



Draft Guidelines for Regulatory Sandbox

Draft for Comments

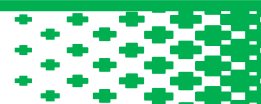
Digital Financial Services Group

Draft 1.0

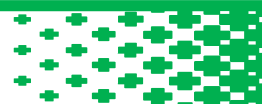


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SECTION 1: INTRODUCTION AND SCOPE OF THE SANDBOX

1.1. Introduction

The recent developments in financial technology (Fintech) have introduced innovative business models and solutions that have the potential to contribute to the public policy agenda of regulators such as digitalization and financial inclusion among others. Globally, many regulators are actively studying the potential impact of Fintech innovations on both consumers and the financial market, and adapting current regulatory frameworks to foster new opportunities without compromising consumer protection and financial stability.

Regulatory Sandboxes have been adopted by many regulators for new entrants as well as established players who are looking for clarity around new digital solutions that do not easily fit into the existing regulatory framework. The Regulatory Sandbox may be defined as a controlled regulatory environment provided by the regulators for experimenting limited scale, live tests of innovative technologies, products, services, processes, etc. for a restricted period to evaluate their commercial viability and also to determine the enabling regulatory environment that will be conducive for these innovative solutions.

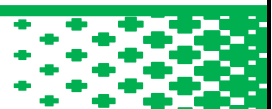
During the testing phase, entities might be provided a temporary and limited relaxation from the set of existing regulatory obligations, subject to compliance with certain terms and conditions, to test their innovative solutions. After successful testing of the solutions, entities are generally allowed to take their new solutions to market, based on the guidelines defined by the regulator. If the testing is not successful, entities will have to implement an exit strategy, as agreed with regulator.

On the other hand, Technical Sandbox represents a dynamic testing environment, provided by the regulator, that welcomes Innovators, Fintech startups, and established Financial Institutions to test and experiment with their innovative technologies and proposed payment solutions. The regulator provides a safe and controlled space for testing and refining their new payment methods and services.

1.2. Objective of SBP's Regulatory and Technical Sandbox

In line with international best practices to promote innovation in the area of digital financial services (DFS), SBP is introducing the guidelines for:

- a) Regulatory Sandbox, and
- b) Technical Sandbox for RAAST



These Guidelines are being issued under the powers conferred by Section 3 of the Payment Systems and Electronic Funds Transfer (PS&EFT) Act, 2007. Hence, anything not mentioned in the Guidelines shall be covered by the PS&EFT Act, 2007.

The objectives of the Guidelines for Regulatory Sandbox are to:

- a) Promote digitalization and financial inclusion through the implementation of disruptive technologies, innovative and customer centric products and services, and new business models.
- b) Identify the risks associated with unregulated financial products and services, and develop appropriate risk mitigation mechanisms.
- c) Create a supportive environment for Fintech entities and incumbents interested in rolling out new financial products and services.
- d) Enhance regulatory clarity and consistency for the DFS; and
- e) Support evidence-based regulatory reforms.

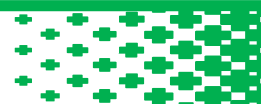
Whereas, the Technical Sandbox for RAAST is aimed to ensure that innovations seamlessly integrate into the broader financial market infrastructure. This will specifically:

- a) Allow access for sandbox participants to test RAAST related products and services such as payment initiation services (PIS), account information services (AIS) and person to merchant (P2M) payments for new entities in a controlled and monitored environment to foster innovation.
- b) Facilitate the testing and validation of new payment methods, protocols, and systems within the RAAST ecosystem.
- c) Encourage collaboration between various stakeholders in the financial industry (banks, Fintech entities, payment service providers, and regulators).

These Sandboxes are primarily aimed at the products and services that are not yet regulated or conservatively regulated by SBP.

