



REGULATORY SANDBOX FRAMEWORK FOR THE NATIONAL RESERVE BANK OF TONGA

June 2025

-- Draft --

National Reserve Bank of Tonga Regulatory Sandbox Framework

Contents

1. Definitions.....	3
2. Rationale for Regulatory Sandbox	4
3. Purpose of the Regulatory Sandbox	5
4. Principles of the Regulatory Sandbox.....	6
5. Stages of the Regulatory Sandbox lifecycle.....	7
6. Duration of the Regulatory Sandbox lifecycle.....	8
7. Scope of Applicants	9
8. Scope of products and services	10
9. Application and submission of Application.....	11
11. Agreement	14
12. Regulatory reliefs and exemptions.....	15
13. Licensing and activities subject to authorisation.....	17
14. Restrictions	17
15. Key Performance Indicators	18
16. Reporting	18
17. Withdrawals and termination	19
18. Conclusion of the testing.....	20

1. Definitions

- 1.1. Agreement - for the purposes of this framework, Agreement shall connote and mean the formal binding contract between the Applicant and the National Reserve Bank of Tonga (NRBT) that includes information, obligations, and actions of both parties including, but not limited to, the scope of the testing upon admission to the sandbox, the scope and parameters of the testing, as well as rights and responsibilities of the parties, including compliance and sanction provisions that apply to the participant within the Regulatory Sandbox.
- 1.2. Applicant - legal entity or the sole trader, incorporated either in Tonga or in another jurisdiction, which applies to the Regulatory Sandbox as per this Framework and/or provides an innovative product to test it in the Regulatory Sandbox.
- 1.3. Exit strategy - set of steps and actions taken by the Sandbox Participant to wind down provision of the product/service.
- 1.4. Innovative product - business proposition that leverages technology to introduce new business models, applications, processes, and products in the financial market and has a potential to have a positive impact on financial inclusion.
- 1.5. Key Performance Indicators - set of quantitative indicators to be used as benchmarks in assessing the results of the testing within the Regulatory Sandbox.
- 1.6. Pacific Regional Regulatory Sandbox (PRRS)¹ - is a regional regulatory sandbox jointly implemented by eight central banks under the Pacific Islands Regional Initiative² (PIRI), an initiative under the Alliance for Financial Inclusion³ (AFI). The National Reserve Bank of Tonga is a participating member of the initiative.
- 1.7. Portal⁴ - is a web service that serves as a utility for the implementation of the PRRS. The portal shall serve as a source of information regarding the participating jurisdictions, their sovereign regulatory sandbox, and as determined by participating central banks, can be a channel for applying and submitting of applications and enquiries, including facilitating exchange and communication between Applicants and

¹ <https://www.afi-global.org/publications/pacific-regional-regulatory-sandbox-guidelines/>

² <https://www.afi-global.org/activities/regional-initiatives/pacific-islands-regional-initiative-piri/>

³ <https://www.afi-global.org/>

⁴ <https://www.pirisandbox.org/>

respective jurisdictions. The National Reserve Bank of Tonga is a participating member of this initiative.

- 1.8. Regulatory Sandbox - special regulatory regime that allows legal entities and sole traders to test eligible financial products or services subject to certain regulatory exemption and regulatory reliefs, provided as per this Framework.
- 1.9. Regulatory Sandbox Platform - Similar to the Portal, this includes (but not limited to), any digital platform, electronic, web or mobile based channel leveraging the internet, designed to facilitate and allow coordinated collection, review of the applications, exchange of relevant information, engagement interactions and communications between participating parties and with Applicants and relevant stakeholders throughout the stages of the regulatory sandbox.
- 1.10. Sandbox Participant - (also referred to as "Participants") is an Applicant that has executed the Agreement by the approved representative, as per Chapter 11 of this Framework.

2. Rationale for Regulatory Sandbox

- 2.1. This framework has been prepared by the National Reserve Bank of Tonga (NRBT) to provide guidance on matters pertaining to the Regulatory Sandbox in pursuance of its objective of promoting financial stability and a sound and efficient financial system as laid out in National Reserve Bank Act 2020 Section 4(2). Section 4A also tasks the NRBT with regulating payment systems and promoting financial inclusion.
- 2.2. The pillar of Tonga's National Financial Inclusion Strategy⁵ seeks to create a conducive and effective legal and regulatory framework for Fintech, while mitigating risks and promoting financial stability, market integrity, and consumer protection.

⁵ Tonga National Financial Inclusion Strategy Strategic Object #3 is to promote and support responsible digital financial services (DFS), product innovation and delivery in Tonga. The key objectives are:

1. Create an Enabling Regulatory Environment and Policy Regime
2. Bridge Access and Usage Gaps for Digital Payments and Digital Financial Services.
3. Ensure Ecosystem Readiness and Secure Access to Digital Payment Infrastructure
4. Measure Access and Usage of Digital Financial Services Effectively

- 2.3. The Tonga National Financial Inclusion Strategy also aims to bolster confidence in the market through Fintech-specific policies and enabling frameworks such as a regulatory sandbox to promote competition, experimentation, and sensitisation.
- 2.4. In this regard, it is necessary to ensure the legal certainty for the financial innovators who are willing to provide products and services which might not be fully regulated in Tonga but have significant potential to contribute to financial inclusion objectives in the country.
- 2.5. Regulation of innovative products shall be based on risk assessment to ensure that over-regulation is not a barrier for implementation of innovations in the financial sector.
- 2.6. The NRBT should be aware of the ongoing developments in the financial sector within the country and worldwide.
- 2.7. The NRBT as part of the participating jurisdictions for the Pacific Regional Regulatory Sandbox (PRRS)⁶, subject to its determination and preference, may adopt when appropriate and necessary, the Portal to receive, review, and foster communication with Applicants.

3. Purpose of the Regulatory Sandbox

- 3.1. Regulatory Sandbox is a specific regulatory regime where innovative product (consistent with the definition and eligibility criteria of NRBT) can be tested to assess the associated risks, regulatory and compliance constraints, and the net impact on market or financial sector (including but not limited to the adoption, usage and quality) of these innovative products
- 3.2. All tests within the Regulatory Sandbox will be subject to restrictions in order to mitigate potential risks during the testing stage.
- 3.3. The NRBT may provide certain regulatory exemptions and reliefs within the regulatory sandbox to offset potential regulatory barriers that may prevent implementation of the innovative product.

⁶ See Pacific Regional Regulatory Sandbox Guidelines: <https://www.afi-global.org/newsroom/news/piri-publishes-pacific-regional-regulatory-sandbox-guidelines/>.

- 3.4. To facilitate roll-out of the innovative product after the successful test, the NRBT may decide to initiate amendments in regulations within its mandate.
- 3.5. Potential applicants will be able to ask for additional guidance regarding regulatory expectations from the NRBT during the testing phase within the Regulatory Sandbox.
- 3.6. It is expected that the Regulatory Sandbox will attract Applicants and stimulate competition.

4. Principles of the Regulatory Sandbox

- 4.1. Each stage of the Regulatory Sandbox lifecycle shall be based on the following principles.
 - *Transparency.* Review of applications as well as decisions related to all stages of the testing are made in a transparent manner. Whenever it is possible, the Applicant will be informed about the reasons of the decision taken in relation to the proposed project and testing. Relevant information about the testing will be published on the NRBT website, aligned with confidentiality, privacy and data protection principles as determined by NRBT and agreed with the Applicant.
 - *Engagement.* The Applicant and the NRBT are expected to cooperate throughout the Regulatory Sandbox lifecycle to ensure that testing is efficient and secure.
 - *Consumer protection.* The rights of the consumer shall not be compromised during the Regulatory Sandbox testing.
 - *Financial inclusion objectives.* Tested innovative products shall meaningfully contribute to financial inclusion objectives in Tonga.
 - *Risk mitigation.* Testing within the Regulatory Sandbox shall be subject to risk mitigation measures defined for specific innovative product.
 - *Fair competition.* Testing within the Regulatory Sandbox shall not give unfair advantages to any entities or person(s), and it would not be used to circumvent current regulatory requirements to obtain unfair competitive advantage.
 - *Time-bound.* There will be clear time limits for the testing within the Regulatory Sandbox as well as timeframe for each stage of the Regulatory Sandbox lifecycle.

- *Focus on results.* Each test within the Regulatory Sandbox shall have definite results that underlie the next steps, irrespective of whether the result is positive or negative.
- *Indemnity.* The NRBT will not be liable for any financial or material loss, failure, harm, or liability arising from the testing and decisions taken throughout the Regulatory Sandbox lifecycle. Any internal costs associated with the testing will be borne by the Applicants.
- *Finality of decisions.* All decisions made by the NRBT within the Regulatory Sandbox shall be treated as final.

