



# Regulatory Sandbox Framework

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## List of Abbreviations

<b>Abbreviations</b>	<b>Discription in English</b>
CBJ	Central Bank of Jordan
Fintech	Financial Technology
Jo-Fintech	Jordan Financial Technology Hub
JoRegBox	Jordan Regulatory Sandbox
Regtech	Regulation Technology
Risktech	Risk Technology
Suptech	Supervision Technology

## Introduction:

Over the past decade, Financial Technology (Fintech) has emerged as a promising field globally, and its pace has accelerated significantly. As the benefit from modern technology lies in the delivery of advanced financial and banking services and products to a broader customer base. This development is a direct result of significant advancements in information and communication technology, leading to the emergence of a new generation of innovative financial and banking solutions. Consequently, this has greatly enhanced the efficiency of financial services and positively affecting local economies.

Recognizing the importance of keeping pace with rapid technological developments and their pivotal role in maintaining financial and monetary stability, the Central Bank of Jordan is committed to promoting innovation in the use of advanced financial technology and its emerging digital solutions. The aim of this is to stimulate progress and change, and generating initiatives in both the public and private sectors. This approach helps attract and expand investments within the kingdom, bridging the gap between supply and demand sides in line with market needs and promoting the launch of innovative financial services and products with added value from entrepreneurs and innovators in the local and regional market.

This endeavor prioritizes secure access to digital financial services, ensuring the highest standards of cybersecurity, protection of financial consumers, transparency, and integrity of the financial system, and enhancing competitiveness. All these align with the national goal of promoting digital transformation and the digital economy, and position Jordan as a regional leader and an investment destination for financial technology and innovation, encouraging the shift toward a cashless digital society through the use of digital financial services, which comes in the context of the High Royal visions and directives.

One of the keys enabling tools for the FinTech and innovation ecosystem in Jordan and included under the umbrella of the Financial Technology and Innovation hub (Jo-Fintech) at the Central Bank of Jordan is the Regulatory Sandbox for FinTech Innovations (JoRegBox) which was established as a live

controlled experimental environment; With the aim of enabling entrepreneurs and innovators to test digital financial applications with real customers. This initiative is designed to support and encourage innovation and development in the financial technology sector, ultimately enhancing competitiveness in the field of digital financial services, along with improving access to formal financial services while maintaining the integrity and stability of the financial sector and protecting the rights and data of financial consumers.

To this end, this document serves as a regulatory framework outlining the operational procedures of the FinTech Regulatory Sandbox at the Central Bank of Jordan, one of the key components of the FinTech ecosystem in Jordan, and an important element in fostering an innovative and pioneering environment within the financial and banking sector. It is important to note that this framework, in its current state, is binding on all its provisions, and the Central Bank of Jordan reserves the authority to amend it as necessary to ensure that the pace of technological innovation is enhanced in an optimal and sustainable manner and in a way that maintains the safety and stability of the financial and banking sector.

### **First: Defining the Regulatory Sandbox**

The regulatory sandbox for financial technology and innovation is a real and safe experimental regulatory environment under the supervision and oversight of the Central Bank of Jordan. The regulatory sandbox allows entrepreneurs and innovators to conduct tests on innovative financial products, services, and business models using digital solutions developed with modern technology through real customers, following a risk-based approach and within clearly defined standards and controls, ensuring the utmost degree of transparency.

Within this regulatory environment, innovative digital financial solutions undergo a comprehensive testing and evaluation process without directly complying with certain specific regulatory requirements under the prevailing legislation during their presence within the regulatory sandbox. This approach actively promotes innovation in the use of financial technology and accelerates the market entry phase.

