



REGULATORY SANDBOX FRAMEWORK

2024

(Version 1.0)

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1. Definitions

- 1.1 Applicant – legal entity or the sole trader that applies to the Regulatory Sandbox as per this Framework and/or provides a product or service within the Regulatory Sandbox.
- 1.2. Regulatory Sandbox – a special regulatory regime that allows legal entities to test certain new, innovative and completed eligible financial products or services in a safe and controlled environment, subject to the terms and conditions as per this Framework.
- 1.3. Exit strategy – set of steps and actions taken by the Sandbox participant to wind down provision of the product/service.

2. Rationale for Regulatory Sandbox

- 2.1 There is a need to create an environment to implement responsible financial innovation in the country, with a focus on the unserved and underserved people in our community.
- 2.2. It is necessary to ensure the legal certainty for the financial innovators who are willing to provide products and services which might not be yet fully regulated in Samoa but have significant potential to contribute to enhancing financial inclusion efforts for Samoa's economic development.
- 2.3. It is important to cover all types of financial services providers, both local and a part of the wider international group who are focused on financial inclusion.
- 2.4. A flexible regulatory environment will allow local and international players to test and introduce innovative products and services in the country.
- 2.5. Regulation of innovative products and services shall be based on a risk assessment to ensure that over-regulation is not a barrier to the implementation of innovations in the financial sector.
- 2.6. Central Bank of Samoa should be aware about the ongoing developments in the financial sector within the country and worldwide.
- 2.7. There is a need to create an environment to safely test financial innovations without exposing the market to unnecessary risks.
- 2.8. There is a need to align Samoan regulatory framework to the Pacific Regional Regulatory Sandbox that is being implemented by the Pacific nations.

3. Purpose of the Regulatory Sandbox

- 3.1 Regulatory Sandbox is a special regulatory regime where new products and services can be tested to assess the associated risks and/or the viability of these propositions as well as demand for **such** service or product.
- 3.2. All tests within the Regulatory Sandbox will be subject to restrictions in order to mitigate potential risks during the testing stage.
- 3.3. CBS may provide certain regulatory exemptions and reliefs within the regulatory sandbox to offset potential regulatory barriers that may prevent implementation of the new product or service.
- 3.4. Testing within the Regulatory Sandbox will allow the Applicants to assess the demand for the product or service, its viability and associated risks.
- 3.5. To facilitate the roll-out of products and services after the successful test, CBS may decide to initiate amendments in regulation, or issue *Letters of No Objection* within its mandate.

- 3.6. Financial Services Providers will be able to ask for additional guidance regarding regulatory expectations during the testing within the Regulatory Sandbox.
- 3.7. It is expected that the Regulatory Sandbox will attract innovative companies and stimulate competition.

4. Principles of the Regulatory Sandbox

- 4.1 Each stage of the Regulatory Sandbox lifecycle shall be based on the following principles.
 - *Transparency.* Review of applications as well as decisions related to all stages of the testing are made in a transparent manner. Whenever it is possible, the Applicant will be informed about the reasons of the decision taken in relation to the proposed project and testing. Relevant information about the testing is published on the CBS website.
 - *Engagement.* The Applicant and CBS are expected to cooperate throughout the Regulatory Sandbox lifecycle to ensure that testing is efficient and secure.
 - *Customer protection.* The rights of the customer shall not be compromised during the Regulatory Sandbox testing.
 - *Financial inclusion objective.* Tested products and services shall meaningfully contribute to financial inclusion objectives in Samoa.
 - *Risk mitigation.* Testing within the Regulatory Sandbox shall be subject to risk mitigation measures defined for specific product or service.
 - *Fair competition.* Testing within the Regulatory Sandbox shall not give unfair advantages to particular entities and it should not be used to circumvent current regulatory requirements.
 - *Time-bound.* There should be clear time limits for the testing within the Regulatory Sandbox given that each stage could have a different duration.
 - *Focus on results.* Each test within the Regulatory Sandbox shall have definite results that inform the next steps, irrespective of whether the result is positive or negative.
 - *Indemnity.* CBS will not be liable for any financial or material loss, failure, harm or liability arising from the testing and decisions taken throughout the Regulatory Sandbox lifecycle. Any internal costs associated with the testing will be borne by the applicants.
 - *Finality of decisions.* All decisions made by CBS within the Regulatory Sandbox shall be final.

5. Stages of the Regulatory Sandbox lifecycle

- 5.1 **Regulatory Sandbox is implemented in stages.** Each stage shall commence after the previous stage is successfully completed, as per this Framework.
- 5.2 **Submission of application.** Regulatory Sandbox lifecycle starts with the submission of the application, as prescribed by this Framework. The application describes in detail the essence of the proposal, the goals of the project.
- 5.3 **Preliminary assessment of the application.** Upon the application receipt, responsible CBS department is checking the completeness of the application and eligibility of the Applicant, including fit-and-proper criteria.

- 5.4. ***In-depth review of the application.*** During the in-depth analysis of the application, a dedicated CBS Working group assesses the risks associated with the products or service, examines the possibilities to mitigate them during testing, identifies the testing parameters and discusses them with the Applicant.
- 5.5. ***Preparation of the Agreement.*** The Agreement that includes the parameters of the testing, as well as rights and responsibilities of the parties is being drafted and discussed with the Applicant.
- 5.6. ***Launch of the testing.*** After the Agreement is agreed upon, it is signed by the Applicant and CBS. The Agreement shall be in line with the requirements of this Framework.
- 5.7. ***Testing phase.*** Sandbox participant starts provision of the product or service subject to the terms of the Agreement.
- 5.8. ***Conclusion and Assessment.*** At this stage the results of the testing are assessed, and the testing is concluded. The report is being developed to summarize the findings of the testing.

6. Duration of the Regulatory Sandbox lifecycle

- 6.1 Each stage of the Regulatory Sandbox lifecycle is time-bound.
- 6.2 Preliminary assessment of the application does not exceed 20 business days.
- 6.3 In-depth review of the application does not exceed 40 business days.
- 6.4 Preparation of the Agreement shall not exceed 15 business days and can be extended to more 15 business days, by the CBS Working Group decision.
- 6.5 The testing (experimentation) phase shall not last longer than 18 months and can be extended only by decision of the CBS Working group to more 12 months.
- 6.6 Conclusion and Assessment. The final report on the testing shall be approved no later than 20 business days after the end of the testing.
- 6.7 CBS may request additional information from the Applicant or the Sandbox participant at any stage of the Regulatory Sandbox lifecycle. Each information request is subject to a deadline as stated by CBS. Disregard to the deadline may lead to discontinuation of the review of the application or termination of the testing.
- 6.8 The duration of the testing might be extended for up to 12 months, based on the Sandbox participant's substantiated request. This request shall be submitted no later than 21 days before the scheduled end of the testing and the decision on the extension shall be made in no more than 14 days. The extension can be approved only in case it is substantiated and is required to achieve the objectives of the testing.

7. Scope of Applicants

- 7.1 Only legal entities may apply to the Regulatory Sandbox.
- 7.2 Both profit and non-profit organizations may apply to the Regulatory Sandbox.
- 7.3 The Applicant shall be a legitimate business:
 - a) Incorporated in Samoa; or
 - b) Incorporated in other jurisdictions.
- 7.4 The Applicant may or may not be licensed or authorized by CBS.
- 7.5 The Applicant and its management shall not have negative international reputation and be

involved in illegal and non-compliance practices either in Samoa or other jurisdictions ('fit-and-proper criteria').

- 7.6. The Applicant shall have resources required to implement the product or service and adhere to all requirements as stipulated throughout the testing.

