives, managers, board members or major shareholders have been convicted of fraud, misapplication of funds, or any other type of financial malfeasance.**

Evaluation Criteria

- 11. Applicants seeking BSL approval to participate in the Sandbox must demonstrate the following:
 - a. Potential to Advance Financial Inclusion. The proposed product, service or solution is genuinely innovative with clear potential to advance the objectives of the National Strategy for Financial Inclusion 2017-2020 by improving accessibility, efficiency, security and/or quality in the provision of financial services to consumers in Sierra Leone;
 - b. Legal Diligence. Applicant has conducted sufficient diligence to understand the potential risks and/or legal and regulatory requirements for deploying the proposed financial product, service or solution;

- c. Mature Development Stage. The proposed product, service or solution is sufficiently developed and mature to be offered to customers in a live setting;
- d. Sufficient Resources. Applicant has sufficient resources to participate in the Sandbox, including financial resources as well as technical expertise to effectively mitigate and control potential risks and losses arising from offering of the product, service or solution;
- e. Clear Business Plan and Exit Strategy. Applicant has defined a clear strategy and business plan for exiting the Sandbox, which includes scenarios for deploying the product, service or solution on a commercial scale in Sierra Leone after successful exit from the Sandbox; and
- f. Fit and Proper Management and Leadership. Applicant is led and managed by persons with credibility and integrity.

Risks and Safeguards

- 12. The Sandbox is intended to serve as a safe space for innovators and regulators to evaluate new products and business models that do not fit neatly into existing regulatory structures. Identifying and mitigating potential risks to consumers and the financial system that may result from these experiments is critical to the success of the Sandbox.
- 13. Safeguards for consumers and the financial system while testing will be agreed between the Participant and BSL on a case-by-case basis and may include, but are not limited to:
 - i. providing disclosure of the potential risks to customers participating in the Sandbox and confirmation that such customers fully understand and accept the attendant risks;
 - ii. limiting the number of customers using the tested product, service or solution provided by the Participant and/or the aggregate value or frequency of transactions;
 - iii. restricting the participation of customers to a certain segment or profile of customers;
 - iv. providing a consumer redress mechanism, including the possibility for financial compensation claimable against the sandbox participants under clearly specified circumstances;
 - v. Committing adequate resources to undertake the testing and implement risk mitigation solutions that have been proven to be effective in containing the consequences of failure.
 - vi. **Providing Bank statement confirming availability of startup funds to ensure that the testing is done in line with the terms and conditions of the Test and Monitoring Plans.**
 - vii. **Providing three soft-launch test reports as evidence indicating the level of development of the product.**

Regulatory Modification

14. BSL will determine the specific regulatory requirements it is prepared to temporarily modify during a Sandbox test on a case-by-case basis, **except that** the following requirements will remain in place for all Participants:
 - i. Applicable character and fitness requirements for the Applicant, its Founders, Board of Directors and top Management Team;
 - ii. Applicable suitability requirements pertaining to business premises; and
 - iii. Anti-Money Laundering and Countering the Financing of Terrorism regulations.
15. Likewise, BSL will evaluate any regulatory changes, waivers, license limitations, or other prospective relief that may be necessary to permit a Participant to operate in Sierra Leone after the completion of a Sandbox test on a case-by-case basis.
16. Successful Applicants will be issued a limited license to engage in financial activity for the purpose of the product or service evaluated pursuant to these guidelines shall include, without limitations:
 - a) Company name and registration number.
 - b) Names and contact details for all executives, board members and principal shareholders of the company.
 - c) A full description of the product or service to be offered.
 - d) A proposed testing plan with identified milestones measuring progress.
 - e) Evidence of financial resources adequate to goals of the trial evaluation of the product or service to be introduced.
 - f) Evidence of capacity to provide adequate security for any customer funds to be held by the licensee. Such evidence may be by surety bond, insurance, secured deposit in a licensed depository institution or otherwise as determined by the Bank.

Testing Requirements

17. Testing requirements will be determined on a case-by-case basis and may include:
 - i. testing parameters such as the scope and duration of the test, regulatory flexibilities requested and frequency of reporting;
 - ii. specific measures to determine the success or failure of the test;
 - iii. an exit strategy should the test fail or be discontinued; and
 - iv. a transition plan for the deployment of the product, service or solution on a commercial scale in Sierra Leone upon successful testing and exit from the Sandbox.
 - v. A maximum number of customers who may purchase or use the product or service during the testing period.
 - vi. A statement of the geographic area in which the product can be offered.
 - vii. Where appropriate, a maximum number or volume of financial transactions permitted

- viii. A license issued under these guidelines shall be renewable one time only for a period not to exceed six months.

Testing Period

- 18. The initial testing period will not exceed 12 months unless the product, service or solution has tested positively and it can be demonstrated that extended testing is necessary to respond to specific issues or risks identified during initial testing.