5. Stages of the Regulatory Sandbox lifecycle

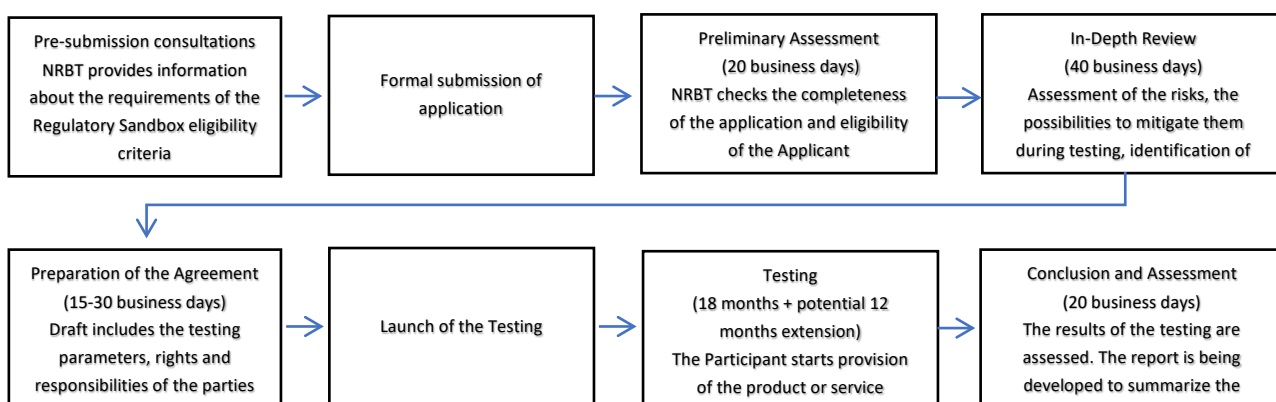


Figure 1 - Regulatory Sandbox lifecycle

- 5.1. The Regulatory Sandbox is implemented in stages. Each stage shall commence after the previous stage is successfully completed, as per this Framework.
- 5.2. *Submission of application.* The Regulatory Sandbox lifecycle starts with the submission of the application, as prescribed by this Framework. The application describes in detail the essence of the proposal, the goals of the project.
- 5.3. *Preliminary assessment of the application.* Upon the receipt of the application, the NRBT reviews the completeness of the application and eligibility of the Applicant, including fit-and-proper criteria.
- 5.4. *In-depth review of the application.* During the in-depth analysis of the application, the NRBT assesses the risks associated with the products or service, examines the

possibilities to mitigate them during testing, identifies the testing parameters and discusses them with the Applicant.

- 5.5. *Preparation of the Agreement.* The Agreement that includes the parameters of the testing, as well as rights and responsibilities of the parties is drafted and discussed with the Applicant.
- 5.6. *Launch of the testing.* After the Agreement is finalised, it is signed by the Applicant and the NRBT. The Agreement shall be in line with the requirements of this Framework.
- 5.7. *Testing phase.* The Sandbox Participant starts providing the innovative product in the market as per the terms of the Agreement, including periodic reporting obligations.
- 5.8. *Conclusion and Assessment.* At this stage, the results of the testing are assessed, and the testing is concluded. A report is developed to summarise the findings of the testing.
- 5.9. The potential Applicant may also consult with the NRBT on the requirements of the Regulatory Sandbox prior to the formal submission of the application. The contact details for pre-application inquiries are published on the NRBT website.

6. Duration of the Regulatory Sandbox lifecycle

- 6.1. Each stage of the Regulatory Sandbox lifecycle is time-bound.
- 6.2. Preliminary assessment of the application does not exceed 20 business days.
- 6.3. In-depth review of the application does not exceed 40 business days.
- 6.4. Preparation of the Agreement shall not exceed 15 business days and can be extended for not more than 15 business days, subject to the decisions taken by the NRBT.
- 6.5. The testing (experimentation) phase will not exceed an initial term of 18 months, with extensions subject to the provisions specified in this framework.
- 6.6. Conclusion and Assessment. The final report on the testing shall be approved no later than 20 business days after the end of the testing.
- 6.7. The NRBT may request additional information from the Applicant or the Sandbox Participant at any stage of the Regulatory Sandbox lifecycle. Information requested is subject to a deadline as stated by the NRBT. Not respecting the deadline may result in

the discontinuation of the review of the application or termination of the testing, unless the Applicant provides explanation for delay and NRBT finds it substantiated.

- 6.8. Duration of the preliminary assessment, in-depth review, preparation of the Agreement, as well as the Conclusion and Assessment, might be extended for the period specified by the NRBT. However, the Applicant or Participant is expected to provide additional information, as may be requested by the NRBT.
- 6.9. Duration of the preliminary assessment, in-depth review, preparation of the Agreement, and Conclusion and Assessment might be extended based on the mutual agreement between NRBT and Applicant or Participant.
- 6.10. The duration of the testing might be extended up to an additional 12 months, based on the Sandbox participant's substantiated request to the NRBT. This request shall be submitted no later than 30 days before the scheduled end of the testing phase and the NRBT's decision on the extension shall be made in no more than 15 business days. The request for extension can be approved as determined solely by NRBT, after its comprehensive evaluation of the rationale, supporting evidence and documentation and subject to the objectives and net impact on the ongoing testing.⁷
- 6.11. As determined and communicated by the NRBT, the duration of the testing for successful projects (as defined by this framework) may be extended for reasons and intentions resolved solely by the NRBT, including but not limited to, development of appropriate policy or regulation that allows the project to be commercially offered within the jurisdiction subject to registration, licensing, regulation and supervision.

7. Scope of Applicants

- 7.1. Only legal entities or sole traders may apply to the Regulatory Sandbox.
- 7.2. The Applicant shall be a legitimate business:
 - a) Incorporated in Tonga ; or
 - b) Incorporated in another jurisdiction, unless the jurisdiction is deemed as high-risk by the NRBT.

⁷ For example: if the hypothesis could not be tested due to unforeseen circumstances.

- 7.3. Legal entities and sole traders can apply to the Regulatory Sandbox whether they are currently licensed or authorised by the NRBT or not.
- 7.4. The Applicant and its management shall have probity, competence, experience, and soundness of judgement for fulfilling responsibilities of the proposed business, including ensuring compliance with laws on consumer data protection, cybercrime, and privacy.
- 7.5. The Applicant, its shareholders and/or directors should not have committed an offence involving dishonesty or has contravened a law designed to protect any member of the public arising from dishonesty, incompetence, malpractice or conduct of discharged or undischarged bankrupts or otherwise insolvent persons; either in Tonga or other jurisdictions ('fit-and-proper criteria').
- 7.6. The Applicant shall have resources required to implement the innovative product and adhere to all requirements as stipulated throughout the testing.

8. Scope of innovative product

- 8.1. In order to be approved for the Regulatory Sandbox testing, the proposed innovative product shall meet the following requirements (subject to review without notice and as determined by the NRBT):
 - a) Innovative product shall be under the purview of the NRBT, currently or potentially subject to regulation and within the defined mandate of the NRBT.
 - b) Innovative product shall constitute a genuine innovation⁸
 - c) Innovative product shall not be a source of unmitigated systemic risks to the payment and financial system, the economy or contribute adversely, in part or wholly to the positive social situation in the country.
 - d) Innovative product shall be at least at the minimum viable product stage and be ready with proven resources and capability for implementation.
 - e) Innovative product shall contribute to the financial inclusion targets by expanding availability and access, contributing to responsible usage, and improving

⁸ E.g. include new process, delivery channel, model of operation, etc.

the quality of financial services, and collectively serve public interest, with special focus on the vulnerable groups⁹.

f) Innovative product shall not entail the use, promotion, distribution, exchange, issuance, trading, or provision of cryptocurrencies.

- 8.2. All innovative products that are tested within the Sandbox shall contribute to mitigation of risks to the consumer, payment and financial system, economy, and society within the jurisdiction. Annex 1 includes the indicative types of innovative product that Applicants are encouraged to submit for testing.
- 8.3. The NRBT reserves the rights to determine and announce themes and priorities, indicating the nature or types of innovative products welcomed to apply to the Regulatory Sandbox from time to time, by publishing this information on the NRBT website.
- 8.4. The NRBT reserves the rights to determine and announce the nature or type of application and admission process¹⁰ and associated timeframe to the regulatory sandbox. Information about such announcement will be published on the NRBT website.

9. Application and submission of application

- 9.1. In order to apply to the Regulatory Sandbox, the Applicant shall submit the application in line with the provisions stipulated in this Framework.
- 9.2. The application shall be submitted through the designated channel¹¹, the Portal, or by other means as specified by the NRBT.
- 9.3. The application and all attachments shall be submitted in English. If some part of the application is in another language other than English, it shall be accompanied by a verified and notarized English translation by a competent and recognised legal institution. Translation of the documents issued by public authorities in other

⁹ E.g. the youth, the elderly, those living on remote islands.

¹⁰ NRBT can determine and announce if it will run a cohort or rolling application and the admission process to the regulatory sandbox

¹¹ This includes but not limited to email, printed documents delivered to a physical address or desk, facsimile, and/or an electronic or digital form

jurisdictions are also required to be translated, authenticated, and notarized by the competent and recognised legal institutions.

- 9.4. Information about the application form, required submissions and other supporting or additional documentation format, acceptable document types, sizes, and any other technical specification or requirements as it pertains to the submission channels communicated by NRBT, including the PRRS portal would be published on the NRBT website, and might be updated from time to time.
- 9.5. The application form is included in Annex 2.
- 9.6. Apart from the application, the Applicant shall submit the following documents:
 - a) Incorporation documents (if applicable).
 - b) Licence (if any).
 - c) Other relevant and required documents.
 - d) Other additional documents¹²
- 9.7. The Applicant shall demonstrate that it has conducted its due diligence on the probable and applicable regulatory policy, guidelines or Acts and other requirements within the purview of the NRBT, to identify and highlight within reason, regulatory or compliance constraints (if any) and/or potential risks to be addressed or considered for regulatory relief within the regulatory sandbox.
- 9.8. The Applicant shall have clear understanding and articulate the objectives of the testing, subject to the agreement of NRBT.
- 9.9. The Applicant is encouraged to provide detailed information as much as possible. Lack of information may result in delayed review or the decline of an application.
- 9.10. Prior to the submission of the application, the applicant may consult the nominated contact or focal point, or desk communicated by NRBT on the specific requirements of the application.

¹² as decided by Applicant to put forward a strong case for admission into the regulatory sandbox

- 9.11. Upon successful submission of the application, the applicant will be required to consult and communicate directly with the assigned contact person(s) or desk as communicated by the NRBT. NRBT reserves the rights to update, revise and review the nominated focal point(s) or desk.
- 9.12. The application can be submitted on behalf of two or more entities. However, all entities shall be required to provide a legal representative¹³ to be officially considered in the application process, but all parties and entities bounded by an existing contract, shall be required to fulfil requirements and provisions required of prospecting Applicants to the regulatory sandbox.
- 9.13. Whenever the application is submitted on behalf of two or more entities as per point 9.12, it should include information about the roles of all parties and the division of responsibilities regarding the execution and performance of the innovative product to be tested in the regulatory sandbox.
- 9.14. No fees are charged or levied to potential applicants to consult, apply, have their application evaluated or reviewed, and get admitted (or otherwise) to the regulatory sandbox by the NRBT. If the Applicant needs to obtain the license to start the testing, licensing fees as set by NRBT will apply. NRBT may decide to introduce fees for submission or review of applications by its decision that is to be published publicly.

10. Preliminary assessment and in-depth review of the application

- 10.1. During the preliminary assessment the NRBT conducts the fit-and-proper checks, verifies the completeness of the application and the general eligibility of the Applicant and innovative product.
- 10.2. During the in-depth review, the NRBT assesses the risks of the proposed innovative product, soundness of the proposition, identifies risk mitigation measures and potential regulatory reliefs.

¹³ This can be one of the existing entities participating in the partnership and legally bounded in a contract or this can be a newly registered legal entity or special purpose vehicle. This definition of a legal representative is subject to the guidance of the NRBT and can be reviewed from time to time

- 10.3. The NRBT may ask for additional information from the Applicant regarding the application during the preliminary assessment and in-depth review of the application.
- 10.4. The NRBT may decide to have a face-to-face or virtual meeting with the Applicant to discuss the details of the application.
- 10.5. The NRBT may request the Applicant to demonstrate, conduct a walk through or proof the innovative product is available, functional, and ready for testing within the regulatory sandbox
- 10.6. If the application or the innovative product does not meet the requirements and provisions of this framework, the NRBT reserves the rights to decline the application and communicate such decisions with reasons (where applicable) to the Applicant.
- 10.7. The NRBT reserves the rights to identify and consult external experts for specific purposes as determined by the NRBT, including but not limited to, in-depth review of an application; in such circumstances, the experts will be bounded by a Non-Disclosure Agreement.
- 10.8. In communicating its decision to decline admission the NRBT informs the Applicant of the possibility to re-apply and if applicable, cooling-off period and/or other provisions to be fulfilled prior to re-applying. Applicants may re-apply only if the deficiencies identified in previous applications are addressed. Applicants that were found non-eligible due to failure to comply with the 'fit-and-proper' requirements cannot re-apply. The NRBT reserves the rights to define and revise the cooling-off period for re-applying.

11. Agreement

- 11.1. All parameters of the testing within the Regulatory Sandbox shall be incorporated into the Agreement between the NRBT and the Applicant.
- 11.2. If the application is submitted by the legal representative on behalf of the two or more entities, the Agreement shall be signed either by the legal representative (with the contract binding all parties attached) or directly by all co-Applicants.

11.3. The content of the Agreement shall specify details of the applicant, a clear description of the innovative product, agreed scope and all significant terms and conditions of the testing, including but not limited to:

- 11.3.1. Details of the Applicant;
- 11.3.2. Clear and comprehensive description of the innovative product;
- 11.3.3. Objective(s) and scope of the innovative product;
- 11.3.4. Agreed scope of testing;
- 11.3.5. Regulatory reliefs and exemptions;
- 11.3.6. Applicable restrictions;
- 11.3.7. Key Performance Indicators (KPIs);
- 11.3.8. Reporting requirements;
- 11.3.9. Exit strategy;
- 11.3.10. Disclosure requirements;
- 11.3.11. Rights and responsibilities of the Applicant; and
- 11.3.12. Confidentiality requirements, including the list of information that might be made publicly available.

11.4. NRBT reserves the right to include, revise and determine other information, provisions and terms and conditions of the testing that might be included in the Agreement.

11.5. Terms and conditions can be changed as per this framework. All the possible changes shall be subject to the amendments of the Agreement.

12. Regulatory reliefs and exemptions

12.1. Subject to the periodic review, case-by-case assessment, and determination of the NRBT, the NRBT may provide the following regulatory adjustments, exemptions and reliefs that are within its mandate, to innovative products and Applicants (if and where applicable):

- a) Licensing requirements;
- b) Capital requirements / minimum paid-up capital;
- c) Know Your Customer (KYC) thresholds;
- d) KYC requirement;
- e) Board composition;
- f) Cash balances;
- g) Fund solvency and capital adequacy;
- h) Management experience;
- i) Minimum liquid assets; and
- j) Track record.

12.2. The NRBT may grant other regulatory exemptions or reliefs if deemed appropriate, should they relate to the purpose of the testing and does not generate additional risks.

12.3. Regulatory adjustments related to AML/CFT requirements are provided in line with the risk-based approach, as stipulated by the relevant Laws and regulations.

12.4. These regulatory reliefs and exemptions are only valid for the duration of the testing, as approved by the NRBT.

12.5. The NRBT does not grant regulatory reliefs and exemptions for the following:

- a) Fit-and-proper requirements;
- b) Confidentiality of consumer information (unless the appropriate consumer consent is received);
- c) Prudential requirements regarding consumer deposits, money and assets handling, management and security;
- d) Consumer protection requirements; and

- e) Specific provision related to Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) requirements should a relief granted contradict the recommendations of the Financial Action Task Force or other international AML/CFT standards.

12.6. The Applicants are expected to adhere to all regulations which are not exempted based on the Agreement.

13. Licensing and activities subject to authorisation

- 13.1. The Applicant may request for the NRBT to issue a temporary license or authorization to provide payment services or operate a payment system. The temporary license or authorization is valid only for the duration of the testing
- 13.2. The NRBT may establish specific requirements or conditions with the temporary license or authorisation. These requirement thereof will be communicated to the applicant through the admission letter or confirmation to the regulatory sandbox.
- 13.3. Entities that would be providing a form of payment services but would require a different license are:
 - 13.3.1. Commercial Banks licensed under the Banking Act 2020
 - 13.3.2. Authorised foreign exchange dealers licensed under Foreign Exchange Control Act 2018. .

14. Restrictions

- 14.1. For risk mitigation purposes, NRBT establishes the following restrictions that need to be adhered to during the testing. These restrictions shall be reviewed and determined on a case-by-case basis, subject to the type of innovative product and any other factor(s) deemed relevant by the NRBT:
- 14.2. The restrictions and specific requirements might include:
 - a) Number of clients.
 - b) Number of accounts/electronic wallets.
 - c) Maximum value of funds held by an Applicant.

- d) Maximum value of loans provided to the consumers.
- e) Maximum value of a single transaction.
- f) Maximum value of transactions over time.
- g) Localisation of data processing requirements.
- h) Geography of provision of services.
- i) Specific requirements towards consumer protection and redress procedures.
- j) Other restrictions that might be useful for mitigation of risks associated with the innovative product.

15. Key Performance Indicators

- 15.1. The Agreement shall include the key performance indicators that will be used to assess the results of the testing.
- 15.2. Key performance indicators need to be of quantitative nature. Systems and processes should be in place to gather all the necessary metrics to assess the results of the testing.

16. Reporting and oversight

- 16.1. The Sandbox Participants are required to submit periodic reports during the testing.
- 16.2. The scope of reporting and timing of reports shall be agreed upon between the Applicant and the NRBT.
- 16.3. The scope of reporting will include the following at a minimum:
 - a) Information related to key performance indicators.
 - b) Key issues observed arising from fraud or operational incident reports.
 - c) Full account of incident reports and consumer complaints.
 - d) Actions or steps taken to address key issues.

16.4. Subject to periodic reviews, case-by-case considerations, and the determination of the NRBT, oversight requirements are established to control the adherence to the restrictions and other terms and conditions of the testing. This may include, but not limited to, on-site visits, access to information systems, mystery shopping, etc.

17. Withdrawals and termination

17.1. The Applicant has the right to withdraw the application or terminate the testing at any time.

17.2. If the Regulatory Sandbox participant decides to terminate the testing, it should implement the exit strategy, as stipulated by the Agreement. The participant shall inform the NRBT no later than 15 business days prior to the intended date to cease testing and upon written confirmation and oversight from NRBT, the participant can proceed with the implementation of the exit strategy.

17.3. Testing can be terminated by the NRBT in the following cases:

- a) The Applicant violates terms and conditions of the testing (i.e., testing restrictions) and does not settle the situation in a manner as determined by the NRBT.
- b) The Applicant fails to commence testing on the date specified in the Agreement with the NRBT and does not have prior notice or extension granted by the NRBT.
- c) The Applicant fails to comply with the reporting provisions and requirements as contained in the Agreement, and other information and documents as requested by the NRBT from time to time.
- d) The innovative product is a source of social or economic risks that could not be anticipated before the start of the testing or contributes or exacerbates material risks to the payment and financial system that could not be mitigated during the testing.
- e) Based on the analysis of the consumer complaints, it is found that the innovative product is harmful or contributes to net negative impact to the consumers.

- f) The Applicant is found to have submitted false information during the application stages that had significant effect on the decisions regarding the application.
- g) The Applicant is undergoing or has gone into liquidation.
- h) The innovative product is provided with continued service disruptions and/or fraud incidents that are not addressed and mitigated.

17.4. In case the failures stated in para 17.3 are the result of the unforeseen circumstances, the Applicant shall inform NRBT accordingly. NRBT and Applicant will attempt to remedy the failure prior to termination of the testing.

17.5. All regulatory exemptions and reliefs are void upon testing termination.

18. Conclusion of the testing.

18.1. No later than 10 business days before the end of testing, the Applicant shall submit the draft report on the results of the testing. The report should include the following at a minimum:

- a) Factual indicators achieved during the testing, as per Agreement.
- b) Number, summary of complaints received during the testing and how they were resolved.
- c) Problems faced by the Applicant during the testing, including fraud incidents and operational incidents (if any).
- d) Applicant's view on further roll-out of the innovative product.

18.2. The NRBT prepares the final report outlining whether the testing was successful or not. The testing is considered successful if the key performance indicators are achieved, subject to the consideration and determination of the NRBT, otherwise the testing is considered unsuccessful.

18.3. If the testing is found successful, the NRBT determines the most appropriate and relevant regulatory approach or pathway, which might include (but not limited to) amendments or other policy tools and actions, and subsequently provides guidance to

the Participant on the necessary regulation required to commercially deploy the innovative product within the jurisdiction.

18.4. Where applicable, the Participant will be advised to proceed to apply for a specific license or authorisation as guided by the NRBT.

18.5. If the NRBT finds that the testing is not successful or the innovative product is a source of significant risks that cannot be mitigated efficiently, it reserves the rights to employ required regulatory sanctions and actions, including (but not limited to) prohibition of commercial deployment of the innovative product.

19. International cooperation

19.1. The NRBT may engage with regulators in other jurisdictions for the purpose of collaborating and jointly implementing a regional regulatory sandbox which includes shared activities and commitments, including but not limited to, attracting, and assessing potential Applicants, knowledge exchange related to the review of applications and inputs (if applicable) to assessing the results of the testing, with provisions to ensure confidentiality, sovereignty, and data protection.

19.2. The NRBT may decide to adopt and use the portal, operated jointly with peer financial regulators under the Pacific Island Regional Initiative (PIRI)¹⁴ regional regulatory sandbox, to receive applications to the Regulatory Sandbox, communicate with the Applicants and for other purposes deemed necessary by the NRBT. Information about the usage of portal and the Pacific regional regulatory sandbox will be published on the NRBT website.

¹⁴ <https://www.afi-global.org/activities/regional-initiatives/pacific-islands-regional-initiative-piri/>

-- Remainder of this page is left intentionally blank --

19.3. Annex 1: innovative product that can be tested in the Regulatory Sandbox

Innovative product proposed for the testing shall contribute to one or more policy objectives as listed below:

- a) Expanding account ownership among the unbanked or underserved;
- b) Ensuring regular use of a secured store of value wallets and no-frills bank/deposit accounts, by addressing identification and other documentation barriers;
- c) Enhancing the range, diversity, quality and distribution network of financial services providers infrastructure and products through more sophisticated and innovative digital infrastructure;
- d) Enhancing efficiency in delivery of financial services and promote competition in Tonga's financial sector;
- e) Improving security and risk management;
- f) Improving access and usage of financial services across underserved segments of Tonga's economy;
- g) Promoting financial deepening;
- h) Assisting financial institutions improve compliance with existing or new laws, regulations and policies governing Tonga's financial sector.
- i) Supporting financial policymakers and regulatory community to improve market regulations and supervision;
- j) Improving digital and financial literacy among population;
- k) Promoting the development of the Micro Small and Medium Enterprises (MSME) sector by addressing information asymmetries and improve the exchange of information on the financial sector improving access to information, markets, and financing;
- l) Mitigating the loss of correspondent banking relationships and formal remittance services;
- m) Encouraging consumer behaviour and adoption of inclusive green finance or other initiatives that help low-income consumers adapt to the impacts of climate change;

- n) Promoting and advancing gender-sensitive financial services. Enhancing the uptake and use of digital financial services by low-income consumers;
- o) Providing low-income young entrepreneurs with enhanced opportunities to access financial services and grow their business;
- p) Enhancing the quality of financial inclusion for the elderly;

-- Remainder of this page is left intentionally blank --

Annex 2: National Reserve Bank of Tonga Regulatory Sandbox Application Form (Template)

Applicant Details	
1. Name of company	
2. Type of Applicant (sole trader, limited liability company, etc.)	
3. Postal address and physical address (if different)	
4. Telephone/mobile number	
5. Email	
6. Website	
7. Name of Applicant's senior officials (e.g., CEO, CFO, COO)	
8. Name and contact details of key contact person for liaison purposes	
9. Shareholders	
10. Country or countries in which your company operates	
11. Description of the nature and scale of the business in the countries where your company currently operates.	
12. Has the innovative financial service been proposed or been tested in other country sandboxes and/or interfaced with the regulatory authorities of other jurisdictions?	

If yes, provide the details of the test and the result, if applicable.	
13. Business registration number (e.g., Tax identification number) and the country of incorporation	
14. Information of relevant licence(s) or authorisation(s) (if applicable)	
15. Does the company or anyone of its managers have an adverse record of unscrupulous business dealings, a criminal record or other non-compliance with regulations in other jurisdictions? If yes, please, provide additional details.	
Partner details	
1. Name of institution(s)	
2. Postal address	
3. Telephone/mobile number	
4. Email	
5. Description of the collaboration between your company and the partner organisations (outsourcing of service, equity stake participation, etc.)	
6. Business registration number (e.g., Tax identification number) and the country of incorporation	
7. Information of relevant licence(s) or authorisation(s) (if applicable)	
Information about the proposed product/service	
1. Describe the proposed product/service.	

2. Explain how your proposed product/service meets the eligibility criteria	
3. Explain how your proposed product/service meets the evaluation criteria	
4. Explain the business plan for the proposed product/service to be offered on a commercial basis.	
5. Identify and describe the legal or regulatory requirements that are incompatible with the proposed product/service.	
6. Describe how the usefulness and functionality of your proposed product/service has been assessed and/or tested.	
7. Are there any similar products/services deployed in other jurisdictions? (If yes, please, provide details)	
8. Provide the proposed consumer segments for testing period and how you anticipate to acquire them	
9. Describe the use case for the proposed testing	
10. Describe the objectives of the proposed tests	
11. What are the expected milestones and timelines?	
12. Provide the reasoning for your readiness to test the proposed innovative financial solution (sufficient due diligence and technical testing done, well-developed testing plans, detailed risk analysis on the tests).	
13. Firm's compliance with applicable AML/CFT laws/regulations & guidelines (e.g. compliance control program).	
14. Provide and describe the cybersecurity measures in place to ensure safety of innovative financial solution.	
Testing phases	

1. Describe the risks associated with the sandbox testing and identify appropriate risk mitigation measures/safeguards.	
2. Explain the intended key outcomes of the testing.	
3. State the expected duration of the test.	
4. State the nature and location of the IT infrastructure.	
5. State the source of funding for the testing.	
6. Provide any other information that may support the application.	
7. What are regulatory exemptions or reliefs that would prevent the implementation of your product/service without the regulatory sandbox testing?	
8. What restrictions do you propose to use during testing?	
9. What are the key performance indicators that you propose to use to assess the success of the testing?	
Support needed from regional sandbox	
1. Provide the list of support you would require from the countries that you are interested in pursuing to test your proposed product/service live in the sandbox.	
2. Please provide any other information that may support your application.	