



# THE CBN FRAMEWORK FOR REGULATORY SAND BOX OPERATIONS

The Central Bank of Nigeria (CBN) on 13 January 2021 published a Framework on Regulatory Sandbox Operations ('the Framework') for a formal process to conduct live tests of new, innovative products, services, delivery channels or business models in a controlled environment subject to appropriate conditions and safeguards. The Framework prescribes the standards of operations of the Regulatory Sandbox, the processes and procedures for handling consumer data and information in order to achieve a wholesome operation that guarantees competition, promotes financial inclusion and instils public confidence in the Financial Sector.

**CATEGORIES OF PARTICIPANTS ALLOWED UNDER THE FRAMEWORK ARE:** CBN licensees with innovative payments products or services; and other local companies which may include financial sector companies as well as technology and telecom companies intending to test an innovative payment solution/product which is acceptable by CBN. Applicants must however meet eligibility criteria as specified in Paragraph 1.3 of the Framework.

**APPLICATION AND APPROVAL REQUIREMENTS:** Paragraph 2.0 of the Framework provides for the procedure for application for use of the Sandbox. The application begins with an invitation by the CBN on its website and advertised on local newspaper which will set out the minimum eligibility criteria to shortlist applicants who qualify for the sandbox. Application to the Sandbox will be to the CBN through the Regulatory Sandbox online application platform accessed via the CBN's official email address - Sandbox@cbn.gov.ng. The receipt of application shall be acknowledged to applicants within five (5) working days after submission. The application must however be submitted with a cover letter signed by an authorized signatory of the entity and addressed to the Director, Payments System Management Department, Central Bank of Nigeria, Abuja. Each applicant will be informed of its eligibility and approval to participate in the sandbox within forty-five (45) working days after the closure of the application window.

Lastly, a Letter of Approval would be issued to the innovator which would allow Sandbox participants to test their innovation. Before the application is considered, a risk assessment is to be conducted by the applicant to ascertain possible risks the proposed product can pose to the financial institution and customers which may arise from the usage and testing of the proposed product/services.

After the issuance of the Letter of Approval CBN will engage participants on all operational, filing and documentation requirements to be met. Upon the completion of a sandbox test, CBN will decide whether the product, service or solution should be introduced into the market.

The CBN may also evaluate and review approval to participate in the sandbox at any time before the end of the testing period where for example the participant fails to carry out safeguards or breaches data security and confidential requirements.

Participants will however be given an opportunity to respond in such instance where delay in reviewing the approval would be detrimental to the interest of the participant, their customers, the financial system, or the public.

Following a review and evaluation of an approval, participants must immediately implement its exit from the Sandbox, notify its customers, comply with obligations of the CBN and submit a report to CBN within thirty (30) working days.

The Framework incorporates the commitment of the CBN to support the inclusion of technology into the Nigeria Financial sector and ensure a level playing ground for innovators as well as a safer and more efficient platforms for consumers. .



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