

## **FREQUENTLY ASKED QUESTIONS ON BOG REGULATORY SANDBOX**

### **1. What is a Regulatory Sandbox?**

A regulatory sandbox is a supportive and controlled policy environment that enables financial service providers (FSPs) to test innovative products, services and business models in a live environment under the supervision of a regulator.

### **2. What is the purpose of a Regulatory Sandbox?**

The purpose of the Regulatory sandbox is to foster FinTech innovations by providing a congenial regulatory environment for financial sector regulators and innovators to collaborate. In this regard, the Bank of Ghana and innovators are able to assess the usefulness, viability and safety of innovations through a shared understanding of their respective interests.

For FSPs, the Regulatory Sandbox presents an opportunity to test the viability of their product, service, or business model on a smaller scale, and enables them to identify and address any issues before the product, service or business model is approved by the regulator for rollout.

For start-ups, it will provide the opportunity to shape their solutions, learn the rudiments of regulatory compliance with the support of the regulator and receive adequate preparation towards fulfilment of licensing requirements.

### **3. How does the Regulatory Sandbox work?**

Regulatory Sandbox as a model of the real world environment of financial service, permits FSPs innovators to make available their FinTech innovations to predetermined group of customers in a live but controlled environment. Within the Regulatory Sandbox, the user experience, risks and mitigation measures are documented and assessed against predetermined testing parameters. The Bank of Ghana(regulator) regularly monitor and evaluate

the performance of the solution being tested as a basis for dialogue and providing support to the innovator.

#### **4. Why is the Bank of Ghana introducing a Regulatory Sandbox?**

BoG considers FinTech innovation as a key to promoting an inclusive, efficient, safe and resilient financial service industry. It however recognises the potential risks of innovation to financial stability as well as inflexible regulatory regime to constraining innovation and for that matter, the development of the financial service industry. It is the reasoned view of the Bank of Ghana that a Regulatory Sandbox will enable it promote a progressive financial service industry without compromising financial stability.

#### **5. What type of innovations will the Sandbox admit?**

The Bank of Ghana would give preference to products and services leveraging blockchain technology, remittance products, crowdfunding products and services, e-KYC (electronic know your customer) platforms, RegTech (regulatory technology), SupTech (supervisory technology), digital banking, products and services targeting women financial inclusion and innovative merchant payment solutions for micro, small and medium size enterprises (MSMEs). However, the Bank has announced for the information of the Public that the first cohort of the Regulatory Sandbox shall largely focus on the following priority areas; Payments, Remittances, Crowdfunding and Micro-lending.

In the event that the Bank intends to operate the rolling model, and for subsequent cohorts, the Bank shall publish the priority areas for these models as appropriate.

## 6. What are the benefits of participating in the Regulatory Sandbox?

The anticipated benefits of the Regulatory Sandbox are extensive and cover FSP innovators, consumers and the regulator as follows:

Regulator	Innovators	Consumers
<ul style="list-style-type: none"> <li>• Inform long term policy making through learning and experimentation</li> <li>• Promote communication and engagement with market participants</li> <li>• Update regulations that may prohibit beneficial Innovation</li> <li>• Review &amp; adapt Regulations based on experience</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce time-to-market by streamlining the authorisation process</li> <li>• Reduce regulatory uncertainty, such as that new technologies and business models will be prohibited</li> <li>• Gather feedback on regulatory requirements and risks</li> <li>• Incumbents and FinTechs can legally test new products &amp; services</li> <li>• Innovators incur less costs associated with legal fees</li> </ul>	<ul style="list-style-type: none"> <li>• Promote introduction of new and potentially safer products</li> <li>• Increase access to financial products and services</li> <li>• Higher level of protection (new products are not tested outside regulatory purview)</li> <li>• Reduces risks for consumers</li> <li>• Acts as a first line of quality assurance</li> </ul>

## 7. Who can apply to participate in the Regulatory Sandbox?

Entities eligible to apply to participate in the Regulatory Sandbox include Banks and Specialised Deposit-Taking Institutions, Payment Service

Providers, Dedicated Electronic Money Issuers, Savings and Loans companies, Microfinance companies, Financial Holding companies and unlicensed FinTech Start-Ups.

#### **8. What is the nature of innovations covered under the Regulatory Sandbox?**

Innovations eligible for the sandbox environment will have to satisfy any of the following broad categories:

- New digital business models not currently covered explicitly or implicitly under any regulation;
- New and immature digital financial service technology; and
- Innovative digital financial services products that have the potential of addressing a persistent financial inclusion challenge.

#### **9. Will Bank of Ghana consider exempting the Sandbox applicant from legal and regulatory requirements?**

Bank of Ghana will provide the appropriate regulatory support by relaxing specific legal and regulatory requirements prescribed by the Bank, which the applicant would otherwise be subject to, for the duration of the sandbox. A risk-based approach will be adopted in determining the most appropriate and effective form of regulatory support to facilitate the experimentation in the Regulatory Sandbox. Any application for exemption from a regulatory provision in the Sandbox would be considered on a case-by-case basis.

#### **10. How long does an entity stay in the Sandbox?**

A participant shall typically be admitted for a duration of six (6) months. However, a participant may request for extension of the testing period for a duration of no more than three months and the Bank of Ghana may grant such a request when satisfied with the rationale of the request.

**11. Will an entity that meets the participation criteria be automatically admitted into the Sandbox?**

No. To ensure maximum oversight and supervision, the Bank of Ghana reserves the right to determine the number of applicants that can be admitted into the regulatory sandbox at a time.

**12. What happens on completion of the Regulatory Sandbox?**

Upon successful completion of testing in the Regulatory sandbox, the sandbox entities will exit and the Bank of Ghana will issue a report that outlines how the products or services performed. The report may:

- a. state any new regulatory issues that were identified during testing and whether they were satisfactorily addressed
- b. require the Bank to implement appropriate regulatory framework or policies where the product or service does not fall within the scope of existing legal and regulatory framework;
- c. permit the commercial scalability of the product, service or business model in the event of satisfaction of testing outcomes;
- d. indicate the discontinuance of sandbox testing on stated grounds;
- and
- e. state why the product or service should not be licensed.

**13. Can foreign companies apply to participate in the BoG Regulatory Sandbox?**

No. However, the Bank of Ghana encourages foreign companies to incorporate a subsidiary in Ghana and satisfy the 30% Ghanaian equity participation in accordance with Act 987 to be eligible to apply participate in the Regulatory sandbox.

**14. Is a Sandbox entity limited to deploy the proposed financial service only in Ghana after exiting the sandbox?**

The broader scale deployment is not limited to Ghana. However, as part of the application evaluation criteria, the Sandbox applicant must demonstrate the intention and ability to deploy the proposed financial service in Ghana after exiting the Sandbox.

**15. Can changes be made to the sandbox application after submission to Bank of Ghana?**

Yes. The applicant is allowed to make updates to their application after submission when recommended by the Bank of Ghana or requested by the applicant and agreed to by the Bank of Ghana in the course of the application evaluation.

**16. Is there a cost associated with entering the Regulatory Sandbox Pilot?**

No. FSPs hoping to participate in the Regulatory Sandbox are not required to pay any fees.

**17. How do I apply to enter the BoG Regulatory Sandbox? / How can I enrol on the Bank of Ghana's Sandbox platform?**

Prospective applicants should submit a complete application in the prescribed form through the link below:

<https://bog.gh.app.emtech.com/login>

**18. Where do I submit enquiries on Regulatory sandbox?**

Interested FSPs can and should clarify any question regarding the sandbox by writing to the Bank of Ghana at [sandbox@bog.gov.gh](mailto:sandbox@bog.gov.gh)