



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Financial Technology Regulatory Sandbox Framework

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PART A OVERVIEW

1. Introduction

- 1.1 The Financial Technology Regulatory Sandbox Framework (“Framework”) was first introduced in October 2016 to provide a regulatory environment that is conducive for the deployment of financial technology (“fintech”) and to facilitate meaningful innovation in the Malaysian financial sector. Through the regulatory sandbox (“sandbox”), regulatory flexibilities may be granted to applicants to allow experimentation of fintech solutions in a live environment, subject to appropriate safeguards and regulatory requirements.
- 1.2 The sandbox has played an important role in advancing digital innovation for both incumbents and start-ups, with over 110 applications received over six years since it began operation. The sandbox has enabled the testing of various new technologies (e.g. electronic Know-Your-Customer) and business models (e.g. digital insurance, peer-to-peer family takaful, buy-now-pay-later, digital remittance) in the market which has helped inform the Bank’s developmental policy considerations and contributed to several policy enhancements. The sandbox also strengthened collaborative efforts between stakeholders in the fintech ecosystem by acting as a platform for active and open engagements with the Bank.
- 1.3 More importantly, past sandbox experiences have provided key learnings in anticipating future development and ensuring objectives of proportionate requirements and responsible innovation are met. In particular, two key insights have been helpful in formulating policies and appropriate regulatory requirements:
 - (a) a one-size-fit-all type of framework for sandbox may be less suited to foster financial innovation in the current market given growing innovation capabilities and appetite within the financial sector to conduct the test-and-learn approach; and
 - (b) based on engagements with sandbox applicants thus far, it is noted that the past sandbox eligibility assessment may be challenging for early stage fintech startups to navigate. This could potentially lead to challenges for applicants to secure the necessary resources to support further development of their solutions.

- 1.4 Reflecting on the feedback received, the Bank is introducing two key enhancements to the Framework issued in October 2016, as follows:
- (a) simplification of the Stage 1 eligibility assessment criteria of the Standard Sandbox pathway (Stage 1 – Eligibility Stage). This is to ensure that the rigour of assessment is proportional and better aligned with the development cycle of new innovations; and
 - (b) introduction of a risk-proportionate accelerated track under the Framework, referred to as the Green Lane, to facilitate faster testing of innovative solutions by granting regulatory flexibility to financial institutions, with strong track record in risk management, governance, and compliance capabilities.

A comparison of the application and assessment process for both tracks is illustrated in Appendix I.

- 1.5 It should be emphasised that while the enhancements are intended to accelerate testing via the sandbox, it cannot be used to circumvent existing laws and regulations merely for the purpose of facilitating market entry of new entrants. Regulated activities involving solutions that are not suitable to be tested under the sandbox will be guided towards the appropriate regulatory pathways and assessed accordingly.

2. Applicability

- 2.1 This policy document is applicable to –
- (a) a financial institution as defined in paragraph 5.2;
 - (b) an approved and registered intermediary as defined in paragraph 5.2;
 - (c) an approved operator of a payment system as defined in paragraph 5.2;
 - (d) a registered merchant acquirer as defined in paragraph 5.2;
 - (e) a fintech company as defined in paragraph 5.2 which collaborates with a financial institution, an approved and registered intermediary, an approved operator of a payment system or a registered merchant acquirer; and
 - (f) a fintech company intending to carry on:

- (i) an authorised or registered business as defined in the Financial Services Act 2013 (FSA);
- (ii) an authorised business as defined in the Islamic Financial Services Act 2013 (IFSA); or
- (iii) a money services business as defined in the Money Services Business Act 2011 (MSBA).

3. Legal provision

- 3.1 The requirements in this policy document, including the requirements in paragraph 7, are issued pursuant to:
- (a) sections 47, 123, 143 and 144 of the FSA;
 - (b) sections 57, 135, 155 and 156 of the IFSA;
 - (c) sections 34 and 74 of the MSBA; and
 - (d) sections 41, 42C and 116 of the Development Financial Institutions Act 2002 (DFIA).
- 3.2 The guidance in this policy document is issued pursuant to section 266 of the FSA, section 277 of the IFSA, section 74 of the MSBA and section 126 of the DFIA.

4. Effective date and policy document superseded

- 4.1 This policy document comes into effect on 29 February 2024.
- 4.2 This policy document supersedes the Policy Document on Financial Technology Regulatory Sandbox Framework issued on 18 October 2016. Any reference to the Framework issued on 18 October 2016 shall be construed as a reference to this policy document on or after its effective date.

5. Interpretation

5.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA, IFSA, MBSA or DFIA, as the case may be, unless otherwise defined in this policy document.

5.2 For the purpose of this policy document –

“applicant” means a financial institution, an approved and registered intermediary, an approved operator of a payment system and a registered merchant acquirer either on its own or in collaboration with a fintech company, or a fintech company which intends to apply or has applied for the Bank’s approval to participate in the sandbox;

“approved and registered intermediaries” refer to –

- (a) approved insurance brokers including marine, aviation and transit (MAT) insurance brokers;
- (b) approved financial advisers;
- (c) approved Islamic financial advisers;
- (d) approved money brokers;
- (e) approved takaful brokers including approved takaful brokers (specialised);
- (f) approved electronic trading platforms (ETP); and
- (g) registered adjusters;

“approved operator of a payment system” refers to an approved operator of a payment system under FSA or IFSA, as the case may be;

“customer” refers to either individuals or business entities or a combination of both who subscribe to the solutions offered by participants during sandbox testing;

“fintech” means technology or any other innovation to be utilised in the provision of financial services;

“fintech company” means a company (excluding a financial institution) that utilises or plans to utilise fintech to test solutions within the sandbox environment subject to the Bank’s approval under this policy document;

“financial services” means services provided by a licensed, approved, registered or prescribed institutions or entities under the FSA, IFSA, DFIA and MSBA, as the case may be;

“financial institution” refers to –

- (a) licensed banks, including licensed digital banks;
- (b) licensed Islamic banks, including licensed Islamic digital banks;
- (c) licensed investment banks;
- (d) prescribed development financial institutions;
- (e) licensed insurers, including professional reinsurers;
- (f) licensed takaful operators, including professional retakaful operators;
- (g) licensed money services business;
- (h) approved issuers of designated payment instruments; and
- (i) approved issuers of designated Islamic payment instruments;

“fully functional prototype” refers to a high-fidelity level prototype to demonstrate the actual solution to be deployed for live testing using the actual systems, protocols and technologies encompassing the front-end to back-end process;

“Green Lane” refers to an alternative to the Standard Sandbox track that provides a simpler and quicker way for financial institutions with strong track record in risk management, governance, and compliance capabilities, to test solutions in a sandbox environment by addressing the relevant regulatory impediments;

“Green Lane participating institution” refers to a financial institution which has been approved by the Bank to participate in the sandbox through the Green Lane;

“**participants**” refer to entities approved by the Bank to participate in the Standard Sandbox or Green Lane;