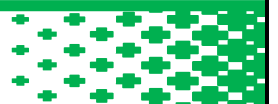
1.3. Scope of the Sandboxes

- a) SBP Sandboxes are open to:
 - I. Entities (as defined in subsequent sections) which propose solutions that involve products or technologies which are currently not covered under any policy and regulation of SBP and are not already available in the market.
 - II. Entities that provide products and services for the promotion of DFS and financial inclusion in the country
 - III. Regulated entities if they face regulatory restrictions to market any product or service.
- b) Participation in the Sandboxes shall not be allowed for:



- I. Propositions that add no material value compared to similar solutions already deployed in Pakistan.
- II. Testing where objective is not clear or not backed by the plans on how entity intends to achieve its related objectives.
- III. Applicants where beneficiaries or CEOs were previously found convicted of committing financial crimes or involved in ML/TF activities.
- IV. Applicants that are in the process of bankruptcy or found insolvent.
- V. Products and services that are prohibited by law of the land and
- VI. Products and services which, if implemented, will be in breach of the international obligations.

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SECTION 2: ELIGIBILITY

SBP Sandboxes does not mandate an applicant to be a SBP licensed entity. The application for participation in the Sandbox will be open to applicant as defined in the subsequent section.

2.1. Type of Applicants

The applicant can fall into following categories:

2.1.1. SBP Regulated Entities: Entities, already licensed by SBP, desiring to enter the Sandbox in order to test a proposition. Examples of entities under this category include Banks, PSOs/PSPs, EMIs, MFBs, Exchange companies etc.

Companies willing to apply for EMIs, PSO or PSP may also be required to first demonstrate their product, business proposition and solution in the regulatory sandbox. After successful graduation, entities may be given further approvals as per existing processes.

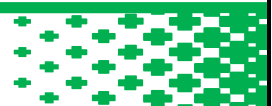
2.1.2. Entities Licensed by Other Regulators: Entities that are not licensed by SBP but are licensed by other regulators in Pakistan. Such entities may include technology service providers, telecom companies, payment system platforms, e-commerce platforms, third party service providers, and Fintech entities etc. For such entities, access to the Sandbox may be obtained through one of the following options:

- a) Partnering with SBP licensed institution: In this scenario, the licensed entity will be responsible for applying to SBP's Sandbox.
- b) Individually: By obtaining the approval from SBP through application process of Sandbox.

2.1.3. Non-licensed Entities/Individual Applicants or Startups Incorporated in Pakistan: Non-licensed entities or individuals with innovative Fintech solutions will be provided a Sandbox access in the form of Letter of Acceptance (LoA) that acts as a temporary restricted permission valid only for the duration of Sandbox testing. Such entities may also access the Sandbox by collaborating with the entities regulated by SBP.

2.1.4. Non-Licensed Entities Incorporated Outside Pakistan: Non-licensed entity which is incorporated outside Pakistan, can apply for the Sandbox testing through either of the following options:

- a) Partnering with an SBP licensed institution.
- b) Establishing an office in Pakistan and obtaining a license of incorporation in Pakistan by relevant regulatory entity.



- c) NOC shall be granted by SBP after the entity has in place a concrete plan/proposal for compliance to Sandbox Guidelines. In this case, entity will get temporary restricted permission valid only for the duration of Sandbox testing.

2.2. Eligibility Criteria

The applicant willing to participate in the Sandbox must demonstrate either or combination of the following:

2.2.1. Innovation: The proposition must be based around innovative technology and must differ from or add material value to existing solutions/products/services in the industry. At the time of application, the applicant must provide a comparative analysis of current market practices and their propositions.

2.2.2. Consumer Utility: The proposition must aim to increase access/expand options to DFS in the country while also encouraging consumer utility compared to existing solutions. Consumer benefits can be, but not limited to, the following:

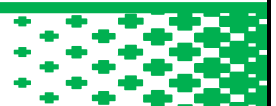
- a) Increased security.
- b) Increased accessibility (e.g. with focus to the disadvantaged groups).
- c) Enhanced consumer experience.
- d) Decreased onboarding time.
- e) Improved price benefit.

