



# The DARA Compliance Sandbox

The Sandbox Rulebook presented herein serves as a comprehensive guide for the operation of controlled testing environments designed to nurture innovation in financial services while ensuring adequate consumer protection and risk management. The Sandbox offers potential regulatory relief and an industry-led testing environment for financial products and services, with the goal of enabling participants to safely explore and implement their innovations while meeting consumer protection standards and core regulatory principles in the U.S.

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## **Section 1: Introduction to the U.S. Sandbox**

### **1. Introduction**

In an era of technological advancement and financial innovation, regulatory frameworks must evolve to foster progress while maintaining the integrity and stability of the financial system. The Regulatory Sandbox Rulebook presented herein serves as a comprehensive guide for the operation of a controlled testing environment designed to nurture innovation in financial services while ensuring adequate consumer protection and risk management.

### Purpose of the Regulatory Sandbox

The primary purpose of this regulatory sandbox is to create a safe and flexible environment where fintech companies, established financial institutions, and other innovators can test novel financial products, services, and business models under regulatory supervision. This approach allows for real-world experimentation with reduced regulatory burden, enabling innovators to validate their concepts and regulators to assess the implications of new technologies before they are widely deployed in the market.

Key objectives of the regulatory sandbox include:

1. Fostering innovation in the financial sector
2. Enhancing competition and improving consumer outcomes
3. Identifying and mitigating risks associated with new financial technologies
4. Informing evidence-based regulatory policy development
5. Accelerating the introduction of beneficial innovations to the market

### Scope and Application

This rulebook outlines the governance framework, operational procedures, and compliance requirements for all participants in the regulatory sandbox program. It covers the entire lifecycle of sandbox participation, from initial application through testing, reporting, and exit strategies. The rules and guidelines contained herein are designed to balance the need for regulatory flexibility with the imperative of maintaining market integrity and consumer protection.

### Intended Audience

This document is intended for a diverse audience of stakeholders involved in or affected by the regulatory sandbox program:

1. Fintech companies and financial innovators considering or applying for sandbox participation
2. Established financial institutions exploring innovative products or services
3. Regulatory staff responsible for sandbox administration and oversight

4. Policymakers and legislators involved in financial regulation and innovation policy
5. Consumer advocacy groups and other interested parties monitoring developments in financial innovation

#### Structure of the Rulebook

The rulebook is organized into twelve comprehensive sections, each addressing a crucial aspect of the sandbox program:

1. Introduction
2. Eligibility Criteria
3. Application Process
4. Sandbox Parameters
5. Participant Obligations
6. Consumer Protection
7. Regulatory Relief
8. Monitoring and Reporting
9. Data Protection and Confidentiality
10. Exit from the Sandbox
11. Regulatory Action
12. Amendments to the Rulebook

These sections provide a detailed framework for the operation of the sandbox, ensuring transparency, consistency, and fairness in its administration.

#### Legal Status and Authority

While the procedures provide guidelines for regulatory flexibility within the sandbox environment, it does not supersede existing laws and regulations unless explicitly stated. Participation in the sandbox does not guarantee future regulatory approval or exemption from applicable laws once testing is completed.

#### Commitment to Adaptive Regulation

The regulatory sandbox represents a commitment to adaptive and responsive regulation in the face of technological change. By allowing for controlled experimentation, regulators can gain valuable insights into emerging technologies and business models, enabling them to develop more informed and effective regulatory approaches.

## **Section 2: Sandbox Eligibility Criteria**

*Applicants must meet the following criteria to be considered for the sandbox:*

- *Offer a genuinely innovative financial product, service, or business model*
- *Demonstrate a clear benefit to consumers or the financial industry*
- *Show readiness to test the innovation in a live environment*
- *Have sufficient resources to participate in the sandbox*
- *Demonstrate understanding of applicable regulations and potential risks*

## 2. Eligibility Criteria

To be considered for participation in the regulatory sandbox, applicants must satisfy the following criteria:

### 2.1 Innovation Requirement

The applicant must demonstrate that their proposed product, service, or business model constitutes a genuine innovation in the financial sector. This may include:

- a) The use of new or emerging technology.
- b) The innovative application of existing technology.
- c) A novel business model that significantly differs from existing market offerings.

Evidence of innovation may include, but is not limited to, patent applications, independent research findings, or comparative market analysis.

### 2.2 Consumer or Industry Benefit

The applicant must provide substantial evidence that their innovation offers clear benefits to consumers and/or the financial industry. This may include:

- a) Addressing an existing problem or inefficiency in the market.
- b) Improving accessibility, affordability, or quality of financial services.
- c) Enhancing market competition or efficiency.

Applicants should support their claims with relevant consumer or industry research.

### 2.3 Regulatory Jurisdiction

The applicant's proposed product, service, or business model must fall within the regulatory jurisdiction of the sandbox authority. Applicants must demonstrate that their innovation:

- a) Requires U.S. state licensure or authorization, and/or
- b) Is subject to the oversight of the relevant regulatory body.

## 2.4 Test Readiness

Applicants must show that their innovation is sufficiently developed and ready for live testing. This includes:

- a) Providing a detailed testing plan with clearly defined scenarios and expected outcomes.
- b) Demonstrating the ability to report on test progress according to an agreed schedule.

## 2.5 Resource Adequacy

The applicant must have sufficient financial and operational resources to:

- a) Participate effectively in the sandbox for the duration of the testing period.
- b) Implement necessary risk management controls.
- c) Protect consumers and their data throughout the testing phase.

## 2.6 Regulatory Understanding

Applicants must demonstrate a comprehensive understanding of:

- a) Applicable regulations relevant to their innovation.
- b) Potential risks associated with their product, service, or business model.
- c) Proposed risk mitigation strategies.

## 2.7 Need for Sandbox Environment

The applicant must establish a clear need for sandbox participation by demonstrating that:

- a) The innovation cannot be implemented under the existing regulatory framework.
- b) Testing in the sandbox environment is necessary to assess the innovation's viability or regulatory implications.

## 2.8 Consumer Protection Measures



Applicants must outline robust consumer protection measures, including:

- a) Clear disclosure mechanisms to inform consumers of the sandbox testing status.
- b) Adequate safeguards to protect consumer interests and funds.
- c) A defined process for addressing consumer complaints and disputes.

## 2.9 Exit and Transition Strategy

The application must include a well-defined exit and transition strategy that addresses:

- a) Various potential outcomes of the sandbox testing.
- b) Plans for either full market launch or orderly cessation of activities.
- c) Measures to protect consumers and the market integrity during the transition phase.

## 2.10 Compliance with Core Regulatory Principles

While certain regulatory requirements may be relaxed within the sandbox, applicants must commit to complying with fundamental regulatory principles, including but not limited to:

- a) Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) requirements.
- b) Data protection and privacy laws.
- c) Cybersecurity standards.

The sandbox authority reserves the right to request additional information or clarification from applicants during the evaluation process. Meeting these eligibility criteria does not guarantee acceptance into the sandbox program. Final selection will be made based on a comprehensive evaluation of the application and the sandbox's current capacity and objectives.

## **Section 3. Application Process**

### Submission Requirements

*Applicants must submit:*

- *A detailed description of the proposed innovation*

- *Business plan and financial projections*
- *Risk assessment and mitigation strategies*
- *Testing plans and success criteria*
- *Exit strategy*

## Review and Selection

- *Applications will be reviewed by the Sandbox Administration Team*
- *Shortlisted applicants may be invited for an interview*
- *Final selection will be made by the Selection Committee*

## 3. Application Process

### 3.1 Submission Requirements

All applicants seeking admission to the regulatory sandbox must submit a comprehensive application package containing the following mandatory components:

#### 3.1.1 Innovation Description

- a) A detailed technical description of the proposed innovation, including:
  - i. Core functionality and features
  - ii. Underlying technology or methodologies
  - iii. Novelty in comparison to existing market offerings
- b) Explanation of how the innovation aligns with the eligibility criteria outlined in Section 2 of this rulebook.

#### 3.1.2 Business Plan and Financial Projections

- a) A comprehensive business plan encompassing:
  - i. Executive summary
  - ii. Market analysis and target demographic
  - iii. Marketing and distribution strategies
  - iv. Operational structure and key personnel
- b) Detailed financial projections for a minimum of three years, including:

- i. Projected revenue streams
- ii. Cost structure and capital requirements
- iii. Break-even analysis
- iv. Funding sources and capital adequacy

### 3.1.3 Risk Assessment and Mitigation Strategies

a) A thorough risk assessment identifying potential risks associated with the innovation, including but not limited to:

- i. Operational risks
- ii. Financial risks
- iii. Technological risks
- iv. Regulatory compliance risks
- v. Consumer protection risks

b) Detailed mitigation strategies for each identified risk, including:

- i. Preventive measures
- ii. Detective controls
- iii. Corrective actions

### 3.1.4 Testing Plans and Success Criteria

a) A comprehensive testing plan outlining:

- i. Specific scenarios to be tested
- ii. Testing methodologies and protocols
- iii. Data collection and analysis procedures
- iv. Timelines for each testing phase

b) Clearly defined success criteria, including:

- i. Quantitative metrics
- ii. Qualitative benchmarks
- iii. Key performance indicators (KPIs)

### 3.1.5 Exit Strategy

- a) A detailed exit strategy addressing:
  - i. Procedures for successful transition to full market launch
  - ii. Contingency plans for unsuccessful testing outcomes
  - iii. Measures to ensure consumer protection during exit
- b) Transition plan outlining steps to achieve full regulatory compliance post-sandbox.