“**participating fintech company**” means a fintech company which has been approved by the Bank to participate in the sandbox;

“**registered merchant acquirer**” refers to a person registered pursuant to section 17(1) of the FSA to carry on merchant acquiring services;

“**regulatory impediment**” refers to any requirements under the laws, regulations or standards administered by the Bank which may either be wholly or partly incompatible with the business model of fintech companies or provision of fintech solution. For the avoidance of doubt, the regulatory impediment does not include any regulatory impediment arising from laws, regulations, or requirements imposed by other authorities;

“**sandbox**” refers to a live, contained environment in which participants may test their product, service, or solution subject to the requirements under this policy document;

“**semi-functional prototype**” refers to a medium-fidelity level prototype that provides a comprehensive and clear description as well as visualisation of the envisioned concept of the proposed solution which may or may not be demonstrated using the actual systems, protocols, or technologies;

“**Shariah principle**” refers to any existing ruling specified under the recognised sources of Islamic law, or any legal judgment (*hukm shar`i*) deduced by a qualified jurist (a *mujtahid*) via the *ijtihad* process;

“**Shariah ruling**” refers to any ruling made by Shariah Advisory Council (SAC) established by the Bank pursuant to section 51(1) of the Central Bank of Malaysia Act 2009 for the ascertainment of Islamic law for the purposes of Islamic financial business;

“**solution**” refers to products or services that an applicant is proposing to offer or test in the sandbox, or product or services that are being offered or tested by a participant in the sandbox;

“**Standard Sandbox**” refers to the Standard Sandbox track that allows applicants to test fintech solutions that are not eligible for testing pursuant to the Green Lane.

PART B STANDARD SANDBOX

6. Standard Sandbox assessment procedure

- 6.1 An application to participate in the Standard Sandbox will be reviewed in two stages. The first stage starts with an assessment to determine the eligibility for participation in accordance with the eligibility criteria as specified under paragraph 6.2. Eligible participants will be assessed in the second stage to determine their ability to satisfy the Bank's considerations as specified in paragraphs 6.5 and 6.6.

Standard Sandbox Stage 1 – Eligibility

- 6.2 An applicant is eligible to participate in the Standard Sandbox if the applicant satisfies the following criteria:

Criteria 1: Identification of Regulatory Impediment

- (a) An applicant must demonstrate the existence of any regulatory impediment in respect of its proposed provision of solution;
- (b) For the avoidance of doubt, in respect of a proposed provision of Islamic financial services, any non-compliance or inability to comply with Shariah principles or Shariah ruling shall not be construed as a regulatory impediment in determining the eligibility to participate in the sandbox;

Criteria 2: Value Proposition

- (c) An applicant's proposed solution must be innovative with clear potential to improve accessibility, efficiency, or quality of financial services, or enhance the effectiveness of risk management in financial services;

Criteria 3: Business Plan and State of Readiness

- (d) An applicant is reasonably resourced to demonstrate a semi-functional prototype as specified in Appendix III within three (3) months from the time of application, which at minimum shall illustrate the envisioned user journey, system workflow and integration, and flow of funds between transacting parties, where applicable. The Bank may grant an extension of time to the applicant to demonstrate the semi-functional prototype on

a case-by-case basis depending on the nature and complexity of the solution to be tested;

- (e) In addition to paragraph 6.2 (d), when assessing the state of readiness of an applicant, the Bank may also require the applicant to provide the following, including but not limited to:
 - (i) a realistic business plan that outlines the applicant's readiness, including development timeline, to test the practical feasibility of the applicant's solution;
 - (ii) indicative plans to secure the necessary resources to support the testing in the sandbox; and
 - (iii) strategies to operate as a sustainable business and for the deployment of the solution on a commercial scale in Malaysia, beyond the period of testing in the sandbox;

Criteria 4: Risk Management

- (f) An applicant must demonstrate its ability to identify and mitigate risks associated with its proposed solution in a manner that is proportionate with the projected scale of business activity and the nature of risk associated with such business activity. This includes having adequate resources or plans to employ the necessary resources with risk management expertise in the immediate term; and

Criteria 5: Fit-and-proper

- (g) An applicant must demonstrate a proven track record of the credibility and integrity of its key management personnel¹ and persons with significant decision-making authority in relation to the proposed solution.

6.3 The Bank endeavours to inform an applicant of its eligibility to participate in the sandbox within 15 working days after receiving a complete set of information necessary for the assessment as specified in Appendix II.

6.4 However, eligibility to participate in the sandbox must not be construed as an approval for an applicant to test in the sandbox. Stage 1 of the Standard

¹ Refers to persons that are accountable or responsible for the management or oversight of the applicant. These comprise (i) directors; (ii) chief executive officers (CEOs); (iii) any person performing a senior management function who has primary or significant responsibility for the management and performance of significant business activities of the applicant; or (iv) any person who has primary or significant responsibility for key control functions.

Sandbox serves to inform an applicant of its potential suitability to participate in the sandbox and to help the applicant with its business and resource planning.

Standard Sandbox Stage 2 – Preparation

- 6.5 Once an applicant is notified by the Bank of its eligibility to participate in the Standard Sandbox, the applicant will then proceed to Stage 2. During Stage 2, the Bank will consider whether to approve the applicant to test a solution in the Standard Sandbox by determining the applicant's ability to satisfy the following:
- (a) an applicant must demonstrate the practical feasibility of its solution via a fully functional prototype as specified in Appendix III, exhibiting the end-to-end simulation of the actual user journey, system workflow and integration as well as flow of funds between transacting parties, where applicable. This includes the readiness of its front-end and back-end infrastructure supplemented by proper product documentation (such as functional, technical design document, user guide, etc.);
 - (b) an applicant must demonstrate that it has sufficient resources to support the testing of its solution in the sandbox prior to the live testing with proper evidence (such as letter of funding);
 - (c) an applicant must be able to identify the potential risks to financial institutions and financial consumers that may arise from the testing of the solution in the sandbox and to propose appropriate safeguards to address the identified risks; and
 - (d) in respect of Islamic financial services, an applicant must provide an attestation by an appointed Shariah committee or consultant that the new solution to be tested is consistent with prevailing Shariah ruling. In the event that there is no Shariah ruling made in relation to the new solution in the market, the appointed Shariah committee or consultant shall assess and deliberate on such matters and provide an attestation that the solution is in line with Shariah principles.
- 6.6 In addition to paragraph 6.5, the Bank may also require the applicant to provide the following, including but not limited to:
- (a) testing parameters, including the scope and duration of the test, regulatory flexibilities requested, and frequency of reporting;
 - (b) specific measures to determine the success or failure of the test at the