## Second: Regulatory Sandbox General Objectives

The general objectives of the Financial Technology and Innovation Regulatory sandbox (JoRegBox) located at the Central Bank of Jordan are as follows:

1. Encouraging and enhancing innovation within the financial and banking sector by allowing entrepreneurs and innovators to develop and test new and innovative digital products, services and business models without bearing the full burden of regulatory compliance and accelerating their access to markets.
2. Enhancing competition within the financial and banking sector as a result of reducing restrictions and barriers to entry for new financial service providers, especially for startups and small companies, which supports the availability of better financial services as multiple options for financial consumers.
3. Promoting digital transformation and the digital economy within a legislative environment that harmonizes innovation and risk management, by increasing the Central Bank of Jordan's knowledge of many innovative digital products, financial services, and business models; which makes it able to formulate legislation regulating those products and services more efficiently and effectively.
4. Facilitating business practices in the Kingdom in a way that contributes to attracting and expanding the base of local and foreign investments in emerging companies in the field of the financial technology industry and its innovations.
5. Providing mechanisms to deal with modern technological applications and the challenges and risks associated with their use, through assisting the Central Bank of Jordan in identifying and precisely reviewing regulatory challenges and obstacles facing the financial technology industry, based on an experimental approach that identifies risks and balancing with to support innovation.
6. Containment and mitigation of risks associated with innovative financial products, services, and business models by involving the Central Bank of

Jordan in collaboration with applicants to identify and address emerging risks during the testing phase, protect financial consumers, and enhance financial stability.

7. Expanding the design and development of innovative digital financial solutions to enhance the supply and demand levels for digital financial services and products, aligning with the needs of financial consumers. Moreover, improving the access and usage levels of digital financial services, contributing to the achievement of sustainable financial inclusion.

### Third: Regulatory Sandbox Fundamental Principles

The operational principle of the Regulatory Sandbox for Financial Technology and Innovation (JoRegBox) at the Central Bank of Jordan is based on several foundational principles, as follows:

1. The Central Bank of Jordan works on receiving and processing applications related to innovative digital financial solution projects to enter the regulatory sandbox, as following:
  - 1.1. **Open Window System:** Under this system, applicants can communicate with the Central Bank of Jordan and submit their applications to enter the regulatory sandbox at any time of the year without specifying a particular timeframe. The Central Bank has the discretion to suspend the opening of the window at times it deems suitable based on the prevailing circumstances. Any announcement regarding this will be made through appropriate channels in advance.
  - 1.2. **Cohort System:** Under this system, the Central Bank of Jordan specifies a period of time during the year in which the door is open for receiving requests for entry into the regulatory sandbox that target a specific financial activity such as (insurance, financing, exchange, payment, etc.). Provided that an announcement is made about the start date of the time period and all its details at least (3) months before the start date of this period.
  - 1.3. **Challenge System:** Under this system, the Central Bank of Jordan launches a challenge program throughout the year to receive and review applications for entry into the regulatory sandbox that target projects related to specific and innovative digital financial solutions within a defined scope and purpose (a specified product). The announcement of the challenge program's

commencement date should be made at least (3) months prior to its launch date.

2. The Central Bank of Jordan announces the key priorities, challenges, and obstacles facing the financial and banking sector in the Kingdom (Problem Statement). This is intended to guide entrepreneurs and innovators in developing innovative digital financial solutions to address these issues. It is worth noting that this does not hinder or prevent the Central Bank of Jordan from receiving and reviewing applications related to innovative digital financial solutions that fall outside the pre-defined priorities (Problem Statement). However, priority and relative importance will be given to applications related to the announced challenges and obstacles.
3. The Central Bank of Jordan does not charge any financial amounts or fees for submitting applications to the regulatory sandbox for financial technology and innovation. However, applicants are required to meet all the necessary requirements and conditions for conducting tests of innovative digital financial solutions within the regulatory sandbox environment. This should align with the policies established by the Central Bank of Jordan, and appropriate approvals must be obtained in preparation for their use in the markets.
4. Admission requests to the Regulatory Sandbox for Financial Technology and Innovation cannot be accepted if any of the following conditions apply:
  - 4.1. The application is incomplete or not duly filled out. However, the Central Bank of Jordan may, at its discretion, provide the applicant with the opportunity to re-fill out his application duly. Otherwise, the application will be completely rejected.
  - 4.2. If the digital financial solution that is the subject of the application does not fall within the scope of financial activities under the supervision and oversight of the Central Bank of Jordan. Despite that, the applicant will be directed by the Central Bank of Jordan to the regulatory entity - if any - responsible for overseeing the digital financial solution addressed in the application.