### 3.1.6 Additional Documentation

- a) Proof of incorporation or legal status
- b) Audited financial statements (if applicable)
- c) Resumes of key personnel
- d) Any relevant patents, trademarks, or intellectual property documentation

## 3.2 Review and Selection Process

The review and selection of sandbox participants shall adhere to the following formal process:

### 3.2.1 Initial Screening

- a) The Sandbox Administration Team shall conduct an initial screening of all submitted applications within 30 calendar days of the application deadline.
- b) Applications shall be evaluated based on completeness, adherence to submission requirements, and alignment with eligibility criteria.
- c) Applicants failing to meet the basic requirements shall be notified of their ineligibility within 45 calendar days of the application deadline.

### 3.2.2 Detailed Evaluation

- a) Applications passing the initial screening shall undergo a detailed evaluation by the Sandbox Administration Team.
- b) The evaluation shall assess:
  - i. Innovation potential and market impact

- ii. Technical feasibility and readiness for testing
  - iii. Risk assessment and mitigation strategies
  - iv. Potential consumer benefits and protection measures
  - v. Regulatory implications and compliance considerations
- c) The Sandbox Administration Team may request additional information or clarification from applicants during this stage.

### 3.2.3 Shortlisting and Interviews

- a) Based on the detailed evaluation, the Sandbox Administration Team shall create a shortlist of qualified applicants.
- b) Shortlisted applicants shall be invited for an in-person or virtual interview within 60 calendar days of the application deadline.
- c) The interview panel shall consist of at least three members of the Sandbox Administration Team and may include external subject matter experts.
- d) Interviews shall focus on:
- i. Clarifying aspects of the application
  - ii. Assessing the applicant's understanding of regulatory requirements
  - iii. Evaluating the team's capability to execute the proposed testing plan

### 3.2.4 Final Selection

- a) The Selection Committee, comprising senior representatives from relevant regulatory departments and independent experts, shall make the final selection of sandbox participants.
- b) The Selection Committee shall convene within 90 calendar days of the application deadline to review:
- i. Detailed evaluation reports from the Sandbox Administration Team
  - ii. Interview assessments
  - iii. Any additional information provided by applicants
- c) Selection criteria shall include:
- i. Alignment with sandbox objectives and regulatory priorities
  - ii. Potential for significant market impact or consumer benefit

- iii. Readiness for testing and resource adequacy
  - iv. Diversity of innovations within the sandbox cohort
- d) The Selection Committee shall determine the final list of accepted participants and may designate a waitlist.

### 3.2.5 Notification and Onboarding

- a) All applicants shall be notified of the Selection Committee's decision within 120 calendar days of the application deadline.
- b) Successful applicants shall receive a formal acceptance letter outlining:
- i. Specific terms and conditions of their sandbox participation
  - ii. Any regulatory relief granted
  - iii. Reporting requirements and key milestones
- c) Accepted participants shall confirm their intention to proceed within 14 calendar days of receiving the acceptance letter.
- d) The Sandbox Administration Team shall initiate the onboarding process for confirmed participants, including orientation sessions and finalization of testing parameters.

## Section 4. Sandbox Parameters

### *Duration*

- *The standard testing period is 6 months*
- *Extensions may be granted for up to an additional 6 months upon review*

### *Participant Limits*

- *The number of customers or transactions may be restricted*
- *Transaction values may be capped*
- *Other limitations may be imposed based on the nature of the innovation*

## 4. Sandbox Parameters

### 4.1 Duration of Sandbox Testing

#### 4.1.1 Standard Testing Period

- a) The standard testing period for all participants in the regulatory sandbox shall be six (6) calendar months, commencing on the date specified in the participant's formal acceptance letter.
- b) The commencement date shall be no later than 60 calendar days from the date of acceptance into the sandbox program.

#### 4.1.2 Extension Requests

- a) Participants may apply for an extension of their testing period no later than 30 calendar days prior to the conclusion of their initial testing period.
- b) Extension requests must be submitted in writing to the Sandbox Administration Team and include:
  - i. Detailed justification for the extension
  - ii. Progress report on current testing outcomes
  - iii. Revised testing plan for the extended period
  - iv. Updated risk assessment and mitigation strategies
- c) The Sandbox Administration Team shall review extension requests and provide a decision within 15 calendar days of receipt.

#### 4.1.3 Extension Criteria

- a) Extensions may be granted for up to an additional six (6) calendar months based on the following criteria:
  - i. Demonstrated progress towards testing objectives
  - ii. Unforeseen circumstances that justifiably delayed testing
  - iii. Potential for significant insights or benefits from extended testing
  - iv. Continued adherence to sandbox rules and regulations

b) No participant shall be permitted to test in the sandbox for a total period exceeding twelve (12) calendar months.

#### 4.1.4 Early Termination

a) The Sandbox Administration Team reserves the right to terminate a participant's testing period prior to its scheduled conclusion if:

- i. The participant fails to comply with sandbox rules or regulations
- ii. The innovation proves to pose unacceptable risks to consumers or the financial system
- iii. The participant requests voluntary withdrawal from the sandbox

b) In the event of early termination, the participant shall be provided with written notice including the reasons for termination and required exit procedures.

### 4.2 Participant Limitations

#### 4.2.1 Customer Restrictions

a) The Sandbox Administration Team shall establish a maximum number of customers or users for each participant's testing phase, based on:

- i. The nature and complexity of the innovation
- ii. The participant's risk management capabilities
- iii. The potential impact on consumers and the financial system

b) Customer limits shall be clearly defined in the participant's acceptance letter and may be adjusted during the testing period with written approval from the Sandbox Administration Team.

#### 4.2.2 Transaction Limitations

a) Monetary caps shall be imposed on individual transactions and aggregate transaction volumes, considering:

- i. The type of financial service or product being tested
- ii. The participant's financial resources and risk-bearing capacity
- iii. Consumer protection requirements



b) Transaction limits shall be specified in the participant's acceptance letter and may include:

- i. Maximum value per transaction
- ii. Daily, weekly, or monthly transaction volume limits
- iii. Aggregate monetary exposure limits

### 4.2.3 Operational Constraints

a) The Sandbox Administration Team may impose additional operational limitations based on the specific nature of each innovation, including but not limited to:

- i. Geographical restrictions on service availability
- ii. Limitations on types of financial instruments or products offered
- iii. Restrictions on customer segments (e.g., retail vs. institutional investors)
- iv. Data handling and storage requirements
- v. Mandatory collaboration with established financial institutions

b) All operational constraints shall be clearly communicated to the participant in writing and acknowledged before the commencement of testing.

### 4.2.4 Regulatory Relief

a) Specific regulatory requirements may be relaxed or modified for sandbox participants, as determined by the relevant regulatory authorities.

b) The scope and duration of any regulatory relief shall be explicitly defined in the participant's acceptance letter.

c) Participants must comply with all regulations not explicitly relaxed or modified for the sandbox testing.

### 4.2.5 Adjustment of Limitations

a) The Sandbox Administration Team may adjust participant limitations during the testing period based on:

- i. Observed performance and risk management capabilities
- ii. Emerging risks or concerns
- iii. Requests from the participant, supported by justification and evidence

- b) Any adjustments to participant limitations must be:
- i. Approved in writing by the Sandbox Administration Team
  - ii. Communicated to the participant with a minimum of 5 business days' notice
  - iii. Acknowledged in writing by the participant before implementation

## 4.2.6 Compliance Monitoring

- a) The Sandbox Administration Team shall continuously monitor participant compliance with all imposed limitations.
- b) Participants shall be required to submit regular reports demonstrating adherence to established limits.
- c) Any breach of limitations may result in:
- i. Immediate suspension of testing activities
  - ii. Mandatory remediation measures
  - iii. Potential early termination of sandbox participation

## *Section 5. Participant Obligations*

*Participants must:*

- *Adhere to all agreed-upon testing parameters*
- *Implement appropriate risk management controls*
- *Provide clear and adequate disclosure to customers*
- *Submit regular progress reports (at least monthly)*
- *Inform the Sandbox Administration Team of any significant changes or issues*
- *Maintain records of all sandbox activities*
- *Comply with relevant laws and regulations not explicitly relaxed for the sandbox*

## 5. Participant Obligations

Participants in the regulatory sandbox shall be bound by the following obligations throughout the duration of their participation:

## 5.1 Adherence to Testing Parameters

### 5.1.1 Compliance with Agreed Parameters

- a) Participants shall strictly adhere to all testing parameters as specified in their acceptance letter and any subsequent amendments approved by the Sandbox Administration Team.
- b) These parameters include, but are not limited to:
  - i. Customer limits
  - ii. Transaction caps
  - iii. Operational constraints
  - iv. Geographical restrictions

### 5.1.2 Modification Requests

- a) Any proposed changes to the agreed testing parameters must be submitted in writing to the Sandbox Administration Team for approval at least 15 business days prior to the intended implementation.
- b) Participants shall not implement any modifications without explicit written approval from the Sandbox Administration Team.