- end of the testing period;
 - (c) an exit strategy should the test fail or be discontinued; and
 - (d) a transition plan for the deployment of the solution on a commercial scale upon successful testing and exit from the sandbox.
- 6.7 In assessing the risks identified by the applicant pursuant to paragraph 6.5 (c), the Bank will give due regard to:
- (a) sound financial and business practices consistent with the objectives of preserving monetary and financial stability;
 - (b) promoting the fair treatment of consumers;
 - (c) preventing money laundering and financing of terrorism;
 - (d) preserving security principles which include confidentiality, integrity, and availability of relevant data such as customer information;
 - (e) promoting the safety, reliability, and efficiency of payment systems and payment instruments;
 - (f) ensuring solutions for Islamic financial services are consistent with Shariah principles and Shariah ruling; and
 - (g) encouraging healthy competition for financial products and services.
- 6.8 The potential safeguards intended to mitigate risks referred to in paragraph 6.5 (c) shall include, but are not limited to:
- (a) providing adequate disclosure of the potential risks to its customers and confirmation from such customers that they fully understand and accept the attendant risks;
 - (b) limiting the number of customers and/ or the aggregate value or frequency of transactions;
 - (c) restricting customers to a certain segment or profile of customers;
 - (d) limiting the duration of the testing period;
 - (e) providing a consumer redress mechanism, including the possibility for financial compensation claimable against the applicants under clearly specified circumstances; and
 - (f) committing adequate and competent resources to undertake the testing and implement risk mitigation solutions that have been proven to be effective in containing the consequences of failure.

PART C GREEN LANE

7. Approval mechanism and safeguards

Overview

- 7.1 Eligibility to participate in the sandbox through the Green Lane entails two levels of assessment:
- (a) a one-off assessment of a financial institution's risk management, compliance, and governance capabilities based on existing track record where the Bank will determine whether or not to grant an approval for the applicant to utilise the Green Lane; and
 - (b) subsequent simplified registration procedures for Green Lane participating institutions to test individual solutions that would otherwise face regulatory impediments.
- 7.2 Although the Bank's assessment is simplified and focused at the solution-level to facilitate innovation, the Bank maintains prevailing standards of assessment and supervision of Green Lane participating institutions at an entity-level. Applicants must seek the Bank's prior written approval in order to utilise the Green Lane and are required to comply with the minimum safeguards detailed in Part C.
- 7.3 An overview of the Green Lane's operational mechanism is illustrated in Appendix IV.

Approved institutions – Application procedure and assessment process

- 7.4 All financial institutions may apply to participate in the sandbox through the Green Lane. For the avoidance of doubt, fintech companies are not eligible to participate in the sandbox through the Green Lane.
- 7.5 Applications to use the Green Lane by financial institutions may include activities involving financial institutions' collaboration with fintech companies. However, the Bank reserves the right to determine whether or not the testing of a solution involving a collaboration between financial institutions and fintech

companies should be performed in the sandbox through the Green Lane or the Standard Sandbox track.

- 7.6 Admission of financial institutions to the Green Lane will be performed on a cohort basis, where the application will be opened twice a year, from 1st to 31st January and 1st to 31st July. Any changes to the application timeline will be communicated through the sandbox website (<https://www.bnm.gov.my/sandbox>). Further details on the submission requirements for admission to the Green Lane can be found in Part D of this policy document.
- 7.7 Financial institutions intending to utilise the Green Lane must have a strong track record in risk management, compliance, and governance. In considering an application to participate in the sandbox through the Green Lane, the Bank will assess the financial institution's risk management, compliance, and governance capabilities based on its existing track record. The assessment will place emphasis on risks associated with the following:
- (a) management of credit risk, operational risk, and underwriting risk, where relevant;
 - (b) fair treatment of financial consumers and data privacy;
 - (c) cybersecurity and information technology infrastructure;
 - (d) anti-money laundering and countering financing of terrorism (AML/CFT); and
 - (e) Shariah compliance and governance, where applicable.
- 7.8 Financial institutions seeking the Bank's application to utilise the Green Lane must provide the Bank with the following information together with its application to utilise the Green Lane:
- (a) a list of all the potential solutions to be tested in the Green Lane together with a short description of the business model, target segment, list of potential regulatory impediments, and planned date for testing of the solution; and
 - (b) an assessment on the aggregate cap of the expected financial losses, which can be either in absolute or percentage-based cap, for all potential solutions to be tested. Such assessment shall be supported by the submission of an attestation by the Chief Executive Officer (CEO) and

Chief Risk Officer (CRO) of the financial institution that the cap is considered a 'conservative' estimation with minimal solvency impact.

- 7.9 The Bank endeavours to inform the financial institution of its decision to approve the financial institution's participation in the sandbox through the Green Lane, within 30 working days of receiving a complete application as specified in Part A of Appendix V.
- 7.10 In the event that there are changes to the information specified in paragraph 7.8 which has been submitted to the Bank, financial institutions must submit the updated information to the Bank at least one month before the planned date to register their solutions in the Green Lane.
- 7.11 The Bank's approval granted to a Green Lane participating institution shall remain effective unless otherwise revoked by the Bank. The Bank may revoke an approval granted to a Green Lane participating institution at any time in the event of adverse developments observed which may include, but are not limited to those stipulated in paragraph 9.4.
- 7.12 The Bank may revoke the approval accorded to a Green Lane participating institution either by giving a 30 calendar day notice pursuant to paragraph 9.6 or with immediate effect in accordance with paragraph 9.7. In the event of a revocation of an approval granted by the Bank to a Green Lane participating institution, any ongoing registered solution being tested in the Green Lane shall be ended in an orderly manner by the Green Lane participating institution within a reasonable timeframe to be determined in consultation with the Bank.
- 7.13 In addition to paragraph 7.12, the Bank reserves the right to undertake supervisory actions against a Green Lane participating institution as the Bank deems appropriate pursuant to the laws, regulations or regulatory requirements administered by the Bank.
- 7.14 A Green Lane participating institution whose approval was revoked earlier by the Bank may apply for a new approval in accordance with the provisions of the policy document.

Qualified solutions – Parameters and safeguards

- 7.15 Green Lane participating institutions may avail themselves to a simplified registration procedure to commence testing of a new solution in the Green Lane, having regard to the requirements in the following paragraphs.
- 7.16 Green Lane participating institutions intending to test a solution offered to the general public must limit the offering to 20,000 unique customers per registered solution throughout the testing period, which shall not exceed 12 months.
- 7.17 Notwithstanding paragraph 7.16, the Bank reserves the right to accord a customer limit lower than 20,000 for registered solutions that are deemed of higher risk.
- 7.18 Upon receiving a written application by a Green Lane participating institution on an upward revision to the limit of unique customers, the Bank may allow such revision on a case-by-case basis depending on:
- (a) the testing performance in relation to the Key Performance Indicators (KPIs) set by the Green Lane participating institution;
 - (b) the value proposition of the solution; and
 - (c) the Green Lane participating institution's ability to effectively detect and mitigate risks as well as provide for customer redress amongst others.

For the avoidance of doubt, the Bank will only consider an upward revision of the limit of the unique customer during the testing of the solution in the Green Lane to ensure a data-supported review.

