

IFSCA sets up framework for regulatory sandbox to tap into innovative FinTech solutions

By TIOL News Service

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International Financial Services Centres Authority (IFSCA), with an objective to develop a world class FinTech hub at the IFSC located at GIFT City in Gandhinagar (Gujarat, India), endeavours to encourage the promotion of financial technologies (â€˜FinTechâ€™) initiatives in financial products and financial services across the spectrum of banking, insurance, securities and fund management.

As a step towards attaining this vision, IFSCA has introduced a framework for "Regulatory Sandbox". Under this Sandbox framework, entities operating in the capital market, banking, insurance and financial services space shall be granted certain facilities and flexibilities to experiment with innovative Fin Tech solutions in a live environment with a limited set of real customers for a limited time frame. These features shall be fortified with necessary safeguards for investor protection and risk mitigation. The Regulatory Sandbox shall operate within the IFSC located at GIFT City.

All entities (regulated as well as unregulated) operating in the capital market, banking, insurance and pension sectors as well as individuals and startups from India and FATF compliant jurisdictions, shall be eligible for participation in the Regulatory Sandbox. Entities desirous of participating in the sandbox to showcase their innovative FinTech solutions, concepts and business models shall apply to IFSCA.

IFSCA shall assess the applications and extend suitable regulatory relaxations to commence limited purpose testing in the Sandbox. The details on the eligibility criteria, the application and approval process and other operational aspects of the Sandbox have been provided in the circular.

As an additional steps towards creating an innovation-centric ecosystem in the IFSC, IFSCA has proposed the creation of an "Innovation Sandbox", which will be a testing environment where FinTech firms can test their solutions in isolation from the live market, based on market related data made available by the Market Infrastructure Institutions (MIIs) operating in the IFSC. The Innovation Sandbox will be managed and facilitated by the MIIs operating within the IFSC.

Further details on the framework for Regulatory Sandbox are available on the IFSCA website at the URL: <https://ifsc.gov.in/Circular>