- 4.3. If the digital financial solution addressed in the application fails to demonstrate its uniqueness and distinctiveness through features, characteristics, or modern technology that make it an innovative solution with added or substantial value, distinguishing it from existing products, services, or business models in the market.
- 4.4. If the digital financial solution addressed in the application is still at the stage of being a mere idea, under construction, development, or updates, or is in the stage of implementing tests and is not yet ready to work on the live environment. The Central Bank of Jordan may guide the applicant to the most relevant entity based on the stage of development of the digital financial solution addressed in the application. This could include incubators, business accelerators, or innovation labs.
- 4.5. If the digital financial solution addressed in the application is properly regulated in accordance with the applicable legislation and there is nothing hindering its application in the market.
- 4.6. If the digital financial solution addressed in the application poses an unacceptable level of risk, particularly to financial consumers or the stability of the financial system, or if the applicant is unable to identify, address or mitigate the potential risks of the digital financial solution in an acceptable manner.
- 4.7. If the purpose of entering the digital financial solution addressed in the application to the regulatory sandbox environment is only to circumvent the applicable legislative frameworks and the requirements of the Central Bank of Jordan and in accordance with the estimates of the Central Bank.
- 4.8. If the applicant's ownership structure is unclear or ambiguous in a way that raises suspicions to the Central Bank of Jordan about the existence of suspicion of money laundering, terrorist financing, fraud, or other financial crimes, or if any of the persons within the ownership structure, including senior executive management, are included on international sanction lists or the national terrorist financing list.

- 4.9. If the digital financial solution is registered in the official intellectual property registry under a different individual's name contrary to the applicant, and this becomes apparent to the Central Bank at any stage of the entry process into the regulatory sandbox, the Central Bank has the right to exclude the digital financial solution and refrain from its graduation.
5. The operational approach of the Regulatory Sandbox for Financial Technology and Innovation, when testing digital financial solutions, is based on the principle of exempting these solutions from direct compliance with certain prevailing legislative requirements, in contrast to the specific requirements for the protection of financial consumers, data protection, privacy, anti-money laundering, counter-terrorism financing, and cybersecurity. Compliance with these requirements is to be considered, whether in full or in part, according to a risk-based approach.
6. The testing period for digital financial solutions within the Regulatory Sandbox for Financial Technology and Innovation is a maximum of six months. The Central Bank of Jordan may extend this period based on justified reasons, taking into consideration the nature of the technology used, the characteristics of the product or service, the business model, the level of maturity, or its readiness for market deployment within the open (unrestricted) scope, Or due to the availability of the appropriate legislative framework for regulation after its graduation, and in all cases, this extension period should not exceed twice the initial testing period.
7. Upon completing all stages of testing digital financial solutions within the Regulatory Sandbox for Financial Technology and Innovation and graduating it, this does not imply the issuance of an official license from the Central Bank of Jordan to engage in business activities. The applicant must follow the official procedures and adhere to the established protocols to obtain the necessary license or adjust their status with the Central Bank, if necessary, in accordance with the requirements and timeline specified by the Central Bank of Jordan.
8. Applicants to enter the Regulatory sandbox for Financial Technology and Innovation must have sufficient guarantees to protect customers; including

maintaining the confidentiality and protection of their data, ensuring it is not used for purposes outside the scope of the regulatory sandbox. Additionally, they should have the necessary resources to fulfill their commitments during the testing period of the digital financial solutions subject to their application and mitigate risks that may arise within the regulatory sandbox environment.

9. In cases where multiple entities collaborate to submit an application to enter the Regulatory Sandbox for Financial Technology and Innovation to test a digital financial solution, they must designate a single entity among them to submit the application and interact with the regulatory Sandbox. This designated entity should lead the project and provide an alternative plan in the event that one of the partners exits during the testing phase.

