

THE BANK OF TANZANIA ACT,

REGULATION

(Made under sections 5 and 70(1))

THE BANK OF TANZANIA (FINTEC REGULATORY SANDBOX)
REGULATIONS, 2023

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PART I PRELIMINARY PROVISIONS	
Citation	1. These Regulations may be cited as the Bank of Tanzania (Fintech Regulatory Sandbox) Regulations, 2023.
Application	2. These Regulations shall apply to- (a) a financial service provider licensed by the Bank; (b) a Fintech company collaborating with a licensed Financial Service Provider, or (c) Fintech Company intending to offer solution to financial services regulated by the Bank.
Interpretation	3. In these Regulations, unless the context otherwise requires–
Cap.197	“Act” means the Bank of Tanzania Act.
	“applicant” means an entity that intends to test its financial solution within the sandbox.
	“Bank” has the meaning ascribed to it under the Act;
	“Cohort” means a group of innovators that share the characteristics of having been allowed into the sandbox at the same time or period;
	“Financial service provider” means an institution licensed, regulated and supervised by the Bank;
	“Fintech” means technological innovation to be utilized in the provision of financial services;
	“Financial solution” means any product, service, delivery channel or business model;
	“market” means environment in which a financial solution is deployed for use.
	“participating financial service provider” means financial service provider which has been approved by the Bank to participate in the sandbox;
	“participant” means an entity that is eligible to take part in regulatory sandbox; and
	“Regulatory Sandbox” means a formal process in which, under regulated environment firms conduct live tests of new innovative products, services, delivery channels or business models in a controlled environment; and
	“testing environment” means a real life market environment selected by the

	participant for testing financial solutions which are not fully compliant with existing legal and regulatory framework.
PART II	
RESPONSIBILITIES OF THE BANK AND OBJECTIVES OF THE SANDBOX	
Objectives	4. The main objective of these regulations is to enable innovation of fintech to be tested and deployed in a live environment within a specified parameters and timeframe for the purpose of-
	(a) increasing the potential for innovative business models that enhance financial deepening and inclusion;
	(b) ensuring appropriate consumer protection safeguards in innovative products and services;
	(c) defining the roles and responsibilities of parties involved in the sandbox operations;
	(d) enabling the Bank to collect information that can be used to improve the existing legal and regulatory frameworks for innovative financial solutions; and
	(e) assisting fintech innovators to graduate from the relaxed to the regulated environment.
Bank's responsibilities	5. In the implementation of these Regulations, the Bank shall-
	(a) ensure that the objectives of the regulatory sandbox are fully achieved;
	(b) evaluate the applications for sandbox operations;
	(c) monitor sandbox operations;
	(d) monitor the implementation of the participants' testing plan and take necessary actions if deemed necessary; and
	(e) apply appropriate action for non-compliance where needed.
Protection of intellectual property	6. -(1) The Bank shall accept applications from applicants whose innovative financial products and services are duly verified and registered by the authority responsible for protection of intellectual property rights.
	(2) For the purpose of protecting intellectual property, applicant shall not disclose the technical specifications of the innovation.
PART III	
APPLICATION PROCEDURE	
Submission of application	7. -(1) The Bank may, on such times as it deems proper, invite qualified applicants to participate in the regulatory sandbox.
	(2) An applicant wishing to participate in the regulatory sandbox shall, within a period of thirty days from the date of invitation to-
	(a) submit an application form in the format prescribed in the schedule;
	(b) submit financial solution risk profile indicating potential risks, causes, effects and control measures in place; and
	(c) submit supporting documents to support the information provided for in the application form.

	(3) The Bank shall acknowledge receipt of the application to the applicant within five working days after submission of the application form.
Eligibility requirements	8. An applicant seeking the Bank’s approval to participate in a sandbox shall demonstrate-
	(a) A financial solution that-
	(i) uses new or emerging technology or utilizes an existing technology in an innovative manner;
	(ii) bridges a market gap or open up new opportunities; or
	(iii) improves accessibility, usage, efficiency, security and quality of financial services;
	(b) the adequacy and appropriateness of the assessment done on usefulness and functionality of the financial solution;
	(c) the necessary resources to support testing in the sandbox including the financial resources and expertise to mitigate and control potential risks and losses arising from offering the financial solution;
	(d) a realistic business plan to deploy the financial solution on a commercial scale after exit from the sandbox;
	(e) significant risks associated with the financial solution;
	(f) Key Performance Indicators or other metrics in monitoring the progress of the testing;
	(g) credibility and integrity;
	(h) an acceptable exit and transition strategy once the test is completed; and
	(i) a plan to deploy a financial solution upon success completion of the test.
Evaluation of application	9. In evaluating the application, the Bank shall assess -
	(a) completeness, correctness, and suitability of the application based on eligibility requirements;
	(b) whether the proposed financial solution-
	(i) has potential to enhance financial deepening and inclusion in the country;
	(ii) is genuine; and
	(iii) provides benefits to consumers;
	(c) measures to safeguard customers;
	(d) adequacy of controls for managing potential risks including money laundering, financing of terrorism and proliferation financing.
	(e) applicant’s readiness for testing;
	(f) adequacy of applicant’s exit plan; and
	(g) adequacy of resources required to test the proposed financial solution.
Notification of evaluation results	10. -(1) The Bank shall, through a letter of acceptance, notify the applicants of evaluation results within 45 days after closure of application date, (2) The letter referred to in sub-regulation (1) shall entitle the applicant to test the proposed financial solutions in the sandbox.
Further information	11. The Bank may, where the applicant has requested to furnish further details or information in respect of matters specified in Regulation 12, allow such

