1. **Introduction:**

In recent years, rapid pace developments have taken place in the last decade resulting in an unusual growth of unconventional and innovative digital financial products and services. Other developments have evolved mainly in competition between banks and none-banks financial institutions in developing digital products and services, mainly relying on the state of art information technologies and telecommunications that lead to fast and convenient services at lower costs, creating added value.

Despite of rapid growth in innovative FinTech either in domestically or globally, and the success of FinTech in providing services to many sectors that weren’t included within the formal financial system, this success is associated with risks that are a result of the absence of clear regulative, legal and supervisory frameworks. In addition to risks that threaten privacy of financial consumers, and the increased chances of fraud due to lack of effective controls to verify identification of clients due to the exposed nature of telecommunication networks, specially the internet.

Central Bank of Jordan realized the necessity for innovation and development in the FinTech sector, and the need to incentivize digitization to enhance digital financial inclusion, and support a digital
economy through e-government. Therefore, Central Bank of Jordan established a FinTech Sandbox to create an incubator for entrepreneurs and innovators to support innovation in FinTech. This would encourage competition and increase effectiveness, efficiency, and security in money transfers, which in return will enhance accessibility to formal financial services without jeopardizing the integrity and stability of the financial system, keeping data of financial consumers protected.

2. **FinTech Sandbox:**

FinTech Sandbox is a safe and controlled experimental environment that allows businesses and entrepreneurs to test newly developed FinTechs without directly being subject to regulatory and supervisory requirements, and without bearing legal costs in the beginning, thus supporting them in entering the market faster.

Moreover, FinTech Sandbox also guides cohorts to different technology and innovation incubators to obtain required funding and support.

3. **FinTech Sandbox Objectives:**

The FinTech Sandbox will help in simplifying testing innovative FinTechs in a controlled and safe environment, within a predefined timeframes in a transparent manner. Nevertheless, the Central Bank of Jordan will not accept any applications that aim at only benefiting from exemptions, incentives, and simplified regulatory requirements.

- Hereunder the main goals and objectives of the FinTech Sandbox:
1. Contribute to building capacity for innovators and business entrepreneurs in the FinTech sector

2. Establish a specialized environment to innovate and develop businesses and test new ideas within a secured and controlled environment in the kingdom

3. Expand in innovating and designing services, products, and solutions that effectively:
   - Increase effectiveness and efficiency in DFS, and widens choices for financial consumers so they can choose what’s more suitable
   - Managing and mitigating risks associated with digital financial services
   - Enhance access to digital financial services which helps in achieving a sustainable financial inclusion
   - Attracting investments to the kingdom
   - Job creation
   - Opening up opportunities for college students to innovate and pioneer

4. Reduce time needed to enter the market at lower costs

5. Enhance business practice in the kingdom, and reduce the costs of maintaining regulatory stability to ensure consumer protection

6. Building capacity for entrepreneurs through specialized training courses and workshops designed by the central bank and its partners
7. **Scope of the FinTech Sandbox:**

**First: Activities and services included in the FinTech Sandbox**

The FinTech Sandbox targets mainly all innovative financial solutions that include money transfers, and enhancing security, efficiency, and competition in providing such services. FinTech Sandbox will include the below financial sectors:

1. Electronic payments and money transfer including cross-border remittances
2. Saving, financing and credit services
3. Consumer protection services, tracing and resolving complaints
4. Mitigating risks and financial fraud detection services
5. Building a digital financial identity and a credit history for clients
6. Innovative digital verification for clients
7. Crypto-currencies (not virtual), Blockchain and DLT platforms
8. Conventional financial and banking services but in a innovative technological form
9. Conventional financial and banking services that enhance digital financial inclusion, and serve non-financial sectors
10. RegTech services
11. Any other regulatory or supervisory services that achieve the objectives of the FinTech Sandbox

**Second: Future financial sectors:**

Central Bank of Jordan and its partners will define future financial sectors that can benefit from testing in the FinTech Sandbox. In addition to
define forms and basis of cooperation with other sandboxes in the future.

**Third: Local and International Cooperation amongst Regulatory and FinTech Sandboxes**

Jordanian FinTech Sandbox allows for collaboration and communication amongst local entities and international regulatory sandboxes in the banking and financial sectors. The Central Bank and its partners preserve the right to establish collaborative agreements and partnerships, and provide adequate infrastructure for such cooperative arrangements with international organizations and different central banks in order to:

A. Support local innovations and provide a platform to expand overseas
B. Attract innovative ideas from abroad
C. Easing compliance requirements imposed by international entities
D. Attract investments to the kingdom

**8. Target Groups:**

Under the aim of supporting innovation in financial technologies, and providing a secured platform for testing these innovations, FinTech Sandbox mainly aims at serving the below target groups:

1. All banks operating in the kingdom
2. All financial institutions licensed by the Central Bank of Jordan
3. Financial institutions that offer services within the financial sector but unlicensed by CBJ
4. FinTech solutions providers’ either entrepreneurs or already established in the market

5. Individuals with innovative and pioneer FinTech ideas

6. FinTech companies and/or individuals in partnership with FinTech and software solutions’ providers.

7. International entities in collaboration with entrepreneurs in the kingdom

8. **FinTech Sandbox Methodology**

1. Central Bank of Jordan in collaboration with all relevant stakeholders will provide support, guidance, and mentorship for entrepreneurs in applying to enter the FinTech Sandbox

2. Central Bank with relevant stakeholders will define suitable and applicable regulatory framework for the idea proposed by the cohorts

3. Testing in the FinTech Sandbox is open for innovations that comply with policies set by CBJ, and after obtaining required approvals in this regards in order to deploy locally or overseas.

4. Any idea that graduates from the FinTech Sandbox, and before deploying in local or international markets, shall adhere to enacted regulations and regulatory requirements

5. Once the idea passes tests in the Sandbox according to the reports, central bank will promote investing in the idea through the Jordanian Entrepreneurship Fund or other supportive entities.

6. Central Bank of Jordan shall announce the periods of which it will accept applications into the Sandbox
7. **Evaluation and Selection Criteria:**

1. Entrepreneurs and any other entities willing to submit a new innovative idea or shall introduce a new way that enhances complying with CBJ requirements. CBJ will define such requirements for each case in a way that matches risks associated with each idea.

2. New technologies must be deployed, or same conventional technologies but in different and innovative manner.

3. New service or solution must enhance the quality of living for people, and/or increase effectiveness and efficiency in using current financial services.

4. Possibility of deploying the service in the Hashemite Kingdom of Jordan after successfully graduating from the Sandbox.

5. To have in place terms and conditions for the product or service that ensures consumer protection, rights of consumers, and to maintain the integrity and financial stability.

6. Define the risks associated with the product or service and a comprehensive plan to mitigate such risks.

7. To have in place a clear strategy for deploying the service or product outside the Sandbox.

8. Applications will not be accepted if:
   a) The service or product applying already exists in the market and there is no added value.
   b) If it became clear that the aim of the proposed idea to deceive enacted laws and regulations.

9. The below cases are not subject to term (8):
a) If the idea already exist in the market but is proposed in an innovative manner and using different technology.
b) If it was proposed using same technology but in a different manner that increases effectiveness and efficiency

8. **Risks**:

Any type of risks that can result from experimenting the idea, or associated with the product or service proposed by the cohort that can have a direct or indirect effect on the integrity and soundness of the financial system in the kingdom. This includes but not limited to:

1. Financial risks that is related to financial and monetary stability
2. Compliance and operational risks
3. Money laundry and terrorism financing risks
4. Cyber security
5. Safety and security of payment systems
6. Data protection and privacy for financial consumers
7. Consumer protection
8. Competition

9. **Controls and procedures predefined by the cohort**:

These are the controls and procedures provided by the cohort to reduce or mitigate risks associated with the proposed idea, and to ensure the protection of the rights of the participants in the experimentation process; including but not limited to:

1. To Provide financial guarantees deposited in a separate “escrow account” if the service requires that.
2. Cohort shall disclose all risk associated with the testing phase to all participants in the process. This includes updating participants on the process, and compensating any loss that can be a result of the test.

3. Define participants and operations for each test

4. Provide a timeframe for each test

5. Provide a conflict resolution mechanism while testing in the Sandbox for each test

10. Phases in the Sandbox:

Before applying to the Sandbox, cohort can contact the Central Bank of Jordan at (Jordan.Sandbox@cbj.gov.jo) for inquiries, or to set a meeting with CBJ to explore how to benefit from the Sandbox.