#### **Fourth: Targeted Groups**

The target groups to enter and join the Financial Technology and Innovation Regulatory Sandbox are represented by the following entities:

1. Licensed financial and banking institutions regulated and supervised by the Central Bank of Jordan.
2. Fintech companies, including startups that are developing new financial products, services, or fintechs, whether within or outside the Kingdom.
3. Universities and research institutions.
4. Public institutions and government entities.
5. Any other entities, with their requests considered on a case-by-case basis.

#### **Fifth: Targeted Activities**

The FinTech and Innovation Regulatory Sandbox is concerned with all innovative digital solutions that fall within or are related to any one or more of the following financial activities:

1. Banking business, including Islamic banking business.
2. Insurance services.
3. Electronic payment and money transfer services.
4. Savings, lending and financing services, including alternative financing.
5. Oversight and supervision (Suptech), regulatory compliance (Regtech) and risk management (Risktech).

6. Any digital services supporting financial activities that contribute to supporting the digital transformation process of the financial and banking sector, including services provided by third parties.

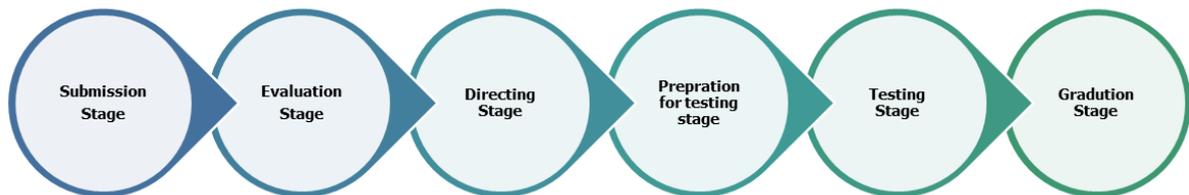
## **Sixth: Criteria for accepting applications to join the Regulatory Sandbox**

Any of the target groups can apply to join the Regulatory Sandbox for FinTech and Innovation to test the digital financial solutions provided by them. Provided that the digital solutions meet any of the following criteria as a minimum, and are also included within the scope of any of the targeted activities specified in this framework:

1. The innovative digital solutions subject to the application must be unique; meaning that the product, service, or business model underlying the proposed solution is novel and not currently available in the market, and addressing a specific financial challenge.
2. The innovative digital solutions subject to the application should provide added value to existing financial services in the market. This can be achieved by making the product, service, or business model unique in terms of features, advantages, or by utilizing modern technology that distinguishes it from what is currently available and practiced in the market. It may contribute to the development and enhancement of the quality of current financial services, including cost reduction, increased access to financial services, improved efficiency, or enhanced financial consumer experience.
3. The innovative digital solutions subject to the application should address issues related to enhancing oversight and supervision by the central bank, regulatory compliance for financial service providers, or contribute to risk management, including the identification and mitigation of potential risks. This entails addressing concerns related to cybersecurity, data privacy, fraud prevention, and other security measures to protect both financial service providers and financial consumers.
4. The innovative digital solutions subject to the application should be applicable on a broad scale in the market after graduating from the environment of the Regulatory Sandbox for Financial Technology and Innovation.

## Seventh: Stages of dealing with applications

This section outlines the procedures and methodology adopted by the Central Bank of Jordan in handling applications for joining the Regulatory Sandbox for Financial Technology and Innovation, which are submitted by the specified targeted groups within this framework. The stages of dealing with the applications are divided as follows:



### 1. Submission Stage:

- 1.1. In this stage, the targeted groups submit applications to join the Regulatory Sandbox for Financial Technology and Innovation. All applicants are required to fill out the electronic application available on the Central Bank's website under the (Financial Technology) tab and submit it electronically after ensuring that all its elements and components are covered.
- 1.2. Entry applications to the Regulatory Sandbox for Financial Technology and Innovation are received electronically by the Central Bank of Jordan. The Central Bank, in turn, informs applicants of the receipt of their applications within a period not exceeding two business days from the date of receiving the application.

