



Regulatory Sandbox Guidelines

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Definitions

In these Guidelines –

Applicant	a person approved by the Innovation Office and authorized by the Commission to apply for testing in the Regulatory Sandbox
Fintech	technology enabled innovations that are applied to securities market activities, resulting in new business models, applications, processes, products, and services with an associated disruptive or enhancement effect on the market.
Innovation Office	a dedicated function within the Commission primarily meant to engage, communicate as well as guide innovators on issues relating to the securities market.
Innovator	a person that utilizes / plans to introduce fintech driven ideas, products, or services.
Live / Regulatory sandbox testing	trial operations of a proposed Fintech or other innovative product / service / solution in a live environment under a set of conditions and limited regulatory environment.
Participant	A person whose innovation is under test in the regulatory sandbox.
Regulatory Sandbox	a formally tailored regulatory environment that is meant to live test identified fintech products and services under controlled conditions.

Background

- i. Part of the Securities and Exchange Commission’s mandate is to promote the development of the securities market. The regulatory sandbox is therefore set to facilitate the growth and development of the Zimbabwe securities market in line with changing technological developments.
- ii. The Regulatory Sandbox is a steppingstone after the Innovation Office for approved proposed innovations towards alignment with ongoing technological advancements.

1. Purpose

The overarching purpose of the Regulatory Sandbox is to live test eligible fintech.

2. Objectives

The main objectives for establishing the Regulatory Sandbox are to:

- 2.1 Set out key principles and approach to operationalising the regulatory sandbox.
- 2.2 Afford the Commission an opportunity to test innovations before they are introduced onto the broader market.
- 2.3 Facilitate the development and adoption of qualifying innovations.
- 2.4 To provide potential innovations an opportunity to live test under a controlled environment with investor protection, financial stability, and market integrity in mind.
- 2.5 Clearly outline the eligibility, application, and testing procedure for innovative ideas
- 2.6 Inform long term policy through experimentation of proposed ideas.
- 2.7 Inform the review, update and adaptation of existing legislation to safely accommodate innovative ideas onto the market.
- 2.8 Promote the breadth and depth of the market through safer investor centric products and services.

3. Proposed Approach

The Regulatory Sandbox shall complement the Innovation Office in–

- 3.1 facilitating and complementing ongoing efforts at the National Fintech Steering Committee level by testing innovations approved by the innovation office.
- 3.2 allow for the live testing of eligible innovations. Innovations that are specific to the securities market shall be live tested internally while hybrid ones shall be live tested in collaboration with peer regulators in line with the National Fintech Policy. This should strengthen the unified criterion towards embracing fintech solutions.
- 3.3 Becoming the next steppingstone for innovations approved for live testing.

4. Structure of the Regulatory Sandbox

The Commission’s Regulatory Sandbox is a subsequent steppingstone after the Innovation Office accessible through the SECZim Innovation Office platform.

- 4.1 Contact details including SECZim physical address (Block C, Ground Floor, Smatsatsa Office Park, Borrowdale, Harare), email (fintech@seczim.co.zw) and phone numbers (+263 242 870042 – 46) to engage the regulator.

- 4.2 The SECZim Innovation Office has relevant regulatory information to guide innovators as they navigate the securities market regulatory system.
- 4.3 FAQs demystifying some of the commonly misunderstood areas of SECZim’s testing environment.
- 4.4 An Applicant seeking to participate in the Sandbox may make an application to the Commission in the prescribed form.
- 4.5 It is only upon authorization by the Commission’ Innovation Office that an innovator can be admitted into the Regulatory Sandbox.

5. Envisaged Functions

The core functions of SECZim Regulatory Sandbox include:

5.1 Live Testing

The testing of fintech products and services under live but controlled conditions.

5.2 Ensuring Equity / Fairness amongst SMIs

The management of associated logistical challenges including ensuring that firms or sectors do not receive (un)favourable access to the sandbox.

5.3 Risk Management

The Regulatory Sandbox shall ensure that it contains all possible outcomes of any failed sandbox test.

5.5 Informing Policy

The regulatory sandbox shall be an evidence-based resource for broader fintech related policy reforms in the securities market. The sandbox shall facilitate policy testing.

6. Key Principles

Key guiding principles for the SECZim regulatory sandbox include

- a. Inclusivity – Applicant are encouraged to promote investors centric products and services aimed at progressing financial inclusion, ease of doing business and market access.

- b. Ethics and Integrity: Participants are required to uphold ethical practices through good market conduct, strong corporate governance and compliance with legal / regulatory requirements in line with international best practise standards
- c. Investor Protection: Participants to put in place appropriate measures to safeguard the interests of investors through timely, equitable disclosure of all material information regarding the proposed innovation.
- d. Regulatory flexibility: The Commission may waive or relax some regulatory requirements as and when necessary during the live test.

7. Target Participants

The Sandbox target applicants should be:

- i. Duly licensed securities market intermediaries and
- ii. Unregulated entities that intend to be licensed by the Commission or
- iii. A combination of both (i) and (ii)

aspiring to provide innovations that are not catered for under the existing legal / regulatory framework.

8. Qualifying Categories

- Applications for admission into the regulatory sandbox may fall into one or more of the following categories:
- Innovative fintech driven product / service
- Alternate financial intermediation platform (e.g. peer to peer investment when established as an intermediary platform and not banking activity)
- Crowdfunding (equity, debt, donation, rewards where debt, donation and reward activities are pure capital market activities)
- Alternate risk transfer mechanisms
- Automated investment advice
- Artificial Intelligence
- Any other category the Commission may deem fit from time to time

9. Eligibility for Admission Criteria

9.1 Applications for live testing shall only be after authorization by the Commission for testing in the Regulatory Sandbox.

9.2 The Applicant

An applicant shall:

- a. Be incorporated or establish offices in Zimbabwe
- b. Have been approved for live testing by the Commission's Innovation Office

- c. Have an unconditional intention to offer innovative investor centric products or services to the Zimbabwe Capital market in terms of themes set by the Commission from time to time aimed at filtering / streamlining volume / traffic flow
- d. Provide a statement demonstrating the need for and readiness for live testing
- e. Provide certified copies of all registration documents, schedules of Directors and Shareholders, CVs of the Promoters and key management.
- f. Have capacity to onboard at least 100 clients. The Commission may reconsider this number on a case-by-case basis.
- g. Have measures to support live testing and manage potential risk

9.3 The Live Testing Plan

The Participant shall propose a project plan including a testing plan with:

- a. Key test objectives (including specific regulatory question or hypothesis to be tested)
- b. Testing metrics / performance objectives
- c. Testing methodologies
- d. Scope and testing parameters (target market, number and type of investors)
- e. Testing period in consultation with the Commission but not exceeding 12 months
- f. Systems to ensure client data privacy and confidentiality as well as all correspondence with the Commission

9.4 Ongoing Testing Requirements

The participant shall:

- i. Comply with set minimum testing requirements. The Commission has the discretion to institute modification to participants' testing requirements on a case by case basis.
- ii. The Commission can revoke a participant's sandbox test at any time upon breach of testing requirements, if desirable in the public interest and for effective execution of its mandate. The decision to revoke the participation shall be communicated in writing setting forth the rationale for denying the application.
- iii. The Commission shall notify the participant of pending revocation to afford the issuer an opportunity to make representations in support of the continued participation.
- iv. Maintain records during the testing period
- v. Reporting Requirements identifying key:
 - a. Performance indicators and milestones.
 - b. Key incidents report and mitigatory measures taken
 - c. Customer complaints and risks encountered and
 - d. Proposed changes to the innovation, business plan and any other material matters

- vi. Produce final report for the Commission's consideration of the way forward within 30 days after expiry of testing period highlighting:
 - a. Key outcomes and key performance indicators
 - b. Complete incidents report
 - c. Lessons learnt from failed tests
 - d. For successful test, a plan on how to transition onto the commercial deployment.
- vii. Undertake to comply with all applicable securities market laws and regulations

9.5 Consumer Protection and Risk Management Framework

A Participant shall provide:

- a. Applicable rules
- b. Potential risks, mitigatory measures and compensation scenarios in case of need
- c. In consultation with the Commission, safeguards to identify and manage potential risks around issues including market conduct, integrity, investor protection, AML CFT CPF.
- d. The frequency and detail to reporting requirements in consultation with the Commission
- e. The participant shall commit to operate within the confines of set safeguards
- f. The participant shall commit to meet all costs associated with the sandbox test.

9.6 Exit plan

The Participant shall ensure that:

- a. A detailed exit plan is in place for use upon completion of the live testing period.
- b. The exit plan shall outline in detail, the future development or deployment of the proposed innovation commercially.
- c. In the event of an unsuccessful test trial, the exit plan shall outline in detail, how consumers will be protected from any resultant loss.

10. Application and Approval Process

a. The Submission

The Applicant may: complete and submit the Application Form via the Innovation Office online portal by following the instructions contained therein. The form and or any supporting documents can be submitted to the Securities and Exchange Commission of Zimbabwe offices at Block C, Ground Floor, Smatsatsa Office Park, Borrowdale Road, Harare or electronically by e-mail to fintech@seczim.co.zw or via the Innovation Office portal.

b. The Submission and Assessment Timelines

- i. Applications for admission into the regulatory sandbox can be done at anytime. Assessment of such application is done on a rolling basis. The Commission acknowledges receipt of the application within 7 working days.
- ii. Full assessment of the application shall be completed within 21 working days from date of acknowledgement of receipt.

c. The Approval

- iii. The Commission has the discretion to delay the assessment and or approval of an application if its desirable in the public interest and for effective execution of regulatory mandate.
- iv. The Commission shall publish the name, start date and end date of the sandbox test for any entity approved to participate in the live testing of a product or service.
- v. The Commission's decision to deny an application shall be communicated to the applicant in writing setting forth the rationale for denying the application.
- vi. The Commission reserves the right to approve or deny any participant's request for extension.
- vii. Considering an extension is granted, the additional testing period shall not exceed twelve (12) months

11. Revocation of Admission

The Commission reserves the right to revoke a participant's admission or testing from the Sandbox upon:

- a. A failed test within agreed timeframes
- b. Failure to address gaps identified by the Commission from time to time
- c. Imminent liquidation
- d. Breach of any conditions of the Sandbox or any applicable securities market laws

12. Confidentiality

Section 21 of the Securities and Exchange Act [Chapter 24:25] requires SECZim to take reasonable measures to prevent unauthorised use and disclosure of information received in confidence in connection with any statutory function. SECZim shall therefore treat all non-public information received as confidential and proprietary to the promoter. The Commission shall not disclose such information to third parties unless required to do so by law or allowed in writing by the promoter. SECZim may however disclose anonymized data on the number and types of firms that would have been assessed at any point in time.

13. Effective Date

The Regulatory Sandbox guidelines are effective 1 November 2024. The Guidelines are subject to review on an annual basis. The review can be more frequent as and when there are any material changes to be addressed.

14. Application Fees

Applicants to the Regulatory Sandbox shall pay a non-refundable application fee as prescribed by the Commission from time to time.

15. Post Testing Period

Upon completion of the live testing period, the Commission can either:

- a. Grant the successful participant a licence to operate in compliance with relevant existing regulatory requirements and guidelines.
- b. Authorise the applicant to operate in compliance with existing regulatory requirements and guidelines subject to terms and conditions set out in the letter of no objection.
- c. Grant the participant a licence to operate in terms of new and specific regulatory requirements and guidelines developed during the sandbox period
- d. Deny the participant permission to operate on the Zimbabwe capital market. The Commission reserves the right to deny an application setting forth in writing the rationale for denying the licence.

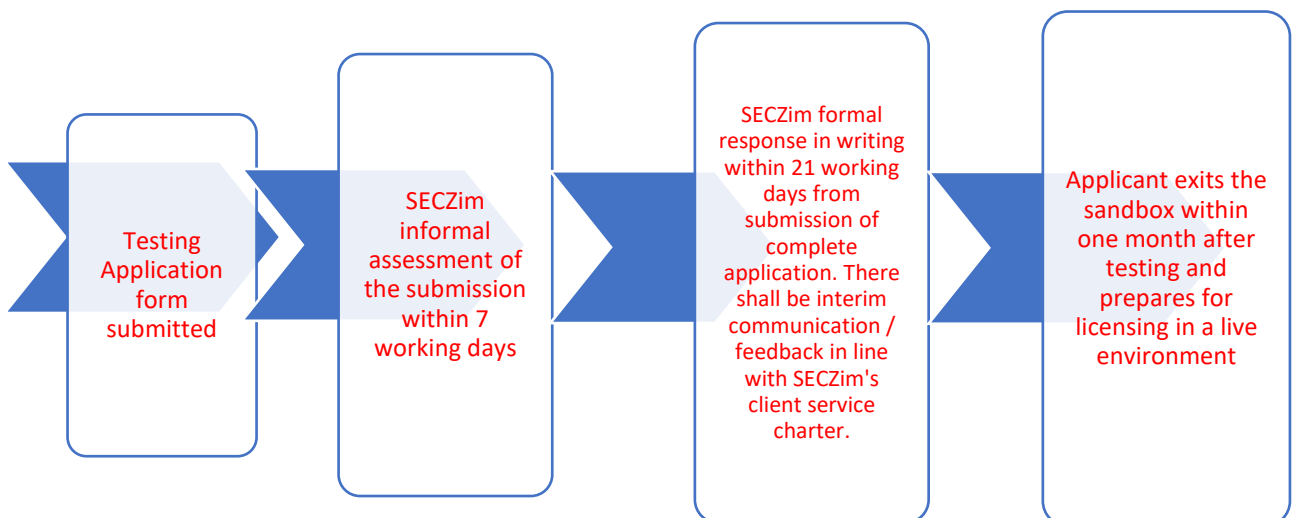
16. Annexure 1

Process Flow

a) Stage 1 – Functional



b) Stage 2 – Regulatory Sandbox Testing Submission Assessment



17. Annexure 2

Frequently Asked Questions

1. What is a Regulatory Sandbox?

A sandbox is a formally tailored regulatory environment that is meant to live test identified fintech products and services under controlled conditions.

2. Who can apply for Regulatory Sandbox Testing?

Any entity incorporated in Zimbabwe or that has established offices in Zimbabwe and approved by the SECZim Innovation Office or regulated by peer local, regional or international Securities Market Regulators.

3. When can I submit my application for testing to the Commission?

Application for admission into the regulatory can be done anytime.

4. Does my submission for the Innovation Office Assessment qualify me for the Regulatory Sandbox Testing

No, an applicant would need to fulfil the Regulatory sandbox eligibility criteria to qualify for testing. However, Innovation Office submissions form the basis of additional documents required for testing.

5. How do I submit my application for live testing?

All applications shall be in terms of guidance given by the Innovation Office upon approval.

6. Does the application attract any fee?

All applications for Regulatory Testing shall be subject to a procedure and fee as prescribed by the Commission from time to time.

7. Is the application fee refundable in case of an unsuccessful live test?

The application for regulatory sandbox testing is non-refundable.

8. How is my application going to be assessed?

Assessment of such application is done on a rolling basis.

9. How long is the live testing period?

All approved applicants are subject to a testing period of at least 12 months. However, SECZim has the discretion to extend the period if need be or upon request by the applicant for a period not exceeding another 12 months.

10. Is an innovator guaranteed of SECZim's commercial deployment registration upon successful completion of the regulatory sandbox test?

Successful completion of the live test does not guarantee full-scale registration. An innovator would still need to comply with all requisite registration requirements for commercial operations.

18. Annexure 3

SECZ Regulatory Sandbox Application Form

(complete applicable sections)

A. Designated Person Contact Details

Name	
Title	
Phone Number	
Email	

B. Company Background Information / Details

Company Name	
Date of incorporation (attach certified documents of incorporation)	
Registration Number	
Company Head office and address	
Phone number	
Company website	
Is your business or any affiliated business currently operating under any regulatory exemption by SECZim or any local or foreign regulator. If so, please give details	
Is your business or any affiliated business currently involved in an active dispute or enforcement action within the confines of the capital market legislation. If so, please give details	
Company size / scale (for existing operations)	
a. Annual turnover (USD equivalent)	
b. Annual Income (USD equivalent)	
c. Total staff complement and breakdown	
Latest copy of audited accounts	
Management accounts that are not more than 9 months old	
Please describe the financial resources, including any venture funding or potential funding, you intend to use to develop and test innovation in the Sandbox	
Founders / Key Management Details (attach certified copies of CVs)	
Briefly describe or attach short CVs on your key personnel's technology or financial industry experience.	
Shareholder details	
Company Profile (including Nature of business, history, organizational and shareholding structure, other applicable laws governing the operations of the business)	

C. About the Product, Service or Solution

Name	
Nature	
Type of customers / investors you are targeting	
How is your service, product plan or solution innovative	
Explain associated benefits to the market / investors (e.g efficiency, risk management etc)	
Explain any potential risks to the market / investors and proposed mitigants	
Describe the technology and/or methodology that you are planning to use in offering your product, solution or service to the market.	
Where does the IT infrastructure reside	
How are you planning to deploy the product, service or solution to the market	
Attach your Business Plan	

D. Collaboration with existing Financial institutions

Are you in / planning to collaborate with any existing financial institution	
Provide details of the nature and arrangement of the collaboration (e.g. outsourcing of service, equity stake participation, joint venture etc.)	

E. Live Testing Criteria

Describe the use case that you are proposing to test in the Regulatory Sandbox.	
Describe in detail your proposed testing program, including: <ul style="list-style-type: none"> a. test objectives and intended outcomes b. test parameters to measure the success of the test objectives/outcomes; c. control boundaries for the test, including, inter alia, customer type and number, and transaction size and total exposure limit; d. customer acquisition plan for the test; e. customer communication plans and templates, including sample risk disclosures for the live-test; f. key testing milestones and timelines; g. anticipated duration; and h. an exit strategy for customers upon completion or discontinuation of the live test. i. Explain the source of funding for the testing 	
Describe the proposed risk management and safeguards for a live test, including: <ul style="list-style-type: none"> a. measures to monitor and ensure compliance to set safeguards for the test 	

<ul style="list-style-type: none"> b. measure to mitigate and control risk and avoid or limit impact on customer losses arising from any test failures c. equitable measures to handle customer inquiries and complaints, after-test services d. Customer compensating plan for damage suffered as a result of participating in the test. 	
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F. Market Legislation

Identify specific existing pieces of the capital market legislation that would need to be adjusted or waived for purposes of testing your innovation.	
Highlight and describe potential regulatory concerns as a result of your innovation.	
What is the current stage of development, development path and timeline to live testing of your innovation	
If successful, describe your exiting plan from the regulatory sandbox onto commercial deployment market operations	
If you are unsuccessful, what is your plan for winding down your operations and addressing investors interests or developing an alternative approach?	

G. Declaration By Application

I, the undersigned,
.....National ID/Passport.....(Company Secretary)
(Full Name)

Declare that:

After due enquiry in relation to the interval between the dates to which the contents of the information submitted and the date of the application, there hasn't been –

- 1) any circumstances or unusual factors adversely affecting the proposed innovation
- 2) to the best of my knowledge and belief, this application form constitutes complete, fair and true disclosure of all relevant material facts and accompanying comments made about the innovation as at the date hereof;

..... at this day of
(Signature) (Date) (Month / year)

***This application is to be signed by the Company secretary of the applicant.**

19. Guidelines Administration

Contact Department Head of Policy and Market Development

Securities and Exchange Commission of Zimbabwe
Block C, Smatsatsa Office Park, Borrowdale | Harare | Zimbabwe

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