- 7.19 A Green Lane participating institution's written application pursuant to paragraph 7.18 to seek the Bank's approval for an upward revision of the limit of the unique customer must be submitted to the Bank at least 30 working days prior to when the institution plans to utilise the revised limit. The application must state the increment required to the unique customer limit supported by clear justification. For the avoidance of doubt, a Green Lane participating institution may proceed with the testing of the registered solution under the revised limit upon receiving notification from the Bank.

- 7.20 A Green Lane participating institution must consider the potential direct financial losses related to its solution that all customers may risk losing and must provide appropriate compensation should such a risk materialise.
- 7.21 A Green Lane participating institution is required to register with the Bank of its intent to test any new solution at least 15 working days before the planned date for its testing (hereafter referred to as a 'registration' of a Green Lane solution) by submitting the complete information as specified in Part B of Appendix V, including a detailed listing of regulatory impediments that the Green Lane participating institution is seeking flexibility on.
- 7.22 With reference to paragraph 7.21 when registering a solution with the Bank for the purpose of participating in the sandbox through the Green Lane, a Green Lane participating institution must submit the following document/ information to the Bank:
- (a) an attestation by the CEO and CRO of the Green Lane participating institution that it has taken the following measures in relation to the new solution to be tested in the sandbox:
 - (i) ensured product-specific risks are comprehensively identified and mitigated accordingly. This includes, but is not limited to, credit risk, operational risk, underwriting risk, money laundering and terrorism financing risks and Shariah risk, where relevant;
 - (ii) ensured adherence to the six principles relating to corporate culture, fair terms, provision of information, fair dealing, advice and recommendation, and redress as specified in the Bank's policy document on Fair Treatment of Financial Consumers;
 - (iii) ensured compliance with the Bank's Policy Document on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) and the Bank's Foreign Exchange Policy Notices issued pursuant to section 214 FSA and section 225 IFSA, where applicable;
 - (iv) commit to fully indemnifying customers for any direct financial losses² arising from problems attributable to the solution including

² For the avoidance of doubt, a Green Lane participating institution is not required to indemnify the customers for financial losses other than the direct financial losses described in paragraph 7.22(a)(iv) such as financial losses arising from the risks taken or decisions made by the customers.

- technical issues faced by the solution or any failure of the solution;
and
 - (v) ensure that its Board of Directors has oversight over the testing activities conducted by the Green Lane participating institution in the sandbox; and
 - (b) In respect of Islamic financial services, an attestation by the Shariah committee of the Green Lane participating institution that the new solution to be tested is consistent with prevailing Shariah rulings³. In the event that there is no Shariah ruling made in relation to the new solution, the Shariah committee of the Green Lane participating institution shall assess and deliberate such matters and provide attestation that the new solution is in line with Shariah principles.
- 7.23 Where the Bank does not express any concern or specifically prohibits a solution that has been duly registered within the timeline specified by the Bank in this policy document, a Green Lane participating institution may proceed with the testing of the registered Green Lane solution on the planned testing date upon receiving notification from the Bank.
- 7.24 Subject to paragraph 7.23, the regulatory flexibilities listed by the Green Lane participating institution in the application form for registration of individual solutions are to be deemed to have been granted by the Bank, subject to the expiry or revocation of the approval to participate in the sandbox or any written instruction from the Bank to stop the testing of the particular registered Green Lane solution.
- 7.25 Regulatory flexibilities will not be provided under any of the following circumstances:
- (a) the regulatory flexibilities require an exemption from a provision of the FSA, IFSA, DFIA, MSBA or Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, or any subsidiary legislation of these Acts;
 - (b) the regulatory flexibilities require an exemption from laws, regulations or requirements imposed by other authorities; or
 - (c) upon notification by the Bank that a particular regulatory flexibility will not

³ This means that the solution does not require SAC's deliberation or approval and do not involve new Shariah contract or changes in Shariah contract.

be provided or is withheld based on the details provided in the registration of the Green Lane solution. For example, regulatory flexibilities related to market conduct or fair treatment of financial consumers will not be accorded under the Green Lane. Such notification by the Bank will be made prior to the planned testing date.

- 7.26 Each Green Lane participating institution may register more than one solution to be tested in the Green Lane throughout the year.

PART D GENERAL REQUIREMENTS

8. Application requirements

- 8.1 An applicant interested to test its solution in the sandbox must submit to the Bank:
- (a) an application letter signed by the CEO of the applicant or an officer of the applicant as duly authorised by the CEO;
 - (b) the application form, in the format set out in Appendix II (for applicants using the Standard Sandbox track) or Part A of Appendix V (for applicants seeking approval to use the Green Lane); and
 - (c) supporting documents to substantiate the information provided in the application form.
- 8.2 A guide illustrating the application process is set out in Appendix I.
- 8.3 An applicant must submit the complete application to:
- Pengarah
Jabatan Pembangunan dan Inovasi Kewangan
Bank Negara Malaysia
Jalan Dato' Onn 50480 Kuala Lumpur
Email: fintech@bnm.gov.my
- 8.4 Applicants are encouraged to make an electronic submission via e-mail.

9. Expiry and revocation of approval

- 9.1 The testing period in the sandbox, regardless of whether it is under the Standard Sandbox or the Green Lane, shall not exceed 12 months from the start date of the test. Upon expiry of the testing period, approval to participate in the sandbox and any regulatory flexibility accorded to the participants will automatically expire, unless the participant has obtained the prior written approval from the Bank for an extension of the testing period.
- 9.2 To extend the testing period, a written application must be submitted to the Bank no later than 30 calendar days before the expiry of the testing period. The

application must state the additional time required and clearly explain reasons for requiring the extension. To minimise market distortion, the Bank will not generally approve a protracted extension of the testing period unless the solution has tested positively, and it can be demonstrated by the applicant that the extended testing is necessary to respond to specific issues or risks identified during the initial testing.

- 9.3 Upon completion of the testing, the Bank will decide on whether to allow the solution to be introduced in the market on a wider scale. If the Bank decides to allow, participating fintech companies intending to carry out regulated businesses will be assessed by the Bank based on applicable provision of the laws and regulatory requirements including licensing, approval, and registration criteria under the FSA, IFSA and MSBA, as the case may be.
- 9.4 Where there are adverse developments observed, subject to paragraph 9.6, the Bank may revoke an approval granted to participant to participate in the Standard Sandbox or require a Green Lane participating institution to terminate the testing of a particular registered solution in the Green Lane at any time before the end of the testing period. Such adverse developments may include, but are not limited to events where the participant:
- (a) fails to carry out the safeguards referred to in paragraph 6.8;
 - (b) submits false, misleading or inaccurate information, or has concealed or failed to disclose material facts in the application;
 - (c) contravenes any applicable law administered by the Bank or any other written law or foreign law, or is involved in civil suits, especially those which may affect the participant's integrity and reputation or overall financial stability and market confidence in Malaysia;
 - (d) is undergoing or has gone into liquidation;
 - (e) breaches data security and confidentiality requirements;
 - (f) carries on business in a manner detrimental to customers or the public at large;
 - (g) fails to effectively address any technical defects, flaws or vulnerabilities in the solution which gives rise to recurring service disruptions or fraud incidents;
 - (h) with reference to paragraph 7.22, breaches any of the performance as set out in the attestation by the Green Lane participating institution; or