## 5.2 Risk Management Controls

### 5.2.1 Implementation of Controls

- a) Participants shall implement and maintain appropriate risk management controls as outlined in their approved risk assessment and mitigation strategy.
- b) These controls shall address, at minimum:
  - i. Operational risks
  - ii. Financial risks
  - iii. Technological risks

- iv. Regulatory compliance risks
- v. Consumer protection risks

## 5.2.2 Ongoing Risk Assessment

- a) Participants shall conduct ongoing risk assessments throughout the testing period and promptly implement additional controls as necessary.
- b) Any significant changes to the risk profile shall be reported to the Sandbox Administration Team within 2 business days of identification.

## 5.3 Customer Disclosure

### 5.3.1 Mandatory Disclosures

Participants shall provide clear, conspicuous, and adequate disclosure to all customers, including:

- a) The sandbox testing status of the product or service
- b) Key risks associated with the product or service
- c) The limited nature of any regulatory oversight or protections
- d) The possibility of service discontinuation at the end of the testing period

### 5.3.2 Disclosure Format and Timing

- a) All required disclosures shall be made in writing and in a format approved by the Sandbox Administration Team.
- b) Disclosures must be provided to customers:
  - i. Prior to their engagement with the product or service
  - ii. At regular intervals during the testing period, as specified by the Sandbox Administration Team

### 5.3.3 Acknowledgment of Understanding

Participants shall obtain and maintain records of customer acknowledgment of understanding of all mandatory disclosures.

## 5.4 Reporting Requirements

### 5.4.1 Regular Progress Reports

- a) Participants shall submit detailed progress reports to the Sandbox Administration Team at least monthly, or more frequently if specified in their acceptance letter.
- b) Progress reports shall include:
  - i. Key performance indicators and metrics
  - ii. Customer acquisition and retention data
  - iii. Transaction volumes and values
  - iv. Identified risks and mitigation actions
  - v. Compliance with testing parameters
  - vi. Any customer complaints or issues

### 5.4.2 Incident Reporting

- a) Participants shall immediately report to the Sandbox Administration Team, within 24 hours of occurrence or discovery:
  - i. Any breach of testing parameters
  - ii. Cybersecurity incidents or data breaches
  - iii. Significant operational disruptions
  - iv. Material customer complaints or disputes
- b) Incident reports shall include:
  - i. Nature and scope of the incident
  - ii. Immediate actions taken
  - iii. Proposed remediation plan

### 5.4.3 Change Notifications

Participants shall inform the Sandbox Administration Team in writing within 5 business days of any significant changes, including:

- a) Modifications to the tested product or service
- b) Changes in key personnel

- c) Alterations to the business model or strategy
- d) Material changes in financial position

## 5.5 Record Keeping

### 5.5.1 Maintenance of Records

- a) Participants shall maintain comprehensive and accurate records of all sandbox activities, including:
  - i. Customer interactions and transactions
  - ii. Testing data and results
  - iii. Risk management activities
  - iv. Compliance efforts
- b) Records shall be retained for a minimum of seven (7) years following the conclusion of the sandbox testing period.

### 5.5.2 Access to Records

- a) Participants shall provide the Sandbox Administration Team with prompt access to all records upon request.
- b) Records shall be made available in a format specified by the Sandbox Administration Team within 5 business days of a request, unless otherwise agreed.

## 5.6 Regulatory Compliance

### 5.6.1 Adherence to Applicable Laws and Regulations

- a) Participants shall comply with all relevant laws and regulations not explicitly relaxed or modified for the sandbox testing.
- b) This includes, but is not limited to:
  - i. Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) regulations
  - ii. Data protection and privacy laws
  - iii. Consumer protection statutes

iv. Cybersecurity requirements

## 5.6.2 Compliance Monitoring

- a) Participants shall establish and maintain a compliance monitoring program to ensure ongoing adherence to applicable laws and regulations.
- b) Any identified compliance issues shall be reported to the Sandbox Administration Team within 2 business days of discovery, along with a proposed remediation plan.

## 5.7 Cooperation with Regulatory Authorities

### 5.7.1 Information Requests

Participants shall promptly and fully respond to any information requests from the Sandbox Administration Team or other relevant regulatory authorities within the specified timeframe.

### 5.7.2 On-site Inspections

Participants shall facilitate and cooperate with any on-site inspections conducted by the Sandbox Administration Team or authorized regulatory representatives.

## 5.8 Exit Strategy Implementation

Participants shall be prepared to implement their approved exit strategy at the conclusion of the testing period or upon early termination, ensuring:

- a) Orderly wind-down of operations
- b) Appropriate customer communication and support
- c) Proper disposition of customer data and funds

## 5.9 Confidentiality

Participants shall maintain the confidentiality of any non-public information obtained through their participation in the sandbox and shall not disclose such information without prior written approval from the Sandbox Administration Team.

Failure to comply with these obligations may result in immediate suspension or termination of sandbox participation, and may subject the participant to regulatory enforcement actions or other legal consequences.

## *Section 6. Consumer Protection*

### *Disclosure Requirements*

*Participants must inform customers:*

- *That the product or service is being tested in a sandbox*
- *Of the key risks associated with the product or service*
- *Of available compensation arrangements in case of losses*

### *Dispute Resolution*

- *Participants must have a clearly defined process for handling customer complaints*
- *The Sandbox Administration Team may intervene in unresolved disputes*

## 6. Consumer Protection

The following provisions shall govern consumer protection measures within the regulatory sandbox:

### 6.1 Disclosure Requirements

#### 6.1.1 Mandatory Disclosures

Participants shall provide comprehensive disclosures to all customers, including but not limited to:

##### a) Sandbox Testing Status

- i. Clear statement that the product or service is being tested within a regulatory sandbox



- ii. Explanation of the sandbox concept and its implications for consumer protection

- iii. The specific duration of the testing period

b) Risk Disclosure

- i. Detailed explanation of key risks associated with the product or service

- ii. Potential financial, operational, and technological risks

- iii. Any limitations on regulatory protections during the sandbox period

c) Compensation Arrangements

- i. Availability and extent of any compensation arrangements in case of losses

- ii. Procedures for claiming compensation

- iii. Any limitations or exclusions to compensation

d) Regulatory Status

- i. Explanation of any regulatory requirements that have been relaxed or modified

- ii. Clarification that full regulatory protections may not apply

e) Exit Arrangements

- i. Possibility of service discontinuation at the end of the testing period

- ii. Procedures for safeguarding customer interests in case of exit

## 6.1.2 Disclosure Format and Timing

a) Written Disclosures

- i. All disclosures shall be provided in writing, in clear, plain language

- ii. Font size shall be no smaller than 12-point

- iii. Disclosures must be provided in the official language(s) of the jurisdiction and any other languages commonly used by the target customer base

b) Timing of Disclosures

- i. Initial disclosures shall be provided prior to any customer engagement or transaction
- ii. Ongoing disclosures shall be provided at intervals specified by the Sandbox Administration Team, but no less frequently than quarterly

c) Digital Disclosures

- i. For digital products or services, disclosures must be prominently displayed and easily accessible
- ii. Customers must actively acknowledge receipt and understanding of disclosures through a clear affirmative action (e.g., checkbox confirmation)

### 6.1.3 Record of Disclosure

a) Participants shall maintain comprehensive records of all disclosures made to each customer, including:

- i. Content of disclosures
- ii. Date and time of disclosure
- iii. Method of disclosure
- iv. Customer acknowledgment of receipt and understanding

b) These records shall be retained for a minimum of seven (7) years following the conclusion of the sandbox testing period

## 6.2 Dispute Resolution

### 6.2.1 Complaint Handling Process

Participants shall establish and maintain a clearly defined process for handling customer complaints, which shall include:

- a) Easily accessible channels for customers to submit complaints, including at minimum:
  - i. A dedicated email address
  - ii. A telephone hotline
  - iii. A postal address for written complaints
- b) Acknowledgment of complaints within one (1) business day of receipt
- c) Initial response to complaints within five (5) business days, including:
  - i. Summary of the complaint as understood by the participant
  - ii. Proposed course of action
  - iii. Expected timeline for resolution
- d) Final response to complaints within fifteen (15) business days, unless a longer period is justified and communicated to the customer
- e) Clear communication of the outcome and any actions taken
- f) Option for the customer to escalate unresolved complaints to the Sandbox Administration Team

## 6.2.2 Complaint Records

- a) Participants shall maintain detailed records of all customer complaints, including:
  - i. Nature of the complaint
  - ii. Date of receipt
  - iii. Actions taken to address the complaint
  - iv. Final resolution
  - v. Time taken to resolve the complaint
- b) A summary of all complaints shall be included in the monthly progress reports submitted to the Sandbox Administration Team

## 6.2.3 Sandbox Administration Team Intervention

a) The Sandbox Administration Team reserves the right to intervene in unresolved disputes under the following circumstances:

- i. The participant has failed to resolve the complaint within thirty (30) days
- ii. The customer has escalated the complaint to the Sandbox Administration Team
- iii. The complaint involves a significant risk to consumer protection or market integrity

b) Intervention Process

- i. The Sandbox Administration Team shall notify the participant of its intention to intervene
- ii. The participant shall provide all relevant information and documentation within five (5) business days
- iii. The Sandbox Administration Team may request additional information or clarification as needed
- iv. A decision shall be rendered within fifteen (15) business days of receiving all necessary information

c) Binding Nature of Decisions

- i. Decisions made by the Sandbox Administration Team in dispute resolution shall be binding on the participant
- ii. Participants shall implement any required actions within the timeframe specified by the Sandbox Administration Team

## 6.3 Customer Data Protection

### 6.3.1 Data Security Measures

Participants shall implement robust data security measures to protect customer data, including:

- a) Encryption of sensitive data at rest and in transit
- b) Access controls and authentication mechanisms
- c) Regular security audits and vulnerability assessments
- d) Incident response and data breach notification procedures

### 6.3.2 Data Usage Limitations

- a) Participants shall only collect and use customer data for purposes directly related to the sandbox testing, as disclosed to and agreed by the customer
- b) Any additional use of customer data must be explicitly consented to by the customer

### 6.3.3 Data Retention and Disposal

- a) Participants shall retain customer data only for the duration necessary for sandbox testing and any subsequent regulatory requirements
- b) Upon conclusion of the sandbox period or early termination, participants shall securely dispose of customer data in accordance with applicable data protection laws and regulations

## 6.4 Financial Safeguards

### 6.4.1 Segregation of Funds

Participants handling customer funds shall:

- a) Maintain such funds in segregated accounts with authorized financial institutions
- b) Ensure customer funds are not commingled with operational funds

c) Provide regular statements to customers detailing their account balance and transactions

## 6.4.2 Insurance Requirements

Participants shall maintain adequate insurance coverage, as determined by the Sandbox Administration Team, to protect against potential losses to customers.

## 6.5 Vulnerable Customers

### 6.5.1 Identification of Vulnerable Customers

Participants shall implement processes to identify potentially vulnerable customers, including but not limited to:

- a) Elderly individuals
- b) Persons with disabilities
- c) Individuals with limited financial literacy

### 6.5.2 Additional Protections

For identified vulnerable customers, participants shall:

- a) Provide enhanced disclosures in an appropriate format
- b) Offer additional support in understanding the product or service
- c) Implement extra safeguards against potential financial harm

## 6.6 Monitoring and Reporting

### 6.6.1 Consumer Protection Metrics

Participants shall monitor and report on key consumer protection metrics, including:

- a) Number and nature of customer complaints
- b) Resolution rates and times for complaints
- c) Customer satisfaction scores
- d) Incidents of data breaches or unauthorized access

## 6.6.2 Regulatory Reporting

Participants shall include a dedicated section on consumer protection in their monthly progress reports to the Sandbox Administration Team, detailing compliance with these requirements and any issues encountered.

Failure to comply with these consumer protection requirements may result in immediate suspension or termination of sandbox participation, and may subject the participant to regulatory enforcement actions or other legal consequences.

## *Section 7. Regulatory Relief*

### *Scope of Relief*

- *Specific regulatory requirements may be relaxed or modified for sandbox participants*
- *The extent of regulatory relief will be determined on a case-by-case basis*

### *Limitations*

- *Relief will be time-bound and may be revoked if conditions are not met*
- *Core regulatory principles (e.g., AML/CFT) cannot be waived*

## 7. Regulatory Relief

### 7.1 Scope of Regulatory Relief

### 7.1.1 General Principles

a) The Sandbox Administration Team, in conjunction with relevant regulatory authorities, may grant specific regulatory relief to sandbox participants to facilitate the testing of innovative financial products, services, or business models.

b) Such relief shall be:

- i. Limited in scope and duration
- ii. Tailored to the specific needs of each participant's proposed innovation
- iii. Consistent with the overall objectives of the regulatory sandbox program

### 7.1.2 Areas of Potential Relief

Regulatory relief may be considered in the following areas, subject to evaluation and approval:

- a) Licensing and registration requirements
- b) Capital and liquidity requirements
- c) Governance and organizational structure
- d) Reporting and disclosure obligations
- e) Product-specific regulations
- f) Operational and technology requirements

### 7.1.3 Case-by-Case Determination

a) The extent and nature of regulatory relief shall be determined on a case-by-case basis, taking into account:

- i. The specific characteristics of the proposed innovation
- ii. The potential risks and benefits to consumers and the financial system
- iii. The participant's risk management capabilities and resources
- iv. The objectives and integrity of the existing regulatory framework

b) Participants shall submit a detailed request for regulatory relief as part of their sandbox application, specifying:

- i. The specific regulatory requirements for which relief is sought
- ii. Justification for the requested relief



- iii. Proposed alternative measures to address regulatory objectives

## 7.1.4 Consultation Process

- a) The Sandbox Administration Team shall consult with relevant regulatory departments and subject matter experts in evaluating requests for regulatory relief.
- b) External stakeholders, including industry associations and consumer advocacy groups, may be consulted where appropriate, while maintaining the confidentiality of the participant's application.

## 7.2 Formalization of Regulatory Relief

### 7.2.1 Relief Order

- a) Approved regulatory relief shall be formalized through a Relief Order issued by the Sandbox Administration Team.
- b) The Relief Order shall specify:
  - i. The exact nature and scope of the regulatory relief granted
  - ii. The duration of the relief
  - iii. Any conditions or restrictions attached to the relief
  - iv. Reporting requirements related to the relief
  - v. Circumstances under which the relief may be modified or revoked

### 7.2.2 Publication of Relief

- a) A summary of the regulatory relief granted to each sandbox participant shall be published on the official sandbox website, including:
  - i. The name of the participant
  - ii. A brief description of the innovation being tested
  - iii. The general nature of the regulatory relief granted
  - iv. The duration of the relief
- b) Confidential or commercially sensitive information shall be redacted from the published summary.

## 7.3 Limitations on Regulatory Relief

### 7.3.1 Time-Bound Nature

- a) All regulatory relief shall be time-bound, typically aligning with the duration of the sandbox testing period.
- b) Extensions to the period of regulatory relief may be granted in conjunction with approved extensions to the testing period, subject to review and approval.

### 7.3.2 Revocation of Relief

- a) The Sandbox Administration Team reserves the right to modify, suspend, or revoke granted regulatory relief under the following circumstances:
  - i. Non-compliance with sandbox rules or conditions of the Relief Order
  - ii. Emergence of unforeseen risks to consumers or the financial system
  - iii. Material changes to the participant's business model or testing parameters
  - iv. Changes in the regulatory landscape that necessitate a reassessment of the relief
- b) Procedure for Revocation:
  - i. The participant shall be notified in writing of the intent to modify, suspend, or revoke relief
  - ii. The participant shall have five (5) business days to respond and provide any relevant information
  - iii. A final decision shall be communicated within ten (10) business days of the initial notification
  - iv. In cases of immediate risk, relief may be suspended immediately pending review

### 7.3.3 Non-Waivable Regulatory Principles

The following core regulatory principles and requirements cannot be waived or substantially modified under any circumstances:

- a) Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) obligations

- b) Data protection and privacy laws
- c) Fundamental consumer protection principles
- d) Cybersecurity and system integrity requirements
- e) Fiduciary duties and obligations
- f) Prohibition on fraudulent, deceptive, or manipulative practices

## 7.4 Monitoring and Compliance

### 7.4.1 Ongoing Monitoring

- a) The Sandbox Administration Team shall continuously monitor participants' compliance with the terms of their regulatory relief.
- b) Participants shall be required to submit regular reports demonstrating their adherence to the conditions specified in the Relief Order.