8. Scope of products and services

8.1 In order to be approved for the Regulatory Sandbox testing, the proposed product or service shall meet the following requirements:

- a) Product or service shall constitute a genuine innovation (e.g. include new process, delivery channel, model of operation, etc.).
- b) Product or service shall not be a source of systemic risks to economic or social situation in the country.
- c) Product or service shall be at least at the minimum viable product stage and be ready for implementation.
- d) Product or service shall contribute to the financial inclusion and serve public interest, with the special focus on the vulnerable groups (e.g. the youth, the elderly, women, those living on remote islands).
- e) Product or service shall not entail the use, promotion, distribution, exchange, issuance, trading or provision of cryptocurrencies (in any form).
- f) Product or service shall have a potential to enhance the efficiency and effectiveness of risk management for the financial services providers.

8.2 Annex 1 includes the indicative types of products and services that Applicants are encouraged to submit for testing.

9. Application and submission of application

9.1 In order to apply for the Regulatory Sandbox, the Applicant shall submit the application in line with this Framework.

9.2 The application shall be submitted electronically through the email rsb@cbs.gov.ws, through the regional regulatory sandbox or by other means as specified by CBS.

9.3 The application and all attachments shall be submitted in the English language. If some part of the application is in a language other than English, it shall be accompanied by translation.

9.4 Information about the technical requirements towards the application (e.g. the format, maximum file size, etc.) is published on the CBS website and might be updated from time to time.

9.5 Form of Application is included in Annex 2.

9.6 Apart from the application, the Applicant shall submit the following documents:

- a) Incorporation documents.
- b) License (if any).
- c) Other relevant documents .

9.7 The Applicant shall demonstrate that it has conducted due diligence on the applicable regulatory acts and requirements and potential risks.

9.8 The Applicant shall have clear understanding of the objectives of the testing.

- 9.9 The Applicant is encouraged to provide as detailed information as possible. Lack of information and detailed descriptions may result in delayed review or declined applications.
- 9.10 Prior to submission of the application, the Applicant may consult CBS contact point about the specific requirements of the application.
- 9.11 Application can be submitted jointly by two or more entities. However, all entities shall fulfill the requirements towards Applicants.
- 9.12 Whenever the application is submitted on behalf of the two or more entities, it should include information about the division of responsibilities. One of the entities shall be designated as a primary Applicant responsible for communication with CBS.

10. Preliminary assessment and in-depth review of the application

- 10.1 CBS may ask for additional information from the Applicant regarding the application during the preliminary assessment and in-depth review of the application.
- 10.2. CBS may decide to have a face-to-face or virtual meeting with the Applicant to discuss the details of the application.
- 10.3. If the application or the product/service is found to be not in line with the requirements of this Framework, CBS decline the application and notify the Applicant, citing the reason for such decision.
- 10.4. In communicating its decision to decline application, CBS will inform about the possibility re-apply. Applicants may re-apply only if identified deficiencies are addressed. Applicants that were found non-eligible due failure to comply with the 'fit-and-proper' requirements cannot re-apply. CBS should maintain the list of non-eligible Applicants. CBS may define the cooling-off period for re-applying.

11. Agreement

- 11.1 11.1. All parameters of the testing within the Regulatory Sandbox shall be incorporated into the Agreement between the CBS and the Applicant.
- 11.2 Is the application is submitted on behalf of the two or more entities, the Agreement shall be signed by all co-Applicants.
- 11.3 Text of the Agreement specifies all significant terms and conditions of the testing, including but not limited to:
 - a) Regulatory reliefs and exemptions
 - b) Applicable restrictions
 - c) Reporting requirements
 - d) Exit strategy
 - e) Disclosure requirements
 - f) Right and responsibilities of the Applicant.
- 11.4. Other terms and conditions of the testing might be included in the Agreement, as per CBS decision.
- 11.5. Terms and conditions can be changed as per this Framework, yet all changes shall be subject to the Agreement's amendments.

12. Regulatory reliefs and exemptions

- 12.1 For the purposes of testing CBS may provide the following regulatory exemptions and reliefs that are within its mandate:
- a) Licensing requirements
 - b) Capital requirements / minimum paid-up capital.
 - c) KYC thresholds
 - d) KYC requirements.
 - e) Board composition.
 - f) Cash balances.
 - g) Credit rating.
 - h) Fund solvency and capital adequacy.
 - i) Management experience.
 - j) Minimum liquid assets.
 - k) Track record.
- 12.2. CBS may grant other regulatory exemptions or reliefs it deems appropriate in case they relate to the purposes of the testing and do not generate additional risks.
- 12.3. These regulatory reliefs and exemptions are only valid for the duration of the testing, as approved by CBS.
- 12.4. CBS will not grant regulatory reliefs and exemptions related to at least the following:
- a) Fit&Proper requirements
 - b) Confidentiality of the customer information (unless the appropriate customer consent is received).
 - c) Handling of customer money and assets.
 - d) Specific provision related to AML/CFT requirements if granting a relief contradicts Financial Action Task Force Recommendations or other international AML/CFT standards.
- 12.5. The Applicants are expected to adhere to all regulations which are not exempted based on the Agreement.

13. Licensing and activities subject to authorization

- 13.1. If provision of the proposed product or service is subject to licensing or authorization per current regulations, the Applicant may request CBS to issue a temporary license or authorization.
- 13.2. CBS might establish specific requirements towards issuing temporary license or authorization that is valid only for the duration of the testing.
- 13.3. If the activities subject to licensing or authorization are performed by the licensed/authorized entity
- 13.4. Unlicensed or unauthorized entity may be exempted from obtaining the license or authorization in case it partners with the licensed/authorized entity to perform the activities subject to licensing or authorization.

14. Restrictions

- 14.1. For risk mitigation purposes, CBS will establish restrictions that need to be adhered to during the testing. The restrictions are set on a case-by-case basis and depend on the type of the product/service.
- 14.2. The restrictions might include:
 - a) Number of clients.
 - b) Number of accounts/electronic wallets.
 - c) Maximum value of funds held by Applicant.
 - d) Maximum value of loans provided to the customers.
 - e) Maximum value of a single transaction.
 - f) Maximum value of transactions over time.
 - g) Localisation of data processing requirements.
 - h) Geography of provision of services.
 - i) Specific requirements towards consumer protection and redress procedures.
 - j) Other restrictions that might be useful for mitigation of risks associated with the product or service.

15. Key Performance Indicators

- 15.1. The Agreement shall include the key performance indicators that will be used to assess the results of the testing.
- 15.2. Key performance indicators need to be of quantitative nature, there should be a possibility to collect all the necessary metrics to assess the results of the testing.

16. Reporting

- 16.1. Sandbox participants are required to submit periodic reports during the testing.
- 16.2. The scope of reporting and timing of reports shall be agreed upon between the Applicant and CBS.
- 16.3. The reporting will include, at least, the following:
 - a) Information related to key performance indicators.
 - b) Key issues observed arising from fraud or operational incident reports.
 - c) Full account of incident reports and customer complaints.
 - d) Actions or steps taken to address key issues.
- 16.4. CBS will establish oversight requirements to control the adherence to the restrictions and other terms and conditions of the testing. These might include on-site visits, access to information systems, mystery shopping, etc.

17. Withdrawals and termination

- 17.1. The Applicant has the right to withdraw the application or terminate the testing at any time.
- 17.2. If the Regulatory Sandbox participant decides to terminate the testing, it should implement the exit strategy, as stipulated by the Agreement.
- 17.3. Testing can be terminated by CBS in the following cases:
 - a) The Applicant violates terms and conditions of the testing (i.e. testing restrictions) and

does not settle the situation in a manner as prescribed by CBS.

- b) The Applicant does not start the testing until the date as specified in the Agreement with CBS.
- c) The Applicant fails to submit information and documents as requested by CBS from time to time.
- d) The product or service is a source of social or economic risks that could not be anticipated before the start of the testing.
- e) Based on the analysis of the customer complaints, it is found that the product or a service is harmful to the customers.
- f) The Applicant is found to have submitted false information during the application stages that had significant effect on the decisions regarding the application.
- g) The Applicant is undergoing or has gone into liquidation.
- h) The product or service is provided with continued service disruptions and fraud incidents that are not addressed and mitigated.

17.4. All regulatory exemptions and reliefs are considered to be void upon testing termination,.

18. Conclusion of the testing.

18.1. No later than 10 business days before the end of testing, the Applicant shall submit the draft report on the results of the testing that includes at least the following:

- a) Factual indicators achieved during the testing, as per Agreement.
- b) Number, brief summary of complaints received during the testing and how they were resolved.
- c) Problems faced by the Applicant during the testing (including fraud incidents and operational incidents).
- d) Applicant's view on further roll-out of the product or service.

18.2. CBS prepares the final report outlining whether the testing was successful or not. If the testing is found successful, CBS will lay down opinion on what regulatory amendments might be required to scale up the product or service.

18.3. If CBS finds that the testing is not successful or the product or service is a source of significant risks that cannot be mitigated efficiently, it may prohibit further scale up of the product or service.

19. International cooperation

19.1 CBS may engage with regulators in other countries for the purposes of review of applications and assessment of results of the testing.

19.2 CBS may decide to use Regulatory Sandbox platforms maintained in part or in full by third parties to receive applications to the Regulatory Sandbox, communicate with the Applicants and for other purposes deemed necessary by CBS. Information about the usage of Regulatory Sandbox platforms will be published on the CBS website.

Annex 1

Products and services that can be tested in the Regulatory Sandbox

Products and services proposed for the testing shall contribute to one or more policy objectives as listed below:

- a) Expanding account ownership among the unbanked or underserved;
- b) Ensuring regular use of a secured store of value wallets and no-frills bank/deposit accounts, by addressing identification and other documentation barriers;
- c) Enhancing the range, diversity, quality and distribution network of financial services providers infrastructure and products through more sophisticated and innovative digital infrastructure;
- d) Creating an enabling regulatory and supervisory environment to support innovation;
- e) Supporting financial policymakers and regulatory community to improve market regulations and supervision;
- f) Improving digital and financial literacy among population;
- g) Promoting the development of the MSME sector by improving access to information, markets and financing;
- h) Mitigating the loss of correspondent banking relationships and formal remittances services;
- i) Encouraging consumer behavior and adoption of inclusive green finance or other initiatives that help low-income consumers adapt to the impacts of climate change;
- j) Promoting and advancing gender-sensitive financial services to increase financial inclusion for women. Enhancing the uptake and use of digital financial services by low-income women;
- k) Providing low-income young entrepreneurs with enhanced opportunities to access financial services and grow their business;
- l) Enhancing the quality of financial inclusion for the elderly;
- m) Enhancing access to formal financial services for refugees and other forcibly displaced persons;
- n) Collecting and continuously improving services using unbiased, gender-disaggregated data analytics.
- o) Improve how creditworthiness is assessed for MSMEs using alternative data, data analytics and algorithms.

Annex 2

CBS Regulatory Sandbox Application form	
Applicant Details	
1. Name of company	
2. Type of company (sole trader, limited liability company, etc.)	
3. Postal address and physical address (if different)	
4. Telephone/mobile number	
5. Email	
6. Website	
7. Name of key personnel (e.g. Director, CEO, CFO, COO)	
8. Name and contact details of key contact person for liaison purposes	
9. Shareholders	
10. Country or countries in which your company operates	
11. Description of the nature and scale of the business in the countries where your company currently operates.	
12. Has the innovative financial service being proposed been tested in other country sandboxes and/or interfaced with the regulatory authorities of other jurisdictions?	
13. Business registration number (e.g. Tax identification number) and the country of incorporation	
14. Information of relevant license(s) or authorization(s) (if applicable)	
15. Does the company or anyone of its managers have an adverse record of unscrupulous business dealings, a criminal record or other non-compliance with regulations in other jurisdictions? If yes, please, provide additional details.	