- (i) with regards to Islamic financial services, the new solution being tested is not consistent with the prevailing Shariah ruling or Shariah principles.
- 9.5 The Bank may also prohibit the deployment of the solution in the market upon the completion or termination of the testing in the sandbox due to the following reasons:
- (a) in the event of an unsuccessful testing based on agreed testing parameters between the Bank and the participant;
 - (b) the participant is not able to comply with the applicable relevant regulatory requirements upon completion of the testing; or
 - (c) the solution has unintended negative consequences upon the public and/ or financial stability.
- 9.6 Before revoking an approval to participate in the sandbox or terminating the testing of a registered solution, the Bank will:
- (a) give the participant 30 calendar days' notice in writing of its intention to revoke the approval or terminate the testing; and
 - (b) provide an opportunity for the participant to make a representation in writing to the Bank on the grounds for the revocation of the Bank's approval or termination of the testing within 7 calendar days of receiving the Bank's notice referred to in paragraph (a).
- 9.7 Where any delay in revoking the Bank's approval or terminating the testing would be detrimental to the interests of the participant, its customers, the financial system or the general public, the Bank may revoke the approval or order the termination of testing immediately and provide the opportunity for the participant to make a representation in writing under paragraph 9.6 after the effective date of revocation of the approval or termination of the testing. Upon considering the written representation made by the participant, the Bank may decide to reinstate the approval for the participant to participate in the sandbox or allow the continuation of the testing, with or without any additional conditions.
- 9.8 Upon being notified by the Bank regarding the revocation of an approval to participate in the sandbox or termination of the testing, the participant must:
- (a) immediately implement its exit plan to cease the provision of the solution to new and existing customers;

- (b) provide a written notification to customers informing them of the cessation of the solution and the customers' rights to redress where relevant;
- (c) comply with the obligations imposed by the Bank to securely dispose of or destroy all confidential information including customers' personal information collected over the duration of the testing;
- (d) compensate any customers who had suffered direct financial losses arising from problems attributable to the solution in accordance with the applicant's statement or commitment in providing consumer redress mechanism including possibility for financial compensation as submitted by the participant to the Bank pursuant to paragraph 6.8(e) and 7.22(a)(iv); and
- (e) submit a report to the Bank on the actions taken under paragraphs 9.8 (a) – (d) within 30 working days after the revocation of the approval or termination of the testing.

10. Submission of information and reports

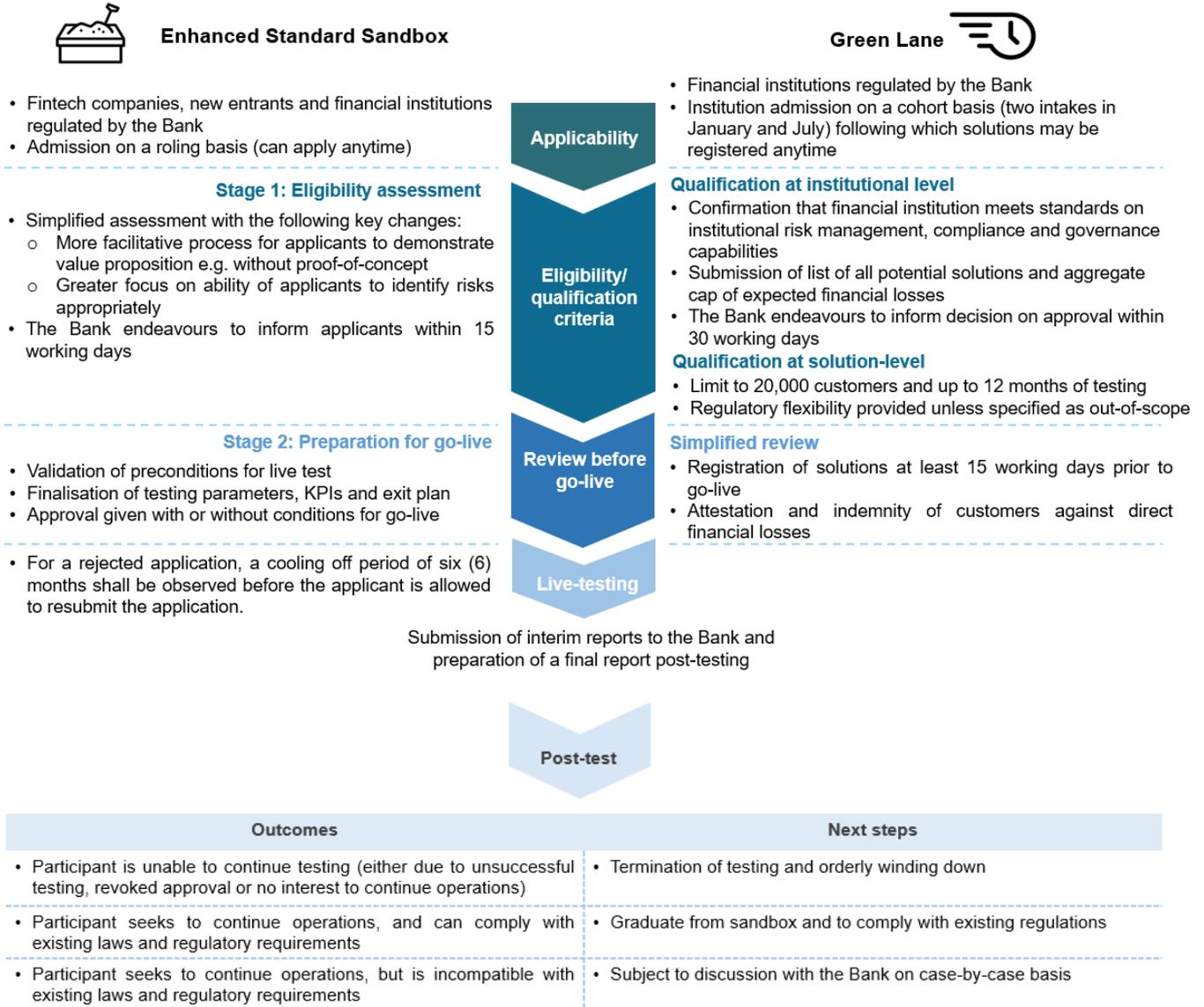
- 10.1 The participant must submit progress reports and a final report within 30 calendar days from the expiry of the testing period or termination of the testing to the Bank, which shall comprise of the following information:

Progress report	Final report
(a) statistical information in relation to or arising from the testing such as key performance indicators and key milestones; (b) key issues observed including fraud incidents or other operational incidents; and (c) actions or steps taken to address the key issues referred to in paragraph (b)	(a) key outcomes, key performance indicators against agreed measures for the success or failure of the testing, and findings from the testing conducted; (b) a full account of all incident reports and resolution of customer complaints; and (c) in the case of a failed testing, lessons learnt from the testing conducted.