Records and Reporting Requirements (Supervision)

- 19. BSL may require Participants to submit interim reports on the progress of the test, which may include:
 - i. key performance indicators, key milestones and statistical information;
 - ii. key issues arising as observed from fraud or operational incident reports; and
 - iii. actions or steps taken to address consumer complaints, emergent risks, or other issues relevant to BSL's assessment of applicable regulatory requirements.
 - iv. Licensees under this guideline shall report monthly on progress against the milestones identified in the license application. The report shall indicate, to the extent known, the reasons for any failure to achieve current milestones, and shall detail any plan to address those causes.
 - v. For purposes of confirming compliance with these guidelines, the Bank shall be permitted access to the offices, records, service points of the licensee.
- 20. The frequency and specific details to be included in interim reports will be determined by the Bank of Sierra Leone, taking into account the duration, complexity, scale and risks associated with the test.
- 21. Participants must ensure proper maintenance of records during the testing period to support reviews of the test by the BSL.
- 22. BSL reserves the right to request any relevant information from the Participant at any time, as well as the right to conduct onsite inspections of the Participant's operations.
- 23. Participants must submit a final report to BSL within 30 calendar days from the expiry of the testing period. The report shall contain:
 - i. key outcome and performance indicators against pre-determined measures for the success or failure;
 - ii. a full account of all incident reports and resolution of customer complaints; and
 - iii. in the case of a failed test, lessons learned from the test.

Penalties

24. Any license that, after termination or expiration of a license issued under these guidelines, continues to offer a product or service covered by the license, shall be liable for a maximum financial penalty of One hundred Million Leones (SLL 100,000,000).
25. Where a licensee continues to offer a product or service following termination of its license, the Bank may seek appropriate legal remedy in any court of competent jurisdiction.

Exit

26. Upon completion of the test, BSL will decide whether to allow the proposed product, service or solution to be introduced on a wider scale in Sierra Leone. Participants intending to carry out regulated businesses will be assessed based on their ability to comply with applicable licensing, approval and registration criteria.
27. BSL reserves the right to prohibit deployment of any product, service or solution in the market in the event of an unsuccessful testing or if the product, service or solution has negative consequences for the public and/or financial stability.

Revocation of Approval

28. BSL may revoke an approval to participate in the Sandbox at any time before the end of the testing period if the Participant:
 - i. fails to implement any required safeguards;
 - ii. submits false, misleading or inaccurate information, or has concealed or failed to disclose material facts in the application;
 - iii. contravenes any applicable law;
 - iv. is undergoing or has gone into liquidation or becomes insolvent;**
 - v. breaches data security and confidential requirements;
 - vi. carries on business in a manner detrimental to customers or the public at large;
 - vii. fails to effectively address any technical defects, flaws or vulnerabilities in the product, service or solution which gives rise to recurring service disruptions or fraud incidents;
 - viii. fails to commence business six (6) months from the date of the license;
 - ix. fails to carry on business;
 - x. commits serious crime;
 - xi. fails to comply with the terms and conditions stipulated in the license;
 - xii. made false or incorrect statement in its application; or
 - xiii. for any other reason determined by the BSL and notified to the Participant.

Suspension of Operations

29. A Participant in the Sandbox may suspend its operations under the following conditions:-

- i. A participant may suspend its operations after obtaining a license from the BSL. The suspension however should not last for more than 6 months.
- ii. A member of the Sandbox that has suspended its operations for more than six months shall have its license revoked by the BSL.
- iii. If it fails to meet the relicensing conditions within a time stipulated by the BSL, it shall permanently be closed and its license withdrawn.

Confidentiality

30. All Sandbox application materials submitted to BSL are confidential.
31. From time to time, BSL may report anonymized data and insights on the Sandbox so that other stakeholders may learn from the BSL's approach to emerging issues concerning the application of laws and regulations to new financial technologies and business models.
32. BSL reserves the right to publicly identify Participants in connection with their participation in the Sandbox.

Sandbox Program Fees

33. Applicants will be charged an application fee of **SLL 100,000. (One Hundred Thousand Leones)**
34. Only incumbent participants will be charged a participation fee to cover BSL's costs and expenses associated with the Program. The amount of such fees will be specified from time to time by BSL in an accompanying fee schedule.

Terms and Conditions Framework of the Sandbox Program

35. A successful participant will be required to sign the Terms and Conditions Framework that will be binding on the participants during the duration of the Sandbox program.
36. This Terms and Conditions Framework, governed under the laws of Sierra Leone, will stipulate and clarify the responsibilities of the applicant towards committing adequate resources to undertake the testing and implement risk mitigation solutions.
37. The participants will be held liable for any losses incurred by the consumers participating in the Sandbox program.

Effective Date

38. These Guidelines will come into effect on **24th August, 2020.**

Regulatory Sandbox Program Application Form

Thank you for your interest in Bank of Sierra Leone's Regulatory Sandbox Program (the "Sandbox"). The Sandbox is intended to provide a safe space to test and receive feedback on innovative products, services, or solutions that provide identifiable benefits to consumers in Sierra Leone.

Eligible companies and/or individuals may participate in the Sandbox if they meet certain criteria. However, not all eligible companies and/or individuals are guaranteed admission to the Sandbox. Given the significant supervisory resources required to ensure adequate guidance and oversight of the Sandbox, the Bank of Sierra Leone ("BSL") may limit the number of eligible Applicants that are invited to participate in any specific Sandbox cohort. If the number of eligible Applicants exceeds the number of Participants the BSL deems reasonable to support in a single Sandbox cohort, Applicants who have reached the final stage of the review process (including background checks) may be invited to participate in a future Sandbox cohort.

This application form is intended to assist BSL in understanding your business model and to help the Bank determine whether your business may qualify for participation in the Sandbox. Completed application forms, along with the required supporting documentation, must be submitted to the BSL in **both paper** and **electronic form** at the addresses below:].

Bank of Sierra Leone
Attn: Chairperson, BSL Regulatory Sandbox Committee
2nd Floor Main Bank Building
Siaka Stevens Street
Freetown, Sierra Leone
sandbox@bsl.gov.sl

If we have questions about your application or require additional information, we will contact you.

We will notify you within 45 working days after the application period has closed if you have been accepted to participate in the Sandbox. BSL will work with you to design a testing plan and appropriate safeguards to minimize and mitigate potential risks of harm to consumers and/or the financial system.



Bank of Sierra Leone

Regulatory Sandbox Program Application Checklist

Your application to the Regulatory Sandbox Program must include the following supporting documentation:

- Completed Application Form
- Business Plan
- Official copies of corporate formation documents
- Copy of Memorandum of Association (M&A) Document
- List and detailed CV of current Board of Directors and top Management Team
- Evidence of Payment of application fee
- Evidence of Bank Statement confirming Availability of funds



Bank of Sierra Leone

Regulatory Sandbox Program Application Form

| 1. General Information | |
|--|--|
| Applicant Name | |
| Full names of all owners/founders | |
| Business address | |
| Phone number | |
| Website URL (<i>if available; if password protected, please provide relevant access details</i>) | |
| Contact person: Name Title Telephone number Email address | |
| Is your business or any affiliated business (or their owners/founders or employees) currently registered, licensed, or supervised by Bank of Sierra Leone? If yes, please provide proof. | |
| Please describe the nature and scale of your operations in Sierra Leone. | |

2. Details of the Proposal

Please limit written responses to 50 words per question. Additional information may be provided as supporting documents.

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| Describe your innovative product, service, or solution. Attach your business plan or project synopsis to this application form. If the product, service or solution has been launched in the marketplace (in Sierra Leone or otherwise), please describe. | |
| Describe the technology and/or methodology that will be used to offer your product, service, or solution. If the technology or business model has been used for any other product, service or solution in Sierra Leone, please describe. | |
| Explain how your product, service, or solution will advance the goals set forth in Sierra Leone's National Strategy for Financial Inclusion 2017-2020. | |
| Briefly describe and attach short bios on your key personnel's technology or financial industry experience. | |
| Please describe the financial resources, including any venture funding or potential funding, you intend to use to develop and test your FinTech product, service, or solution in the Sandbox. (Provide Bank Statement (s) indicating availability of funds for the Test of the product). | |
| Identify the type of customers you will target to participate in the Sandbox and how do you intend to acquire these clients. (Provide evidence/report of visibility studies or market research carried out) | |

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| <p>Identify any other businesses or partners that you are working with or plan to work with if you are selected to participate in the Sandbox.</p> | |
| <p>Describe the business strategy or plan to deploy the product or service in the broader Sierra Leone marketplace after exiting the Sandbox.</p> | |
| <p>Explain how your product, service, or solution would benefit from participation in the Sandbox.</p> | |
| <p>Identify the specific legal and regulatory requirements prescribed that would need to be relaxed or modified to permit a Sandbox test of your product, service, or solution. If you think your product or business model raises new or complex regulatory concerns, please describe.</p> | |
| <p>Describe the current stage of development of your product, service, or solution. Provide evidence/report of 'soft-launch' of the product to be tested.</p> | |
| <p>Describe the key consumer protection, financial stability and any other risks associated with your FinTech product, service, or solution and how you have addressed those risks.</p> | |
| <p>Describe your plan for exiting from the Sandbox. If you are successful, what is your plan for offering your Fintech product, service or solution on broader scale within Sierra Leone? If you are unsuccessful, what is your plan for winding down the company or developing an alternative approach?</p> | |

3. Submission

The application form and the required supporting documentation must be submitted to BSL in both paper and electronic form. Paper copy should be delivered to: **Bank of Sierra Leone, Attn. Chairperson, BSL Regulatory Sandbox Committee, 2nd Floor Main Bank Building, Siaka Stevens Street, Freetown, Sierra Leone.** Electronic copies should be emailed to: **sandbox@bsl.gov.sl**. All application materials will remain confidential, although BSL may report anonymized data on the number and types of firms that have applied to participate in the Sandbox. BSL reserves the right to publicly announce the firms selected to participate in the Sandbox.

The fees should be paid into: **SANDBOX FEES & CHARGES** Account Number **54213**, BBAN No. SLL **000001000005421377** at the Bank of Sierra Leone.

If you have questions during the application and review process, you may contact the Sandbox Team at **sandbox@bsl.gov.sl**.