

## **Inter-operable Regulatory Sandbox: Standard Operating Procedure**

### **Background**

The Inter-Regulatory Technical Group on FinTech (IRTG on FinTech) has been constituted under the aegis of Sub-Committee of the Financial Stability and Development Council (FSDC-SC) for inter-regulatory co-ordination among the financial sector regulators on FinTech-related issues including **Inter-operable Regulatory Sandbox (IoRS)**. The Group is chaired by Chief General Manager of the FinTech Department, RBI with representation from other financial sector regulators, viz., SEBI, IRDAI, IFSCA and PFRDA and one representative each from DEA and MeITY.

One of the mandates of the Group was to suggest models on IoRS mechanism for hybrid products / services falling within the remit of more than one regulator as also to facilitate framing Standard Operating Procedure (SOP) for the same. The SOP for IoRS is as given below:

### **2. IoRS – A process**

IoRS is a mechanism to facilitate testing of innovative hybrid financial products / services falling within the regulatory ambit of more than one financial sector regulator. To obviate the need of innovators, to engage with different regulators regarding their hybrid product, a common window has been made available.

### **3. Participants in the IoRS**

The financial regulators that are members of the IRTG on FinTech have consented to participate in the IoRS arrangement under the aegis of IRTG on FinTech.

### **4. Product / Services to be admitted in IoRS**

Financial products / service providers whose business models / activities / features fall within the remit of more than one financial sector regulator, shall be considered for the testing under IoRS.



## 5. Governance

- i. FinTech Department of RBI shall act as nodal point for receiving applications under IoRS and shall be designated as 'Coordination Group (CG)' for IoRS. All the necessary secretarial support shall be provided by them.
- ii. The application for IoRS shall be on '*on tap basis*' in a prescribed application form. The RS framework of the regulator under whose remit the '**dominant feature**' of the product falls, shall govern it as '**Principal Regulator (PR)**'. The regulator/s under whose remit the other features apart from the dominant feature of the product fall shall be the '**Associate Regulator (AR)**'
- iii. Two sets of factors would be considered or deciding the dominant feature. Firstly, the type of enhancement to the existing products like loans, deposits, capital market instruments, insurance, G-sec instruments, pension products, etc., and secondly, the number of relaxations sought by the entity for undertaking the test under the IoRS. The dominant feature shall be decided with greater weightage to the number of relaxations sought. The relaxation, if warranted, shall be considered by PR / AR on case-to-case basis and decision to that effect shall be binding and final.
- iv. Based on the dominant features of the product, the eligibility criteria and networth criteria as applicable for the RS of the concerned regulator (PR) shall be applicable to the applicant entity for participation in the IoRS.
- v. Based on the minimum eligibility criteria of the regulator under whose remit the dominant feature of the product falls, the Coordination Group (CG) (FinTech, RBI) shall conduct preliminary scrutiny of the application and forward the same to the concerned PR and AR(s) under whose purview the innovation falls.
- vi. In order to keep the IoRS process simple and non-disruptive, detailed scrutiny of the application shall be done by the PR based on its own framework. The PR shall co-ordinate with AR(s), regarding the features of the product, which falls under their remit.
- vii. In case SEBI is the AR, since the provisions of the SEBI Act allows only SEBI registered entities to participate in their RS, the unregistered applicant may get into a MoU or any other arrangement with a SEBI registered entity to participate in IoRS.
- viii. The applications from Indian FinTechs having global ambition and foreign FinTechs seeking entry to India, shall be referred to IFSCA, for taking forward the proposals, as IFSCA will be the PR for all such applications.
- ix. The PR shall reserve the right of admissibility of the hybrid product / solution / innovation as per its RS framework and accordingly communicate to the applicant. The decision to that effect shall also be communicated to CG / IRTG on FinTech, for information.



- x. AR(s) shall provide specific inputs, stipulate condition regarding aspects falling under its remit for parameters to be tested, boundary condition, risks to be monitored, etc.
- xi. The AR(s) shall provide inputs at the earliest but not later than 30 days from receipt of reference from the PR.
- xii. The test design shall be finalised by the PR in consultation with the AR.
- xiii. Any co-ordination issue between PR and AR to reach common views on the regulatory treatment of innovative products, services and business models shall be discussed and sorted out in the IRTG on FinTech before initiation of the live testing under IoRS. The IRTG on FinTech in its subsequent meetings shall monitor the progress of the products being tested under IoRS.
- xiv. The evaluation of product shall be done as per the framework of the PR, which may also reflect appraisal by the AR(s), while deciding on suitability and viability of the product / services.
- xv. Post successful exit from the IoRS, the entity shall approach PR and AR(s), for authorisation and for seeking regulatory dispensation before launching the product in the market. The decision of respective regulator shall be binding on the entity.
- xvi. The product being admitted and successfully exiting the IoRS shall be published by the regulator concerned vide Press Release, specifically indicating that, it is under IoRS of IRTG on FinTech.

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## Inter-operable Regulatory Sandbox (IoRS) Application Form

### I. Product Information

1.	Applicant Name (Name of the entity)	
2.	Name of the product to be tested	
3.	“Corporate Identity Number (CIN), or Limited Liability Partnership Identification Number (LLPIN), or any other registration number allotted to the applicant entity for incorporation under relevant law”.	
4.	Email and Website URL (if available)	
5.	If a Company: Shareholding and Directors details  Full names of all Directors with their Director Identification Number (DIN), PAN number and contact details	
6.	Address of registered Head Office and Phone Number	
7.	Principal line of activity	
8.	i. Name of the nodal/alternate contact person ii. Designation in the company / firm iii. Telephone number iv. Mobile number v. Email address	
9.	Is your principal business or any affiliated business is currently liable to be supervised by any of the financial sector regulators (RBI/ SEBI/ IRDAI/ IFSCA / PFRDA) in India? If yes, please provide details of the same	
10.	A brief description of your innovative product/ service/ technology which you intend to test in IoRS. Also specify the existing gap in the financial ecosystem your product/service/technology is trying to address.	
11.	Please mention the regulatory remit (RBI/ SEBI/ IRDAI/ IFSCA / PFRDA) under which your proposed hybrid product/service/ technology falls: i. Principal Regulator <sup>1</sup> ii. Associate Regulator <sup>2</sup> (s)	

<sup>1</sup> Principal Regulator - the regulator under whose remit the ‘dominant feature’ of the product falls. The dominant feature shall be decided based on two factors (i) the number of relaxations sought for undertaking the test under the IoRS and (ii) the factor being the type of enhancement to the existing products like loans, deposits, capital market instrument, with greater weightage to the number of relaxations sought.

<sup>2</sup> Associate Regulator – the regulator/s under whose remit the other features apart from the dominant feature of the product fall

IFSCA shall be the PR for Indian FinTechs having global ambition and foreign FinTechs seeking entry to India

	(In case Principal and Associate regulator is not known, please mention the names of all the regulators, under whose ambit the proposed product falls)	
12.	Explain how your proposed hybrid product/service/technology falls under the inter regulatory ambit as mentioned in sl.no.10	
13.	“Do you meet the Minimum eligibility criteria for participating in the RS of the Principal Regulator	
	<p><b>Minimum eligibility criteria for participating in Regulatory Sandbox of various financial sector regulators are as given below:</b></p> <p><b>(A) RBI</b></p> <p>i. Is your entity a company incorporated and registered in India or banks licensed to operate in India or Limited Liability Partnership (LLP), Partnership firm registered in India? <b>(Yes/No) and type</b></p> <p>ii. Does your entity have a minimum net worth of Rs. 10 lakh as per its latest audited balance sheet? <b>(Yes/No) (Net worth in figures)</b></p>	
	<p><b>(B) SEBI</b></p> <p>i. Is your entity registered with SEBI under section 12 of the SEBI Act, 1992 or you are applying in partnership with any of the SEBI registered entity? <b>(Yes/No) and SEBI Registration no.</b></p> <p>ii. Please provide the outline of the list of rules, regulations, guidelines, circulars etc. of SEBI that as per the applicant may act as an impediment to the proposed innovative solution, along with detailed rationale.</p> <p>iii. Is SEBI to relax any specific regulatory requirements, for the duration of the sandbox? Please provide the details along with detailed rationale.</p>	
	<p><b>(C) IRDAI</b></p> <p>i. is your entity other than an individual? (Yes/ No) and type</p> <p>ii. Does your entity have a minimum network of Rs 10 lakhs as per latest audited balance sheet? (Yes/ No) (Network in figures)</p>	

	<p><b>(D) IFSCA</b></p> <p>(1) An Applicant who satisfies any of the following conditions shall be eligible to make an application to IFSCA under this Part:</p> <p>i. Where the Applicant is from India:</p> <p>a) An entity registered with Department for Promotion of Industry and Internal Trade (DPIIT) as a start-up entity relating to FinTech; or</p> <p>b) An entity incorporated as a company under the Companies Act 2013, or as a Limited liability Partnership (LLP) under the Limited liability Partnership Act, 2008 or a 'Branch' of an Indian company or LLP in IFSC; or</p> <p>c) An entity working directly or indirectly in the ecosystem regulated by domestic financial sector regulator.</p> <p>ii. Where the Applicant is from Outside India – An incorporated entity or a branch of an incorporated entity from FATF compliant countries/jurisdictions;</p> <p>(2) The Applicant proposes to use innovative technology in its core product or service, business model, distribution model or methodology to provide financial services that are or likely to be regulated by the Authority.</p>	
	<p><b>(E) PFRDA</b></p> <p>(for detailed clarification with respect to PFRDA minimum eligibility criteria, prospective participant could write to &lt;<a href="mailto:fintech-data@pfrda.org.in">fintech-data@pfrda.org.in</a>&gt;)</p> <p>(for detailed and latest guidelines on minimum eligibility criteria please refer to the website(s) of respective Principal Regulator(s))</p>	
14.	Regulatory Relaxation(s) sought (Indicate the Regulator (s) from which relaxation is sought).	
15.	Expected use cases of innovative product/service/technology which you intend to test in IoRS	

## II. Submission

- i. The application form and the required supporting documentation must be submitted to RBI by email to [iors@rbi.org.in](mailto:iors@rbi.org.in)
- ii. It may be noted that incomplete application form may be rejected.
- iii. Additional information and/ or documents may be required to be furnished as per the RS framework of the Principal Regulator and Associate Regulator.
- iv. The Principal Regulator/ Associate Regulators shall reserve the right to reject the hybrid product / solution / innovation as per its RS framework.

## V. Declaration by the applicant

- i. I acknowledge the fact that although all application material will remain confidential, 'Regulators shall reserve the right to publish any relevant information about the IoRS applicants on its website, including for the purpose of knowledge transfer and collaboration with other international regulatory agencies without revealing any proprietary/intellectual property rights related information'
- ii. It is declared that the innovation above is original and does not violate the intellectual property rights of others.
- iii. It is conformed that we shall comply to the requirements of the Regulatory Sandbox of the Principal as well as Associate regulator and shall submit required documents and information.

Authorised Signatory  
Name  
Date  
Place  
Company Seal