### 2. Evaluation Stage:

- 2.1. In this stage, the Central Bank of Jordan reviews the application using predefined and approved tools as uniform criteria for considering any application submitted to the regulatory sandbox, and assessing it accordingly
- 2.2. The maximum period for studying and evaluating the application by the Central Bank of Jordan is (60) business days, starting from the date of notifying the applicant of the complete receipt of their application.

- 2.3. The Central Bank may extend the period for studying and evaluating the application if necessary, with notification to all applicants of this extension. In any case, the extension period should not exceed (30) business days.
- 2.4. Despite what is stated in item (2.2) above, the evaluation stage of the application submitted to the regulatory sandbox begins through the Open Window System after (30) business days from the date of notifying the applicant of the complete receipt of his application.

### **3. Directing Stage:**

- 3.1. In this stage, the applicant is informed of the final outcome of his application, whether it is accepted to enter the Regulatory Sandbox for Financial Technology and Innovation or rejected. If rejected, the applicant is provided with guidance and direction according to the circumstances.
- 3.2. The specified timeframe for the guidance stage is limited to (3) business days, commencing on the first day following the completion of the application evaluation stage.
- 3.3. In the case of approval, the applicant is directed to complete the specific procedures and requirements for testing the digital financial solution addressed in the application within the Regulatory Sandbox for Financial Technology and Innovation environment.
- 3.4. If the application is rejected, the applicant is notified of the rejection along with a statement of the reasons. The Central Bank may withhold stating the reasons, as circumstances require.

### **4. Preparation for Testing Stage :**

- 4.1. For the purpose of enabling the applicant to initiate the testing phase for the digital financial solution addressed in his application, he is required during the stage of preparation for testing to provide the Central Bank of Jordan with the following requirements within a period not exceeding (30) business days, commencing after the completion of the directing stage:

- 4.1.1. The risk management plan associated with the digital financial solution addressed by the application, including the identification of these risks and the necessary controls to mitigate them in an acceptable manner.
- 4.1.2. A general disclosure form for customers regarding all potential risks associated with the digital financial solution addressed by the application, including a confirmation message for them to accept the risks during the testing process. This should be accompanied by obtaining their written consent to process their data and accept potential risks, along with a commitment to inform them of any consequences that may arise during the testing and to compensate them for any that may befall them, if any.
- 4.1.3. Criteria, standards, and controls for implementing the testing, including the maximum limit for the number of customers participating in the test, their categories, transaction limits, and other aspects in a manner that keeps potential risks under control.
- 4.1.4. Providing the appropriate financial guarantees and depositing them in a separate account with any of the banks operating in the Kingdom in an Escrow Account if required.
- 4.1.5. Providing a defined and clear mechanism for resolving disputes that may arise during the presence within the regulatory sandbox for FinTech and innovation.
- 4.1.6. All details, scenarios, and results of the tests conducted, as well as performance measurement indicators for the success of the test scenarios to be implemented during the testing period.
- 4.1.7. The proposed exit plan from the regulatory sandbox for fintech and innovation.
- 4.2. The Central Bank of Jordan is committed to notifying the applicant of its readiness to commence the testing of the digital financial solution addressed by the application within the regulatory sandbox for financial technology and innovation. This notification will occur within a period not

exceeding (15) business days from the date of the applicant providing the Central Bank with evidence of meeting the requirements outlined in clause (4.1) above.