- 10.2 The Bank will determine the frequency of the interim reports and specific details to be included in the interim reports upon the Bank's consultation with the participant, taking into account the duration, complexity, scale, and risks associated with the test.
- 10.3 The interim and final reports must be attested by the CEO of the participant that all information submitted is true and accurate.
- 10.4 In a situation of a joint testing by a financial institution or an approved or registered intermediaries and a fintech company either in the Standard Sandbox or Green Lane, the reports must be attested by both the CEOs of the financial institution and fintech company.

PART E APPENDICES

Appendix I Overview of application and assessment process



Appendix II Information requirements for Standard Sandbox application (fill up where applicable)

1. Prospective applicants are encouraged to visit the Bank's 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.
2. Applicants shall refer to the application forms set out in this policy document as a general guidance on the required information to be submitted to the Bank. Applicants are encouraged to attach supporting documents and information to support the details provided in the application form. Illustrated visuals (e.g. process flow, customer journey) are preferred to better facilitate the Bank's understanding of the solution to be tested in the sandbox.
3. The Bank will review and endeavour to inform the applicant of its eligibility to participate in the Standard Sandbox within 15 working days after receiving a complete set of information necessary for the assessment.

A. Applicant details	
Applicant 1: Fintech company	
Name of company	
SSM registration number	
Website URL	
Name of key management personnel ⁴ (e.g., CEO, CRO)	
Email address	
Phone number	
Mailing address	
Shareholders and shareholding structure	
Describe the nature and scale of your operations in Malaysia	
Provide details of high-skilled jobs that your company is creating in Malaysia	

⁴ An applicant is required to submit the curriculum vitae and a copy of the identification document of the key personnel for an application submitted individually by a fintech company as defined in paragraph 5.2.

Applicant 2: Financial institution	
Name of financial institution	
Name of designated officer (e.g., CEO or Head of Innovation)	
Email address	
Phone number	
Mailing address	
B. Information on the solution	
Describe the solution (i.e. features, design, process flow chart and target market or customers).	<i>(Please keep the response below 200 words. Additional information may be provided as supporting documents)</i>
<p>Where the solution is intended for the purpose of Islamic finance services, describe the type of Shariah contract used and the relevant SAC resolution that approved the structure similar to the proposed solution. The application must be supplemented by the appointed Shariah committee or consultant's attestation and minutes of deliberation that the proposed solution complies with the existing SAC ruling or relevant requirements under the applicable policy document.</p> <p>Where the solution to be applied in relation to Islamic financial services involves areas which have not been deliberated by the SAC, the applicant must provide justification that the solution is in line with Shariah principles as deliberated and attested by the appointed Shariah committee or consultant.</p>	<p><i>(Applicant is required to submit at least the following information to the Bank:</i></p> <ol style="list-style-type: none"> <i>1. product description including name and features;</i> <i>2. product structure including transaction flows;</i> <i>3. types of Shariah contract(s) used; and</i> <i>4. assessment of compliance with the relevant SAC rulings and/ or Shariah principles relating to the product structure)</i>
Eligibility criteria (as per paragraph 6.2)	
<i>Criteria 1: Regulatory Impediment</i>	
Identify the legal or regulatory requirements that are incompatible with or impede the proposed solution and the regulatory flexibilities needed to undertake the testing of the solution. The application may be supplemented by a legal opinion, if available, from an appropriate legal consultant/ practitioner.	

Criteria 2: Value Proposition	
Describe how the solution has the potential to improve accessibility, efficiency, and quality of financial services, or enhance the security and effectiveness of risk management in financial services.	
Criteria 3: Business Planning and State of Readiness	
Explain the readiness of the applicant's prototype and development timeline including an estimate on the readiness to provide an end-to-end demonstration of the proposed solution to the Bank.	
State the staff strength allocated to support testing in the sandbox and the roles and responsibilities of each staff. For fintech companies, this may include describing the broad governance structure (e.g. a proposed organisational chart, prospective Board or Senior Management candidates etc., as appropriate).	
State the applicant's current funding capacity (i.e. financial resources), shareholding structure and describe indicative plans for obtaining adequate funding moving forward (if any)	
Explain the business plan (e.g. marketing strategy) for the solution to be offered on a wider commercial scale.	
Criteria 4: Risk Management	
Describe the risks (including Shariah risk, where relevant) associated with the testing of the solution and identify appropriate risk mitigation measures/ safeguards	
C. Details of sandbox testing	
State the expected duration of the testing	
Explain the intended key outcomes of the testing	

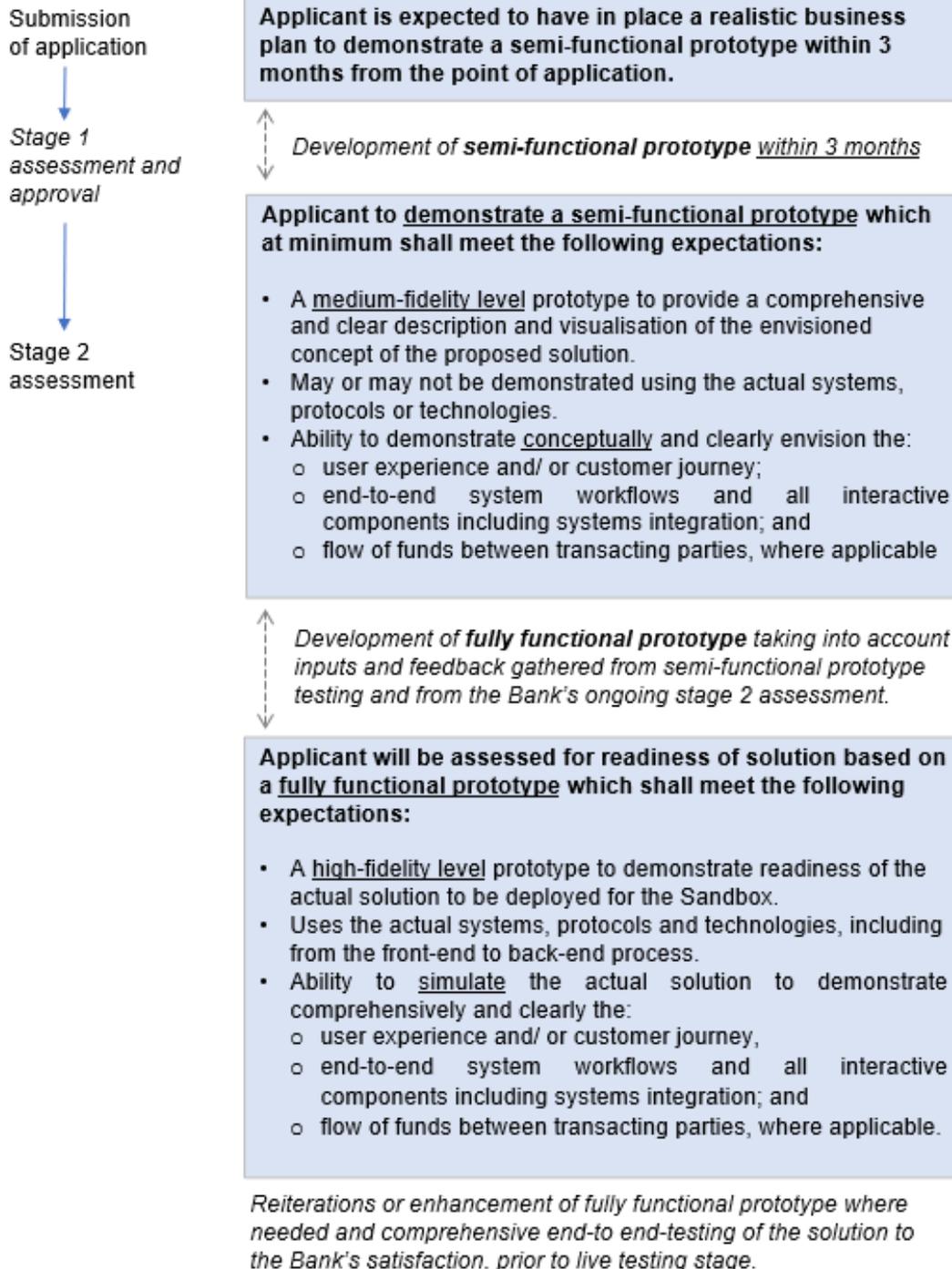
State the location of the IT infrastructure	
Other information (if relevant)	
Describe the collaboration between the financial institution and fintech company (e.g. outsourcing of service, equity stake participation, joint venture etc.)	
D. Attestation (template samples)	
Attestation by Shariah committee/ consultant for solution in relation to Islamic financial services⁵ (if applicable)	
<p><i>Please tick whichever is applicable.</i></p> <p><input type="checkbox"/> I, on behalf of the appointed Shariah committee/ consultant of [name of applicant], hereby confirm that [name of solution] to be tested in the sandbox is in conformity with the prevailing rulings of the SAC.</p> <p><input type="checkbox"/> I, on behalf of the appointed Shariah committee/ consultant of [name of applicant], confirm that [name of solution] to be tested in the sandbox is in conformity with the Shariah principles in the absence of Shariah rulings made by the SAC in relation to [name of solution].</p> <p>Name:</p> <p>Designation:</p> <p>Signature:</p> <p>Date:</p>	

⁵ The applicants must provide the relevant information either at the point of application (if readily available) or as part of documentation submission for stage 2 assessment.

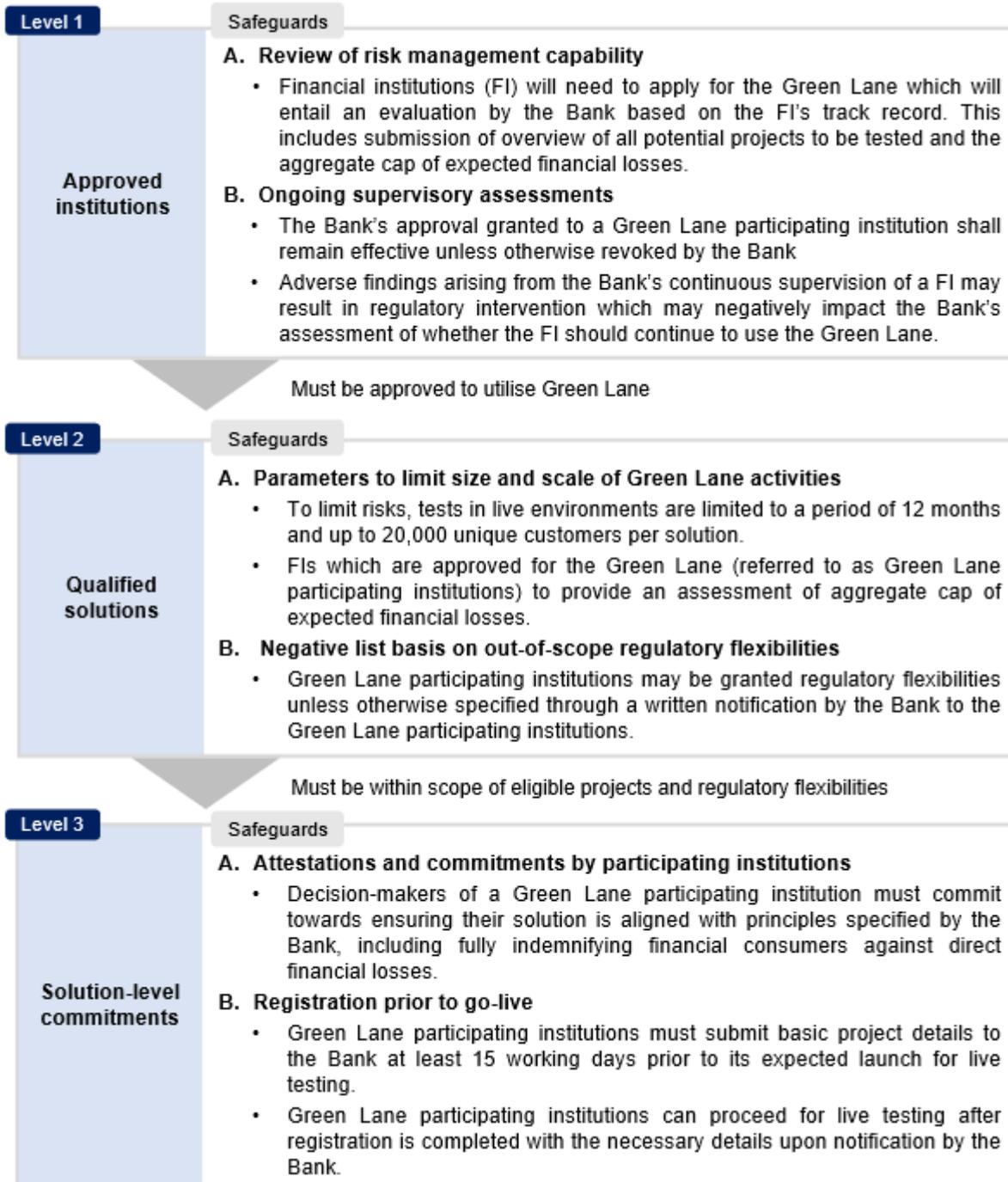
Attestation on fit-and-proper⁶ (if applicable)	
<p>We hereby confirm that the key responsible person(s) of the partnering fintech company have been assessed to be fit and proper based on, at minimum, factors relating to:</p> <ul style="list-style-type: none">(i) probity, personal integrity, and reputation;(ii) competency and capability; and(iii) financial integrity.	
Name of CEO:	Name of CRO:
Signature:	Signature:
Date:	Date:

⁶ This requirement is only applicable to applications submitted by a financial institution that is partnering with a fintech company to test a joint solution in the Standard Sandbox. The attestation must be made by the CEO and CRO of the financial institution.

Appendix III Overview of prototype development for Standard Sandbox



Appendix IV Overview of Green Lane's operational mechanism



Appendix V Information required for Green Lane application

Part A: Application form to participate in the Green Lane

A. Details of applicants	
Contact representative	
Name of financial institution	
Name of designated officer (e.g. CEO or Head of Innovation)	
Email address	
Phone number	
Mailing address	
B. Risk management	
Elaborate how risk management, compliance and governance processes are integrated within the applicant's innovation process.	<p><i>Guidance: The information to be provided shall focus on the following risk elements:</i></p> <ol style="list-style-type: none"> 1. <i>Market conduct and customer protection;</i> 2. <i>Cybersecurity, IT-related risks and data privacy;</i> 3. <i>Outsourcing and third-party reliance risks;</i> 4. <i>AML/CFT (including ML/TF risk assessment for introduction of new technology or business practices, e-KYC, name screening, transactions monitoring, etc); and</i> 5. <i>Shariah governance and Shariah risks</i>
Provide a list ⁷ of all the potential solutions to be registered and tested in the Green Lane together with the relevant details, including short description of the business model, target segment, list of potential regulatory impediments and planned date for testing.	
Provide an assessment on the aggregate cap of the expected financial losses for all potential solutions to be tested (e.g. RM xx or % of total exposure/ assets/ capital). The assessment shall be supplemented by the methodology used to derive the cap and why it is considered 'conservative'.	

⁷ If there are any changes to the information submitted, financial institutions must submit the updated information at least one month prior to registration of solution.

C. Attestation on aggregate cap (template sample)

We hereby confirm that the aggregate cap of the expected financial losses estimated for all potential solution projects to be tested in the Green Lane is assessed to be a conservative amount with minimal solvency impact to [name of FI].

Name of CEO:

Name of CRO:

Signature:

Signature:

Date:

Date:

Part B: Application form for registration of individual solution**A. Applicant details****Contact representative**

Name of financial institution

Name of designated officer
(e.g., CEO or Head of Innovation)

Email address

Phone number

Mailing address

B. Information on the solution

Describe the solution (i.e. features, design, process flow chart and target market or customers).

(Please limit the response to less than 200 words. Additional information may be provided as supporting documents)

Where the solution is to be applied in relation to Islamic financial services, describe the type of Shariah contract used and the relevant SAC resolution that approved the structure similar to the proposed solution. The information submitted by the applicant must be supplemented by the Green Lane participating institution's Shariah committee's attestation and minutes of deliberation that the proposed solution complies with the existing SAC ruling or requirements under the relevant policy documents.

(Applicant is required to submit at least the following information to the Bank:

- 1. product description including name and features;*
- 2. product structure including transaction flows;*
- 3. types of Shariah contract(s) used; and*
- 4. assessment of compliance with the relevant SAC rulings and/ or Shariah principles relating to the product structure)*

Where the solution to be provided in relation to Islamic financial services involves areas which have not been deliberated by the SAC, the applicant must provide justification that the solution is in line with Shariah principles as deliberated by the Green Lane participating institution's Shariah committee/ consultant.	
Describe how the solution has the potential to improve accessibility, efficiency, and quality of financial services, or enhance the security and effectiveness of risk management in financial services.	
Regulatory impediment	
Identify the specific legal or regulatory requirements that are incompatible with the proposed solution and the regulatory flexibilities needed to undertake the testing. The applicant shall include justification and may be supplemented by a legal opinion, if available, from an appropriate legal consultant/ practitioner.	
C. Business planning	
Explain the business plan (e.g. marketing strategy) for the solution to be offered on a wider commercial scale and the financial projection.	
State the resources (staff strength including their roles and responsibilities and expected funding) allocated to support testing in the Green Lane.	
D. Potential risks and safeguards	
Describe the risks (including Shariah risk, where relevant) associated with the testing and identify appropriate risk mitigation measures/ safeguards.	
E. Testing parameters	
State the number of customers targeted (note: shall not exceed the limit stipulated	

in paragraph 7.16)	
State the expected duration of the testing (note: shall not exceed the limit stipulated in paragraph 7.16)	
Explain the intended key outcomes of the testing, including a list of specific measures to determine the success or failure of the testing at the end of the testing period, and the proposed KPI(s) for Green Lane testing.	
F. Collaboration with fintech company (if applicable)	
Name of fintech company	
SSM registration number	
Website URL	
Name of key management personnel (e.g., CEO, CFO)	
Email address	
Describe the collaboration between the financial institution and fintech company (e.g. outsourcing of service, equity stake participation, joint venture etc.)	
G. Exit strategy	
Describe the exit and transition plan for customers in the Green Lane as well as the resolution plans in the event that the solution has to be discontinued.	
H. Attestation (template samples)	
Attestation by consultant/ Shariah committee for solution to be provided in relation to Islamic financial services (if applicable)	
<i>Please tick whichever is applicable.</i>	
<input type="checkbox"/> I, on behalf of the Shariah committee of [name of FI], hereby confirm that [name of solution] to be tested in the Green Lane is in conformity with prevailing rulings of the SAC.	
<input type="checkbox"/> I, on behalf of the Shariah committee of [name of FI], confirm that [name of solution] to be tested in the Green Lane is in conformity with the	

Shariah principles in the absence of Shariah rulings made by the SAC in relation to [name of solution].

Name:

Designation:

Signature:

Date:

Attestation by CEO and CRO of participating institution

We hereby confirm that the following measures have been taken in relation to the new solution to be tested in the Green Lane:

- (i) ensured product-specific risks are comprehensively identified and mitigated accordingly. This includes, but is not limited to, credit risk, operational risk, underwriting risk, money laundering and terrorism financing risks and Shariah risk, where relevant;
- (ii) ensured adherence to the six principles specified in the Bank's policy document on Fair Treatment of Financial Consumers;
- (iii) ensured compliance with the Bank's policy document on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) and the Bank's foreign exchange rules if applicable;
- (iv) commit to fully indemnifying direct financial losses incurred by customers arising from non-performance of its new solution;
- (v) ensured the Board of Directors of the participating institution has oversight over the testing activities conducted by the participating institution in the sandbox through the Green Lane; and
- (vi) (if applicable) ensured that the key responsible person(s) of the partnering fintech company have been assessed to be fit and proper based on, at minimum, factors relating to:
 - (a) probity, personal integrity, and reputation;
 - (b) competency and capability; and
 - (c) financial integrity.

We solemnly and sincerely declare that all the information submitted above is true and [name of participating institution] understands that if we have furnished any information required which is false, inaccurate, misleading or contains material errors or omissions, Bank Negara Malaysia may revoke its

approval granted for the participation in the Green Lane or terminate the testing of a registered solution.

Name of CEO:

Name of CRO:

Signature:

Signature:

Date:

Date: