

# **MFSA RULE 3**

## THE MFSA FINTECH REGULATORY SANDBOX

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## REVISIONS LOG

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VERSION	DATE ISSUED	DETAILS
1.00	22 JULY 2020	RULE 3 OF THE MFSA ACT ISSUED
2.00	13 MARCH 2023	UPDATED WITH VARIOUS CHANGES

## Title 1 General Scope and High-Level Principles

### Section 1 Legal Basis

R3-1.1.1 In terms of Article 16(2)(a) of the MFSA Act, the Malta Financial Services Authority, as established under Article 3 of the Act, may issue and publish Rules regulating the procedures and duties of persons licensed or authorised by it, or falling under its regulatory or supervisory functions.

R3-1.1.2 The Authority may amend or revoke such Rules and any amendment or revocation thereof.

R3-1.1.3 This Rule is being issued in terms of Article 16(2)(a) of the Act and should be read in conjunction with any other legislative and/or regulatory framework, administered by the Authority, in force in Malta and any regulations and rules issued thereunder.

### Section 2 Definitions

R3-1.2.1 For the purposes of this Rule, the definitions identified under R3-1.2.2 should be read in conjunction with the provisions of the MFSA Act and any other law administered by the Authority for the time being in force in Malta.

R3-1.2.2 In the event that any of the definitions contained hereunder conflict with a definition under the MFSA Act or any other law administered by the Authority for the time being in force in Malta, the definitions set out in the Act or in any other such law shall prevail, unless otherwise specified herein.

**‘Authorisation Process Service Charter’** refers to the document outlined in Section 2 of Title 2 of Rule 4 of the MFSA Act.

**‘Authorisation’** means authorisation as defined in Rule 4 of the MFSA Act – Authorisations;

**‘Eligible Applicant’** means an Applicant that has been determined by the Authority as falling within the scope and eligibility criteria in terms of Title 3 of this Rule.’

**‘FinTech Solution’ or ‘Solution’** means a specific utilisation of FinTech;

**‘FinTech’** means technologically-enabled financial innovation that could result in new business

	models, applications, processes or products with an associated material effect on financial markets and the provision of financial services;
<b>'Malta Financial Services Authority Act', 'MFSA Act' or 'the Act'</b>	means the Malta Financial Services Authority Act, Chapter 330 of the Laws of Malta;
<b>'Malta Financial Services Authority', 'MFSA' or 'the Authority'</b>	means the Malta Financial Services Authority, as established by the Malta Financial Services Authority Act;
<b>'Management Body'</b>	means the body or bodies of an undertaking which are appointed in accordance with the applicable law/s, which are empowered to set the undertaking's strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the persons who effectively direct the business of the undertaking;
<b>'MFSA FinTech Regulatory Sandbox' or 'Sandbox'</b>	means the regulatory environment, as established by virtue of this Rule, where persons falling within scope of Title 3 of this Rule may test their innovation for a specified period of time within the financial services sectors, under certain prescribed requirements;
<b>'Proposal'</b>	means a Solution proposed by an Applicant to the MFSA for testing within the Sandbox;
<b>'Qualifying Holding'</b>	means a direct or indirect holding in an undertaking which represents ten per cent (10%) or more of the capital or of the voting rights, or which makes it possible to exercise a significant influence over the management of that undertaking in which that holding subsists;
<b>'Regulated FinTech Service Provider'</b>	for the purposes of this Rule, means a person who is duly authorised to provide or who intends to provide a service/s requiring an authorisation in terms of applicable financial services legislation currently in force in Malta and who utilises FinTech in its operations;

'Sandbox Applicant' or 'Applicant'	means a person submitting a Proposal to the Authority in terms of this Rule;
'Sandbox Participant' or 'Participant'	means a person participating within the testing phase of the Sandbox lifecycle;
'Technology Provider'	for the purposes of this Rule, means a person, who provides or intends to provide a FinTech Solution, which is only intended for use by one or more third-party financial services providers, and does not intend to use the Solution to undertake any activity which triggers an authorisation in terms of any financial services law currently in force in Malta;
'Unregulated FinTech Service Provider'	for the purposes of this Rule, means an Applicant who has been determined by the Authority that notwithstanding the fact that the activity and/or product proposed and or/offered within the Solution may <i>prima facie</i> appear to classify as a financial service, it is either not regulated, or is otherwise exempt from, existing financial services law in Malta.



## Title 2      Sandbox Objectives

R3-2.1      With the aim of supporting sustainable financial innovation, ensuring regulatory certainty and promoting knowledge sharing, the objectives of the Sandbox are as follows:

**i. Innovation**

The Sandbox will provide for a regulatory environment allowing technologically enabled financial innovation - new business models, applications, processes or products - to operate within the financial services market.

**ii. Sustainability**

Through close dialogue, the MFSA will be monitoring Participants to observe whether their innovations truly offer value to the consumer and the wider financial services sector, whilst ensuring consumer/investor protection, market integrity and financial soundness.

**iii. Certainty**

The Sandbox will enhance legal certainty within the financial services market as it provides both the Participants and the MFSA with the space to determine the appropriate requirements under the regulatory frameworks, as applicable.

**iv. Knowledge**

Through collaboration with Participants, the Authority will have the opportunity to enhance its capacity in assessing the regulatory implications and gaps of such Solutions, and identify the appropriate response, as necessary.

## Title 3      Scope and Applicability

### Section 1      Scope

R3-3.1.1      A Solution will be tested from a regulatory perspective with the aim to understand (i) its adoption within the financial services market and its implications, including identification of any inherent regulatory gaps, challenges and risks; and/or (ii) its adherence with the requirements set out in financial services legislation, as applicable to the Rule and any applicable legislation, as well as any other requirements that may be imposed by the Authority.

R3-3.1.2      The MFSA shall monitor, guide and/or supervise, as applicable to achieve the scopes identified in R3-3.1.1.

R3-3.1.3      The Sandbox will be applicable to Regulated FinTech Service Providers, Unregulated FinTech Service Providers and Technology Providers.

### Section 2      Eligibility Criteria

R3-3.2.1      To participate in the Sandbox, the Sandbox Applicant should, in addition to falling within scope of one of the classifications in terms R3-3.1.3, also demonstrate to the satisfaction of the Authority that it satisfies all the following criteria:

**i. Innovation**

The Solution should be (i) technology-enabled and (ii) innovative, resulting in new and/or unique business models, applications, processes or products within the financial services sector.

**ii. Need**

There should be a genuine need to test the Solution in the Sandbox with clear outcomes in accordance with the scope of the Sandbox as delineated in R3-3.1.1.

**iii. Benefit**

The Solution should provide identifiable value added by addressing a problem or bring identifiable benefit/s to the consumers and/or financial sector; and (ii) be sustainable from an economic and financial point of view.

**iv. Readiness**

The Solution should, at the time of commencement, be released or ready for release to the client and/or financial service provider and the Applicant should have adequate financial and operational resources to operate throughout the duration of the Sandbox.

R3-3.2.2 Pursuant to point (iv) of R3-3.2.1, Sandbox Applicants which fall within the definition of a Technology Provider are also expected to have secured partner/s through the applicable contractual agreements and/or outsourcing contract/s with one/or more authorised financial services provider/s, thereby ensuring readiness to be admitted to the Testing Stage.

**Section 3 Substance Requirements**

R3-3.3.1 Sandbox Applicants are expected to test their Solution in or from within Malta and have a level of local presence either by way of physical organisational and/or operational arrangements located in Malta and/or linkages to partner financial services providers which are duly authorised by the MFSA:

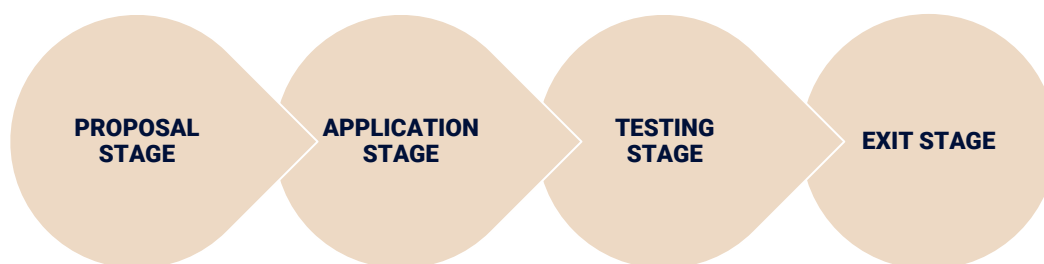
**Section 4 Themes**

R3-3.4.1 The MFSA may, at its discretion, focus on Solutions targeting specific themes, after giving due notice to the public and outlining the additional eligibility criteria for qualification

## Title 4      Sandbox Lifecycle

### Section 1      Structure

R3-4.1.1      The Sandbox shall be open to Applicants on an ongoing basis. The Sandbox lifecycle will consist of four stages as presented in Figure 4.1, which shall be triggered upon the submission of a Proposal.



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FIGURE 4.1: THE SANDBOX LIFECYCLE

R3-4.1.2      Further to the information and/or documentation required to be submitted to the Authority in terms of this Rule, the Authority may, at its discretion and at any stage, request any additional information and/or documentation as it may deem appropriate.

R3-4.1.3      The Applicant, Eligible Applicant or Participant, as the case may be, shall provide the Authority with information and/or documentation which is truthful, accurate and complete.

R3-4.1.4      Further to R3-4.1.3, the Applicant, Eligible Applicant or Participant, as the case may be, shall notify the MFSA in writing of any changes in the information and/or documentation supplied to the MFSA immediately upon becoming aware of the matter.

R3-4.1.5      The Applicant, Eligible Applicant or Participant, as the case may be, shall take due account and, where applicable, adhere with any relevant EU Regulations and Directives, Commission Delegated Regulations, Regulatory Technical Standards and Implementing Technical Standards, as well as any Guidance Notes which may be issued by the European Central Bank ('ECB'), European Banking Authority ('EBA'), European Securities and Markets Authority ('ESMA'), European Insurance and Occupational Pensions Authority (EIOPA) and any other competent authority or international standard setting body

R3-4.1.6 The Applicant, Eligible Applicant or Participant, as the case may be, shall also be required to adhere to the respective Maltese financial legislation including any regulations, rules and guidelines issued thereunder, as may be applicable.

## Section 2 Stage 1 - Proposal Stage

### *Sub-Section 1 Proposal Submission*

R3-4.2.1.1 Persons intending to participate in the Sandbox are required to submit their Proposal to the Authority for them to be considered as an Applicant under this Rule.

R3-4.2.1.2 Pursuant to R3-4.2.1.1, the Proposal should be submitted via the relevant online [Proposal Form](#) and includes the following details of the Applicant:

- i. Identification and contact details;
- ii. Whether the Applicant is/or will be structured as a legal person, formation details as follows:
  - a. formation details:
    - when formed, the Applicant should state its formation details; or
    - when not yet formed, the Applicant should state its proposed formation details including proposed name;
  - b. diagram of the actual or proposed shareholding structure, as applicable, specifying (i) the percentage holdings of all persons in the ownership structure of the Applicant up to the ultimate beneficial owner/s, highlighting the Qualifying Shareholders.
  - c. indication of any regulatory history of the Sandbox Applicant and related persons, including group entities, if applicable, including any history of applications filed with other regulatory authorities;

- iii. Identification and contact details of the Applicant's representative, where applicable;
  - iv. Proposed organisational structure diagram, including (i) names of the proposed management body and key function holders; (ii) the relevant reporting lines; and (iii) respective time commitments;
  - v. An outline of the Applicant's Solution, and how the said Applicant falls within the scope of R3-3.1.1 and how the Applicant and its Solution meets the eligibility criteria as set out in R3-3.2.1;
  - vi. An indication of the details relevant to participation within the Sandbox, including, *inter alia*, the rationale underlying the Applicant's request to participate;
  - vii. Identification of the type of authorisation required and the proposed financial service activities intended to be undertaken, as and if applicable;
  - viii. An outline of the Prospective Applicant's (i) business model; (ii) business strategy; (iii) local substance; (iv) type of clients to be serviced and geographical target markets; (v) location of risks; and (vi) outsourcing, as applicable; and
  - ix. Details of Exit Strategy in accordance with R3-4.3.5.1.
- R3-4.2.1.3 Pursuant to point (iv), Applicants falling within the definition of Technology Provider or Unregulated FinTech Service Provider are only required to submit the names of the proposed management body.
- R3-4.2.1.4 Pursuant to point (viii), the Applicant is required to provide the Authority with, *inter alia*, the risk/s pertinent to the Solution and the respective appropriate risk-mitigation measure/s.
- R3-4.2.1.5 When reviewing the Proposal, the MFSA shall consider the nature, scale and complexity of the Solution and the Applicant.
- R3-4.2.1.6 The Authority, upon receipt of the Proposal may, at its discretion, schedule a preliminary meeting with the Applicant and/or request further information, as it may deem necessary.
- R3-4.2.1.7 Applicants shall also declare their intention to abide by the requirements stipulated by this Rule as indicated within the Form 01: Sandbox Declaration.

## *Sub-Section 2 Eligibility Assessment*

R3-4.2.2.1 The Authority shall on submission of a complete Proposal conduct an eligibility assessment in order to determine whether:

- i. the Applicant falls within the scope of R3-3.1.1;
- ii. the Applicant and its Solution meets the eligibility criteria as set out in R3-3.2.1 ; and
- iii. the Applicant has or intends to have the required Substance Requirements in terms of R3-3.3.1:

Provided that the submission of a Proposal shall only be considered as complete by the Authority, upon the verification that both: (i) the respective Proposal Fee in terms of R3-5.1.1; and (ii) the Proposal together with all the required supporting documentation, have been submitted to the Authority.

R3-4.2.2.2 The Authority shall not initiate the review of submissions deemed incomplete in terms of this Rule.

R3-4.2.2.3 The Authority shall take into consideration the information submitted within the Proposal in terms of R3-4.2.1.1 and any supporting documentation attached thereto.

R3-4.2.2.4 The Authority shall notify the Applicant in writing of the outcome of the Eligibility Assessment accordingly.

## **Section 3 Stage 2 - Application Stage**

### *Sub-Section 1 Authorisation Process*

R3-4.3.1.1 The Eligible Applicant proceed to the appropriate authorisation process depending on the determination of the Authority pursuant to R3-3.1.3.

#### **R3-4.3.1.2 Regulated FinTech Service Providers**

R3-4.3.1.2.1 Prior to proceeding to the Testing Stage in terms of Section 4 of this Title, where the Eligible Applicant is determined to be a Regulated FinTech Service Providers:

- i. and is already authorised by the MFSA under any financial services law currently in force in Malta and the MFSA determines that the proposed solution falls within the scope of the said

authorisation, then such Applicant shall only be required to formalise the Testing Framework in terms of Sub-Section 3 of this Section;

- ii. and is already authorised by the MFSA under any financial services law currently in force in Malta and the MFSA determines that the proposed solution does not fall within the scope of the said authorisation, then such Applicant shall be required to apply for a variation of its existing authorisation; or
- iii. and does not hold the applicable authorisation then it shall seek authorisation under the applicable financial services legislation currently in force in Malta, as applicable, prior to proceeding to the Testing Stage in terms of Section 4 of this Title.

R3-4.3.1.2.2 Pursuant to R3-4.3.1.2.1, where the Eligible Applicant does not hold the applicable authorisation, it shall be required to follow Authorisation [Rule 4 of the MFSA Act](#) and refer to the MFSA's [Authorisation](#) process.

Provided that the Eligible Applicant shall not be required to undergo the Intention Stage as identified under Sub-section 1 of Section 4 of [Rule 4 of the MFSA Act](#).

R3-4.3.1.2.2 Pursuant to R3-4.3.1.2.1, the Eligible Applicant shall also be required to satisfy the requirements set out in Sub-Section 3 to Sub-Section 5 of this Section.

### **R3-4.3.1.3 Technology Providers and Unregulated FinTech Service Provider**

R3-4.3.1.3.1 Where the Authority determines that the Eligible Applicant is either a Technology Provider or an Unregulated FinTech Service Provider, the said Applicant shall be required to satisfy the requirements set out in Sub-Section 2 to Sub-Section 5 of this Section prior to proceeding to the Testing Stage in terms of Section 4 of this Title.

#### ***Sub-Section 2 Reputation***

R3-4.3.2.1 Eligible Applicants determined by the MFSA as Technology Providers or Unregulated FinTech Service Providers shall be of good repute and integrity and subject to the requirements outlined under R3.3.2 of the MFSA's [Guidance on the Fitness and Properness Assessments Applied by the Authority](#).



R3-4.3.2.2 Pursuant to R3-4.3.2.1 the Eligible Applicant shall be required to submit the AX33: Sandbox Integrity Self-Declarations for its Qualifying Holding and its Management Body.

R3-4.3.2.3 R3-4.3.2.1 is an ongoing requirement and accordingly this may lead to a reassessment of the reputation of the Sandbox Applicant or Participant throughout the Sandbox Lifecycle.

### ***Sub-Section 3 Testing Framework***

R3-4.3.3.1 Without prejudice to the Authority's powers under the applicable legislation, Eligible Applicants shall require the Authority's approval of the following matters prior to proceeding to the Testing Stage, as applicable:

**i. Testing Period**

This includes the duration of the Sandbox Period which shall be for a period of either six (6) or twelve (12) months, as the case may be, and as may be extended in terms of R3-4.4.5.1.

The Testing Period or Extension shall also include an additional one (1) month Evaluation Period.

**ii. Testing Plan**

This includes the applicable dates on the basis of point (i) above, including, *inter alia*, the (a) commencement date; (b) commencement of testing evaluation (c) end of testing stage. The Authority shall also include dates during which supervisory reviews or interactions are to be held.

**iii. Testing Objectives**

This includes the test objective/s, the corresponding evaluation criteria/s and the underlying methodology which shall be used to determine the testing outcome/s.

**iv. Testing Requirements**

The Authority may impose at Application Stage any requirement/s it deems fit on the Applicant both prior to commencement of testing and/or during testing including, *inter alia*, limitation on the transaction volumes, quantity and type of clients, product/services, and jurisdictions.

**v. Testing Disclosures**

In addition to Sub-Section 4 of this Section, the Eligible Applicant may be required to implement and make available any public disclosure/s as may be required.

**vi. Exit Strategy**

The Eligible Applicant shall indicate to the satisfaction of the Authority appropriate exit strategies, as applicable and in accordance with Sub-section 5 of this Section.

R3-4.3.3.2 Pursuant to R3-4.3.3.1, Sandbox Testing Requirements shall be recorded within Form AX34: Sandbox Testing Framework. The Applicant shall refer to this Annex throughout the Testing Stage.

R3-4.3.3.3 The MFSA may also amend and/or update the Sandbox Testing Requirements to ensure consumer protection, market integrity and financial soundness.

***Sub-Section 4 Testing Disclosures***

R3-4.3.4.1 Prior to issuing any publications and/or marketing material which makes reference to the Sandbox, and/or the MFSA the Participant shall require the prior approval of the MFSA. The MFSA reserves the right to approve or reject the content and timing of any such marketing and publicity material referencing the MFSA and the participation within the Sandbox under this Rule for marketing and/ or advertising purposes by the Participant, including, *inter alia*, for the purposes of targeting, soliciting, on-boarding and/or servicing Clients, partners, agents, third-party services providers and other persons.

R3-4.3.4.2 The Participant shall on the day of commencement of Testing make use of an appropriate medium of disclosure such as a website to publicly make available the following information to the satisfaction of the Authority:

- i. the type of Participant in terms of R3-3.1.3;
- ii. a description of the Solution;
- iii. the duration of the Testing Period;
- iv. the date of commencement and end of the Testing in accordance with point (ii) of R3-4.3.3.1;

- v. the following disclaimer:

*“The aim of the Malta Financial Services Authority (‘MFSA’) FinTech Regulatory Sandbox (‘Sandbox’) is to foster sustainable technology-enabled financial innovation through legal certainty and knowledge sharing.*

*As a participant within the MFSA’s Sandbox, the Solution provided by [name of Participant] is only being tested and assessed from a regulatory perspective with the aim to (i) understand the adoption of the Solution within the financial services market and its implications, including identification of any inherent regulatory gaps, challenges and risks; and (ii) monitor, as applicable, its adherence with the requirements set out in the applicable finance service legislation, and the regulation/s, rule/s and guideline/s issued thereunder as well as with Rule 3 of the MFSA Act as well as any other requirements that may be imposed by the Authority under this Framework.*

*The MFSA does not endorse the Solution in any way or form and shall in no way or form be responsible for (i) the integrity of the Solution being developed and/or offered by the Participant and/or (ii) for any damages or losses incurred by any person using this Solution.*

- R3-4.3.4.3 The Participant shall be required to maintain and update publicly available information as specified in R3-4.3.4.2.

***Sub-Section 5 Exit Strategies***

- R3-4.3.5.1 The Eligible Applicant should cater for its continuation outside the Sandbox and, where applicable, adopt a strategy to discontinue and cease the Solution.

- R3-4.3.5.2 Pursuant to R3-4.3.5.1, the relevant Exit Strategy shall be established in accordance with the determination in terms of R3-3.1.3, and shall be applicable as follows:

- i. Regulated Fintech Service Providers shall be required to specify their exit from the Sandbox and its eventual continuation outside of the Sandbox with their clients and the public, in accordance with any requirements that the Authority may determine.

The specific requirements applicable to this strategy shall be agreed upon with the Applicant and are subject to MFSA approval once the exit strategy is approved.

- ii. Technology Providers or Unregulated Financial Service Providers shall be required to outline the process of issuing individual notifications to their clients in order to inform them that the Participant have exited the Sandbox and shall subsequently remove any references relating to the MFSA with the exception of the details stipulated in point (i) to (vi) of R3-4.3.4.2.

R3-4.3.5.3 The exit strategy covering the discontinuation and ceasing of the Solution within the Sandbox is only applicable to Eligible Applicants determined as Regulated FinTech Services Providers.

Under this Strategy, the Eligible Applicant shall, to the satisfaction of the Authority, specify in detail how it will exit the market in an orderly manner, by *inter alia* closing client accounts and/or transferring business to an alternative provider and subsequently vary or surrender any authorisation it may hold.

## Section 4 Stage 3 - Testing Stage

### *Sub-Section 1 Testing Commencement*

R3-4.4.1.1 Upon successful completion of the Application Stage as set out in Section 3 above, the Participant shall commence the Testing Stage without undue delay.

R3-4.4.1.2 If the Participant is not able to commence the Testing Stage on the commencement date referred to in point (ii) of R3-4.3.3.1, the Participant shall immediately inform the MFSA in writing of the reason/s thereof, together with an updated plan indicating the proposed date of commencement of the Testing Stage.

R3-4.4.1.3 On the basis of the information provided and the circumstances of the case, the MFSA reserves the right to either terminate the Participant's participation in the Sandbox or revise the dates stipulated in Form AX34: Sandbox Testing Framework:

Provided that where early termination is required this shall be in line with Sub-section 3 of this Section.

### *Sub-Section 2 Authorisation Requirement*

R3-4.4.2.1 If during this Stage, it is determined that the activity being undertaken by the Participant requires an Authorisation under a financial services law currently in force in Malta, the Participant shall:

- i. immediately suspend such activity in accordance with any terms and requirements as may be specified by the MFSA; and
- ii. inform the MFSA in writing, within ten (10) working days of the communication indicating this determination, whether it intends to seek an authorisation under the applicable law:

Provided that the Participant's operations within the Sandbox shall remain suspended until the applicable authorisation has been obtained, or until the discontinuation exit strategy has been affected by the Participant, as the case may be.

R3-4.4.2.2 Where the Participant informs the MFSA that it intends to seek an authorisation under the applicable law, upon submission of the relevant application, the MFSA shall review and update, where applicable, the requirements under Section 3 of this Title.

R3-4.4.2.3 Where the Participant informs the MFSA that it does not intend to seek an authorisation, or where the MFSA refuses to grant an authorisation to the Participant for whatever reason, the Participant shall be required to provide to the satisfaction of the MFSA a detailed discontinuation exit strategy in terms R3-4.3.5.2 and implement this strategy without undue delay.

Provided that the MFSA may adopt other measures in terms of the applicable law/s to ensure the orderly discontinuation of the Solution.

### *Sub-section 3 Early termination*

R3-4.4.3.1 Participants intending to terminate the testing stage early should notify the MFSA of their intention to do so promptly and by not later than five (5) working days after such decision was taken.

Provided that at any point during the Testing Stage, the Authority may at its own discretion, instruct the Participant to terminate its participation within the Sandbox should it determine that:

- i. the Participant failed to comply with any of the requirements outlined in Section 3 of this Title;
- ii. the Participant is unable, for whatever reason, to onboard clients;
- iii. the Participant is not communicating or failing to communicate in timely manner with the MFSA;
- iv. the Solution, once deployed, is not in accordance with the specifications as outlined during the Proposal and/or Application Stage as applicable; or
- v. early termination is required to safeguard consumer protection, and/or market integrity.

R3-4.4.3.2 In the event of early termination of the testing stage, by either the Participant or the MFSA, the Participant shall provide to the satisfaction of the Authority the appropriate steps from the applicable exit strategy, in terms of Sub-Section 5 of Section 3 of this Title, which will be taken by the Participant to minimise the risk to its clients, if any.

***Sub-section 4 Modifications to the Solution***

R3-4.4.4.1 The Participant shall, prior to releasing any material modification/s of the Solution throughout the Testing Stage, request an approval from the MFSA by providing it with the necessary details.

R3-4.4.4.2 The MFSA may require the Applicant to recommence the Testing Stage and/or change any of the Testing Framework as outlined in Sub-Section 3 of Section 3 of this Title.

***Sub-section 5 Evaluation Period***

R3-4.4.5.1 The Participant shall also submit to the Authority 30 days prior to the date of the end Testing Period, the following information for evaluation:

- i. an assessment of the Testing Objectives as observed throughout the Testing Period and the respective outcomes; and
- ii. the intended exit strategy of the Participant.

OR

- iii. a request to extend the duration of the Testing Stage for a further six (6) months; and
- iv. the intended exit strategy of the Participant should the extension not be provided by the MFSA.

R3-4.4.5.2 The MFSA shall take into consideration the report submitted by the Participant in terms of point (i) of R3-4.4.5.1, as well as the interactions, reviews and reports collected throughout the duration of the Testing Period, when evaluating the performance of the Participant and its Solution, and in arriving at its final decision to either:

- i. require the Participant to implement the intended exit strategy; or
- ii. extend by an additional six (6) months the Testing Period.

R3-4.4.5.3 Provided that the Authority has the discretion to recommend and/or decide to extend the duration of the Testing Stage by an additional six (6) months if it determines that the outcomes of Testing Objectives have not been reached and that it is clear that such an extension would not impinge on the ongoing business of the Participant.

R3-4.4.5.4 Throughout the Evaluation Period the Participant shall continue to operate under the Testing Framework in terms of R3-4.3.3.1 until the Participant is informed in writing of the MFSA final decision.

R3-4.4.5.5 Where the Authority decides not to grant an extension, the Participant shall be required to propose and implement an exit strategy, as applicable.

***Sub-section 6 Extension of Testing Period***

R3-4.4.6.1 Where the Authority grants an extension in terms of point (ii) of R3-4.4.5.2, the Participant shall once again commence the testing stage in terms of Section 4 of this Title.

R3-4.4.6.2 Where the Authority grants an extension, it shall concurrently update the dates of the Sandbox Testing Plan specified in the Form AX34: Sandbox Testing Framework and inform the Participant accordingly.

R3-4.4.6.3 For the duration of the extension the Participant shall continue to operate under the Testing Framework in terms of R3-4.3.3.1 and R3-4.4.6.2.

In the event that the extension is requested by the Participant, and the Participant qualifies as a Technology Providers and Unregulated FinTech Service Providers, the Participant shall upon updating of the Testing Framework in terms of R3-4.4.6.2 be required to resubmit the Participation Fee in terms of Title 5 of this Rule.

R3-4.4.6.4 The Participant shall issue an official communication to its clients, informing them of the Testing Period has been extended within five (5) working days from receipt of the Authority's communication.

## **Section 5            Stage 4 - Exit Stage**

R3-4.5.1 The Participant shall execute the identified exit strategy as identified in Form AX34: Sandbox Testing Framework in an orderly manner in order to minimise the risk to itself, the clients and the market, as applicable.

R3-4.5.2 Following notification of the decision in terms of R3-4.4.5.6, the Participant shall commence without undue delay the agreed exit strategy as specified in Form AX34: Sandbox Testing Framework.

R3-4.5.3 The Participant shall issue an official communication to its clients, informing them of the agreed exit strategy and the applicable way forward, within five (5) working days from receipt of the Authority's final decision.



## Title 5 Fees

### Section 1 Proposal Fee

R3-5.1.1 The submission of a Proposal shall be subject to a non-refundable administrative fee of EUR 200, which shall be due upon the submission of the Proposal to the Authority.

### Section 2 Participation Fees

R3-5.2.1 An Applicant shall pay to the MFSA the respective non-refundable fee as established in **Table R5-1** by the due date specified therein.

**TABLE R5-1: PARTICIPATION FEES**

Type of Applicant	Participation Fee	Submission Due Date
Unauthorised Regulated FinTech Service Providers	Applicable Application and Supervisory Fee as per sector-specific legislation	As per Authorisation Process – Service Charter
Authorised Regulated FinTech Service Providers	Fee for Variation of Authorisation as per sector-specific legislation, if applicable	As per applicable framework, if required.
Technology Providers & Unregulated FinTech Service Providers	EUR 500 per six (6) months	Upon being informed by the Authority that the Applicant has to the satisfaction of the Authority fulfilled the required Integrity Confirmations

## **Title 6 Breaches and Administrative Penalties and other Regulatory Measures**

### **Section 1 Breaches**

R3-6.1.1 A breach of any requirement or obligation emanating from this Rule or from any other applicable law administered by the Authority, will trigger regulatory and/or enforcement action by the Authority.

In the exercise of its regulatory and/or enforcement powers and without prejudice to any other powers conferred to the Authority in terms of any applicable law, the Authority may, at any stage, also terminate participation of the Participant in the Sandbox.

R3-6.1.2 Any person required in terms of this Rule to provide or submit any information to the Authority shall provide the Authority with information that is, accurate, true and not misleading in any way.

### **Section 2 Administrative Penalties and other Regulatory Measures**

R3-6.2.1 The Participant shall at all times observe the Rules which are applicable to it, as well as all the other relative requirements, duties and obligations which may emanate from the applicable law and regulations issued thereunder.

The powers of the Authority prescribed in this Rule shall be without prejudice to any other powers it may have in terms of any other applicable law. The MFSA has various regulatory and enforcement powers which may be used against any person falling within the scope of this Rule and not complying with their regulatory duties and obligations.

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