### 7.4.2 Audit Requirements

- a) Participants may be subject to periodic audits to verify compliance with the terms of their regulatory relief.
- b) Such audits may be conducted by:
  - i. The Sandbox Administration Team
  - ii. Relevant regulatory authorities
  - iii. Independent third-party auditors approved by the Sandbox Administration Team

### 7.4.3 Notification of Changes

Participants shall immediately notify the Sandbox Administration Team of any material changes that may affect their eligibility for or compliance with granted regulatory relief.

## 7.5 Transition to Full Compliance

### 7.5.1 Transition Plan

- a) Participants shall develop and submit a transition plan at least sixty (60) days prior to the expiration of their regulatory relief, outlining:
  - i. Steps to achieve full regulatory compliance
  - ii. Timeline for implementation of necessary changes
  - iii. Any challenges anticipated in the transition process
- b) The Sandbox Administration Team shall review and approve the transition plan, providing guidance as necessary.

## 7.5.2 Post-Sandbox Monitoring

- a) Participants exiting the sandbox and transitioning to full regulatory compliance may be subject to enhanced monitoring for a period determined by the relevant regulatory authorities.
- b) Such monitoring may include more frequent reporting requirements and inspections to ensure smooth transition and ongoing compliance.

## 7.6 Regulatory Coordination

### 7.6.1 Inter-Agency Cooperation

The Sandbox Administration Team shall establish mechanisms for coordination with other relevant regulatory agencies to ensure:

- a) Consistent application of regulatory relief across different domains
- b) Sharing of insights and learnings from the sandbox experience
- c) Collaborative approach to addressing cross-sectoral innovations

### 7.6.2 International Coordination

For innovations with cross-border implications, the Sandbox Administration Team may engage with international regulatory counterparts to:

- a) Facilitate testing across multiple jurisdictions
- b) Promote regulatory harmonization where appropriate
- c) Share best practices in regulatory innovation

## *Section 8. Monitoring and Reporting*

### *Regular Reporting*

*Participants must submit:*

- *Monthly progress reports*
- *Quarterly financial statements*
- *Immediate notification of any significant issues or breaches*

### *Audits and Inspections*

- *The Sandbox Administration Team may conduct on-site inspections*
- *Participants may be required to undergo independent audits*

## 8. Monitoring and Reporting

### 8.1 Regular Reporting Requirements

#### 8.1.1 Monthly Progress Reports

a) Submission Timeline:

- Participants shall submit monthly progress reports to the Sandbox Administration Team no later than the 10th calendar day following the end of each month.
- The first report shall cover the period from the commencement date to the end of the first full calendar month.

b) Content Requirements:

Monthly progress reports shall include, but are not limited to:

- Executive summary of testing activities and key findings
- Detailed metrics and key performance indicators (KPIs) as specified in the participant's testing plan
- Customer acquisition and retention data

- iv. Transaction volumes and values, including any breaches of imposed limits
- v. Summary of customer complaints and resolutions
- vi. Identified risks and corresponding mitigation actions
- vii. Compliance with testing parameters and regulatory relief conditions
- viii. Any deviations from the original testing plan and justifications thereof
- ix. Proposed changes or adjustments to the testing plan, if any

c) Format and Submission:

- i. Reports shall be submitted in a standardized format prescribed by the Sandbox Administration Team.
- ii. Submission shall be made through the designated secure online portal.

## 8.1.2 Quarterly Financial Statements

a) Submission Timeline:

Participants shall submit quarterly financial statements within 30 calendar days following the end of each calendar quarter.

b) Content Requirements:

Quarterly financial statements shall include:

- i. Balance sheet
- ii. Income statement
- iii. Cash flow statement
- iv. Statement of changes in equity
- v. Notes to the financial statements
- vi. Management discussion and analysis of financial position and performance

c) Accounting Standards:

Financial statements shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS), as specified by the Sandbox Administration Team.

d) Certification:

- i. Financial statements shall be certified by the participant's Chief Financial Officer or equivalent.

- ii. For participants meeting certain size or risk thresholds, as determined by the Sandbox Administration Team, financial statements may be required to be audited by an independent certified public accountant.

### 8.1.3 Immediate Notification Requirements

#### a) Reportable Events:

Participants shall provide immediate written notification to the Sandbox Administration Team, within 24 hours of occurrence or discovery, of any of the following events:

- i. Breach of testing parameters or conditions of regulatory relief
- ii. Cybersecurity incidents or data breaches
- iii. Significant operational disruptions or system outages
- iv. Material customer complaints or disputes
- v. Adverse media coverage or reputational issues
- vi. Changes in key personnel or ownership structure
- vii. Material changes to the tested product, service, or business model
- viii. Initiation of legal proceedings against the participant
- ix. Any other event that may materially impact the participant's ability to continue testing or pose risks to consumers or the financial system

#### b) Notification Process:

- i. Initial notification shall be made through the designated emergency contact channel provided by the Sandbox Administration Team.
- ii. A detailed written report shall follow within 48 hours of the initial notification, including:
  - Nature and scope of the event
  - Root cause analysis (if known)
  - Immediate actions taken
  - Potential impact on customers and testing activities
  - Proposed remediation plan and timeline

#### c) Follow-up Reporting:

Participants shall provide regular updates on the status of reported events until the Sandbox Administration Team deems the matter resolved.

## 8.2 Audits and Inspections

### 8.2.1 On-site Inspections

a) Authority:

The Sandbox Administration Team reserves the right to conduct on-site inspections of participants' premises and operations at any time during the sandbox testing period.

b) Scope of Inspections:

On-site inspections may cover:

- i. Compliance with sandbox rules and conditions of regulatory relief
- ii. Adherence to testing plans and parameters
- iii. Risk management and control systems
- iv. Customer protection measures
- v. Data security and privacy practices
- vi. Operational processes and technology infrastructure

c) Notice and Frequency:

- i. Routine inspections may be conducted with 5 business days' prior notice.
- ii. The Sandbox Administration Team may conduct unannounced inspections in cases of suspected non-compliance or significant risk.
- iii. The frequency of inspections shall be determined based on the risk profile of the participant and the nature of the tested innovation.

d) Participant Obligations:

Participants shall:

- i. Provide full access to relevant premises, systems, and personnel
- ii. Make available all requested documents and information
- iii. Cooperate fully with inspection teams
- iv. Facilitate interviews with key personnel as requested

e) Inspection Reports:

- i. The Sandbox Administration Team shall provide a written inspection report to the participant within 15 business days of the inspection.



- ii. Participants shall have 10 business days to respond to the findings and provide any additional information or clarifications.

## 8.2.2 Independent Audits

### a) Audit Requirements:

Participants may be required to undergo independent audits based on:

- i. The complexity and risk profile of the tested innovation
- ii. The scale of operations and customer impact
- iii. Specific concerns identified during the testing period

### b) Scope of Audits:

Independent audits may cover:

- i. Financial audits
- ii. Operational audits
- iii. Information technology and cybersecurity audits
- iv. Compliance audits
- v. Any other areas deemed necessary by the Sandbox Administration Team

### c) Auditor Selection:

- i. Independent audits shall be conducted by qualified third-party auditors approved by the Sandbox Administration Team.
- ii. Participants shall bear the cost of such audits.

### d) Frequency:

The frequency of independent audits shall be determined by the Sandbox Administration Team and communicated to the participant in writing.

### e) Audit Reports:

- i. Audit reports shall be submitted to the Sandbox Administration Team within 30 calendar days of the audit's completion.
- ii. Participants shall develop and submit an action plan to address any issues identified in the audit within 15 business days of receiving the audit report.

## 8.2.3 Regulatory Access and Information Sharing

a) Regulatory Cooperation:

The Sandbox Administration Team may share information gathered through monitoring, reporting, inspections, and audits with other relevant regulatory authorities, subject to applicable confidentiality restrictions.

b) Data Retention:

Participants shall retain all records, reports, and documentation related to their sandbox testing for a minimum of seven (7) years following the conclusion of the sandbox period.

## 8.2.4 Non-Compliance and Remediation

a) Identification of Non-Compliance:

The Sandbox Administration Team shall promptly notify participants of any identified non-compliance with monitoring and reporting requirements.

b) Remediation Process:

- i. Participants shall submit a detailed remediation plan within 5 business days of receiving a non-compliance notification.
- ii. The remediation plan shall outline specific actions, timelines, and responsible personnel for addressing the non-compliance.
- iii. The Sandbox Administration Team shall review and approve the remediation plan, or request modifications as necessary.

c) Consequences of Non-Compliance:

Failure to comply with monitoring and reporting requirements, or to adequately address identified non-compliance, may result in:

- i. Enhanced monitoring and reporting obligations
- ii. Modification or revocation of regulatory relief
- iii. Suspension or termination of sandbox participation
- iv. Referral to relevant regulatory authorities for potential enforcement action

## *Section 9. Data Protection and Confidentiality*

- *Participants must comply with all applicable data protection laws*
- *Proprietary information will be kept confidential by the Sandbox Administration Team*

### 9. Data Protection and Confidentiality

#### 9.1 Compliance with Data Protection Laws

##### 9.1.1 General Compliance Obligation

a) Participants shall comply with all applicable data protection and privacy laws, regulations, and guidelines, including but not limited to:

- [Relevant Data Protection Act of the jurisdiction]
- [Any sector-specific data protection regulations]
- International data protection standards, where applicable

b) Compliance extends to all aspects of data collection, processing, storage, transmission, and disposal throughout the sandbox testing period and beyond.

