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***BNM POLICY DOCUMENT 2024:
SUMMARY ON POLICY DOCUMENT FOR THE
FINANCIAL TECHNOLOGY REGULATORY SANDBOX
FRAMEWORK***



SUMMARY ON POLICY DOCUMENT FOR THE FINANCIAL TECHNOLOGY REGULATORY SANDBOX FRAMEWORK

Initially introduced in October 2016, the Financial Technology Regulatory Sandbox Framework (“Framework”) provides a regulatory environment that is conducive for the deployment of fintechs and facilitating meaningful innovation in the Malaysian financial sector by providing a regulatory sandbox where fintech solutions may be tested in live environment. This policy document comes into effect on 29.02.2024 and will supersede the PD issued on 18.10.2016, simplifying the eligibility assessment with a quick response time (15 days).

This PD has introduced a new feature “**Green Lane**” to accelerate the application track, enabling financial institution with a strong track record in risk management, governance, and compliance to test innovative solutions more swiftly by granting them regulatory flexibility.

1. Sandbox Assessment Procedure

The table below will provide a quick overview of the current updated sandbox application and assessment process for both the standard sandbox and green lane:-

Standard Sandbox	Applicability	Green Lane
<ul style="list-style-type: none"> Fintech companies, new entrants and financial institutions regulated by the Bank Admission on a rolling basis 		<ul style="list-style-type: none"> Financial institution regulated by the Bank Admission on a cohort basis
<p>Stage 1</p> <ul style="list-style-type: none"> Simplified assessment with the following key changes: <ul style="list-style-type: none"> Value proposition to be assessed at a conceptual level without requiring upfront evidence such as proof-of-concept (to be validated during testing period) Risk management assessment to priorities ability of applicants to identify risk appropriately. A more comprehensive assessment will be done in Stage 2 The Bank endeavors to inform applicant within 15 working days <p>Stage 2</p>	Eligibility / qualification criteria	<p>Qualification at institutional level</p> <ul style="list-style-type: none"> Comprehensive one-off assessment of Institutional risk management, compliance and governance capabilities Submission of list of all potential solutions and aggregate cap of expected financial losses The bank endeavors to inform decision on approval within 30 working days <p>Qualification at solution level</p> <ul style="list-style-type: none"> Limit to 20,000 customers and up to 12 months of testing Regulatory flexibility provided unless specified as out-of-scope <p>Simplified review</p> <ul style="list-style-type: none"> Registration of solutions at least 15 working days prior to go-live Attestation and indemnity of customers



<ul style="list-style-type: none"> • Comprehensive assessment of state of readiness and risk management capabilities • Finalization of testing parameters, KPIs and exit plans • Approval given with or without conditions for go-live 		against direct financial losses.
Review before go-live		
Live-testing		
Submission of interim reports to the Bank and preparation of a final report post testing		

Post-testing

Outcomes	Next steps
<ul style="list-style-type: none"> • Participant is unable to continue testing (either due to unsuccessful testing, revoked approval or no interest to continue operations) 	<ul style="list-style-type: none"> • Termination of testing and orderly winding down
<ul style="list-style-type: none"> • Participant seeks to continue operations and can comply with existing laws and regulatory requirements 	<ul style="list-style-type: none"> • Graduate from sandbox and to comply with existing regulations
<ul style="list-style-type: none"> • Participant seeks to continue operations but is incompatible with existing laws and regulatory requirements 	<ul style="list-style-type: none"> • Subject to discussion with the Bank on a case-by-case basis

2. General Requirements

2.1 An applicant interested to test its solution in the sandbox by either procedure (standard or green lane) must submit the following to BNM:-

- (a) an application letter signed by the CEO of the applicant or an officer of the applicant as duly authorized by the CEO;
- (b) the application form (standard sandbox track or green lane application forms); and
- (c) supporting documents to substantiate the information provided in the application form.

Submission to be sent to:

Pengarah
 Jabatan Pembangunan dan Inovasi Kewangan
 Bank Negara Malaysia
 Jalan Dato' Onn 50480 Kuala Lumpur
 Email: fintech@bnm.gov.my

2.2 BNM has encouraged prospective applicants to visit the BNM sandbox webpage at <https://www.bnm.gov.my/sandbox> and contact the Bank at fintech@bnm.gov.my if there are any queries on whether the sandbox is an appropriate platform for an applicant's intended testing of a new solution.

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