## 5. Testing Stage

- 5.1. Within this stage, the applicant commits to begin the testing within the regulatory sandbox for fintech and innovation, according to the scenarios set in particular, and within the mechanisms of supervision and periodic follow-up of the test by the Central Bank of Jordan to monitor, identify and evaluate risks and any consequences that may appear during the implementation of the test in cooperation with the applicant to clarify the need to either stop the implementation of the test or recommend necessary modifications.
- 5.2. In accordance with the Central Bank's assessment of the identified risks and its capability to mitigate them, the necessary decision may be made to temporarily suspend the operation of the innovative digital financial solution for a period not exceeding (15) days. This allows the applicant to make any adjustments required due to changes in the implementation mechanism of the innovative digital financial solution, contrary to the predefined scenarios, in a manner that mitigates the severity of the identified risks to an acceptable level.
- 5.3. The Central Bank has the authority to suspend the testing of the innovative digital financial solution and permanently exit it from the regulatory sandbox for financial technology and innovation. The Central Bank may choose to reserve the reasons for such action and not disclosing them in accordance with the circumstances. This action can be taken in any of the following cases:
  1. If the experiment does not achieve the expected objectives and outputs during the testing period, as per the approved test scenarios and timelines.
  2. If the risks resulting from testing the innovative digital financial solution cannot be adequately controlled or mitigated to an acceptable level, in a way that makes those risks outweigh the desired

benefit or pose a threat to the security, safety and stability of the financial system or affect the financial consumer protection requirements.

3. Based on the applicant's desire, provided that the reasons for doing so are stated.
- 5.4. The applicant must complete the testing within the regulatory sandbox for FinTech and innovation within a period not exceeding (6) months. The applicant may apply to the Central Bank for an extension of this period for a similar or shorter duration based on justified reasons. The extension request should be submitted before (30) days from the end of the specified testing period mentioned above.
- 5.5. At the conclusion of this stage, the Central Bank of Jordan commits to formally notifying the applicant of the success or failure of the testing for the innovative digital financial solution. In the event of test failure, the reasons for it will be stated to derive lessons learned and address them in the future, if applicable.

## **6. Graduation Stage**

- 6.1. According to this stage, in the case of the successful testing of the innovative digital financial solution within the regulatory sandbox for financial technology and innovation, the applicant is allowed to launch the product in the market, provided that all legal and regulatory requirements outside the regulatory sandbox related to the provision of financial activities associated with the product are fulfilled.
- 6.2. Upon exiting the regulatory sandbox for FinTech and innovation, the applicant is committed to ensure that all obligations incurred by him are completed and in accordance with the provided exit plan.

## **Eighth: Reports**

1. The applicant must provide the Central Bank of Jordan with monthly reports or as requested, detailing the progress of the testing during the testing phase. These reports should include, but not be limited to:

- 1.1. Achievements during the testing period in accordance with the specified performance indicators.
  - 1.2. Information and statistical data related to the testing.
  - 1.3. Any indicators related to financial crimes such as financial fraud, hacking, money laundering, or terrorism financing, along with mechanisms for detection and corrective measures taken.
  - 1.4. Operational incidents, if any, and the measures taken to rectify the situations.
  - 1.5. Any other emerging risks that were not mentioned during the application and evaluation stages, along with the approach to manage those risks if identified.
  - 1.6. Customer satisfaction levels and any complaints if present.
  - 1.7. Any other data or information requested by the Central Bank of Jordan.
2. The applicant must provide the Central Bank of Jordan with the final report for the entire testing period, within a maximum of (15) business days from the end of the testing phase. This report should include, but not be limited to:
    - 2.1. The requirements specified in item (1) above.
    - 2.2. The final results of the tests and the implementation procedures of the market launch plan.

### **Ninth: General provisions**

1. The Central Bank of Jordan will publish a list of projects that have successfully graduated from the regulatory sandbox for FinTech and innovation on the central bank's website. This list will include complete information related to the owners of those projects and the innovative digital financial solutions they have presented. The Central Bank of Jordan commits to reviewing and updating this list periodically in line with changes and market requirements.
2. All applicants seeking entry into the regulatory sandbox for FinTech and innovation should communicate with the Central Bank of Jordan as needed through the email address ([Jo-fintech@cbj.gov.jo](mailto:Jo-fintech@cbj.gov.jo)).

## Time frame for handling requests submitted to the regulatory sandbox