2.2.3. Understanding of the Regulatory Barriers: The applicant shall demonstrate that the proposition is currently not regulated or the regulations are unclear, and there is no prohibition on implementation of the proposition in the regulations. To this end, the applicant is expected to conduct in-depth analysis of existing rules and regulations and have thorough understanding of the regulatory frameworks.

2.2.4. Readiness for Testing: The proposition shall be ready to be tested with real consumers, at a limited scale and at the minimum commercial viable product stage.

2.2.5. Scalability: The applicant must have a plan to deploy the proposition on a commercial scale in Pakistan if the testing is successful.

2.2.6. Risk Management: The applicant must ensure that all significant risks arising from the proposition are assessed and mitigated through a risk mitigation plan. The applicant, at the time of application, must provide a risk matrix along with mitigation strategies.



2.3. Sandbox Cohorts

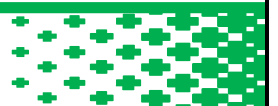
2.3.1. For Regulatory Sandbox: The Sandbox is based on a cohort system where entities are allowed to enter the Sandbox at the same time and having same time for testing.

SBP will be announcing Regulatory Sandbox cohorts on its website and other channels such as social media, print or electronic media from time to time, indicating the following:

- a) Theme of Cohort.
- b) Deadline for submitting formal applications for preliminary review.

2.3.2. For Technical Sandbox of RAAST: The Sandbox is based on “always open” to test RAAST related services and use cases such as PISP, AISP or other use cases as decided by SBP.

SBP may decide to accept applications outside the thematic cohorts of Sandbox. A list of the entities included in that Cohort will be published on SBPs website.

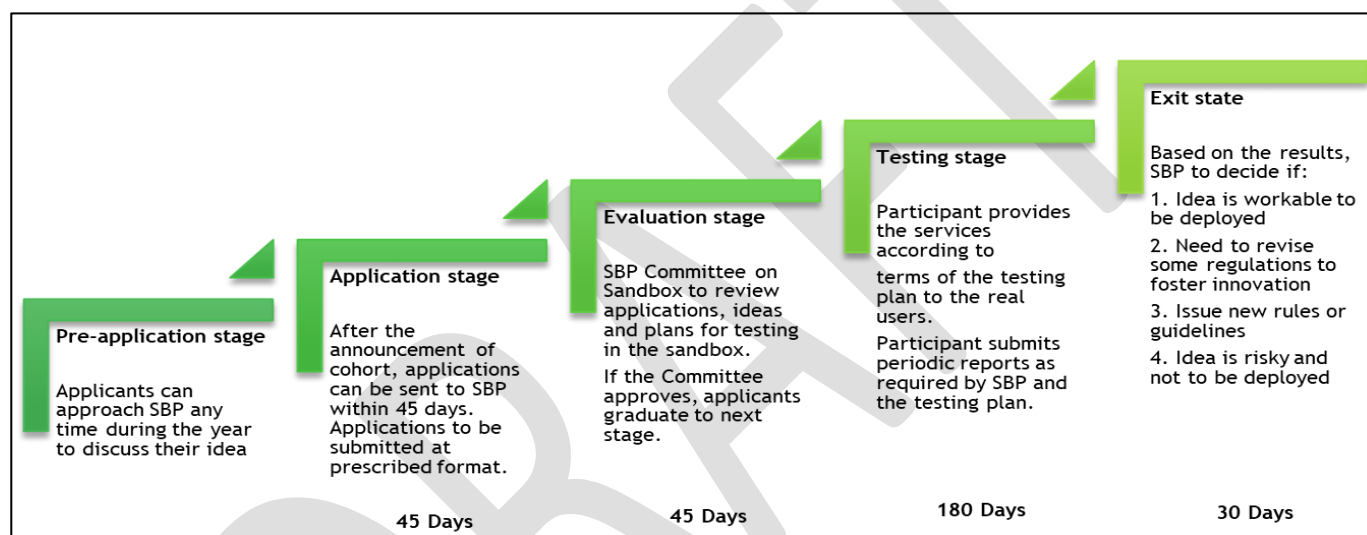


SECTION 3: SANDBOX APPLICATION PROCESS

3.1. Sandbox Lifecycle

Sandbox lifecycle shall include the following stages:

- Pre-application stage
- Application stage
- Evaluation stage
- Testing stage
- Exit stage



3.1.1. Pre-application Stage

At the pre-application stage, the applicant provides basic information about its proposition. This should at least include the following:

- Brief description of the proposition.
- Description of how it can contribute to the market development.
- Information about the applicant, ultimate beneficial owners (UBO) and CEOs.

Pre-application shall be submitted to the Innovation and Fintech Hub¹. At the pre-application stage, Innovation and Fintech Hub reviews the eligibility of the applicant and the proposition. The purpose of this stage is to understand if the proposition is innovative, as well as to make sure that neither applicant nor its beneficiaries or CEOs were previously involved in financial fraud or ML/TF offences. Throughout preliminary

¹ Contacts details of the Innovation and Fintech Hub will be published on the SBP website.

review, Innovation and Fintech Hub may request additional information from the applicant and/or organize meeting with the applicant.

Following the pre-application stage, SBP may decide the following:

- a) Inform the applicant whether the proposed service or the applicant are eligible, for the Sandbox testing.
- b) Discuss with the applicant why the service cannot be provided in Pakistan under the existing regulations.
- c) Advise the applicant to submit formal application for the Sandbox testing (proceed to the application stage).

Innovation and Fintech Hub shall inform the applicant about the reasons for the decision taken.

3.1.2. Application Stage

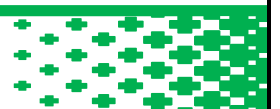
At the application stage for Regulatory Sandbox cohort or RAAST Technical Sandbox, applicant submits the formal Application to SBP as per these Guidelines. The formal application shall be submitted to "The Director, Payment Systems Policy & Oversight Department, State Bank of Pakistan, 4th Floor, Main Building, I.I Chundrigar Road, Karachi - 74000", email: regulatorysandbox@sbp.org.pk

Formal application shall include the following:

- a) Cover letter stating the interest in testing of the service in the Sandbox signed by authorized officer.
- b) Description of the proposition and information about the applicant and UBOs, as per Annexure to these Guidelines.
- c) Incorporation documents.
- d) Copy of license (if applicable).
- e) Supporting documents, if any, to substantiate the information provided in application.

In case of joint applications (e.g. when non-licensed entity partners with the licensed institution), incorporation documents and licenses shall be provided for each participating entity.

Documents that are issued in foreign languages, other than English, shall be properly translated in Urdu or English by applicant. Innovation and Fintech Hub may request additional documents and information necessary for the review of the application.



3.1.3. Evaluation Stage

At the evaluation stage, the Sandbox Committee of SBP shall review and assess the application to identify parameters of the potential testing and develop a testing plan. The Committee would be headed by the Deputy Governor and comprising of all the Executive Directors of relevant departments may arrange meetings with the applicant and request additional information.

Following the Evaluation Stage, the Sandbox Committee may decide the following:

- a) Reject the application due to the inability to agree upon the parameters of the testing with the applicant.
- b) Approve the testing plan of the entity enabling the applicant to enter Sandbox as Participant.

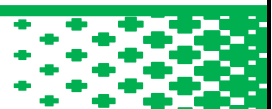
Testing plan shall include the following:

- a) Purpose of the testing.
- b) List of regulatory exemptions/reliefs that will be required to the applicant during the testing.
- c) Risk mitigation measures that will be implemented during the testing, including restrictions that will be observed throughout the testing (e.g. on number of clients, volume and value of transactions and other restrictions).
- d) Consumer protection mechanism to be used during the testing, including disclosure requirements if applicable.
- e) Timeframe of the testing (including the start date and end date of the testing).
- f) Key performance indicators that will be used to assess the results of the testing.
- g) Reporting requirements throughout the Sandbox lifecycle.
- h) Rights and responsibilities of the Sandbox participant.
- i) Description of the exit strategy.

The detailed testing plan might include other elements as decided by SBP and proposed by the applicant.

The testing plan shall be signed by the chair of the Sandbox Committee and the authorized representative of the applicant.

The testing plan shall be considered invalid if the applicant has not started the testing until the latest start date as per the plan or has not signed the testing plan. Details of Sandbox participants, entity name, brand name, proposed product/solution/service to be tested and any other details which deem necessary for public good, shall be made public by the SBP through website and social media.



3.1.4. Testing

During the testing stage, the Sandbox participants shall provide the services according to the terms of the testing plan to the real users. Throughout the Testing Stage the Sandbox participant is expected to submit periodic reports as required by SBP and the testing plan.

Purpose of the testing stage is to test the market proposition, subject to the parameters of the testing, as agreed with SBP. Throughout the testing, the Sandbox participant will be able to assess the viability of the proposition, risks associated with the service, and the efficiency of the risk mitigation measures.

The Sandbox participant shall submit the report on the results of the testing, no later than two weeks after the scheduled end of the testing that includes, at least, the following:

- a) Risks identified during the testing period.
- b) Key performance indicators (KPI) and whether they were achieved or not, stating the reasons for that.
- c) Sandbox participant's proposal on whether the product or service will be deployed on full scale.

SBP has a right to terminate the testing if the testing plan is breached or unanticipated risks were found during the test. If the testing is ended prematurely, the Sandbox participant shall execute the exit strategy.

3.1.5. Exit Stage

At the Exit Stage, the decision on whether to deploy a service at full scale or discontinue provision of the service shall be made by the Sandbox Committee and/or the Sandbox participant. This decision will depend on different factors, including adherence to the testing plan, business decision of the Sandbox participants, and relevant risks. In principle, if the KPIs are not achieved, the testing is considered unsuccessful.

Sandbox Committee shall approve the report on the basis of the results of the testing. The report shall be discussed with the Sandbox participant. The Committee may decide not to approve the report if the testing is found unsuccessful. Sandbox Committee may also propose regulatory changes, issuing a letter of no objection or prohibit further deployment of the product or service.

If the testing is not successful as decided by the Sandbox Committee or the Sandbox participant is not willing to roll-out product or service, it should execute the exit strategy. Otherwise, the rollout of the product or service will be subject to letter of no



objection, existing regulation or regulatory changes. If further deployment of the service is dependent on the regulatory changes, the Sandbox participants might be allowed by the Sandbox Committee to continue provision of the service subject to restrictions, until the regulatory changes are adopted.

3.2. Re-application

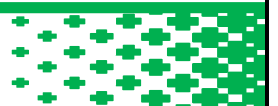
In case the application was rejected, applicants may re-apply in the next cohort provided that the deficiencies are properly addressed or substantial changes are made to the application.

Applicants may not re-apply if:

- a) The proposition is associated with high ML/TF risks, economic risks or consumer protection risks which are not properly mitigated or cannot be mitigated.
- b) The applicant and/or co-applicant are not eligible for Sandbox as per the Guidelines.
- c) The same proposition has already been tested by the applicant in the Sandbox.
- d) The proposition does not fit in to the new cohort.

3.3. Application Fee

- a) A one-time non-refundable application-processing fee for participants is set at PKR 100,000, which will be submitted at SBP-BSC offices.
- b) The application fee shall be submitted together with the formal application.



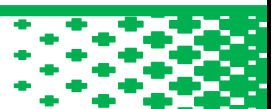
SECTION 4: TECHNICAL REQUIREMENT FOR RAAST TECHNICAL SANDBOX

4.1. Onboarding for RAAST-related Use Cases

Entities aspiring to test RAAST-related use cases must also demonstrate their readiness on the technical infrastructure level with specific network connectivity standards apart from meeting Sandbox eligibility criteria.