➢ The application goes through the below phases:

Application Stage:

1- Cohort shall fill the application and provide required documents to benefit from the Sandbox

2- Cohort shall pay 50 JOD nonrefundable application fees one time.

Evaluation Stage:

At this stage the eligibility of the application to access the FinTech Sandbox is evaluated; determining if it fulfills the criteria set and disseminated by the Central Bank of Jordan. The submitted idea shall be evaluated by the Central Bank of Jordan and the cohort shall be notified with the approval or rejection decision no later than (21) working days, providing that the rejection shall be justified.
1. If the idea is allowed to access the FinTech Sandbox, the cohort shall be notified in writing through communicating with the liaison officer appointed by the company.

2. Proceeding to fulfill the procedures and requirements to access the FinTech Sandbox.

3. Upon the cohort’s request, the Central Bank of Jordan and the cohort shall sign a non-disclosure agreement in the early stages and during the submission of the application.

**Experimentation Stage:**

a) During this stage the following procedures shall be finalized within a specific time frame based on the innovative solution, providing that this stage shall not exceed (9) months:

   1. The cohort shall elaborate on the risks associated with the idea by documents and provide mechanisms proposed to mitigate and manage such risks to improve and enhance the idea when necessary
   
   2. Propose legal or legislative amendments that shall be added to the required legislative frameworks to launch the product.
   
   3. The cohort is allowed to initiate the test within the FinTech Sandbox according to designated testing scenarios and the mechanisms of the supervision and oversight of testing.
   
   4. Monitor and evaluate risks and any consequences may appear during the test, and undertake corrective procedures if required.
   
   5. Proposed amendments may arise during the implementation phase of the innovative solution.
6. Provide advice, guidance, and technical and legal consultation to the cohort aiming to build the cohort’s capacities and competencies.

7. To fulfill the amendments requested by the Central Bank, the testing period for the innovative solution in the FinTech Sandbox could be extended; providing that it shall not exceed one-year period for each innovation starting from the initial approval of the application.

b) The Central Bank shall be entitled to terminate the test in the FinTech Sandbox, if necessary, in the following cases:

1. If the trial did not achieve the assigned objectives during the testing period, the time frame, and expected outcomes of the idea, as stated in the approved testing scenarios

2. If any flaw or defect is detected; concurrently the associated risks outweigh the desired benefit and cannot be addressed during the trial and testing period in the FinTech Sandbox.

3. Upon discovery of a breach or non-compliance with some terms and conditions of the FinTech Sandbox.

4. If the experiment’s progress is not satisfactory, or the associated risks exceed the benefit and objectives and are hard to be addressed, or it is discovered that the innovative Fintech idea was implemented prior starting the test.

c) The cohort is entitled to exit the FinTech Sandbox at her/ his request; considering to terminate all obligations arising from the FinTech Sandbox exit.

d) At the end of this stage, the cohort will be officially notified of the success or failure of the experiment and the tests.
**Exit stage to the local market:**

a) If the innovative solution test was successfully tested within the trial period, the owner can exit the FinTech Sandbox and proceed to the local market, subject to the necessary approvals from the Central Bank if needed.

b) Testing may be extended to a period not exceeding two months if it is recommended that the solution is beneficial and contribute to achieving the FinTech Sandbox objectives. These extensions are handled case by case by the Central Bank of Jordan.

c) Ensure that all arising obligations to exit the regulatory Sandbox are met.

**Reports:**

a) The cohort shall provide the Central Bank of Jordan with regular reports regarding the testing progress, at the end of each month during the testing period.

b) The Central Bank of Jordan may request any reports from the cohort if necessary.

c) The Central Bank of Jordan and the cohort may agree on a specific timetable, weighing on the complexity of the idea and the consequent risks.

**Periodic reports:**

The cohort must provide all required reports to the Central Bank of Jordan on the measures taken during the testing period, including but not limited to:

a) Performance indicators, and information and statistical data.

b) Any indicators related to fraud or operations.
c) Corrective Measures taken in case of any issues.

d) Any risks not included in the application and evaluation stages.

**Final Reports:**

The cohort must provide the Central Bank of Jordan with the final report of the trial no later than (30) days from the date of completion of testing, including but not limited to the following:

e) Verification tools and performance indicators for the experiment and any failed or successful trials during the testing.

f) A complete detailed of all incidents and procedures taken to resolve them.

g) If the experiment fails to provide the causes of the failure and the lessons learned for future purposes (if any).