##### 9.1.2 Data Protection Officer

a) Participants shall designate a qualified Data Protection Officer (DPO) responsible for overseeing compliance with data protection requirements.

b) The DPO shall:

- Possess expert knowledge of data protection laws and practices
- Report directly to the highest management level of the participant
- Act as the primary point of contact for the Sandbox Administration Team on data protection matters

##### 9.1.3 Data Protection Impact Assessment

a) Prior to commencing sandbox testing, participants shall conduct and document a comprehensive Data Protection Impact Assessment (DPIA) covering:

- i. Nature, scope, context, and purposes of data processing
  - ii. Assessment of necessity and proportionality of processing
  - iii. Identification and assessment of risks to individuals
  - iv. Measures to address risks and demonstrate compliance
- b) The DPIA shall be submitted to the Sandbox Administration Team for review and approval before the commencement of testing activities.

### 9.1.4 Data Minimization and Purpose Limitation

- a) Participants shall collect and process only the personal data necessary for the specific purposes of the sandbox testing.
- b) Personal data shall not be processed in a manner incompatible with the declared purposes.

### 9.1.5 Data Subject Rights

Participants shall implement procedures to facilitate the exercise of data subject rights, including:

- a) Right of access
- b) Right to rectification
- c) Right to erasure ("right to be forgotten")
- d) Right to restrict processing
- e) Right to data portability
- f) Right to object to processing

### 9.1.6 Data Security Measures

- a) Participants shall implement appropriate technical and organizational measures to ensure a level of security appropriate to the risk, including:
  - i. Encryption of personal data at rest and in transit
  - ii. Measures to ensure ongoing confidentiality, integrity, availability, and resilience of processing systems
  - iii. Ability to restore availability and access to personal data in a timely manner in the event of an incident

- iv. Regular testing and evaluation of the effectiveness of security measures
- b) Participants shall maintain detailed documentation of all implemented security measures.

### 9.1.7 Data Breach Notification

- a) In the event of a personal data breach, participants shall:
  - i. Notify the Sandbox Administration Team without undue delay and no later than 24 hours after becoming aware of the breach
  - ii. Notify the relevant supervisory authority within 72 hours, unless the breach is unlikely to result in a risk to the rights and freedoms of natural persons
  - iii. Notify affected data subjects without undue delay when the breach is likely to result in a high risk to their rights and freedoms
- b) Notifications shall include:
  - i. Nature of the personal data breach
  - ii. Categories and approximate number of data subjects concerned
  - iii. Categories and approximate number of personal data records concerned
  - iv. Likely consequences of the breach
  - v. Measures taken or proposed to address the breach and mitigate its effects

### 9.1.8 Cross-border Data Transfers

- a) Participants shall not transfer personal data to countries outside the jurisdiction unless:
  - i. The recipient country ensures an adequate level of data protection, as determined by the relevant authorities
  - ii. Appropriate safeguards are in place, such as standard contractual clauses or binding corporate rules
  - iii. Specific derogations apply, as defined in applicable data protection laws
- b) All cross-border data transfers shall be documented and reported to the Sandbox Administration Team.

### 9.1.9 Data Retention and Disposal

- a) Participants shall retain personal data only for as long as necessary for the purposes of the sandbox testing and to comply with legal obligations.
- b) A detailed data retention schedule shall be maintained and submitted to the Sandbox Administration Team.
- c) Upon conclusion of the sandbox period or earlier termination, participants shall securely dispose of or return all personal data as directed by the Sandbox Administration Team.

## 9.2 Confidentiality of Proprietary Information

### 9.2.1 Scope of Confidential Information

Confidential Information includes, but is not limited to:

- a) Trade secrets and proprietary technology
- b) Business plans and strategies
- c) Financial information not publicly disclosed
- d) Customer lists and data
- e) Research and development information
- f) Any information designated as confidential by the participant

### 9.2.2 Obligations of the Sandbox Administration Team

The Sandbox Administration Team shall:

- a) Maintain the confidentiality of all proprietary information received from participants
- b) Use confidential information solely for the purposes of administering the sandbox program
- c) Implement appropriate security measures to protect confidential information from unauthorized access, use, or disclosure

### 9.2.3 Authorized Disclosures

The Sandbox Administration Team may disclose confidential information:

- a) To other regulatory authorities, as necessary for regulatory purposes, subject to similar confidentiality obligations

- b) As required by law, regulation, or court order

## 9.2.4 Notification of Disclosure Requests

The Sandbox Administration Team shall promptly notify participants of any requests or requirements to disclose their confidential information, unless prohibited by law.

## 9.2.5 Return or Destruction of Confidential Information

Upon conclusion of the sandbox period or earlier termination, the Sandbox Administration Team shall:

- a) Return all confidential information to the participant, or
- b) Securely destroy all confidential information and certify such destruction in writing

## 9.2.6 Duration of Confidentiality Obligations

Confidentiality obligations shall survive the termination of the participant's involvement in the sandbox program for a period of [X] years.

## 9.2.7 Intellectual Property Rights

- a) Participation in the sandbox program does not transfer any intellectual property rights between the participant and the Sandbox Administration Team.
- b) Participants retain all rights to their innovations and proprietary information.

## 9.3 Confidentiality Agreements

### 9.3.1 Mandatory Agreements

- a) All personnel of the Sandbox Administration Team with access to participant information shall sign individual confidentiality agreements.
- b) Participants shall ensure that their employees, contractors, and agents involved in the sandbox testing sign appropriate confidentiality agreements.

### 9.3.2 Content of Agreements

Confidentiality agreements shall include, at minimum:

- a) Definition of confidential information
- b) Obligations to maintain confidentiality
- c) Permitted uses of confidential information
- d) Duration of confidentiality obligations
- e) Consequences of breach

## 9.4 Auditing and Compliance Monitoring

### 9.4.1 Regular Audits

The Sandbox Administration Team shall conduct regular audits of its data protection and confidentiality practices, including:

- a) Annual internal audits
- b) Biennial external audits by independent third-party auditors

### 9.4.2 Participant Compliance Monitoring

- a) Participants shall submit quarterly reports detailing their compliance with data protection and confidentiality requirements.
- b) The Sandbox Administration Team may conduct on-site inspections to verify compliance.

## 9.5 Breach of Data Protection or Confidentiality

### 9.5.1 Reporting of Breaches

Any breach or suspected breach of data protection or confidentiality obligations shall be reported immediately to the designated officer of the Sandbox Administration Team.

### 9.5.2 Investigation and Remediation

- a) The Sandbox Administration Team shall promptly investigate any reported breaches.
- b) Participants shall cooperate fully with any investigations and implement required remediation measures.



### 9.5.3 Consequences of Breach

Breaches of data protection or confidentiality obligations may result in:

- a) Immediate suspension or termination of sandbox participation
- b) Legal action for damages
- c) Regulatory penalties as applicable under relevant laws

## Section 10. Exit from the Sandbox

### Successful Completion

- *Participants who successfully complete testing may apply for relevant licenses or authorizations*
- *A transition period may be granted to adjust to full regulatory compliance*

### Early Exit

*Participants may be required to exit the sandbox early if:*

- *They fail to comply with sandbox rules*
- *The innovation proves to be unviable or excessively risky*
- *Voluntary withdrawal is requested*

## 10. Exit from the Sandbox

### 10.1 Successful Completion

#### 10.1.1 Criteria for Successful Completion

A participant shall be deemed to have successfully completed the sandbox testing if:

- a) The testing objectives, as outlined in the approved testing plan, have been substantially met;
- b) The innovation has demonstrated viability and compliance with relevant regulatory requirements;

- c) All reporting obligations and other sandbox conditions have been satisfactorily fulfilled;
- d) No unresolved material risks to consumers or the financial system have been identified.

### 10.1.2 Final Report Submission

- a) Upon completion of the testing period, participants shall submit a comprehensive final report to the Sandbox Administration Team within 30 calendar days.
- b) The final report shall include:
  - i. Detailed results of the testing, including all relevant metrics and KPIs;
  - ii. Analysis of the innovation's performance against predefined success criteria;
  - iii. Identified risks and implemented mitigation measures;
  - iv. Customer feedback and complaint resolution summary;
  - v. Lessons learned and proposed improvements to the innovation;
  - vi. Impact assessment on the relevant market sector;
  - vii. Proposed plan for full market launch, including timelines and resource requirements.

### 10.1.3 Evaluation of Successful Completion

- a) The Sandbox Administration Team shall evaluate the final report and overall performance of the participant within 45 calendar days of report submission.
- b) The evaluation may include:
  - i. Review of all submitted documentation and reports;
  - ii. Consultation with relevant regulatory departments;
  - iii. Interviews with key personnel of the participant;
  - iv. On-site inspections or audits, if deemed necessary.
- c) The Sandbox Administration Team shall prepare an evaluation report with recommendations for post-sandbox treatment of the innovation.

### 10.1.4 Application for Regulatory Licenses or Authorizations

- a) Participants who have successfully completed the sandbox testing may apply for relevant regulatory licenses or authorizations.
- b) The application process shall include:
  - i. Submission of a formal application to the appropriate regulatory authority;
  - ii. Provision of the sandbox final report and evaluation report;
  - iii. Any additional documentation required by the specific licensing or authorization process.
- c) The relevant regulatory authority shall process such applications on a priority basis, taking into account the insights and evaluations from the sandbox testing.

### 10.1.5 Transition Period

- a) A transition period may be granted to successful participants to adjust to full regulatory compliance.
- b) The duration of the transition period shall be determined by the Sandbox Administration Team in consultation with relevant regulatory authorities, but shall not exceed 6 months.
- c) During the transition period:
  - i. Participants may continue to operate under modified regulatory requirements as specified by the Sandbox Administration Team;
  - ii. Enhanced monitoring and reporting obligations may be imposed;
  - iii. Participants shall progressively implement full compliance measures according to an approved transition plan.
- d) The Sandbox Administration Team shall conduct a final assessment at the end of the transition period to ensure full regulatory compliance before granting final approval for market launch.

## 10.2 Early Exit

## 10.2.1 Grounds for Early Exit

Participants may be required to exit the sandbox prematurely under the following circumstances:

a) Non-compliance with Sandbox Rules:

- i. Repeated or material breach of sandbox conditions or regulatory requirements;
- ii. Failure to meet reporting obligations;
- iii. Provision of false or misleading information to the Sandbox Administration Team.

b) Unviable or Excessively Risky Innovation:

- i. The innovation demonstrates fundamental flaws or unresolvable technical issues;
- ii. Emergence of risks to consumers or the financial system that cannot be adequately mitigated;
- iii. Failure to meet predefined performance thresholds or success criteria.

c) Voluntary Withdrawal:

- i. The participant requests to withdraw from the sandbox program.

## 10.2.2 Early Exit Process

a) Initiation of Early Exit:

- i. The Sandbox Administration Team may initiate the early exit process based on identified grounds;
- ii. Participants may submit a formal request for voluntary withdrawal.

b) Notification:

- i. The Sandbox Administration Team shall provide written notice to the participant of the intention to initiate the early exit process, outlining the grounds for early exit;
- ii. For voluntary withdrawals, participants shall provide written notice to the Sandbox Administration Team at least 30 calendar days prior to the intended exit date.

c) Response Period:

- i. Participants shall have 10 business days to respond to the early exit notice, providing any relevant information or remediation plans;
- ii. The Sandbox Administration Team shall review the response within 5 business days.

d) Decision and Appeal:

- i. The Sandbox Administration Team shall make a final decision on early exit within 15 business days of receiving the participant's response;
- ii. Participants may appeal the decision to the designated Sandbox Appeals Committee within 10 business days of receiving the decision.

e) Implementation of Early Exit:

- i. Upon confirmation of early exit, participants shall cease all sandbox testing activities within 5 business days;
- ii. Participants shall submit a detailed exit report within 15 business days of the cessation of activities.

### 10.2.3 Early Exit Report

The early exit report shall include:

- a) Reasons for early exit;
- b) Summary of testing activities and results up to the exit date;
- c) Measures taken to protect consumers and mitigate risks;
- d) Plan for orderly wind-down of operations or pivot of the business model.

### 10.2.4 Consumer Protection Measures

In cases of early exit, participants shall:

- a) Provide clear and timely communication to all affected consumers;
- b) Ensure the safe and orderly return of any customer funds or assets;
- c) Facilitate the transfer of customer data or services to alternative providers, where applicable;
- d) Maintain adequate customer support services for a period specified by the Sandbox Administration Team.

## 10.2.5 Data Handling and Confidentiality

- a) Participants exiting the sandbox shall:
  - i. Return or securely destroy all confidential information received from the Sandbox Administration Team;
  - ii. Provide written certification of data destruction within 30 calendar days of exit.
- b) The Sandbox Administration Team shall:
  - i. Maintain confidentiality of the participant's proprietary information as per Section 9 of this rulebook;
  - ii. Retain relevant data and reports for regulatory and evaluation purposes.

## 10.2.6 Post-Exit Restrictions

- a) Participants who exit the sandbox early due to non-compliance or excessive risk may be:
  - i. Barred from reapplying to the sandbox program for a period of 2 years;
  - ii. Subject to enhanced scrutiny in future licensing or authorization applications.
- b) The Sandbox Administration Team may impose additional restrictions or requirements on a case-by-case basis.

## 10.3 Post-Exit Monitoring and Evaluation

### 10.3.1 Monitoring Period

- a) All participants exiting the sandbox, whether through successful completion or early exit, shall be subject to a post-exit monitoring period of 12 months.
- b) During this period, participants shall:
  - i. Submit quarterly reports on the performance and regulatory compliance of their innovation;
  - ii. Notify the Sandbox Administration Team of any material changes to their business model or product offering;

iii. Cooperate with any inquiries or inspections conducted by regulatory authorities.

### 10.3.2 Final Evaluation

- a) At the end of the post-exit monitoring period, the Sandbox Administration Team shall conduct a final evaluation of the participant's innovation and its impact on the market.
- b) The evaluation report shall be shared with relevant regulatory authorities and may be used to inform future regulatory policies and sandbox procedures.

## *Section 11. Regulatory Action*

- *The regulatory authority reserves the right to take enforcement action for serious breaches*
- *Participants are not immune from retrospective regulatory action for past violations*

## 11. Regulatory Action and Retrospective Review

### 11.1 Enforcement Authority

#### 11.1.1 Reservation of Rights

The regulatory authority expressly reserves the right to take enforcement action against sandbox participants for serious breaches of applicable laws, regulations, or sandbox conditions, notwithstanding any regulatory relief granted under the sandbox program.

#### 11.1.2 Scope of Enforcement

Enforcement actions may include, but are not limited to:

- a) Issuance of cease and desist orders;

- b) Imposition of civil monetary penalties;
- c) Suspension or revocation of sandbox privileges;
- d) Referral to appropriate law enforcement agencies for criminal prosecution;
- e) Any other remedies available under applicable laws and regulations.

### 11.1.3 Factors Considered in Enforcement Decisions

In determining whether to initiate enforcement action and the appropriate sanctions, the regulatory authority shall consider:

- a) The nature, severity, and duration of the violation;
- b) The participant's history of compliance;
- c) Whether the violation was willful or negligent;
- d) The harm or potential harm to consumers or the financial system;
- e) The participant's efforts to remediate the violation and prevent recurrence;
- f) The participant's cooperation with regulatory investigations.

## 11.2 Retrospective Regulatory Action

### 11.2.1 Non-Immunity Principle

Participation in the sandbox program does not confer immunity from retrospective regulatory action for past violations of laws or regulations, including those that occurred during the sandbox testing period.

### 11.2.2 Scope of Retrospective Action

Retrospective regulatory action may include:

- a) Reassessment of compliance with sandbox conditions;
- b) Review of the adequacy of consumer protection measures;
- c) Evaluation of the accuracy and completeness of information provided to the Sandbox Administration Team;
- d) Assessment of the overall impact of the tested innovation on the market and consumers.



### 11.2.3 Statute of Limitations

Any retrospective regulatory action must be initiated within [X] years of the participant's exit from the sandbox program, unless:

- a) The violation was concealed or involved fraud, in which case the period shall be extended to [Y] years;
- b) Ongoing harm to consumers or the financial system is discovered, in which case the period may be extended at the discretion of the regulatory authority.

## 11.3 Retrospective Review Process

### 11.3.1 Mandatory Retrospective Review

In accordance with Executive Order 13563 and subsequent related orders, the regulatory authority shall conduct periodic retrospective reviews of regulations related to the sandbox program and innovations tested therein.

### 11.3.2 Objectives of Retrospective Review

The retrospective review process shall aim to:

- a) Evaluate the effectiveness of the sandbox program in fostering innovation;
- b) Assess the actual costs and benefits of regulations implemented or modified as a result of sandbox testing;
- c) Identify regulations that may be outmoded, ineffective, insufficient, or excessively burdensome;
- d) Modify, streamline, expand, or repeal regulations based on what has been learned through the sandbox program and subsequent market developments.

### 11.3.3 Review Methodology

The regulatory authority shall:

- a) Develop and implement a plan for periodic review of sandbox-related regulations;
- b) Utilize data-driven experimental or quasi-experimental designs where appropriate;
- c) Consider the cumulative regulatory burden created by related regulations;

d) Assess changes in market conditions, technological advances, and evolving social norms that may impact the relevance of existing regulations.

### 11.3.4 Public Participation

The regulatory authority shall:

- a) Publish a request for information in the Federal Register seeking public input on regulations that may need review;
- b) Provide a minimum 60-day public comment period for each retrospective review initiative;
- c) Consider and address substantive public comments in the review process.

### 11.3.5 Reporting Requirements

The regulatory authority shall:

- a) Submit biannual reports to the Office of Information and Regulatory Affairs (OIRA) detailing the progress and outcomes of retrospective reviews;
- b) Publish retrospective review plans, progress reports, and final analyses on a publicly accessible website.

## 11.4 Coordination with Other Regulatory Agencies

### 11.4.1 Information Sharing

The regulatory authority shall establish mechanisms for sharing relevant information about enforcement actions and retrospective reviews with other federal and state regulatory agencies, subject to applicable confidentiality restrictions.

### 11.4.2 Joint Enforcement Actions

Where appropriate, the regulatory authority may coordinate enforcement actions with other relevant agencies to address cross-jurisdictional violations or systemic risks.

## 11.5 Appeals Process

### 11.5.1 Right to Appeal

Participants subject to enforcement actions or adverse findings from retrospective reviews shall have the right to appeal such decisions through established administrative procedures.

## 11.5.2 Appeals Procedure

- a) Appeals must be filed in writing within 30 calendar days of the regulatory action notification;
- b) The regulatory authority shall establish an independent appeals panel to review the case;
- c) The appeals panel shall render a decision within 60 calendar days of receiving the appeal;
- d) The decision of the appeals panel shall be final, subject to judicial review as provided by law.

## 11.6 Continuous Improvement

### 11.6.1 Feedback Loop

The regulatory authority shall establish a mechanism to incorporate lessons learned from enforcement actions and retrospective reviews into the ongoing management and evolution of the sandbox program.

### 11.6.2 Annual Review

The Sandbox Administration Team shall conduct an annual review of regulatory actions and retrospective reviews to identify trends, best practices, and areas for improvement in the sandbox regulatory framework.

## *Section 12. Amendments to the Rulebook*

- *The Sandbox Administration Team may amend this rulebook as necessary*
- *Participants will be notified of any changes and given reasonable time to comply*

## 12. Amendments to the Rulebook

### 12.1 Authority to Amend

#### 12.1.1 Empowerment Clause

The Sandbox Administration Team, hereinafter referred to as "the Team," is hereby empowered to amend, modify, or update this rulebook as necessary to ensure the effective and efficient operation of the regulatory sandbox program.

#### 12.1.2 Scope of Amendments

Amendments may encompass, but are not limited to:

- a) Procedural changes in sandbox operations;
- b) Modifications to eligibility criteria;
- c) Alterations to reporting requirements;

- d) Updates to consumer protection measures;
- e) Revisions to data protection and confidentiality provisions;
- f) Changes in regulatory relief parameters;
- g) Adjustments to exit procedures and post-sandbox monitoring.

## 12.2 Amendment Process

### 12.2.1 Initiation of Amendments

Amendments may be initiated based on:

- a) Periodic reviews of the sandbox program;
- b) Feedback from participants, consumers, or other stakeholders;
- c) Changes in the regulatory landscape or market conditions;
- d) Directives from senior regulatory officials or legislative bodies;
- e) Recommendations from external advisory committees.

### 12.2.2 Internal Review

a) Proposed amendments shall undergo a comprehensive internal review process, including:

- i. Legal analysis to ensure consistency with existing laws and regulations;
- ii. Impact assessment on current and future sandbox participants;
- iii. Evaluation of potential effects on consumer protection and market integrity;
- iv. Cost-benefit analysis of implementation.

b) The internal review shall be documented in a formal Amendment Proposal Report.

### 12.2.3 Stakeholder Consultation

a) For substantial amendments, the Team shall conduct a stakeholder consultation process, which may include:

- i. Publication of proposed amendments for public comment;
- ii. Targeted outreach to current sandbox participants and industry associations;
- iii. Consultation with relevant regulatory bodies and government agencies;

- iv. Public hearings or workshops, as deemed necessary.
- b) The consultation period shall be no less than 30 calendar days, unless exigent circumstances require a shorter timeframe.

## 12.2.4 Approval Process

- a) Following the internal review and stakeholder consultation, the Amendment Proposal Report shall be submitted to the Sandbox Governance Board for approval.
- b) The Sandbox Governance Board shall:
  - i. Review the proposed amendments and supporting documentation;
  - ii. Consider stakeholder feedback and public comments;
  - iii. Deliberate on the potential impacts and implications of the amendments;
  - iv. Vote on the adoption of the proposed amendments.
- c) Approval of amendments shall require a two-thirds majority vote of the Sandbox Governance Board.

## 12.3 Implementation of Amendments

### 12.3.1 Publication of Amendments

- a) Approved amendments shall be published on the official sandbox program website and in relevant official publications.
- b) The publication shall include:
  - i. The full text of the amendments;
  - ii. A summary of the changes and their rationale;
  - iii. The effective date of the amendments;
  - iv. Any transitional provisions or grace periods for compliance.

### 12.3.2 Notification to Participants

- a) The Team shall notify all current sandbox participants of approved amendments via official communication channels within 5 business days of approval.
- b) Notification shall include:
  - i. A detailed explanation of the amendments and their implications;

- ii. Specific compliance requirements and deadlines;
- iii. Resources or support available to assist with compliance;
- iv. Contact information for inquiries or clarifications.

### 12.3.3 Compliance Period

- a) Participants shall be given a reasonable time to comply with the amendments, which shall be no less than 30 calendar days from the date of notification, unless:
  - i. The amendment is minor and requires no material changes to participant operations;
  - ii. Immediate implementation is necessary to address urgent risks or regulatory requirements.
- b) For complex or substantial amendments, the Team may establish a phased implementation schedule, allowing participants to adjust their operations incrementally.

### 12.3.4 Guidance and Support

- a) The Team shall provide guidance documents and support to assist participants in understanding and implementing the amendments.
- b) This may include:
  - i. Interpretive guidelines or FAQs;
  - ii. Webinars or workshops to explain the amendments;
  - iii. One-on-one consultations for participants with specific concerns or challenges.

## 12.4 Monitoring and Evaluation of Amendments

### 12.4.1 Compliance Monitoring

The Team shall actively monitor participant compliance with implemented amendments through:

- a) Regular reporting requirements;
- b) Targeted audits or inspections;
- c) Ongoing communication with participants.

## 12.4.2 Impact Assessment

- a) The Team shall conduct a post-implementation impact assessment of substantial amendments within 12 months of their effective date.
- b) The assessment shall evaluate:
  - i. The effectiveness of the amendments in achieving their intended objectives;
  - ii. Any unintended consequences or adverse effects;
  - iii. The overall impact on the sandbox program and its participants;
  - iv. Feedback from participants, consumers, and other stakeholders.

## 12.4.3 Continuous Improvement

Based on the impact assessment and ongoing feedback, the Team shall:

- a) Identify any necessary refinements or adjustments to the amendments;
- b) Incorporate lessons learned into future amendment processes;
- c) Update relevant guidance documents and support materials.

## 12.5 Emergency Amendments

### 12.5.1 Criteria for Emergency Amendments

The Team may implement emergency amendments without prior notice or consultation in cases of:

- a) Imminent risks to consumer protection or financial stability;
- b) Urgent regulatory or legal requirements;
- c) Unforeseen circumstances that significantly impact the integrity of the sandbox program.

### 12.5.2 Emergency Amendment Process

- a) Emergency amendments shall be:
  - i. Approved by the Chair of the Sandbox Governance Board;
  - ii. Implemented immediately upon approval;
  - iii. Communicated to all participants within 24 hours of implementation.



b) The Team shall provide a detailed justification for the emergency amendment and its immediate implementation.

c) Emergency amendments shall be subject to review by the full Sandbox Governance Board within 30 days of implementation and may be modified or rescinded based on this review.

## 12.6 Record Keeping

The Team shall maintain a comprehensive record of all amendments to the rulebook, including:

- a) The text of each amendment;
- b) Rationale and supporting documentation;
- c) Stakeholder feedback and consultation results;
- d) Approval records and implementation dates;
- e) Impact assessments and subsequent refinements.

## Section 13. Contact Information For DARA

For comments or questions email [info@ dara.foundation](mailto:info@ dara.foundation).