	request in such terms and conditions as the Bank may determine in that behalf.
Rejection of application	12. Where an application does not meet criteria set by these Regulations, the Bank shall reject the application provided that, in so doing, the Bank shall furnish to the applicant reasons.
Re-application	13. The Bank may allow an applicant whose application has been rejected to re-apply within thirty days from the date on which the earlier application was rejected.
PART IV SANDBOX COHORT, TESTING AND OTHER RELATED MATTERS	
Holding of cohorts	14. The Bank shall- (a) run one cohort in every twelve months; (b) publish on the Bank’s website a list of the successful applicants; (c) ensure the sandbox is based on thematic areas aligned with market needs; and (d) prioritize financial solutions that address market needs.
Commencement of testing	15. A successful applicant shall commence testing within one (1) month from the date of receipt of the letter of acceptance.
Testing period	16. -(1) A participant shall complete testing of the financial solution in the sandbox within a period of nine (9) months from receipt of the letter of acceptance. (2) The Bank may extend testing period where the innovation has tested positive and, it can be justified that extension of testing period is necessary to respond to specific issues or risks identified during testing period.
Testing conditions	17. During testing of the financial solution, a participant shall- (a) safeguard customers against losses through provision of funds, guarantees, insurance or any other mechanisms; and (b) handle financial consumer complaints and protect personal and financial data.
Testing environment	18. The participant shall test the proposed financial solution to the testing environment in line with the conditions provided in the letter of acceptance, provided that, the Bank may add further conditions as it may deem appropriate.
Exit from sandbox	19. -(1) Upon the completion of the testing period, the Bank may decide whether to allow the financial solution to be introduced in the market as the Bank may determine.
Cap. 342 Cap.437 Cap 407	(2) The Bank shall assess a successful applicant who is intending to rollout the financial solution in the market subject to such terms and conditions as specified in the Bank and Financial Institutions Act, the National Payment Systems Act, the Microfinance Act or any other relevant laws.
	(3) the Bank may prohibit deployment of the financial solution in the

	market upon completion of the testing due to-
	(a) unsuccessful testing based on agreed test measures;
	(b) unintended negative consequences for the public; or
	(c) potential threats to stability of the financial system.
Revocation	20. The Bank may revoke an approval to participate in sandbox at any time before the end of the testing period if the participant-
	(a) fails to carry out the safeguards;
	(b) submits false, misleading or inaccurate information, or has concealed or failed to disclose material facts in the application;
	(c) contravenes any applicable laws administered by the Bank;
	(d) is undergoing or has gone into liquidation;
	(e) breaches data security and confidential requirements;
	(f) carries on business in a manner detrimental to customers or the public at large; or
	(g) fails to effectively address any technical defects, flaws or vulnerabilities in the financial solution.
Notification of revocation	21. -(1) Before revoking the participant's approval to participate in the sandbox, the Bank shall-
	(a) give the participant 30 days' notice in writing of its intention to revoke the approval; and
	(b) require the participant to show good cause within the time stated in the notice why the approval should not be revoked.
	(2) Notwithstanding the provisions of sub-regulation (1), where any delay in revoking the approval would be detrimental to the interests of the participant, their customers, the financial system or the public generally, the Bank may revoke the approval with immediate effect.
Effect of revocation	22. Upon revocation of letter of acceptance, the participant shall-
	(a) immediately cease the provision of the financial solution to new and or existing customers;
	(b) provide notification to customers informing them of the cessation and their rights to redress where relevant;
	(c) comply with obligations imposed by the Bank to dispose of all confidential information including customer personal information collected over the duration of the testing;
	(d) compensate any customer who had suffered financial losses arising from the testing; and
	(e) submit a report to the Bank on the actions taken under this regulation within 30 days after revocation.
Reports	23. During testing, the participant shall be required to submit to the Bank interim report after every two months within 10 working days after the reporting period, that include -
	(a) key milestones achieved during the reporting period;
	(b) fraud incidents observed during the testing period, if any;
	(c) risks identified during testing including risk treatment plan;

