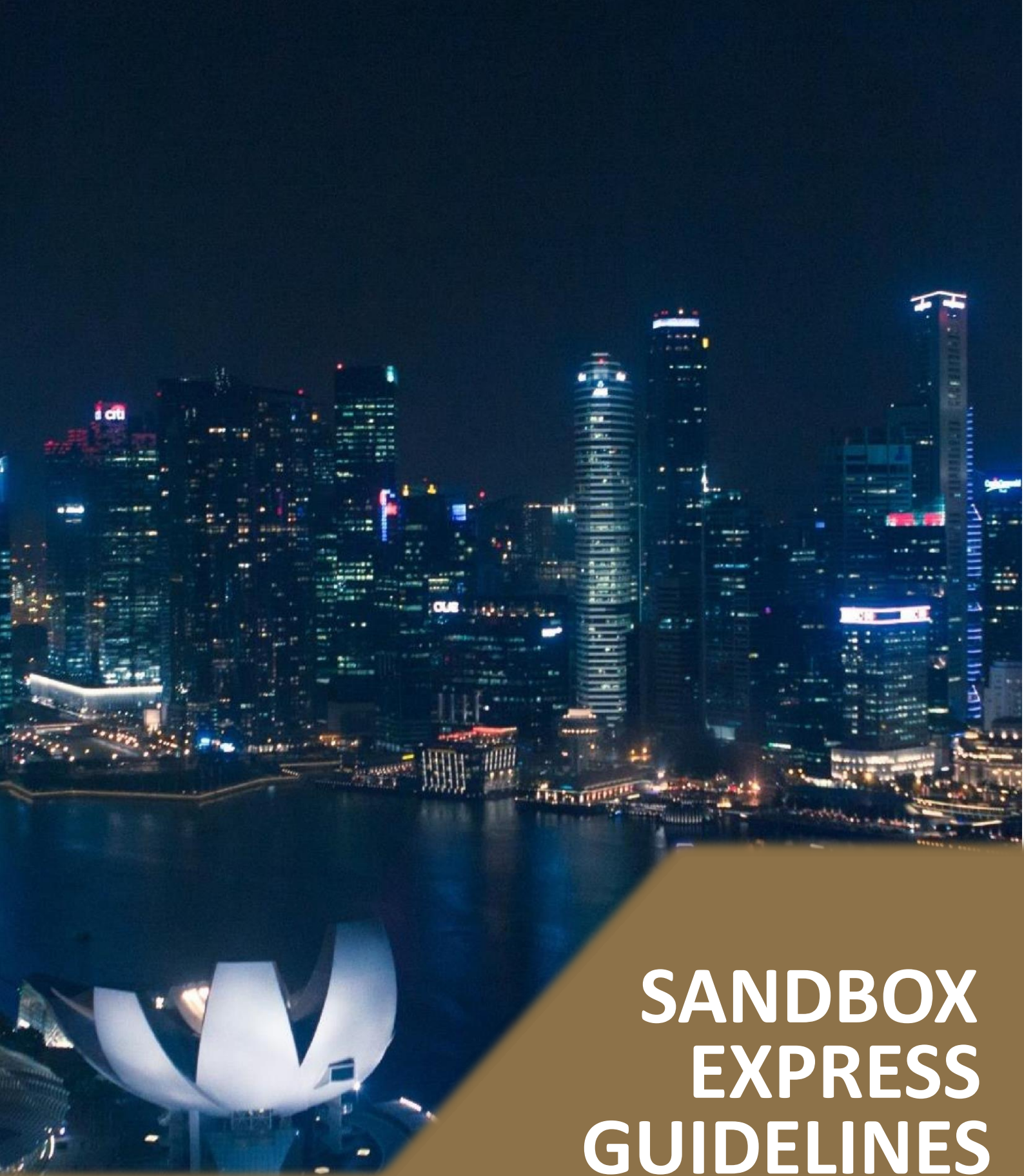




SANDBOX EXPRESS GUIDELINES



August 2019
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1. INTRODUCTION

1.1. The Monetary Authority of Singapore (“MAS”) encourages experimentation in financial technology (“FinTech”) so that promising innovations can be tested in the market and have a better chance for wider adoption, in Singapore and abroad. This is in line with the broader aim to transform Singapore into a smart financial centre by increasing efficiency, improving ability to manage risks, creating new opportunities, and improving people’s lives.

1.2. The FinTech Regulatory Sandbox (the “current sandbox approach”) was launched in 2016 to facilitate live experiments of innovative financial services and business models within specified boundaries. It establishes a conduit and strengthens the engagement channels between firms (both regulated and unregulated) and MAS on innovative ideas as well as regulatory clarifications relating to them.

1.3. The current sandbox approach has been well received by the market. It requires an extensive review of each application as each sandbox is customised to facilitate meaningful experiments while trying to contain the consequences of failure. We have learned along the way that for certain types of activities regulated by MAS, the risks can be well managed within certain specific boundaries.

1.4. To this end, Sandbox Express is created to complement the current sandbox approach. The aim is to enable firms that intend to conduct certain activities regulated by MAS to quickly commence experimenting with their innovations within pre-determined boundaries, without having to go through the existing sandbox application. Instead, an application can be made under Sandbox Express.

1.5. MAS will take a phased approach by starting with an initial set of activities regulated by MAS, and will continue to review whether appropriate constructs could be established to facilitate meaningful experiments for other activities regulated by MAS while containing risk. A phased approach will also allow MAS to test the relevance and risks of Sandbox Express as well as resolve potential operational challenges.

1.6. For a start, Sandbox Express will cover the following activities regulated by MAS:

- (a) carrying on business as an insurance broker; and
- (b) establishing or operating an organised market.

[Update: With effect from 7 January 2020, Sandbox Express will not be available for remittance business, as the Money-Changing and Remittance Businesses Act (“MCBRA”) will be repealed upon the commencement of the Payment Services Act 2019 (“PS Act”) on 28 January 2020. For more information, please refer to paragraph 2.5 and 6.3 of the Response to Feedback Received on Sandbox Express issued on 7 August 2019.]

2. KEY OBJECTIVE, PRINCIPLES AND GOVERNANCE

2.1. Sandbox Express aims to complement the current sandbox approach by:

- (a) providing enterprising firms carrying on certain activities regulated by MAS with a faster option to bring innovative financial services or products to the market for testing; and
- (b) reducing the time and resources required of the applicants.

2.2. To achieve this, Sandbox Express is designed with the following guiding principles:

- (a) the risks of each experiment should be low and well understood. Hence, Sandbox Express is only suitable for financial services or products which carry risks that could be reasonably contained by pre-determined, standardised ¹ sandbox constructs;
- (b) The applicant will need to:
 - (i) declare and undertake that it will fully comply with the conditions of licence approval or exemption;
 - (ii) prior to on-boarding any person as its customer, provide clear, complete, and proper disclosure to the person and obtain a written acknowledgement of such disclosure from the person, as set out in **paragraph 3.3**;
 - (iii) submit progress reports and a final progress report to MAS, as set out in **paragraph 3.4**;

¹ As opposed to customised constructs for each sandbox applicant.

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- (iv) represent to MAS that it is able to meet certain expectations in relation to its operations that MAS deems necessary for the implementation of Sandbox Express; and
 - (v) comply with any other requirements which MAS may deem necessary for the implementation of Sandbox Express.
 - (c) The scope of assessment by MAS will focus on the following two criteria:
 - (i) Whether the applicant's key stakeholders² are fit and proper; and
 - (ii) Whether the proposed financial service or product is technologically innovative³, and how the financial service or product addresses problem statements and brings new benefits.
 - (d) MAS endeavours to complete the assessment and respond to the applicant within 21 days from the date of receipt of a complete application. Nonetheless, for applications that are deemed by MAS to be complex and require more time to assess, MAS may notify the applicant within 21 days from the date of receipt of the application that MAS will not consider the application under Sandbox Express and will instead treat it as an application under the current sandbox.
 - (e) MAS reserves the right to withdraw any approval of the application⁴ at any time, for example, if the applicant does not conduct the activity that it had applied a licence or exemption for under Sandbox Express.

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

³ With effect from 1 January 2022, the eligibility criterion is expanded to include early adopters of technology innovation. However, if the proposed technology is similar to those that are already being applied in financial service offered in Singapore (a) by a few financial institutions or sandbox entities; or (b) where a 2-year time period has elapsed from the first known implementation, the applicant must show that a different technology is being applied or the same technology is being applied differently.

⁴ This would in effect, be a revocation of the licence or the exemption, depending on the type of sandbox.

- (f) For the purpose of providing information concerning the applicant's business to the public, relevant information of all approved applications, including but not limited to the name of the applicant, the start and expiry date of the sandbox as well as its key business activities, will be published on MAS' website.
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2.3. As a safeguard against potential exploitation of the overall sandbox framework,

- (a) MAS will not consider concurrent or separate applications by the same applicant unless the proposals from the applicant as set out in the applications are materially different from each other.
- (b) A three-month cooling-off period will be imposed for any sandbox application that is rejected by MAS. MAS will not consider any application from the same applicant during the cooling-off period. This is to encourage the applicant to conduct a more comprehensive due diligence, improve its value proposition or submit a complete application.

2.4. The applicant should clearly understand the objective and principles of Sandbox Express. It must be emphasised that the overall sandbox framework is not intended and cannot be used as a means to circumvent applicable legal and regulatory requirements.

3. APPLICATION AND EXPERIMENTATION

3.1. The sandbox constructs⁵ are available in Annex A - Sandbox constructs.

3.2. The applicant should ensure that the objective, principles, and governance of Sandbox Express specified under **Chapter 2** are satisfied before submitting the application form to fintech_sandbox@mas.gov.sg. Any form that is incomplete or which is submitted with information that lacks clarity, will be rejected.

⁵ In submitting the application to enter Sandbox Express, applicants agree to be bound by these sandbox constructs, which may be implemented as licence conditions or exemption conditions, depending on the type of sandbox.

3.3. For purposes of **paragraph 2.2(b)(ii)**, the disclosure to potential customers must include the following:

- (a) that the applicant is permitted to operate in a sandbox for only a specified period of time (“the approved period”) and the scope of its permitted activities is limited to the constructs of that sandbox. The scope and limitations on the activities of the applicant must be fully disclosed;
- (b) 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;
- (c) that the applicant is exempted by MAS from complying with the full legal and regulatory requirements under the relevant Act, during the approved period:
 - (i) for an applicant that is exempted from requirements to be registered / approved / recognised / licensed (as applicable) by MAS, the applicant is not supervised by MAS; or
 - (ii) for an applicant that is registered / approved / recognised / licensed (as applicable) by MAS, MAS is unlikely to conduct on-site supervision on the applicant, unless there is sufficient cause for MAS to do so.
- (d) that the applicant’s financial service or product may be discontinued by the applicant, or may be required by MAS to be discontinued, during the approved period;
- (e) that the applicant’s continued operations after the approved period would be subject to the applicant obtaining the required regulatory approvals from MAS;
- (f) that the applicant may decide to discontinue its service after the approved period; and
- (g) that the applicant’s customers will not have access to the dispute resolution scheme managed by the Financial Industry Disputes Resolution Centre (FIDReC).

MAS reserves the right to add to or vary the disclosures set out in this paragraph depending on the applicant's business activities.

3.4. The applicant is required to submit to MAS:

- (a) a progress report every two months from the start of the approved period; and
- (b) a final progress report at the end of the approved period.

MAS may request for clarifications from the applicant or for the applicant to provide a demonstration of the experiment. The progress report must include the following:

- (c) declaration that the sandbox constructs have been and are fully adhered to;
- (d) declaration that the representations (including declarations) made by the applicant to MAS remain true, accurate and not misleading;
- (e) progress of the experiment;
- (f) a register of issues encountered, and the actions taken to resolve the issues; and
- (g) a register of enhancements made to the solution in relation to the financial service or product.

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