Network Connectivity Criteria for RAAST Test Environment Integration is as:

- a) Entities are required to establish a secure, resilient and internet-based connection protocol for accessing the RAAST Test Environment.
- b) Participants should ensure their engagement with reliable internet service providers to maintain consistent and seamless access to the RAAST Test Environment.
- c) The establishment of a dynamic VPN, fortified with robust encryption and hashing algorithms, is essential for connectivity with SBP's RAAST Test Environment.
- d) Participants must ensure the implementation of advanced network security measures at their respective ends.
- e) High availability of network infrastructure, eliminating single points of failure, is a prerequisite.
- f) Integration of RAAST communication links and related systems with the participant's Network Management System (NMS) and Security Operation Center (SOC) is required for continuous performance and security oversight.
- g) Entities must maintain direct coordination with their internet service providers to resolve technical issues in a timely manner.
- h) Sufficient bandwidth allocation for their internet links, based on the expected traffic volume for RAAST-related activities, is essential.
- i) Participants are advised to ensure their network infrastructure is configured to manage RAAST-related traffic, efficiently and securely.



SECTION 5: PRINCIPLES DURING TESTING PHASE

5.1. Relaxation in Regulatory Requirements for Applicants

- a) SBP may consider relaxing, if necessary, set of the regulatory requirements for applicants for the duration of the Sandbox testing on a case-to-case basis. A few of the examples of these regulatory relaxation are:
 - Capital requirements.
 - Management experience.
 - Requirements on disclosure of information.
 - Any other regulatory requirements set by SBP, apart from the requirements that shall remain mandatory as per section below points.
- b) The applicants cannot be exempted from the following requirements:
 - Obligations to conduct KYC and comply with the AML/CFT requirements.
 - Fit and proper requirements.
 - Consumer privacy and data protection.
 - Security of transactions.

All regulatory relaxations shall be proportionate, temporary, and relevant for the testing. The applicants shall not use Sandbox to circumvent regulatory requirements developed for the existing products and services.

5.2. Risk Mitigation Measures

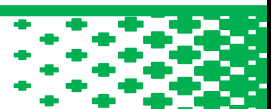
To mitigate potential risks associated with the testing of the proposition, SBP may implement risk mitigation requirements, such as:

- a) Limit the number of clients at any point in time.
- b) Restrict value and volume of transactions (total, per day, per week, etc.).
- c) Limit the scope of regions where the services are offered.
- d) Limit the outstanding liabilities at any point of time of the Sandbox participant's.
- e) Restrict the types of transactions that can be performed.
- f) Other risk mitigation measures that SBP finds appropriate.

5.3. Requests for Additional Information

During testing, SBP may request additional information from the Sandbox participants.

- a) While requesting additional information, SBP will define the deadline for providing it.
- b) Failure to timely provide requisite information may result in termination of application review or the testing.



5.4. Changes during the Testing Phase

In case of changes during the testing phase:

- a) The Sandbox participant shall notify SBP of any material changes to the information that was previously submitted to SBP within the Sandbox lifecycle. For the purposes of these Guidelines, material changes will include any changes that affect the nature of the proposition, associated risks, ownership structure of the applicant and/or co-applicant.
- b) The Sandbox participant may request a change to the testing plan, by submitting the formal letter to Sandbox Committee, stating the reasons for such change, no later than 60 days before the scheduled end of the testing. Sandbox Committee shall review the request to change the testing plan. Changes to the testing plan shall not lead to additional unmitigated risks and change the nature of the proposition.
- c) The Sandbox participant may request for extension of testing period. To request extension, the participant shall submit written application to SBP 60 days prior to the expiration of testing period. SBP will grant extension only in cases where the proposition has tested positively and extension in the period will help in solving specific problem, issues or risks.
- d) Decision on the change to the testing plan shall be communicated to the Sandbox participant by the Sandbox Committee no later than 30 days after the submission of the request.

5.5. Revocation of Approval or Exit from the Sandbox

The testing stage may end for one of the following reasons:

- a) **Early Exit:** The testing may be terminated ahead of prescribed time, on Sandbox participant's request. In this case, the Sandbox participant shall formally inform SBP about the decision to terminate the testing. After the SBP's approval, the participant shall implement exit strategy, as per the testing plan.
- b) **Mandatory Exit:** The testing may be terminated by the decision of the Sandbox Committee (revocation of approval). Such decision might be taken in case of the breach of the testing plan, or if the deployment is having negative consequences for the consumers and/or overall financial stability or failure to provide requested information. In this case, the Sandbox Committee formally informs the Sandbox participant about the decision and the date from which the exit strategy shall be implemented. Prior to revocation of approval, Sandbox Committee may request clarifications from the Sandbox participant on steps taken to mitigate the risks and comply with the testing plan.



- c) **Scheduled Exit:** Sandbox participants will not continue providing the products/service within the Regulatory Sandbox after the testing period has expired and has not been extended. After the expiration of the testing period, the Sandbox participant shall initiate the exit strategy, as per testing plan.

All decisions regarding the revocation of approval for testing shall be final and irrevocable. The Sandbox participant, if facing an early exit from the Sandbox, will remain eligible to apply to the next application cohort if the risks and deficiencies are appropriately addressed and the Sandbox participant was not added to the blacklist as a result of mandatory exit.

5.6. Reporting

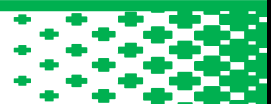
Following are the reporting requirements for the participants:

- a) The Sandbox participant must submit information and progress reports to SBP as per agreed format and timelines during the testing stage. The SBP shall have complete access to core reporting/accounting/significant software that the participant may be using, if applicable. In case online reporting is not available, the reports shall be signed and submitted by competent authority through email address shared with participants.
- b) Access to the internal information of the Sandbox participant shall be subject to non-disclosure requirements.
- c) The participant shall also maintain proper records during testing period for reviews by SBP anytime, if required, retention and confidentiality of consumer data will automatically be complied with as per Section 70 of the PS&EFT Act.

5.7. Disclosure to the Consumer & Dispute Resolution Mechanism

If the proposition is consumer facing, SBP shall not bear any legal suit/action in case of any dispute arising from the use of this service.

- a) The Sandbox Participant has to ensure that a dispute resolution mechanism is present and the same has to be disclosed to the consumers. In this respect, it is advised that under Section 71 of the PS&EFT Act, in case a consumer is not satisfied with the outcome of a complaint, then a complaint may be made to SBP and Banking Mohtsib.
- b) The Sandbox participants shall disclose to the consumers that the service is provided as part of the Sandbox testing.
- c) SBP shall publish the information about the Sandbox participants on its website, including name of the entity, its commercial name, website of the participant, expected end date of the testing and the status of the testing.



SBP at any stage shall not bear any liability arising from Sandbox testing process and any such liability will be borne by the participant. Applicant must demonstrate the ability to meet all applicable regulations upon successfully exiting the Sandbox.

5.8. Post Sandbox Approaches

After completion of full, uninterrupted testing period, the following approaches may be adopted:

5.8.1. *Licensing (or Equivalent):*

A license (or equivalent) to operate commercially after Sandbox testing may be given subject to the participant's readiness and fulfillment of necessary regulatory requirements. If there is no enabling framework in place immediately, the entity may be issued with a No Objection Letter (NOL) by SBP to operate until an enabling framework is developed. The validity period for this approval may be determined and communicated on a case-by-case basis.

5.8.2. *Reapplication to Sandbox:*

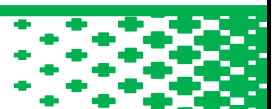
If test results indicate that the innovation has potential, but same was not adequately proven during the time frame of the Sandbox participation, the entity could be invited to reapply for participation in a next round of Sandbox applications.

5.8.3. *Restriction for Commercial Operations:*

If a full assessment indicates that the participant has not fulfilled the terms and conditions of its Sandbox test or that the innovation is unfit for the market, the participant may be issued with a termination order to discontinue its activities.

5.8.4. *Policy Developments:*

If the outcomes of the tests indicate that further regulatory changes are required to fully realize the technologies and services that have successfully navigated a Sandbox test, SBP may initiate work on revisions in the relevant regulations and instructions.



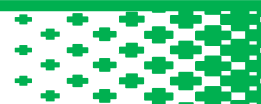
ANNEXURE

Application form to the SBP Regulatory Sandbox

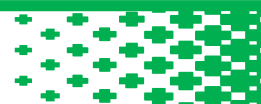
This application shall be filled by the applicant. Elements that are not applicable to the proposition may not be filled. SBP reserves the right to request additional information from the applicant, if required.

Applicant Details	
Information about the entity	
1. Name of the company	
2. Trade name	
3. Business registration number (e.g. Tax identification number) and the country of incorporation	
4. Information of relevant license(s) or authorization(s) (if applicable)	
5. Country or countries in which the company operates	
Information about the management/Sponsors/Shareholders	
1. Name of key personnel (e.g. CEO, CFO, COO)	
2. Shareholders, Sponsors, UBOs	
3. Disclosure of involvement in illegal financial activities	
4. Name of subsidiaries, parent company, holding company etc.	
Contact details	
1. Postal address and physical address (if different)	
2. Name and contact details of key contact person for liaison purposes (phone, email)	
3. Website	
Information about the partner² (if applicable)	
1. Name of institution(s)	
2. Business registration number (e.g. Tax identification number) and the country of incorporation.	
3. Information of relevant license(s) or authorization(s) (if applicable)	

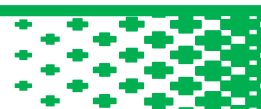
² Filled out in case of joint applications on behalf of the two or more entities.



4. Postal address.	
5. Name and contact details of key contact person for liaison purposes (phone, email).	
6. Details of the partner agreement with the applicant (distribution of responsibilities, functions, obligations, etc.).	
7. Describe your experience and relevant technical and business knowledge that will support implementation of the product (e.g. background of the senior management, size of the team).	
Information about the proposition	
1. Brief description of the proposition	
2. Explain how the proposition relates to the topic of the cohort, as prescribed by SBP.	
3. Explain how the proposition may bring additional utility to the consumers	
4. Explain how the proposition is different from other similar products or services in the market	
5. Describe regulatory barriers that prevent the full-scale implementation of the proposition	
6. Are there any similar products deployed in other jurisdictions? (if yes, please, provide details). Has the innovative financial service been proposed been tested in other country sandboxes and/or interfaced with the regulatory authorities of other jurisdictions?	
7. When the proposition might be provided to the real consumers, if approved for the testing?	
8. Resources including how liabilities are met?	



9. Describe your plans for the subsequent scaling of the proposition if the testing is successful.	
Proposals for the testing phase	
1. Describe the objectives of the proposed test	
2. Describe the risks associated with the sandbox testing and identify appropriate risk mitigation measures/safeguards	
3. Describe regulatory exemptions that are required for the testing purposes.	
4. Describe restrictions that might be used during the testing for risk mitigation purposes (e.g. on number of clients, volume and number of transactions and other).	
5. State the expected duration of the testing	
6. Describe the expected milestones and timelines for the testing	
7. What are the key performance indicators that you propose to use to assess the success of the testing?	
8. Provide any other information that may support the application.	
9. Describe the exit strategy for the regulatory testing (steps to wind down operations)	



ACRONYMS

AML: Anti Money Laundering

CFT: Combating the Financing of Terrorism

DFS: Digital Financial Services

KYC: Know Your Customer

LOA: Letter of Acceptance

PKR: Pakistani Rupee

PS&EFT Act: Payment Systems and Electronic Funds Transfer Act, 2007

PSO: Payment System Operator

PSP: Payment Service Provider

SBP BSC: State Bank of Pakistan, Banking Service Corporation

SBP: State Bank of Pakistan

EMI: Electronic Money Institution

MFB: Microfinance Bank

UBOs: Ultimate Beneficial Owners

AISP: Account Information Service Provider

PISP: Payment Initiation Service Provider

