

RESPONSE TO FEEDBACK RECEIVED

August 2019

Sandbox Express

MAS

Monetary Authority of Singapore

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1 Preface

1.1 On 14 November 2018, MAS issued a consultation paper on the proposed Sandbox Express to complement the current sandbox approach that was established in 2016. The aim is to enable firms which intend to conduct certain regulated activities – where the risks are generally low and well understood – to embark on their experiments more quickly within pre-defined boundaries, without going through the existing sandbox application and approval process to customise their sandboxes.

1.2 The consultation paper set out the objective, principles and governance framework for Sandbox Express, as well as the proposed constructs for the initial set of sandboxes for insurance broking, recognised market operators (“RMO”) and remittance businesses.

1.3 The consultation period closed on 13 December 2018, and a total of 15 responses were received. MAS would like to thank all respondents for their contributions. The list of respondents is in **Annex 1** and full submissions with the name of respondents can be found in **Annex 2**.

1.4 MAS has carefully considered the feedback received, and has incorporated them where appropriate. Comments that are of wider interest, together with MAS’ responses are set out in this response document.

2 Scope of Sandbox Express

2.1 Respondents were broadly supportive of Sandbox Express to complement the current sandbox approach. They also welcomed the initial set of sandboxes under Sandbox Express as well as the flexibility to update them over time.

Expanding the initial scope of Sandbox Express

2.2 Respondents suggested that the initial set of sandboxes under Sandbox Express should be more comprehensive. Suggestions include digital asset custody, digital banking, market infrastructure utilities, crypto funds and certain activities under the Payment Services Act 2019 (“PS Act”) such as merchant acquisition and digital payment token services.

2.3 Two respondents suggested that Sandbox Express should also be extended to include regulated activities conducted by existing financial institutions (“FIs”) and industry associations, as an option for them to quickly experiment with innovative solutions without fear of an unexpected regulatory breach.

MAS’ Response

2.4 MAS appreciates the suggestions for other regulated activities that could be part of Sandbox Express, and will review whether appropriate constructs could be established to facilitate meaningful experiments while containing risks. Taking a phased approach allows MAS to start small with the initial set to quickly test their relevance and risks as well as resolve potential operational challenges.

2.5 For activities under the PS Act, MAS will not impose requirements uniformly across all licensed payment service providers, as explained in the Second Reading speech on 14 January 2019¹. Specifically, standard payment institutions may provide any combination of the 7 defined payment services, but below specified transaction flow or e-money float thresholds. Standard payment institutions will thus be regulated more lightly and this encourages innovation and enterprise.

2.6 Existing FIs that have carried out their due diligence are free to launch new financial services, products or processes without first seeking MAS’ permission, as long as there is no breach of legal and regulatory requirements. MAS wishes to emphasise that

¹ <https://www.mas.gov.sg/news/speeches/2019/payment-services-bill>

the sandbox approach is not intended and cannot be used as a means to circumvent legal and regulatory requirements.

2.7 Sandbox Express will complement the current sandbox approach. The Sandbox Express guidelines and the sandboxes under Sandbox Express will be reviewed over time to meet the evolving needs and interests of the financial industry as well as address any regulatory concerns.

Clarifications

2.8 A few respondents sought clarity on the extent of support that MAS would provide to the applicant prior to submitting an application, during the approved period and upon exit.

2.9 Two respondents sought clarity on whether Sandbox Express restricts the applicant's customer base to Singapore.

MAS' Response

2.10 With the sandbox constructs established upfront, MAS expects that the extent of support required should be reduced. This is also in line with the objective to fast track the processing of each application as well as reduce the time and resources required of the applicants. The applicant should consider applying under the current sandbox approach if more detailed engagement is anticipated. Some examples of possible support under Sandbox Express include the following:

2.10.1 The applicant can engage MAS to address specific clarifications relating to the Sandbox Express guidelines and application forms. However, the onus is on the applicant to carry out its own due diligence and ensure that there is no breach of the applicable legal and regulatory requirements.

2.10.2 To facilitate a smooth transition out of Sandbox Express, MAS endeavours to process the application within the time frame stated in the guidelines, provided the application is complete and the Sandbox Express entity (the "SE entity") is able to comply with the relevant regulatory and licensing requirements upon exit.

2.11 MAS wishes to clarify that it does not intend for Sandbox Express to restrict the SE entity's business or customer base to Singapore so long as it conducts its operations in Singapore. This is no different from the current sandbox approach. However, the SE entity will be responsible for ensuring that there is no breach of the legal and regulatory requirements applicable in jurisdictions other than Singapore, when operating in other jurisdictions.

3 Guidelines for Sandbox Express

Assessment criteria

3.1 Respondents suggested including benefits of the proposed financial service/product as part of the assessment criteria.

MAS' Response

3.2 MAS views the potential benefits of the proposed financial service/product as an integral part of the innovativeness of the proposed financial service/product. It is for this purpose that details such as problem statements and benefits are required as part of the application submission. For clarity, MAS has amended the assessment criteria in the proposed guidelines as follows:

3.2.1 The scope of assessment by MAS will focus on the following two criteria:

- (a) Whether the applicant's key stakeholders² are fit and proper; and
- (b) Whether the proposed financial service or product is technologically innovative³, and how the financial service or product addresses problem statements and brings new benefits.

Disclosures

3.3 One respondent suggested that the disclosure by the SE entity should include key risks arising from or in relation to the SE entity's scope of activities.

3.4 A few respondents highlighted that it is important to protect the SE entity's competitive advantage. The respondent suggested that MAS should seek consent from the SE entity before publishing its details on the MAS website.

MAS' Response

3.5 MAS agrees that key risks of the proposed financial service/product should be disclosed by the SE entity. This is no different from the expectations on customised

² Key stakeholders includes persons with substantial shareholdings in the applicant, chief executive officers, directors and other relevant persons as necessary.

³ If the proposed financial service or product is similar to those that are already being offered in Singapore, the applicant must show that either a different technology is being applied or the same technology is being applied differently.

sandbox entities under the current sandbox approach. For completeness, MAS has amended the scope of disclosure to include the following:

3.5.1 All key risks arising from or in relation to the applicant's scope of activities in the sandbox, including the impact on customers due to the discontinuance of its service during or after the approved period.

3.6 Furthermore, MAS will take appropriate action, including the possibility of revoking the exemption or licence, where there is any failure by the SE entity to make full and accurate disclosures of the key risks.

3.7 Currently, MAS publishes the name, address, contact number, type of institution and the approved period for all customised sandbox entities, with a view that the level of detail is sufficient to keep the public and interested participants informed. In order to fast track SE applications, MAS will focus its assessment to essential areas, and will therefore place more reliance on declarations made by the applicants. As such, MAS is of the view that it is pertinent to provide more disclosures of the SE entities. We will continue to give due consideration to maintaining the confidentiality of proprietary information.

Approved period, extension and exit

3.8 Respondents suggested increasing the approved period from 6 months to 12 months, so that there would be sufficient time to allow the SE entity to on-board customers and address unexpected delays or issues with the experiment. One respondent also suggested having quarterly instead of bi-monthly reports.

3.9 One respondent sought clarity on whether the limits imposed on the SE entity, e.g. total number of transactions, could be increased if the SE entity is expected to exceed the limit imposed during the approved period.

3.10 A few respondents sought clarity on how the SE entities could have a seamless exit at the end of the approved period and continue with their business. One respondent asked what would happen if the SE entity does not wish to continue with its business after the approved period.

3.11 One respondent asked whether extension beyond the approved period is allowed.

MAS' Response

3.12 MAS acknowledges that unexpected delays or issues could potentially derail the experiment, which is a feedback from existing sandbox entities under the current sandbox approach.

3.13 MAS wishes to highlight that the proposed approved period takes into account the risks of the respective sandboxes under Sandbox Express. For the initial set of sandboxes, MAS will increase the approved period from 6 to 9 months, to account for unexpected delays or issues. This will also allow MAS more time to understand and address potential regulatory challenges that could surface during the experimentation. For clarity, conditions such as the limit on the number of transactions will not be increased.

3.14 MAS does not intend to review or raise the limits during the approved period. In circumstance where the SE entity expects to exceed the limit imposed during the approved period (e.g. it is approaching the transaction limit), the SE entity could apply for the relevant regulatory status in advance and exit the sandbox early upon obtaining the authorisation.

3.15 It is important for MAS to appraise the progress of each experiment, so that necessary actions could be taken in a timely manner. In view of this, MAS maintains that a progress report needs to be submitted by the SE entity every 2 months, with a final report to be submitted upon exiting the sandbox. Based on feedback from existing sandbox entities, this expectation is unlikely to put additional burden on the SE entity.

3.16 To facilitate a seamless exit, MAS will work with the SE entity within the stated lead time for the respective sandbox. The onus is on the SE entity to submit the necessary information and ensure that it can comply with the full regulatory and licensing requirements upon exiting the sandbox. This is no different from the current sandbox approach.

3.17 In addition, MAS may provide an extension if it requires more time to review the SE entity's application to obtain the relevant regulatory status. This will help to alleviate concerns on the continuity of the SE entity's business and reduce potential impact on its customers. However, MAS will not grant the extension if the delay is due to the SE entity not submitting the relevant application (and the supporting documents) for the regulatory status within the stated lead time. If the SE entity needs to request for an extension due to other reasons, the SE entity must provide the justifications to MAS. MAS will review the request on a case-by-case basis and inform the SE entity of its decision.

3.18 For an SE entity that does not intend to continue its business after the approved period, the SE entity is required to inform MAS of its decision. The lead time required will be the same as that of submitting an application to obtain the relevant regulatory status for the respective sandbox. For clarity, MAS has amended the relevant paragraphs in the guidelines.

Supervision during the approved period

3.19 One respondent suggested that MAS should still reserve the rights to supervise and conduct inspections on a need-to basis during the sandbox period.

MAS' Response

3.20 MAS wishes to highlight that the constructs for each sandbox under Sandbox Express are designed to limit the potential risks of the regulated activity without restricting the experiment unnecessarily.

3.21 Regardless of whether the SE entity is exempted or has obtained registration / approval / recognition / licensing (as applicable) from MAS during the approved period,

3.21.1 MAS may conduct on-site visits on the SE entity when there is cause for validating potential regulatory breaches.

3.21.2 MAS could still discontinue the SE entity's sandbox status if MAS deems it necessary.

Alignment between Sandbox and Sandbox Express applications

3.22 A few respondents sought clarity on the expected alignment between Sandbox Express and the current sandbox approach, specifically on the information to be provided in the application, the assessment criteria and the treatment of sandbox applications in general.

3.23 One respondent asked whether an applicant can submit concurrent applications if the proposed financial service/product cuts across more than one sandbox.

MAS' Response

3.24 MAS wishes to clarify that for Sandbox Express, the information to be provided in the application as well as the assessment criteria are adapted from and aligned with the current sandbox approach in areas where they are common.

3.25 An applicant can concurrently and separately apply for more than one sandbox under Sandbox Express if the proposed financial service/product cuts across more than one sandbox. This is different from the existing sandbox approach whereby each sandbox is customised to accommodate the financial service/product proposed in the application.

3.26 For a Sandbox Express application that is deemed by MAS to be complex and require more time to assess, MAS will inform the applicant that the application should be submitted under the current sandbox approach instead. The applicant can decide whether

to pursue a customised sandbox. In this case, the applicable information requirements and assessment criteria for a customised sandbox application will apply.

3.27 Following the approval of a Sandbox Express application, MAS will not consider an application from the same applicant⁴ to subsequently enter into a customised sandbox and vice versa, unless the proposal is materially different. This is to safeguard against potential exploitation of the overall sandbox framework.

3.28 For any sandbox application that is rejected by MAS, MAS will not consider an application from the same applicant within a cooling-off period of 3 months from the date of rejection. MAS views the cooling-off period as a measure to safeguard against potential exploitation of the overall sandbox framework, without stifling promising innovation. The cooling-off period also encourages the applicant to conduct a more comprehensive due diligence, improve its value proposition or submit a complete application.

Clarifications

3.29 One respondent sought clarity on whether unregulated entities separately set up by financial institutions or joint ventures entered with non-financial institutions are allowed to apply for Sandbox Express.

MAS' Response

3.30 MAS wishes to clarify that such business arrangements are allowed to apply for Sandbox Express, provided there is adequate disclosure that such activities are not conducted out of the regulated entity. This is no different from the current sandbox approach.

4 Constructs for Insurance Broking Sandbox Express

Collecting and handling premiums

4.1 Respondents sought clarity on whether facilitating payments between the SE entity's customers and the insurance companies is considered as handling customer's

⁴ The "same applicant" refers to related corporations such as subsidiaries, parent company or fellow subsidiaries.

monies as handling customer's monies is disallowed under the conditions to be imposed on the insurance broking sandbox.

4.2 Another respondent suggested allowing the SE entity to collect premiums on behalf of its customers.

MAS' Response

4.3 Unlike a registered insurance broker, an SE entity is not allowed to hold onto customer's monies in an insurance broking premium account. This is a necessary safeguard to reduce the market conduct risk of the SE entity misappropriating customers' monies. For clarity, MAS has amended the condition as follows:

4.3.1 The applicant must not accept or handle any customer's monies in relation to its insurance broking service;

4.4 MAS also wishes to clarify that the SE entity is allowed to facilitate the payment of premiums from the SE entity's customer to the insurance company, and facilitate the payment of claims from the insurance company to the SE entity's customer. For example, the SE entity may use an online payment gateway provider to enable customers to pay premiums directly to the insurance company.

Types of insurance permitted

4.5 Respondents sought clarity on the types of insurance permitted in the sandbox. They also asked whether MAS has any prioritisation for insurance in certain sectors (e.g. healthcare, automobile) over others.

4.6 One respondent asked what was the rationale for applying the same requirements for different types of insurance/reinsurance broking as the risks vary across different activities.

MAS' Response

4.7 The insurance broking Sandbox Express applies to all of the three types of insurance broking activities under the Insurance Act ("IA") – direct insurance broking, general reinsurance broking and life reinsurance broking. While MAS does not prioritise any particular type of insurance broking activity or sector within the insurance broking industry, applicants are required to demonstrate that the technological innovativeness of their proposals would address existing problem statements or bring about new benefits.

4.8 While MAS recognises that each broking activity is different in terms of operating models and target customers, the proposed conditions and expectations on the SE entity

are sufficiently broad to accommodate different activities while mitigating the key market conduct risks.

4.9 For the avoidance of doubt, the insurance broking Sandbox Express does not include advisory on life policies as it is not an insurance broking activity.

Other types of limits

4.10 Two respondents sought clarity on whether there is a limit imposed on the number of claims made during the approved period.

4.11 Another respondent suggested imposing a limit on the policy value rather than total number of transactions.

MAS' Response

4.12 MAS does not intend to impose a limit on the number of claims made by customers in an insurance broking Sandbox Express. This is because the claims are underwritten by a licensed insurer and not determined by the SE entity.

4.13 MAS is of the view that it is more practical to mitigate market conduct risks by limiting the total number of transactions as compared to policy value. This is because each policy value could vary widely depending on the type of insurance/reinsurance policy and the type of customers.

Exemptions

4.14 One respondent wanted to know whether the exemption covers fitness and propriety requirements, particularly on the SE entity's broking staff. The respondent commented that broking staff should have the requisite level of competency especially if they were to serve retail customers.

4.15 The respondent asked whether the insurer would also be subjected to the same exemption by MAS from complying with the full legal and regulatory requirements when dealing with the SE entity and its customers.

4.16 The same respondent also suggested that the SE entity should be allowed to use the words "insurance broking" (section 35ZM of the IA), but not be allowed to negotiate or place risks with unlicensed or foreign insurers (section 35ZE, 35ZF and 35ZG of the IA).

MAS' Response

4.17 As mentioned in paragraph 3.4 of the consultation paper, MAS will assess the fit and proper status of the SE entity's key stakeholders, including its broking staff. Paragraph

4.2 of the consultation paper also stated the SE entity must ensure the fitness and propriety of its shareholders, chief executive officers, directors and broking staff. MAS agrees that it is beneficial for the SE entity's broking staff to be competent in their roles. However, the objective of Sandbox Express is to facilitate faster experimentation and testing of technologies in a low risk environment, by reducing the time and resources required of the SE entity. In this regard, MAS will not impose the requirement for the SE entity's broking staff to obtain the relevant certifications as specified in MAS Notice 502 Minimum Standards and Continuing Professional Development for Insurance Brokers and Their Broking Staff. Notwithstanding, an SE entity will be required to clearly disclose its sandbox status to its customers, so that customers could make an informed decision on whether to use the SE entity's services.

4.18 MAS wishes to clarify that the collaboration with an SE entity does not exempt a regulated entity, such as a licensed insurer, from its own regulatory requirements. For example, where a licensed insurer intends to work with the SE entity, the licensed insurer should set out clearly the information it requires from the SE entity to underwrite a particular policy, including any information it requires to properly conduct customer due diligence.

4.19 MAS agrees that the SE entity should be allowed to use the words "insurance broking" which reflects the nature of its business during the approved period. The SE entity will therefore be exempted from complying with section 35ZM of the IA, during the approved period.

4.20 MAS wishes to clarify that sections 35ZE, 35ZF and 35ZG of the IA do not apply to SE entities. For clarity, MAS will not allow the SE entity to place any risks with unlicensed or foreign insurers, and has amended the set of conditions and expectations to include the following:

4.20.1 The applicant must not negotiate any contract of insurance with an insurer (directly or indirectly) except with a licensed insurer acting in the course of its business.

5 Constructs for RMO Sandbox Express

Scope

5.1 A few respondents sought clarity on whether the RMO Sandbox Express is only intended for applicants that wish to transit to a Tier 3 RMO upon exit. One respondent

argued that the Tier 3 RMO would be the most appropriate step-up for the SE entity in view of its lower risk.

5.2 Two respondents sought clarity on whether custodial and clearing house services can be offered by the entity and whether such services could be tested in the RMO Sandbox Express.

5.3 Two respondents sought clarity on whether digital assets or tokens that do not constitute capital markets products are allowed in the RMO Sandbox Express.

MAS' Response

5.4 The RMO Sandbox Express will indeed facilitate a gradual transition to a Tier 3 RMO upon exit. This is in line with our risk-based approach and the Sandbox Express constructs which took reference from the proposed limits for Tier 3 RMO in the Consultation Paper on Review of the Recognised Market Operators Regime⁵.

5.5 Furthermore, Sandbox Express is only suitable for activities where the risks are generally low, well understood and could be reasonably contained by the sandbox constructs. It is unlikely that applicants intending to transit to either a Tier 1 or 2 RMO or an approved exchange would qualify for the RMO Sandbox Express. Such applicants are advised to consider applying under the current sandbox approach.

5.6 Separately, applicants should consider if their intended business activities would also include the operation of a clearing and/or settlement facility, or the provision of custodial services. These activities carry significantly higher risks as they involve the possession and control of customers' assets, and will not qualify as activities allowed under Sandbox Express. This means that the SE entity will need to engage financial institutions that provide custodial or clearing house services if these services are required as part of the experiment, or have participants make their own arrangements for the same. As an additional safeguard, MAS expects the SE entity to disclose to its customers on how custody, clearing and settlement will be carried out.

5.7 In addition, MAS wishes to clarify that the RMO Sandbox Express is only for entities that offer the secondary trading of products which constitute capital markets products under the Securities and Futures Act ("SFA"). Entities that offer other services in

⁵ <https://www.mas.gov.sg/-/media/MAS/News-and-Publications/Consultation-Papers/2018-May-22-RMO-3P/Consultation-Paper-on-RMO-Regime.pdf>

respect of capital markets products and require additional licences⁶ are not eligible for the RMO Sandbox Express. Entities that offer any services⁷ in respect of any non-capital markets products would also not be eligible for RMO Sandbox Express.

Types of customer

5.8 A few respondents suggested that the SE entity's customers should not be limited to institutional investors and accredited investors who are not individuals.

5.9 One respondent sought clarity on whether individual investors can access the SE entity's market through institutional investors or accredited investors who are participants of the SE entity's market and who are not individuals.

MAS' Response

5.10 As the SE entity will be exempted from the requirements to be recognised as an RMO, there will be little regulatory safeguards available to investors. Customers of the SE entity would have to pay special attention to assess and accept the risks of entering into a contract with the SE entity. Individual accredited investors may not be sufficiently equipped to make such an assessment. As such, we would not allow accredited investors who are individuals to participate in the SE entity's market directly.

5.11 Nevertheless, individual accredited investors may still participate in the SE entity's market indirectly through MAS licensed financial intermediaries who are willing to on-board such individuals as customers and provide them such access, subject to the rules imposed on such licensed financial intermediaries. In such a scenario, the SE entity is required to ensure that the licensed financial intermediaries disclose the relevant risks to their customers.

Other types of limits

5.12 One respondent sought clarity on the time period in which the proposed maximum volume traded of SGD5 billion for securities market or 5 million derivative contracts for derivatives market would apply. Another respondent suggested increasing the proposed limit of SGD5 billion as it may be possible to exceed the limit in a short span of time.

⁶ For example, a capital markets services licence may be required if the entity also intends to facilitate primary offers of capital markets products, or hold the customers' private keys that provide access to the customers' digital tokens traded on the organised market.

⁷ Services include trading, clearing and custodial services.

5.13 One respondent suggested risk management controls for post-trade processes, such as imposing a limit on the term or tick size of derivative contracts eligible for trading.

5.14 Another respondent suggested imposing a limit on each transaction, so as to limit the risk and exposure to a single customer.

MAS' Response

5.15 MAS wishes to clarify that the proposed maximum volume applies for the entire period of the sandbox, i.e. the approved period.

5.16 The proposed maximum limits were pegged to the thresholds proposed for Tier 3 RMO⁸. Given the feedback to impose additional limits to reduce risks to customers, and on consideration that the regulatory requirements imposed on the SE entities are lower than those on Tier 3 RMO, MAS has amended the conditions for RMO Sandbox Express such that the cumulative volumes of capital markets products ("CMPs") are lower than those imposed on Tier 3 RMO and must not exceed:

5.16.1 in respect of CMPs that are securities and/or units in a collective investment scheme, SGD4 billion in total value of both securities and units in collective investment schemes traded on the organised market; and

5.16.2 in respect of CMPs that are derivatives contracts, a total number of 4 million derivatives contracts traded on the organised market.

5.17 We consider that such limits should be sufficient to facilitate meaningful experiments as such limits are generally higher than the actual or projected trading volumes of existing locally-based RMOs and existing RMO applicants. If the applicant considers the limits to be inadequate for its experiment, the applicant may wish to consider applying under the current sandbox approach to customise the boundaries and necessary safeguards. Alternatively, the applicant could also consider submitting the relevant application for recognition as a RMO directly.

5.18 For derivative contracts, MAS views that imposing an additional limit on the term or tick size may not be necessary as the outstanding positions of derivative contracts traded on the SE entity would not be held with that entity. Instead, trades must be cleared either centrally with a central counterparty ("CCP") or bilaterally between the counterparties to the contract. The SE entity is not allowed to operate or provide any form

⁸ In the event that the final thresholds for the RMO Tier 3 are subsequently different from the numbers presented here, these limits will be adjusted accordingly.

of clearing or settlement services. Customers of the SE entity that offers derivatives contracts should be mindful of the clearing arrangements, and make their own assessments of the relevant risks (e.g. counterparty risks, legal risks) before participating in the market. As an additional safeguard, we will require the SE entity to explain clearly to prospective customers how outstanding trades will be managed in the event it decides to cease its business during or at the end of the approved period.

5.19 MAS also does not intend to impose additional limits on each transaction as such granular limits may be overly constraining for certain markets such as those with large but infrequent trades. As the SE entity is only allowed to on-board institutional investors and accredited (non-individual) investors as customers, such investors should have the ability or resources to assess the risks of trading on these entities.

6 Constructs for Remittance Sandbox Express

Applicable requirements and expectations

6.1 One respondent sought clarity on whether the applicant would be expected to meet all other relevant regulatory and licensing requirements before submitting an application, and whether it would be subject to MAS' legal powers.

MAS' Response

6.2 MAS expects the applicant to fully comply with the relevant regulatory requirements that are applicable to the applicant except where exemptions are granted. In circumstances where the applicant is unable to fully comply at the point of application but is able to do so prior to commencement of the experiment, MAS will review the merits of each case on a case-by-case basis.

6.3 Furthermore, remittance businesses will be regulated under the PS Act and the applicable regulatory requirements may vary when it has commenced. Specifically, standard payment institutions would be permitted to conduct businesses within specific perimeters without needing to meet the full set of regulatory requirements expected of major payment institutions. This creates an environment that encourages innovation and enterprise in payment services. MAS will continue to review the need and appropriate constructs for the remittance Sandbox Express when the PS Act has commenced.

Types of customer and the limit imposed

6.4 Two respondents sought clarity on whether the remittance Sandbox Express is limited to retail customers.

6.5 A few respondents suggested that more considerations might be required on the maximum value of outstanding remittance transactions if the remittance Sandbox Express is intended to serve both retail and corporate customers.

6.6 One respondent sought clarity on the definition of outstanding remittance transactions.

MAS' Response

6.7 MAS wishes to clarify that there is no restriction on the types of customers. The SE entity is allowed to deal with both retail and corporate customers.

6.8 The outstanding remittance transactions refer to the total amount that is attributed to unsettled transactions, where the monies have not been received by the respective beneficiaries. For clarity, MAS has amended the condition to the following:

6.8.1 At any point in time during the approved period, the applicant must ensure that the aggregate amount of moneys that has not been received by the respective intended beneficiaries does not exceed SGD100,000.

6.9 MAS views that the maximum value of outstanding remittance transactions allowed at any point in time must be commensurate with the risks in the remittance Sandbox Express, as the SE entity is exempted from the requirement to place a security deposit of SGD100,000 during the approved period. The maximum value is necessary to limit the maximum potential losses faced by customers in the event that the SE entity fails.

6.10 A reasonably tight limit could also encourage the applicant to find innovative ways to speed up the transmission of funds to beneficiaries, such that the limit is not a constraint. Notwithstanding, the applicant could consider applying for a customised sandbox if a higher value of outstanding remittance transactions is envisaged to be crucial to support its experimentation.

Safeguarding of customer's monies

6.11 One respondent sought clarity on whether the customer's funds will be safeguarded until it is remitted to the beneficiary or refunded to the customer.

MAS' Response

6.12 Under the Money-Changing and Remittance Businesses Act ("MCRBA"), a licensee is required to pay all monies received from its customers for remittance purposes directly into a segregated account. For a full licensee, the security deposit is intended to

allow customers to recover some of their losses in the event that a licensee fails. This will not be available for SE entities in the remittance Sandbox Express.

Issuers of stablecoins

6.13 One respondent sought clarity on whether issuers of stablecoins would qualify for the remittance Sandbox Express.

MAS' Response

6.14 MAS wishes to clarify that issuers of stablecoins do not, in and of themselves, qualify for the remittance Sandbox Express. The remittance Sandbox Express will only cover the acceptance of monies for the purpose of transmitting them to persons resident in another country or a territory outside Singapore.

Difficulty in opening bank accounts

6.15 Two respondents highlighted that it is a common challenge for remittance businesses to open bank accounts, and suggested whether some form of assistance could be established for SE entities to commence their experiments.

MAS' Response

6.16 MAS understands that certain payment service providers, including remittance businesses, have faced difficulties in obtaining banking services for their business. Banks have to decide for themselves which customers they wish to take on, as they bear the risks and costs of managing such relationships. That being said, MAS also works with the relevant industry associations to facilitate further dialogue and mutual understanding on issues, such as AML/CFT practices.

Annex 1**LIST OF RESPONDENTS
TO THE CONSULTATION PAPER ON SANDBOX EXPRESS**

1. Arival Pte Ltd
2. Linklaters Singapore Pte Ltd on behalf of the Singapore FinTech Association (the "SFA")
3. RHT Compliance Solutions Pte Ltd
4. The Great Eastern Life Assurance Company Limited
5. Tokio Marine Life Insurance Singapore Ltd
6. Respondent A who requested for confidentiality of identity
7. Respondent B who requested for confidentiality of identity
8. Respondent C who requested for confidentiality of identity
9. 7 respondents who requested for full confidentiality of their submissions

Please refer to **Annex 2** for the submissions.

Annex 2

**FULL SUBMISSIONS FROM RESPONDENTS
TO THE CONSULTATION PAPER ON SANDBOX EXPRESS**

S/N	Respondent	Full Responses from Respondent
1	Arival Pte Ltd	<p><u>Question 1</u></p> <ul style="list-style-type: none"> • Generally the pre-defined sandboxes are okay; however, we believe it limits the playing field in terms of the key advantages fintechs can offer on a regional realm. For instance, testing remittances locally in Singapore would really restrict the potential in what innovative remittances can offer: borderless + global payments. Arival suggests that MAS considers other activities or fields within fintech that could be suitable for the Sandbox Express such as digital banking (especially for SMEs) and/or compliance solutions. Both suggested fields could improve markets either being underserved (SMEs, startups, freelancers, etc) or in need of rejuvenation (KYC, AML, compliance, etc). <p><u>Question 2</u></p> <ul style="list-style-type: none"> • No comments, thank you. <p><u>Question 3</u></p> <ul style="list-style-type: none"> • Would be helpful if there was more clarity on whether there is a limit on the number of claims made. • Would also be helpful if MAS will allow participants in the Sandbox Express to collect premiums. • Is there a general expectation as to what industry or field within insurance MAS is targeting? <p><u>Question 4</u></p> <ul style="list-style-type: none"> • No comments, thank you. <p><u>Question 5</u></p> <ul style="list-style-type: none"> • Would be helpful if MAS can provide more clarity on potential exit schemes post Sandbox in which will allow remittance fintechs to have a frictionless opportunity to continue with operations per regulatory requirements. Would be good to know if or how the MAS will encourage or support the remittance licensing process in the time-frame of 4 weeks pre-close of the sandbox. Not to mention, the technicality

S/N	Respondent	Full Responses from Respondent
		<p>behind the bank account opening (under section 26 of the Money-Changing and Remittance Business Act) might be an issue for certain entities.</p> <ul style="list-style-type: none"> The outstanding remittance transactions of \$100,000SGD is not exactly clear. Assuming that total transaction volume during the six months cannot exceed \$100,000SGD, this implicates that the fintech will most likely not be able to work with business customers during the testing period – restricting them to just retail-based remittances. <p><u>Any other comments</u></p> <ul style="list-style-type: none"> Would be helpful if MAS appoints a certain department to have informal (or formal) exploratory pre-assessments with interested applicants to discuss possible cooperation, strategy, and initial feedback from MAS on the feasibility of the applicant.
2	Linklaters Singapore Pte Ltd on behalf of the Singapore FinTech Association (the “SFA”)	<p><u>Question 1</u></p> <ul style="list-style-type: none"> Our members have highlighted that entities may offer a hybrid service or a number of services that fall within more than one pre-defined sandbox. We would be grateful if the MAS could clarify whether such entities are eligible to apply to the Sandbox Express in respect of more than one pre-defined sandbox. Our members are generally supportive of the concept of pre-defined sandboxes. However, there are concerns that the Sandbox Express may unduly limit opportunities for innovation by restricting entities’ customer base to Singapore. Our members have also proposed that the MAS considers pre-defined sandboxes for activities such as digital banking or compliance solutions. These fields could provide business opportunities for SMEs, start-ups and freelancers, and encourage innovation in areas such as KYC, AML and compliance. <p><u>Question 2</u></p> <ul style="list-style-type: none"> Our members do not have further comments in this respect. <p><u>Question 3</u></p> <ul style="list-style-type: none"> Under paragraph 4.2(b) of the consultation paper, one condition is that the total number of completed transactions is limited to 1,000 within the approved period. It would be helpful if the MAS could clarify whether there will be

S/N	Respondent	Full Responses from Respondent
		<p>limitations on the number of claims made under issued policies.</p> <ul style="list-style-type: none"> • Under paragraph 4.2(d) of the consultation paper, one condition is that the entity cannot handle or hold onto customer’s monies. It would be helpful if the MAS could clarify whether insurance brokers under the Sandbox Express are permitted to collect premiums on behalf of insurance companies as this is a key aspect of the insurance broking business. • We would be grateful if the MAS could clarify whether the type of insurance offered (e.g. direct or general), or target insurance sector (e.g. healthcare, travel, automobile) will affect an applicant’s eligibility to apply for the Sandbox Express or the conditions it will be subject to under the insurance broking pre-defined sandbox. • We would be grateful if the MAS could clarify whether the insurance broking sandbox will prioritise applications from certain insurance sectors over others. <p><u>Question 4</u></p> <ul style="list-style-type: none"> • Under paragraph 4.2(b) of the consultation paper, one condition is that the maximum volume traded is capped at SGD 5 billion for securities market or SGD 5 million derivative contracts for derivatives market. We would be grateful for further clarification on trade volume limitations under this sandbox. Is this trade limitation set per day, monthly, or for the 6-month approval period? Will this limitation apply across all asset types, or per asset type? • It would be helpful if the MAS could explain how exchanges allowing the trading of crypto-assets are eligible for the Sandbox Express. For example, would it be the case that only exchanges allowing the trading of crypto-assets constituting capital markets products would be allowed to apply for the Sandbox Express and the RMO pre-defined sandbox? If exchanges allowing the trading of other crypto-assets (e.g. digital payment tokens as defined under the upcoming Payment Services Act) are not eligible for this Sandbox Express, would they have to apply for the currently available Sandbox? <p><u>Question 5</u></p> <ul style="list-style-type: none"> • Paragraph 6.2(b) of the consultation paper sets out a limitation of SGD 100,000 in outstanding remittance

S/N	Respondent	Full Responses from Respondent
		<p>transactions at any point in time. Our members have raised the point that this limitation will likely restrict remittance companies to retail-based customers and prevent them from working with business customers during their approved period. We would be grateful if the MAS could clarify that this is the intent.</p> <ul style="list-style-type: none"> • Our members would be grateful if the MAS proposed potential exit schemes to facilitate entities’ continued operations under regulatory requirements, after they exit the Sandbox Express. These could include: <ul style="list-style-type: none"> ○ expediting entities’ remittance license applications in the 4 weeks before their approved period is completed; and ○ assisting remittance entities that have difficulty setting up bank accounts, as this is a commonly faced issue. Our members have raised the point that remittance companies are subject to regulations requiring customer monies to be safeguarded in bank accounts (under section 26 of the Money-changing and Remittance Businesses Act (Cap. 187 of Singapore)). Under section 23 of the proposed Payment Services Act, a major payment institution will also have to either deposit customers’ monies in a trust account with a safeguarding institution or obtain an undertaking or guarantee for such monies. <p><u>Any other comments</u></p> <ul style="list-style-type: none"> • It would be very helpful if the MAS could provide: <ul style="list-style-type: none"> ○ application forms to assist entities in their Sandbox Express applications; and ○ guidelines to inform successful applicants of their ongoing obligations under Sandbox Express. • It would be beneficial if the MAS could provide clarity on the timeline of the Sandbox Express, in particular when it will start accepting applications and when successful applicants will be admitted into the sandboxes. • It would be very helpful if the MAS could host informal sessions with interested applicants to discuss cooperation, strategy and provide feedback on entities and their applications.

S/N	Respondent	Full Responses from Respondent
3	RHT Compliance Solutions Pte Ltd	<p><u>Question 1</u></p> <ul style="list-style-type: none"> • Participants were generally supportive of the objective of the Consultation Paper to provide faster processing time for sandboxes. However, they were concerned that the three predefined sandbox activities proposed by MAS were not comprehensive enough. There are numerous other activities that would continue to come under the current customised sandbox (“current sandbox”). The current sandbox subject applicants undertake an arduous process whereby applicants can face up to a few rounds of questioning and are expected to provide detailed explanations of their business model. The application timeline is also protracted and indefinite. To resolve the current sandbox inefficiency, participants felt that MAS could have clearer rules on what is or is not eligible to be in the sandbox, increase its risk appetite for experimentation and have more manpower to process sandbox applications. • Participants requested clarification as to why the regulated activities of insurance broking, RMO and remittance were chosen to be in the sandbox express. It is understandable why RMO is selected as it is still new and there are a lot of interest in the activity. However, there are other more popular activities as compared to insurance broking and remittance. Since low risk and a high bar of innovation are the main emphasis of the sandbox express, participants suggested other activities such as digital asset custody, crypto funds, stable coins, cryptocurrency ETF and fund management for consideration. • Participants also seek clarification on the definition of “low risk” and to what basis this is comparable to. This came into question as RMO’s are one of the hardest licenses to get and can potentially have high risk as well. <p><u>Question 2</u></p> <ul style="list-style-type: none"> • Participants sought clarification on what the 21 days processing time meant. Questions were raised on whether applicants will know when their application is eligible as soon as possible rather than at the end of the assessment, and on whether the 21 days refer to working or calendar days. • Participants also requested clarification on the assessment of what determines as “innovative”, and whether there would be a first mover advantage. Supposing all RMOs were put into the sandbox express, what would the assessment criteria be

S/N	Respondent	Full Responses from Respondent
		<p>on determining the competitiveness of each RMO in comparison to other platforms. Furthermore, would this mean that each new RMO that goes into the sandbox express be better or different from its predecessor. Participants also raised the issue that there may be other innovation factors other than just technological innovation, and that there should be a more inclusive approach applied.</p> <ul style="list-style-type: none"> • There was also a question raised with regards to the scope of reliefs from regulations if one is in the sandbox. Participants were concerned on whether applicants would be heard before they leave the sandbox in the event of failure during the approved period. <p><u>Question 3</u></p> <ul style="list-style-type: none"> • Participants sought clarification on the basis for placing a limit of 1000 completed transactions for the sandbox and whether transaction or policy value could be a more important measure as compared to the number of transactions. There was also a question raised on whether a successful applicant will be subject to capital requirements. • Some participants felt that sandbox applicants may need to ask for extensions should they not be able to get their product or service out fast enough within the experimentation period. In such cases, participants questioned on whether applicants would be allowed to move from the predefined sandbox into the customized sandbox, or would they need to end all sandbox activities and start again if they are not ready to apply to be registered. • A question was raised on the types of insurance (i.e. life or general) that would be permitted in this predefined sandbox. Participants requested clarification on the rationale of implementing the same requirements for the different categories of insurance broking as different insurance activities have different risks (i.e. general insurance has lower AML requirements than life insurance). <p><u>Question 4</u></p> <ul style="list-style-type: none"> • Participants sought clarification behind the rationale of a need for distinction between a corporate and non-corporate AI. Under the SFA, an AI is either an individual or a company but, in this circumstance, if you onboard an individual AI, you are not eligible to be in the sandbox express. In this case, participants questioned if applicants can still onboard a

S/N	Respondent	Full Responses from Respondent
		<p>private bank into this regime if they are an II with a lot of individuals behind them.</p> <ul style="list-style-type: none"> • Some participants also expressed interest on whether there is a distinction between Singapore based markets and non-Singapore based markets as only non-individual AI's can take part in this regime. We note that you have included a distinction in relation to the treatment of a retail person outside of Singapore for purposes of RMOs, and them not being able to enjoy the safeguards of being a retail investor. • The Consultation Paper stated that the maximum volume traded is capped at SGD 5 billion for securities market or 5 million derivative contracts for derivatives market. Questions were raised as to why the test for securities is in terms of value whereas the test for derivatives is in terms of transaction size (i.e. number of contracts). Some participants expressed concern on what would happen should the limit be reached, and whether there would be a process put up whereby applicants are able to communicate with MAS to review when they are reaching the numerical threshold. Participants also felt that the bar should be raised as the limits suggested seemed a little restrictive. For example, it would be possible to achieve SGD5 billion in 1 day in bond markets. • A question was raised on whether custody and clearing house services are offered for a RMO in the sandbox express as these services will be required. Some participants sought clarity on the process in the event market operators needed to outsource these functions. <p><u>Question 5</u></p> <ul style="list-style-type: none"> • In the proposed remittance predefined sandbox express, a successful applicant will be granted a licence, but given an exemption from the \$100,000 security deposit requirement. However, the Consultation Paper also stated that applicants are required to submit the relevant application for a remittance licence 4 weeks before the end of the approved period. Participants sought to understand why an application for licence is still required when a licence has already been granted in the sandbox express, and what would happen if an applicant does not wish to continue with the experimentation or to "apply for the licence". • Participants noted that there are many other requirements under MCRBA that were not highlighted in the Consultation Paper. In this case, participants sought clarity on whether

S/N	Respondent	Full Responses from Respondent
		<p>applicants would be expected to ensure all requirements are in place before applying to be in the sandbox express, and will they be subjected to MAS’ legal powers over applicants.</p> <ul style="list-style-type: none"> • A participant wanted clarification on whether applicants are allowed to deal with retail or corporate customers or both. <p><u>Any other comments</u></p> <ul style="list-style-type: none"> • RHT Compliance Solutions Pte. Ltd. conducted a roundtable discussion with industry members/financial institutions around the substantive issues raised in the Consultation Paper on Sandbox Express issued on 14 November 2018 (the “Consultation Paper”). The roundtable was attended by 34 attendees from 23 companies on 27 November 2018. Participants included representatives from banking and capital market industries. • Whilst we are broadly supportive of the proposals, we urge MAS to further consider the implications of some suggestions raised in the Consultation Paper. Our comments on the questions posed in the Consultation Paper are set out below and incorporate, where appropriate, inputs received from the roundtable participants.
4	The Great Eastern Life Assurance Company Limited	<p><u>Question 1</u></p> <ul style="list-style-type: none"> • No comments <p><u>Question 2</u></p> <ul style="list-style-type: none"> • Paragraph 3.6(b) states that “the entity is exempted by MAS from complying with the full legal and regulatory requirements under the relevant Act” while sub-paragraph (i) and (ii) only relates to licensing and on-site supervision. Please provide more clarity on the scope of the exemption. Also see comments in Q3. <p><u>Question 3</u></p> <ul style="list-style-type: none"> • Is the insurer providing insurance products (the “insurer”) to the insurance broking entity (the “entity) required to submit an application to participate in the Sandbox Express? • Will the insurer also be subjected to the same exemption by MAS from complying with the full legal and regulatory requirement when dealing with the entity and its customers? If no, there may potentially be a misalignment of requirements where the insurer (being subjected to the full regulatory requirement) is not able to accept applications

S/N	Respondent	Full Responses from Respondent
		<p>submitted via the entity. One such example may be customer due diligence requirements.</p> <ul style="list-style-type: none"> • Other than exemption of section 35W(1) of the Insurance Act mentioned in paragraph 4.3, the other provisions under Division 2 of the Act should also be considered, particularly the following: <ul style="list-style-type: none"> ○ Section 35ZM – Use of words “insurance broking”. It is proposed that exemption could also apply, subject to adequate and proper disclosure proposed under paragraphs 3.6; ○ Section 35ZL – Holding out as registered insurance broker. Similar to the above, there could be certain measure of exemption subject to proper disclosure; ○ Section 35ZE – Negotiation and placement of risk with unlicensed insurer. Exemption should not be granted because it will have consequences on the continuity of insurance coverage once the entity discontinues its service. Similar considerations should be made for sections 35ZF and 35ZG. • 4.2(b): It should be clear that references to “insurance company” refer to a company licensed to carry on insurance business in Singapore unless the class of business is exempted by MAS. • 4.2(d): To clarify if the entity is a digital wallet and is performing insurance broking activities as part of their digital offerings in the sandbox express, is it considered that the entity is “handling or holding onto customer’s monies”? • 4.2(e): As the entity is exempted by MAS from complying with the full legal and regulatory requirements, would the scope of exemption cover the fit and proper criteria? If yes, will the fitness and propriety with respect to broking staff extend to them having the requisite level of competency? It is proposed that competency is important especially if the clients are retail. • 4.2(f): While para 3.6(b) states that the entity needs to disclose that “the entity is exempted by MAS from complying with the full legal and regulatory requirements under the relevant Act, during the approved period”, does the entity need to comply with the full regulatory requirements pertaining to AML/CFT and TRM Guidelines in

S/N	Respondent	Full Responses from Respondent
		<p>view that the internal controls need to mitigate AML/CFT and technology risks?</p> <p><u>Question 4</u></p> <ul style="list-style-type: none"> • No comments <p><u>Question 5</u></p> <ul style="list-style-type: none"> • No comments
5	Tokio Marine Life Insurance Singapore Ltd	<p><u>Question 1</u></p> <ul style="list-style-type: none"> • Nil <p><u>Question 2</u></p> <ul style="list-style-type: none"> • In general, the regulatory sandbox and the Sandbox Express should give consideration to FIs and even industry associations (e.g. LIA, GIA) who might also explore their own innovative solutions to be accepted into the sandbox space, provided that such organisations are able to clearly segment out the portion of the business that can qualify for the sandbox. • 3.3: We noticed that the details required in an application under the Sandbox Express differs slightly from the requirements under Annex B of the current regulatory sandbox guidelines. For example, 3.3(b)(i) seems to limit comparisons to “similar offerings in Singapore” whereas Annex B; Section A; 2(e) of the current regulatory sandbox guidelines asks for comparisons with “existing offerings (including in Singapore) that are similar”. We propose that application requirements under both the regulatory sandbox and the Sandbox Express be harmonised, particularly when 3.5(a) allows for an application under the Sandbox Express to be assessed under the “customised sandbox approach”. • 3.4: In addition to the two criteria proposed, the benefits that the financial services or product could bring to the industry, either from a FinTech company or through an established FI and/or industry association, should be taken into consideration as part of the assessment. • 3.6(b): While the intention under the Sandbox Express is to facilitate such pre-defined sandbox entities, MAS should still reserve the rights to supervise and conduct inspections, on a need-to basis, during the approved period. This is to provide better assurance to the public and confidence that firms who qualify under the Sandbox Express are not immune from supervisory visits or actions under an adverse situation.

S/N	Respondent	Full Responses from Respondent
		<ul style="list-style-type: none"> • 3.7: A progress report to MAS every 2 months might seem a bit onerous for the FinTech firm. In addition, 6 months for the approved period might be too short a timeframe for firms to observe any appreciable results. As such firms are commonly in the early stages of their development journey, a 1-year period might be more appropriate to assess their potential with a quarterly progress report to be submitted to MAS instead. <p><u>Question 3</u></p> <ul style="list-style-type: none"> • 4.2(a): Similar to the last point raised in question 2, we propose that the approved period be extended to 1-year instead. As such firms are commonly in the early stages of their development journey, a 1-year period might be more appropriate to assess their potential with a quarterly progress report to be submitted to MAS instead. • 4.2(d): This statement might be a bit ambiguous as the FinTech company could just be facilitating the payments between customers and the insurance firm. One suggestion would be that the monies collected cannot be used for any purpose other than that of the intended service as disclosed by the firm. <p><u>Question 4</u></p> <ul style="list-style-type: none"> • Nil <p><u>Question 5</u></p> <ul style="list-style-type: none"> • We would like to clarify if the business model for Remittances under the pre-defined sandbox is limited to retail customers or is this also extended to corporate customers? • 6.2: If the business model accommodates corporate customers as well, more consideration might be required for the proposed maximum value of outstanding remittance transactions. <p><u>Any other comments</u></p> <ul style="list-style-type: none"> • Reiterating our comments above, <ul style="list-style-type: none"> ○ Greater clarity could be provided to: <ul style="list-style-type: none"> ▪ Existing and licensed organisations who might be exploring certain innovative solutions of their own ▪ Industry associations who might be partnering with certain players to implement innovative

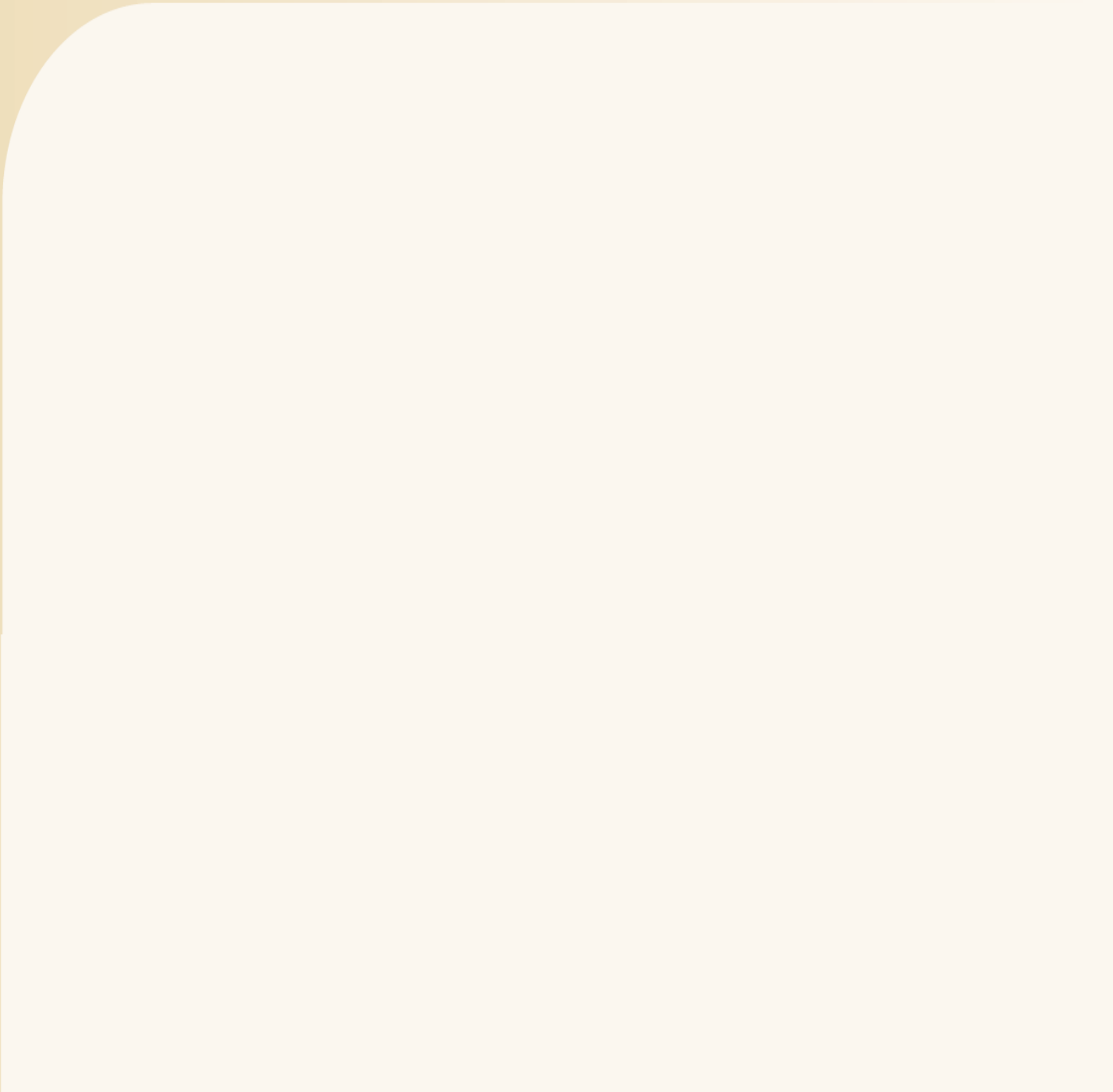
S/N	Respondent	Full Responses from Respondent
		<p>solutions which would have an impact on the overall industry / market</p> <ul style="list-style-type: none"> ○ In general, the regulatory sandbox and the Sandbox Express should give consideration to FIs and even industry associations (e.g. LIA, GIA) who might also explore their own innovative solutions to be accepted into the sandbox space, provided that such organisations are able to clearly segment out the portion of the business that can qualify for the sandbox. ● Similar to the last point raised in question 2, a one-year period, as opposed to 6 months, might be better for FinTech firms to observe appreciable results across all three pre-defined sandboxes.
6	Respondent A	<p><u>Question 1</u></p> <ul style="list-style-type: none"> ● None <p><u>Question 2</u></p> <ul style="list-style-type: none"> ● In addition to the items listed, the entity must also state on whose behalf it acts. For example, does it carry out its activities in the best interest of the customer/consumer? ● To ensure that the entity's services do not discriminate against particular segments of society, its algorithms and underlying assumptions must subject to external review and audit. Any assumptions used as part of its algorithms must also be disclosed so that customers/consumers are aware of any limitations in their services. ● Disclosure to customers/consumers of the entity's remuneration and any potential conflict of interests must also be disclosed up-front to potential customers/consumers so that they can see if the services provided are truly aligned with their needs. ● Avenues for customers/consumers to seek recourse must also be listed since they will presumably not be able to avail of the services of FIDREC. <p><u>Question 3</u></p> <ul style="list-style-type: none"> ● What personal data will these entities be allowed to collect and how will such data be protected? What happens to such data after expiry of the sandbox? Will there be any external audit undertaken to ensure that personal data collected is properly safeguarded or disposed?

S/N	Respondent	Full Responses from Respondent
		<ul style="list-style-type: none"> • What is the basis of selecting insurance products for the customer? Will it be on the basis of best value? If so, who makes that assertion and how will it be documented? What happens if the product selected turns out not to be the best value? • The questions above go back to the fundamental issue of who the entity acts on behalf of. At the heart of such issues is the information asymmetry between customers and financial entities and the vulnerability of customers to abuse and manipulation by irresponsible entities acting in their self-interest. • Full disclosure of any benefits or remuneration of these entities must be disclosed in clear and transparent terms which a layman can understand. <p><u>Question 4</u></p> <ul style="list-style-type: none"> • None <p><u>Question 5</u></p> <ul style="list-style-type: none"> • Will funds/monies paid in for remittances be safeguarded until they are paid to the ultimate beneficiary or refunded to the remitter? This needs to be part of the infrastructure of the service provided. <p><u>Any other comments</u></p> <ul style="list-style-type: none"> • Entities operating under Singapore’s frameworks (including this sandbox) will inevitably be linked to our nation hence even if such activities are limited in scope, there is the possibility that any adverse customer impact will reflect negatively on Singapore’s reputation. Following from this, entities operating under such sandboxes should be closely monitored so that proactive action can be taken by the MAS to prevent such fall-out on Singapore. • However, in the event of a negative event, the senior management of these sandbox entities must be held personally accountable and consideration must be given as to how such action can be enforced if these senior persons are located in jurisdictions outside Singapore.
7	Respondent B	<p><u>Question 1</u></p> <ul style="list-style-type: none"> • We would like to propose for MAS to consider other applicable Sandbox Express activities in the area of a) market infrastructure utilities and b) wealth management. Regarding a), improvements to market infrastructure would benefit the

S/N	Respondent	Full Responses from Respondent
		<p>industry in Singapore and hence new ideas and experiments may be encouraged. Regarding b), the digitization of wealth management is often held back by the cost of regulation and reducing the burden for niche entrants would enable a larger set of firms to enter and test offerings.</p> <p><u>Question 2</u></p> <ul style="list-style-type: none"> • We would propose MAS to provide clarity in terms of the criteria/elements of ‘technological innovativeness’ to facilitate applicants in their submissions. For instance, would ‘technological innovativeness’ be similar to the parameters set out under paragraph 6.2(a) of the FinTech Regulatory Sandbox Guidelines which states that “The proposed financial service includes new or emerging technology, or uses existing technology in an innovative way. For example, secondary research should show that few or no comparable offerings are available in the Singapore market”)? • We would like to request for clarity on whether separate unregulated legal entities set up by financial institutions or joint ventures entered with non-financial institutions would be able to make an application under the Sandbox Express framework. <p><u>Question 3</u></p> <ul style="list-style-type: none"> • Nil. <p><u>Question 4</u></p> <ul style="list-style-type: none"> • Nil. <p><u>Question 5</u></p> <ul style="list-style-type: none"> • Nil. <p><u>Any other comments</u></p> <ul style="list-style-type: none"> • We would like to propose MAS to establish a mechanism or process in allowing entities to seek for extension/expansion of limits (i.e. approved period or no. of transactions) for experiments which display good progress, so that entities can have the flexibility to refine their innovation, i.e. more thorough or extensive UAT testing. • MAS may also wish to consider providing more guidance on how an experiment can wind down towards the end of the Sandbox Express application period, especially under the circumstances where an experiment does not meet the objectives originally set out to achieve.

S/N	Respondent	Full Responses from Respondent
8	Respondent C	<p data-bbox="555 255 703 286"><u>Question 1</u></p> <ul data-bbox="555 309 1407 1968" style="list-style-type: none"> <li data-bbox="555 309 1407 763">• The justifications set out in the consultation paper by the MAS as to what activities should be included within the set of pre-defined sandboxes are sound. Given the intention(s) of the sandbox to encourage innovation, to facilitate experimentation within a controlled environment, and to foster strengthened engagement channels between firms (regulated and unregulated) and the MAS, the adoption of low risk and well understood activities only enhances the genuine functionality of the sandbox regime. In that stead, it is understandable why activities such as insurance broking, Recognised Money Operators (RMO) and remittances are included within the pre-defined sandboxes. <li data-bbox="555 792 1407 981">• However, given the above sentiment, and the accepted justification of the express sandbox’s intentions and functionality, the exclusion of certain other activities which also fall within the branding of “low risk and well understood” are not congruous with the above mentioned sentiment. <li data-bbox="555 1010 1407 1272">• Given that the Payment Services Bill, once implemented, will no doubt add regulatory clarity and certainty to business activities which fall within the seven defined payment services, the exclusion of activities falling under the guise of merchant acquisition services, account issuance services and digital payment token services should also be included as pre-defined sandboxes. <li data-bbox="555 1301 1407 1832">• Merchant acquisition services and account issuance services are low risk and are well understood when the parameters of their capabilities and implementation are taken into account. Given the prominence of already established and existing service providers within the current payment services landscape, the inclusion of this payment service as a pre-defined sandbox is as justified as the current three activities included already. Moreover, the already established and prominent uses of multi-purpose storage value facilities (SVF) and of Point of Sale systems within different proponents of technology fall within the express sandbox’s intentions of fostering innovation and experimentation within a controlled environment. For these reasons I submit that they should be included as pre-defined sandboxes. <li data-bbox="555 1861 1407 1968">• Including digital payment token services within the express sandbox is also justified, on the condition that there are certain limitations as to the service being provided. It is

S/N	Respondent	Full Responses from Respondent
		<p>understandable to exclude digital payment token services which function as an OTC or an exchange (for example services which provide a virtual currency to fiat conversion) as services such as these may not yet be well understood, or be easily contained by the sandbox constraints. However, to exclude this entire payment service category does not fit within the MAS's current express sandbox justifications. Digital payment token services are already under great regulatory scrutiny and are subject to a much lower threshold of tolerance in terms of non-compliance by service providers, effectively leading to a better understanding by regulatory bodies and consequently, enhanced compliance by companies offering this proposed technology. To further exclude this (limited) activity from this express sandbox only serves to stifle innovation, and to deviate away from the MAS's intentions to foster inclusion within the FinTech landscape for providers of this proposed technology. Digital payment token services' inclusion as a pre-defined sandbox would also enhance the MAS's role as a conduit in the wider adoption of services that fall within this activity definition as the containment of possible failure can be closely monitored and handled with ease.</p> <ul style="list-style-type: none"> • For these reasons, I propose the addition of merchant acquisition services, account issuance services and a limited scope of digital payment token services to be included as pre-defined sandboxes. <p><u>Question 2</u></p> <ul style="list-style-type: none"> • N/A <p><u>Question 3</u></p> <ul style="list-style-type: none"> • N/A <p><u>Question 4</u></p> <ul style="list-style-type: none"> • N/A <p><u>Question 5</u></p> <ul style="list-style-type: none"> • N/A



Monetary Authority of Singapore