	(d) customer complaints handling report;
	(e) operational challenges encountered and measures taken during testing period;
	(f) Personal or financial data protection report; and
	(g) Report indicating list of customers participating in the sandbox; and
	(h) any other information as requested by the Bank;
Final report	<p>24. (1) Participant shall, after completion of testing, submit a final report indicating-</p> <ul style="list-style-type: none"> (a) performance of the test; (b) risks identified during the test and mitigation measures; (c) recommendations for appropriate supervision of the financial solution by the Bank; and (d) readiness to deploy the tested financial solution in the market. <p>(2) The report referred in this regulation shall be submitted within thirty days after testing period.</p>
Participant's responsibilities	<p>25. In the implementation of regulatory sandbox, a participant shall-</p> <ul style="list-style-type: none"> (a) conduct an oversight of its operation; (b) gather information on the test carried out for each financial solution; (c) monitor effective compliance with set limits in the letter of acceptance; (d) propose regulatory measures appropriate for the financial solution under testing; (e) comply with relevant laws; (f) submit periodic reports as stipulated in these regulations; and (g) address all enquiries from the Bank.
<p>PART V GENERAL PROVISIONS</p>	
Transparency and disclosures	<p>26. For the purpose of ensuring transparency and disclosure, participants shall-</p> <ul style="list-style-type: none"> (a) maintain proper records of their financial solution performance, containing: <ul style="list-style-type: none"> (i) issues observed, (ii) risk mitigation, (iii) customer participation, and (iv) any other relevant information; (b) obtain and maintain consumer's prior consent for participation in the test; (c) adhere to the approved customer terms and conditions for testing the financial solution; and (d) seek approval from the Bank in the case of changing terms or conditions.
Monitoring and enforcement	<p>27. The Bank shall monitor and enforce compliance by participants in the sandbox; and where necessary, may collaborate with other relevant authorities to</p>

	monitor and enforce compliance with these Regulations.
Provision of information	28. A person shall furnish to the Bank, at such time and manner as may be prescribed by the Bank, such information as may be required by the Bank for proper discharge of its functions and responsibilities under these Regulations.
General powers of Governor	29. (1) The Governor may, on such terms and conditions, as may deem appropriate- (a) exempt any person from any provisions of these Regulations; and (b) issue directive, order, permission or authority in respect of any matter relating to these Regulations. (2) Powers of the Governor referred in para (a) and (b) may be general or specific;
Administrative actions	30. The Bank may, in the event of non-compliance with Regulations, take administrative action against the defaulter thereof which may include- (a) non-participation in the sandbox for period of two (2) years from the time of non-compliance; (b) publication of the names of offenders; or (c) reprimands.

FIRST SCHEDULE

(Made under regulations 7((2(a)))

**Part A
APPLICATION FORM**

Section 1: Applicant Details	
Particulars	Details
Name of applicant (<i>Company/Firm/sole proprietor</i>)	
Business Registration number	
Website address (<i>if any</i>)	
Name of contact person	
Email address	
Phone number	
Postal address	
Physical address	
Business owners and attach profiles/CVs	
Describe the nature and scale of your operations	<i>Please keep the response below 100 words. Additional information may be provided as supporting documents.</i>
Section 2: Details of the proposed financial solution	
Briefly describe the proposed financial solution.	<i>Please keep the response below 100 words. Additional information may be provided as supporting documents.</i>
Briefly indicate source of funding to facilitate testing and deployment of the proposed financial solution.	<i>Please keep the response below 100 words. Additional information may be provided as supporting documents.</i>

Briefly describe the timelines for testing and deployment of the proposed financial solution.	<i>Please keep the response below 50 words. Additional information may be provided as supporting documents.</i>
Briefly describe the underlying technologies and infrastructure of the proposed financial solution.	<i>Please keep the response below 200 words. Additional information may be provided as supporting documents.</i>
Briefly describe the financial and human resources requirements for testing and deployment of the proposed financial solution.	“”
Provide details of the problem to be solved in the financial ecosystem.	“”
Describe how the proposed financial solution will solve the problem and provide benefits to the consumers and/or the industry.	“”
Describe and attach the business plan including the roadmap to deploy the proposed financial solution on a broader scale after exiting the sandbox.	“”
Describe your proposed exit strategy in the event of discontinuation at any time or deployment on a broader scale if testing is successful.	“”
Identify the legal or regulatory requirements that are challenges on deployment of proposed financial solution and the regulatory flexibilities needed to undertake the test.	“”
Briefly describe the proposed testing environment and how the testing will be conducted	“”
Explain the intended key outcomes of the testing.	“”
Outline the risks including safeguarding deposits, Money Laundering, Financing Terrorism Proliferation Financing, financial stability, cyber security, Consumer Protection, scalability and resilience of proposed solutions, interoperability, and proposed mitigation measures.	“”

Part B
Sample of covering letter

[DATE]

Governor
Bank of Tanzania
16 Jakaya Kikwete Road 40184
Dodoma Tanzania
P.O Box 2303
Email: botcommunications@bot.go.tz
 : info@bot.go.tz

Dear [Addressee],

[Statement of intent to participate in Bank of Tanzania’s Regulatory Sandbox]

[Provision of overview of the company and the proposed financial solution]

[Provision of other pertinent details such as attached requirements/documents and contact details]

Sincerely yours,

[Signature]
[NAME]
[POSITION]
[COMPANY]