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भुक्तानी प्रणाली विभाग

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सूचना

सम्पूर्ण सरोकारवाला व्यक्ति तथा निकायहरु ।

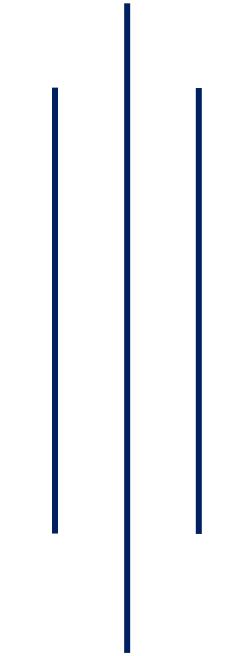
विषय : “Guidelines on the Regulatory Sandbox” प्रकाशन गरिएको सम्बन्धमा ।

यस बैंकबाट Regulatory Sandbox सञ्चालन गर्ने प्रयोजनका लागि स्वीकृत गरिएको संलग्नबमोजिमको “Guidelines on the Regulatory Sandbox” बैंकको वेबसाइट www.nrb.org.np मा प्रकाशन गरिएको व्यहोरा अनुरोध गर्दछु ।

भवदीय,

(निश्चल अधिकारी)
कार्यकारी निर्देशक

Guidelines on the Regulatory Sandbox



Nepal Rastra Bank
Payment Systems Department

Definition of Terms

1. For the purpose of these Guidelines, the following definitions are provided:

1.1 **“Applicant”** means the party interested in being a Participant in the Sandbox as indicated through the submission of an application form. The Applicant could be an authorized and regulated financial institution or a Fintech company, either on its own or in collaboration with another regulated financial institution.

1.2 **“Fintech”** means financial technology or technological innovation utilized in the provision of financial products and services.

1.3 **“Fintech Company”** means a company other than a regulated financial institution that is leveraging technology to create innovative products, services or solutions that enhance the delivery and reach of financial products and services.

1.4 **“Participant”** means any institution authorized by Nepal Rastra Bank (NRB) to participate in the Regulatory Sandbox. The term “Participants” shall be construed accordingly.

1.5 **“Licensed Entity”** means a licensed or registered Financial Institution (bank and non-bank) which is subject to regulation and supervision by NRB and any relevant regulations. The term “Licensed Entities” shall be construed accordingly.

1.6 **“Regulatory Sandbox” or “Sandbox”** means a controlled and supervised testing environment in which participating institutions may test their products, services, or solutions under defined parameters and subject to the requirements of these Guidelines.

1.7 **“Financial product or service”** means any product or service regulated by NRB in accordance with relevant acts.

1.8 **“Financial solution”** means any tool, platform, system, technology or approach that enables, facilitates, or supports the activities falling under the regulatory purview of NRB.

1.9 **“Cohort”** means a structured sandbox cycle initiated by NRB, based on specific innovation theme, within which the selected participants are permitted to test their financial products, services, or solutions. NRB may invite applications for a limited number of thematic cohorts annually, subject to predefined eligibility, scope and timelines.

1. Introduction

1.1 Rapid diffusion of technology, expanding access to internet connectivity¹, nation-wide adoption of smartphones², and lowering trend of cost of internet connectivity³ have created opportunities for financial technology (Fintech) start-ups keen to offer innovative financial products, services, and solutions. As in many jurisdictions across the globe, these institutions require support and an enabling research and development environment.

1.2 In this regard, Nepal Rastra Bank (NRB) aims to encourage innovations in the financial services sector by facilitating the controlled testing of new and innovative products, services, or solutions to foster responsible innovation and deepen ongoing financial inclusion efforts.

1.3 In furtherance of this, NRB has decided to establish a Regulatory Sandbox ('Regulatory Sandbox' or 'the Sandbox') to provide a regulatory environment that is conducive for the development and deployment of innovative technology-enabled products, services, or solutions in the financial sector. This initiative has been made for the implementation of Pillar 4, Objective 2, Strategy 2, Action (2) of NRB's Fourth Strategic Plan, 2022-2026.

1.4 The Regulatory Sandbox is a controlled and supervised testing environment that enables Participants to test their products, services or solutions, and promotes evidence-based/ results-driven assessment of new and emerging financial innovations before they are commercially launched.

1.5 In line with Section 4 of the Nepal Rastra Bank Act, 2002- which identifies increasing financial access, strengthening public confidence, maintaining financial sector stability, and developing a secure, healthy and efficient payment system as key objectives of NRB- Section 5(j), which authorizes NRB to take actions necessary to achieve these objectives, and Section 110(3), which empowers NRB to issue guidelines under the Act, these Guidelines are issued to establish the Regulatory Sandbox.

2. Purpose of the Guidelines on the Regulatory Sandbox

2.1 These Guidelines on the Regulatory Sandbox provide guidance and requirements for the establishment of and for Participants to operate in the Regulatory Sandbox.

2.2 These Guidelines also seek to encourage the development of evidence-based, result driven responsible innovations in the Nepali market and to foster collaboration between various financial sector entities.

¹ As per NSO (2023), 38 percent of Nepalese households have access to internet connectivity in Nepal.

² As per NSO (2023), 72.94 percent of the population own a smartphone in Nepal.

³ As per bestbroadbanddeals.co.uk (2023), the cost of per GB data connectivity has reduced from \$2.25 in 2019 to 0.43 in 2023.

2.3 These Guidelines also aim to foster open and transparent dialogue between the private and public sector stakeholders and NRB.

3. The Regulatory Sandbox

Objectives

3.1 The Regulatory Sandbox seeks to achieve the following objectives:

- a) promote safe and responsible innovation of financial products, services or solutions to enhance access, usage and quality of digital financial services;
- b) enable innovation of fintech to be deployed and tested in a live environment while ensuring protection of consumers and the financial services sector;
- c) encourage collaboration between the traditional financial services ⁴providers and fintech;
- d) promote competition and efficiency in the financial services sector while protecting consumers;
- e) monitor new technologies in the financial sector to ensure appropriate safeguards to manage the risks and contain the consequences of failure;
- f) provide an avenue for regulatory engagement with firms on new and innovative technologies in the financial services sector; and
- g) inform financial sector regulation and policy.

Benefits

3.2 The Regulatory Sandbox will enable the following:

- a) ability to test products, services, or solutions in a controlled environment;
- b) introduction of new and innovative technology-enabled products, services, or solutions in the financial sector that will deepen financial inclusion efforts;
- c) ability to monitor new technologies in the financial sector to ensure that they do not introduce systemic risk to the financial system;
- d) support in the identification of appropriate consumer protection measures;
- e) provision of avenues for regulatory engagement with firms on new and innovative technologies in the financial services space while contributing to economic growth; and
- f) inform regulatory reforms to meet the changing demands of the financial sector.

⁴ For the purpose of these Guidelines, traditional financial services providers are the licensed entities, offering banking and financial services through conventional channels or via digital channels.

Scope

3.3 The Regulatory Sandbox is specifically intended for Fintech innovators, and generally for innovators in the financial services sector, including traditional financial services providers, that have already developed their product, service, or solution and are ready to undertake live testing through controlled, supervised, and monitored testing in the market.

3.4 The sandbox activities that can be tested are those that NRB is able to oversee in terms of existing legislation and any relevant regulations or those that facilitate or support the delivery or expansion of activities that fall under NRB's regulatory purview.

3.5 NRB has included a list of permissible products, services, or solutions for testing under Annex 2 of these Guidelines.

3.6 Acceptance into the Regulatory Sandbox will not act as a permanent license to operate, nor a permission to operate without regulatory oversight or supervision.

Confidentiality

3.7 NRB shall treat all information availed or submitted by any entity seeking to participate in the Sandbox as confidential, unless the same is already in the public domain. NRB shall not disclose such information to third parties without the Applicant's or Participant's written consent unless required to do so under any law or court order.

3.8 For the avoidance of doubt, the intellectual property laws of Nepal shall apply.

3.9 In order to provide stakeholders with information on emerging risks and regulation of technology-enabled products, services, or solutions, NRB may produce reports on anonymized data, regulatory insights and any lessons learnt from the Sandbox.

Target Audience

3.10 NRB shall consider entities in the financial services sector including Licensed Entities such as NRB-licensed BFIs, PSOs, PSPs, remittance companies. As far as allowed by the prevailing laws, Fintech Companies that propose to deliver new financial products or services pertaining to activities that could fall under the regulatory purview of NRB or financial solutions that enable, facilitate or support activities under NRB's regulatory purview may also be allowed to test in the sandbox.

3.11 NRB shall consider innovations that enhance financial services, improve consumer experience with financial products or services, promote competition and efficiency, or enhance financial inclusion. Furthermore, compliance with consumer protection, data protection, data privacy, anti-money laundering and countering of terrorism financing, and cybersecurity shall be considered, whether in full or part, as per a risk-based approach.

3.12 Applicants may refer to the list of permissible products, services, and solutions under Annex 2 of the Guidelines, based on which Cohort themes may be defined by NRB.

3.13 NRB may, to the extent permitted by law and in consultation with relevant financial sector players, temporarily relax or waive some of the existing regulatory requirements, or provide temporary authorizations to entities participating in the Sandbox ('Participants'). Specifically, NRB may provide the following exemptions to Participants:

3.13.1 Licensed Entities: Regulated BFIs; other institutions regulated and/or licensed by NRB such as PSOs, PSPs, and remittance companies may be granted the following exemptions, as far as applicable, for the duration of testing in the Sandbox: authorization to test their products, services, or solutions in the Sandbox; temporary relaxation of asset maintenance or cash balance requirements, provided balances remain sufficient to meet business and customer-related obligations created during sandbox testing; exemptions regarding minimum liquid assets, minimum paid-up capital, license fees, credit rating, management experience, escrow requirements, or other prudential or operational criteria.

3.13.2 New entities: A new Fintech Company that intends to deliver new financial products, services, or solutions pertaining to activities that could fall under NRB's regulatory purview or that facilitate, enable, or support regulated activities, may be provided temporary regulatory relief strictly for the purpose of sandbox testing. Such relief may include, but not limited to: permission to participate in the sandbox to test their products, services, or solutions in a controlled, supervised, and monitored environment and temporary exemptions to requirements related to risk management, outsourcing, minimum liquid assets, cash balances (sufficient to meet obligations during testing), management experience, track record, escrow requirements, or other applicable criteria.

3.13.3 The participants (licensed and new entities) may, as far as possible, also be facilitated with the following enablers:

- a. Simplified reporting and disclosure requirements (as per the templates agreed-upon during negotiations of terms and conditions),
- b. Non-discriminatory and low-cost access to payment and banking infrastructure (if necessary),
- c. Temporary waivers related to support center operating hours, dispute management portals, etc. provided that consumer protection and minimum service standards are maintained,
- d. Technology neutrality, enabling new technologies to be tested,

- e. Marketing and advertisement flexibility provided that the customers are well-informed about the sandbox operation,
- f. Other cohort/product-specific facilitations, as deemed necessary.

Safeguards

3.14 The Sandbox approach aims to provide a safe environment for testing with regards to key risks in the financial sector, including terrorist financing, money laundering, consumer protection, cyber risk, competition, data privacy, and information security, among others.

3.15 An authorized Participant must adhere to the relevant regulations on confidentiality of customer information, Know Your Customer (KYC), Anti Money Laundering (AML), and Countering Financing of Terrorism (CFT) requirements at all times.

3.16 Testing will be limited to customers who have consented to be part of the tests and have been educated about the risks involved by the Participant.

3.17 Given the live nature of the Sandbox, the Participant will be required to implement sufficient safeguards to ensure the protection of the volunteer customers, including resources or measures to compensate for any losses to the customers.

3.18 Applicants must demonstrate capacity and resources, including those necessary to mitigate and control potential risks and losses.

Application, Approval, Testing and Exit Process

3.19 The Sandbox will have four distinct phases:

- i) Application phase,
- ii) Application evaluation phase,
- iii) Testing phase, and
- iv) Evaluation and graduation phase.

3.20 All Applicants must ensure and demonstrate in their applications that they have met all the eligibility criteria set out in Annex 1 of these Guidelines.

Application and Evaluation

3.21 The application and evaluation phase shall generally be completed within 120 working days from the opening of the application window.

3.22 The application window for each cohort shall be opened for 45 working days. NRB shall evaluate each application received during the application phase against the requirements outlined in Annex 1 and 3.

3.23 The initial screening of the application shall be accomplished within 30 working days from the closure of application window. The applications qualified after the completion of initial screening

shall undergo final evaluation. The final evaluation shall be accomplished within 30 working days from the completion of initial screening period.

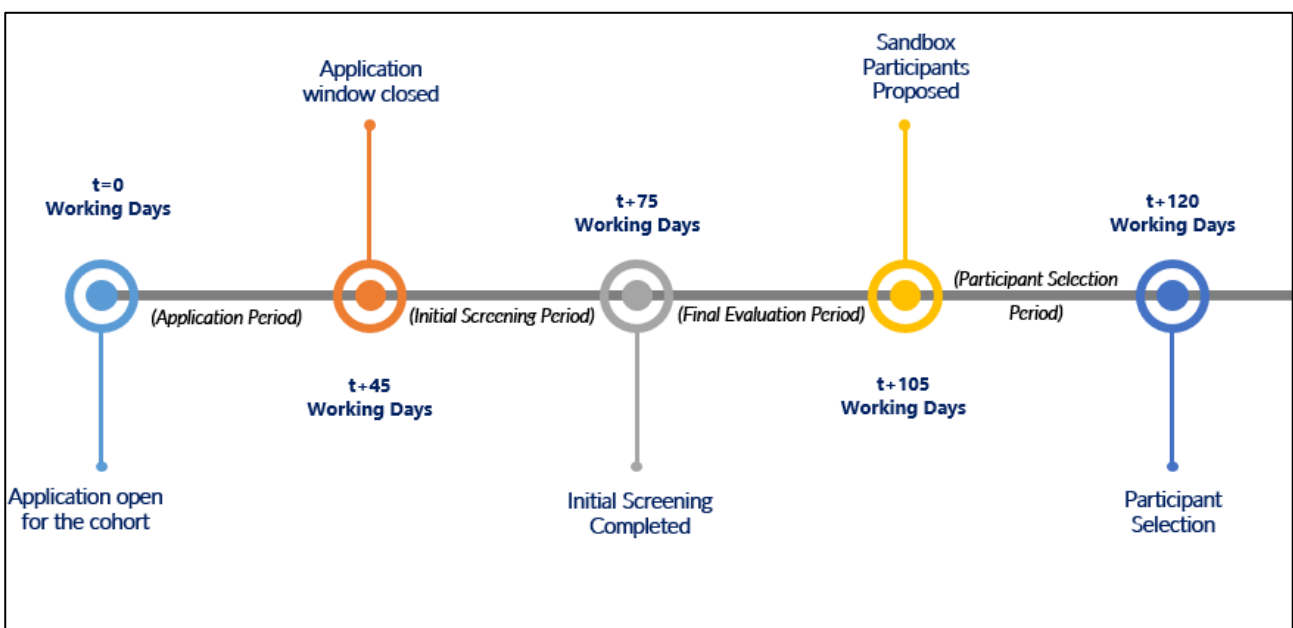
3.24 In the course of the assessment period, the Applicant may make adjustments to the application with the permission of NRB. This may include changes to the parameters of the intended tests to be conducted in the Sandbox.

3.25 NRB shall communicate in writing to the Applicants the decision of acceptance or rejection of sandbox participation within 3 working days from the completion of final evaluation period.

3.26 Notwithstanding anything contained in Clauses 3.22 to 3.25, NRB may, at its discretion, extend any timeline prescribed therein, where such extension is warranted due to unavoidable circumstances, complexity of the application, volumes of applications received, or any other plausible justifications as determined by NRB. Any extension of timelines under this clause shall not be construed as a deemed approval or rejection of any application and shall not confer any right or legitimate expectation upon the applicant.

3.27 Upon approval, each Participant will be invited for testing preparation, during which NRB and the participant shall mutually agree on terms and conditions related to: i) testing scope, limitations, and duration; ii) metrics or key performance indicators (KPIs); iii) reporting obligations; iv) risk controls and consumer protections; v) any conditions linked to regulatory relief.

3.28 Testing phase shall commence after the Participant informs NRB of their readiness, in accordance with approved application and/or agreed upon terms and conditions. By confirming their intention to participate in the Sandbox, each Applicant agrees to be responsible for deploying, operating and meeting the costs of the test to be conducted in the Sandbox, with NRB providing the appropriate regulatory guidance for the duration of the test.



Testing

3.29 On entering the testing phase, the Applicant will be referred to as a Participant.

3.30 In the event of a successful application by a Fintech Company that is unable to obtain the required approvals/authorizations from NRB, it must enter into a partnership with a licensed financial services provider in the country before commencing testing phase for approved product, service, or solution.

3.31 The period for testing is limited to a maximum of 6 months, after which the regulatory approval and relaxation received by the Participant will expire. Each Participant will be bound to the agreed testing dates not exceeding an initial period of 6 months.

3.32 If the Participant for whatever reason requires an extension to the agreed testing period, this should be communicated in writing to NRB at least 30 calendar days before the end of the agreed testing period.

3.33 The NRB will consider the application for extension and reserves the right to reject any request for extension. In the event of a rejection, NRB shall provide a written communication stating the reasons for such decision.

3.34 The testing period may be extended by a maximum of up to 6 months, if deemed appropriate by NRB.

3.35 During the testing period, the Participant shall submit periodic reports as required by NRB within the prescribed timelines.

Revocation of Authorization or Early Exit

3.36 NRB reserves the right to revoke any permission or authorization for the testing of a financial product, service or solution in the Regulatory Sandbox where a Participant:

- a) has caused significant customer harm;
- b) materially does not comply with the agreed terms and conditions of the testing;
- c) fails to develop or implement appropriate safeguards for consumers;
- d) breaches data security requirements;
- e) fails to comply with applicable AML/CFT requirements, or is observed to have engaged in transactions or activities that create a material risk of money laundering or terrorist financing;
- f) is noted to have submitted misleading information or misrepresented to NRB;
- g) goes into liquidation or has primary license cancelled;
- h) fails to address any technical defects;
- i) withdraws their product or service voluntarily from the Sandbox; or
- j) has failed to meet any other conditions specified by NRB.

Obligations of Exiting Participants

3.37 A Participant that is exiting the Sandbox for any reason whatsoever will be required to take the following steps:

- a) **Provide a consumer exit plan.** An exiting Participant must provide a plan to exit the Sandbox as well as transition consumers from the product within a timeframe and manner that is acceptable to NRB;
- b) **Cease operations.** An exiting Participant must cease operations within a timeframe that is acceptable to NRB and in line with the agreed consumer exit plan above;
- c) **Submit final data and reports.** An exiting Participant must hand over all data related to the testing, including customer data, to NRB immediately, and in any case prior to the exit. NRB will require an exiting Participant to purge or permanently delete any customer data acquired during the period of testing.
- d) **Fulfilment of obligations.** An exiting Participant must fulfill all obligations towards customers onboarded during sandbox testing, the payment and/or banking infrastructure, and other licensed entities with which the Participant has integrated its solutions.
- e) **Final evaluation report.** An exiting Participant must also submit a final evaluation in a form and manner prescribed by NRB within 60 days of exit from the Sandbox.

Obligations After Testing Period

3.38 Upon the completion of the testing period (including the period of any extension), the Participant will prepare to exit the Sandbox guided by a testing plan approved by NRB, which shall include plans for an orderly exit without causing disruption to the financial system and prejudice to customers. Additionally, the Participant will follow all obligations stipulated in Section 3.37 above.

3.39 The Participant shall submit all relevant information within prescribed timelines after the completion of testing period. The submitted information shall be reviewed by NRB to determine the success or failure of the test.

Evaluation after Testing

3.40 After the testing period, NRB will evaluate the relevant product, service or solution, including: i) operational performance and key performance indicators, ii) suitability for broader market adoption in Nepal, iii) risks and corresponding consumer protection measures associated with the introduction of the product, service, or solution, and iv) readiness for full licensing or market integration.

3.41 The evaluation may conclude with a **successful graduation**, if the Participant meets the test objectives and other stipulated conditions for successful testing. In the event of minor issues to be resolved before successful graduation from the Sandbox, the Participant may **re-enter the Sandbox**

or adjust the model, with NRB's prior approval. In case the Participant is unable to successfully graduate from the Sandbox after the evaluation, the **Sandbox status will be revoked**.

3.42 After the evaluation has concluded, NRB will communicate in writing whether the test has been successful along with reasons for the same. NRB may grant the Participant an extension of a maximum of 6 months to continue or re-initiate the testing in the Sandbox.

3.43 The following exit pathways may be followed to graduate successful participants from the sandbox:

- a. For licensed entities whose financial products and services fall within the scope of existing laws and regulations, NRB may, subject to compliance with applicable requirements, grant the necessary regulatory approval for deployment of such tested financial products.
- b. For other entities whose financial products and services fall under an existing licensing framework, NRB may, subject to fulfillment of applicable licensing requirements, consider granting the relevant license and approving such products and services, in accordance with prevailing laws and regulations.
- c. For licensed entities that have successfully tested financial solutions in the Sandbox, NRB may permit such entities to deploy or integrate the tested solution for the provision or extension of approved financial products and services, subject to specific conditions, safeguards, or supervisory requirements as may be applicable.
- d. For financial solutions developed and tested successfully in the Sandbox by other entities, the NRB may issue a sandbox completion acknowledgement confirming the successful conclusion in accordance with the agreed testing plan. Such acknowledgement shall be limited to confirming participation in and completion of the Sandbox testing process and shall not constitute licensing, certification, authorization, approval, endorsement or regulatory clearance of the entity, the solution or any commercial deployment thereof. Licensed entities, may, at their discretion and subject to prevailing laws, regulations, approval processes, and supervisory requirements, adopt or integrate such solutions based on their own due diligence, risk management, and compliance assessments. Nonetheless, NRB may, where appropriate, issue regulatory clarifications or guidance informed by sandbox learnings to facilitate adoption of such solutions by licensed entities.

3.44 Successful participants shall follow the transition to full deployment of the tested product, service, or solution in the Nepali market in accordance with the approved testing plan and applicable exit pathway, as outlined in these Guidelines. Nonetheless, successful graduation from the Sandbox shall not be construed as a guarantee for licensing, approval, or authorization, and all exit outcomes shall remain subject to applicable laws, regulations, and supervisory assessment by NRB.

4. Governance

4.1 The Sandbox will operate under the oversight of a dedicated inter-departmental Steering Committee (“Sandbox Governing Committee”). The Sandbox Governing Committee will convene regularly to oversee the Sandbox, review the results; ensure supervision consistency, approve strategic decisions such as scope changes, exit pathways for participants, and any other decisions relevant to sandbox or cohort operations; and share knowledge. This will help ensure that consistency is applied in application and implementation procedures, while also monitoring the sandbox for the achievement of results.

4.2. The day-to-day functioning of the Sandbox will be overseen by the Payments System Department (PSD) of NRB. For this purpose, PSD will constitute a Sandbox Committee, which will operate under the convening power and supervision of the Director of the Payments System Department and shall report to the Sandbox Governing Committee.

4.3 The Sandbox Committee will oversee the day-to-day functioning of the Sandbox, including the call for application (through PSD) and application evaluation, testing, exit, and final evaluation of the products, services, or solutions being tested.

4.4 For the purpose of evaluation of applications, an Evaluation Team shall be formed under the coordination of the chair of the Sandbox Committee. The Evaluation Team may constitute members from the Sandbox Committee and/or other relevant departments of NRB, tasked with the responsibility to recommend Sandbox participants to the Sandbox Committee and the Sandbox Governing Committee.

4.5 The Sandbox Committee may, as per the decision of the Sandbox Governing Committee, further appoint or invite any external individual or institution whose skills or professional experience are deemed useful to participate in an advisory capacity, provided that their integrity is ensured and conflicts of interest are avoided.

5. Periodic Evaluation of the Sandbox

5.1. The Internal Audit Department of NRB will conduct an annual evaluation of the functioning of the Sandbox and submit a report on the same to the Sandbox Governing Committee.

5.2 Key areas of the evaluation will include analyzing the performance of the firms that participated, assessing the regulatory flexibility provided, and reviewing the impact of the products, services, or solutions tested within the sandbox.

5.3 The evaluation report will include recommendations for improving future cohorts, refining the Sandbox design and operations, and ensuring better alignment with regulatory goals. The findings

laid down in the evaluation report will help determine the success of the Sandbox and inform potential changes or expansions in the future.

5.4 Evaluations may also cover the following subtopics: i) effectiveness in achieving objectives; ii) feedback from participants and consumers; iii) regulatory insights gained; iv) recommendations for improvements and future Sandbox cohorts.

6. Additional Rules and Operational Guidelines

The Payments System Department will have the power to enact and adopt additional rules and operational guidelines related to the Sandbox throughout its lifecycle, including application, selection, testing and exit, as the need may be.

7. Disclosure and Communication

NRB shall ensure timely disclosure of regulatory sandbox-related information fairly and equitably to all stakeholders. NRB shall communicate the sandbox process, cohort theme, entry and exit criteria, call for application, list of selected applicants, and others. NRB shall further publish other relevant documents for the purpose of knowledge transfer, transparency, and collaboration with other international regulatory agencies, without disclosing sensitive proprietary information of participants.

8. Effective date

These Guidelines are effective from 14 May, 2026.

Annex 1: Eligibility Criteria

1. Eligibility Criteria may include but will not be limited to the following:

1.1 **Incorporation:** The applicant is incorporated in Nepal and is a licensed bank or financial institution, or a licensed payment system operator, or a licensed payment service provider, or a licensed remittance company or a new FinTech company/firm that intends to deliver new products, services, or solutions that NRB can supervise or that support the achievement of NRB's objectives as specified in the NRB Act, 2002.

1.2 **Innovation:** The proposed product, service or solution must be genuinely innovative or offer a new use of existing technologies, evidenced through market research and a comparison of the key features of the Applicant's technology or operating methodology against competitors. The innovation must fall on the eligible products, services and solution list.

1.3 **Financial inclusion:** The proposed innovation must have the potential to enhance financial inclusion in Nepal. The Applicant must demonstrate this in their application to the extent possible.

1.4 **Need for a Sandbox:** The Applicant must demonstrate that live testing is necessary to achieve the testing objective.

1.5 **Readiness for regulatory testing:** The Applicant must demonstrate technical readiness of their product, service or solution for sandbox testing, along with well-developed testing plans and sufficient safeguards to protect customers. Key risks of the solution and how they can be mitigated must be separately highlighted.

1.6 **Fit-and-Proper requirements:** The Applicant should be in good standing and all key stakeholders (management, owners, directors, etc.) should be fit and proper. NRB shall consider the following criteria to conduct the fit-and-proper assessment of the Applicant and its owners, board and management:

- a. The company, including its beneficial owners, Board of Directors (BODs), and senior management personnel, are not listed on blacklist or sanction list issued by a competent regulatory, judicial or government authority. In case of previous backlisting/sanction listing history, a minimum of three (3) years must have elapsed since removal from such list.
- b. The beneficial owners, BODs, and senior management personnel do not have any criminal record.

- c. If the company is already licensed by a competent regulatory authority, it has a clear track record of regulatory compliance.
- d. The company has the following qualification, expertise, and/or operational capacity to support testing:
 - i. Team profile with qualifications demonstrating at least 2 full-time technical staff, such as developers and cyber security experts.
 - ii. Project Manager with at least 2 years of relevant experience in fintech/Regtech domain

The applicant, its BODs, and senior management personnel shall submit, in addition to above mentioned fit-and-proper-related documents, a “Self-Disclosure” declaring that all information, statements, documents, and attachments are true, complete, accurate, and not misleading in any material respect, to their best knowledge and belief. They shall expressly acknowledge and accept full legal responsibility and liability for any consequences arising from the submission of false, incorrect or incomplete information.

1.7 Consumer Benefit: The Applicant should demonstrate that the proposed product, service or solution offers a benefit to consumers, whether through the product itself or an expanded or more competitive offering.

1.8 Thematic Eligibility Criteria: Eligible applications should demonstrate that their proposed product, service or solution is suitable for the cohort theme for which applications have been called by NRB. NRB may propose additional cohort-specific eligibility criteria at the time of making the application announcement.

1.9 Complete Application: Eligible applicants must provide complete applications and submit all requested materials. Any errors or omissions will be swiftly addressed in response to NRB inquiries.

Notwithstanding the foregoing, NRB may, at its discretion, direct or require that certain products, services, or solutions, although permitted under existing regulations, be tested in the Regulatory Sandbox environment to evaluate systemic, operational or consumer protection implications prior to commercial deployment.

Annex 2: Eligible Products, Services, and Solutions List

2. The products, services, and solutions eligible and non-eligible for Sandbox testing are listed below:

2.1 Eligible

- Application programming interfaces (APIs)
- Mobile money services
- Retail payments
- Money transfer services
- Digital know your customer (KYC)
- Digital identification services
- Digital Lending
- Smart contracts
- Financial inclusion products
- Cyber security products
- Embedded Finance
- Regulatory technology products
- Any other innovation that is approved or recognized by NRB

2.2 Non-Eligible

- Crypto currency
- Virtual Assets
- Central bank digital currency
- Online betting, gaming and similar products
- Any other product or service that is prohibited under prevailing laws.

Annex 3: Application Requirements

3. The Sandbox application requirements may include the following information in a form and manner that may be prescribed by NRB.

3.1 A description of how the Applicant has met the Eligibility Criteria described in Annex 1 with supporting evidence.

3.2 Full details of the Applicant's organization, including its governance arrangements, financial standing, technical and business domain expertise; and authorized regulatory status, if any, under NRB or any other regulator, including:

- a) License / registration status
- b) Information on key representatives of the firm (leadership, senior management, ownership, etc.) to satisfy fit-and-proper requirements;
- c) Supporting documentation detailing financial standing demonstrating the readiness to support live testing; and
- d) Any other information as prescribed by NRB at the time of application announcement.

3.3 Full details of the financial product, service, or solution to be experimented in the Sandbox; covering, at least, the following:

- a) Problem statement that the proposed product, service, or solution intends to address;
- b) Benefits of the proposed product, service, or solution, including from the financial inclusion perspective;
- c) Business model(s), including the target customer and specific use cases. For each use case, provide an end-to-end illustration on how the proposed financial product, service, or solution will be made available; and
- d) Technical architecture of the solution, detailing the specific technology and innovative ways in which the technology will be applied.

3.4 In case of financial solution, the Applicant must provide detailed information about the licensed entity(ies) under discussion for partnership and the stage of such discussion. The information should be substantiated with supporting evidence, which may include, but is not limited to, emails/ official correspondence, Letter of Intent (LOI), Non-Disclosure Agreements (NDAs), Memoranda of Understanding (MOUs), or other credible documentation demonstrating the status of partnership discussions.

3.5 Full description of the tests to be conducted in the sandbox, including specific testing of the application of technology in the proposed financial product, service or solution, and the preferred length of the testing period not exceeding 6 months.

3.6 Descriptions of the targets and key performance indicators (KPIs), which will be used to determine the success of test.

3.7 Boundary conditions for the Sandbox such as target customer types, customer limits, transaction limits, transaction flows, and so on.

3.8 Details of the applicable legal/regulatory requirements and the relaxation that you are seeking in order to deliver the proposed financial product, service, or solution in the sandbox.

3.9 An assessment of the Applicant's readiness for testing which shall include target customer safeguards and testing.

3.10 A description of the target customer communications plan, which must include risk disclosures and material information about the company and the Sandbox.

3.11 A description of information and cyber security; measures to combat money laundering and terrorism financing; consumer protection measures; and other relevant controls taken by the Applicant to ensure safety of the solution.

3.12 A description of any third-party outsourcing arrangement including the due diligence conducted by the Applicant on the third party to ensure information and cyber security.

3.13 An assessment of the exit and transition plan for customers at the end of the testing period or upon early exit, scale-up and deployment strategy, along with an assessment of the timeline and gaps if any in meeting any heightened legal and regulatory requirements after exiting the Sandbox; and

3.14 Any other requirements that NRB may consider appropriate.

Annex 4: Exit Pathways After Successful Graduation

In accordance with Section 3.43 of the Guidelines, participants that have successfully tested their offerings (financial products or services, or solutions) in the Sandbox **may be facilitated** to exit the sandbox through one of the following pathways, subject to compliance with applicable laws, regulations, and supervisory requirements:

Tested Offerings	Entities	
	Licensed	Others/New
Financial Product or Service	Regulatory Approval*	Licensing and Regulatory Approval*
Financial Solution	Permit deployment or integration	Sandbox completion acknowledgement

* *Where a tested financial product or service falls within NRB's jurisdiction but is not clearly addressed under existing licensing or regulatory frameworks, NRB may consider appropriate licensing or regulatory measures in line with applicable laws, without prejudice to formal rule-making or approval process.*