Partner details (If Applicable)	
1. Name of institution(s)	
2. Postal address	
3. Telephone/mobile number	
4. Email	
5. Description of the collaboration between your company and the partner organizations (outsourcing of service, equity stake participation, etc.)	
6. Business registration number (e.g. Tax identification number) and the country of incorporation	
7. Information of relevant license(s) or authorization(s) (if applicable)	
Information about the proposed service	
1. Describe the proposed service. <i>[please limit response to 600 words]</i>	
2. Explain how your proposed service meets the eligibility criteria. <i>[please limit response to 600 words]</i>	
3. Explain how your proposed service meets the evaluation criteria. <i>[please limit response to 600 words]</i>	
4. Explain the business plan for the proposed service to be offered on a commercial basis. <i>[please limit response to 600 words]</i>	
5. Identify and describe the legal or regulatory requirements that are incompatible with the proposed service. <i>[please limit response to 600 words]</i>	
6. Describe how the usefulness and functionality of your proposed service has already been assessed and/or tested. <i>[please limit response to 600 words]</i>	
7. Are there any similar products deployed in other jurisdictions? (if yes, please, provide details) <i>[please limit response to 600 words]</i>	
8. Who are the proposed customers for testing period and how to acquire them. <i>[please limit response to 600 words]</i>	
9. Describe the use case for this proposed testing. <i>[please limit response to 600 words]</i>	

10. Describe the objectives of the proposed test. <i>[please limit response to 600 words]</i>	
11. What are the expected milestones and timelines. <i>[please limit response to 600 words]</i>	
12. Explain your readiness to test the proposed innovative financial solution (sufficient due diligence and technical testing done, well-developed testing plans, detailed risk analysis on the tests) <i>[please limit response to 600 words]</i>	
13. Firm's compliance with applicable AML/CFT laws/regulations & guidelines. <i>[please limit response to 600 words]</i>	
14. Describe cybersecurity and measures in place to ensure safety of innovative financial solution. <i>[please limit response to 600 words]</i>	
Testing phases	
1. Describe the risks associated with the sandbox testing and identify appropriate risk mitigation measures/safeguards. <i>[please limit response to 600 words]</i>	
2. Explain the intended key outcomes of the testing. <i>[please limit response to 600 words]</i>	
3. State the expected duration of the test. <i>[please limit response to 600 words]</i>	
4. State the nature and location of the IT infrastructure. 5. <i>[please limit response to 600 words]</i>	
6. State the source of funding for the testing. <i>[please limit response to 600 words]</i>	
7. Provide any other information that may support the application. <i>[please limit response to 600 words]</i>	
8. What regulatory exemptions or reliefs you might require that prevent the implementation of your product/service without the regulatory sandbox testing? <i>[please limit response to 600 words]</i>	
9. What restrictions do you propose to be used during the testing? <i>[please limit response to 600 words]</i>	
10. What are the key performance indicators that you propose to use to assess the success of the testing? <i>[please limit response to 600 words]</i>	
Support needed from regional sandbox	

<p>1. Explain what support you would need from each of the countries you are interested in pursuing to test your proposed service live in the sandbox. <i>[please limit response to 600 words]</i></p>	
<p>2. Any other information that may support your application. <i>[please limit response to 600 words]</i></p>	

Additional Information Or Requests

<p>1. Please provide any other information that may be relevant to your application. <i>[please limit response to 600 words]</i></p>	
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DECLARATION
Declaration by Director(s)/Executive Representative of the Entity

I/We,
 _____, the _____ of _____;
[Name of Representative] [position in the entity] [Name of Entity]
 _____, the _____ of _____;
[Name of Representative] [position in the entity] [Name of Entity]

Hereby certify that, to the bests of my/our knowledge, the information I/we have provided in this application form and in the documents attached is correct.

Entity Name(s)		
Signatures		
Date		

Additional Attachments

Please list supporting documents attached to this application *(if any)*: