ROATÁN FINANCIAL SERVICES AUTHORITY (RFSA)

WHEREAS the Roatán Financial Services Authority (RFSA) is a department within Próspera ZEDE's General Service Provider that has authority under the Próspera Financial Regulation A to promulgate published administrative actions, subject to override by Rule, applicable to persons governed pursuant to Part 3(c) of Financial Regulation A, for interpretative, investigatory and enforcement purposes.

WHEREAS regulators globally have embraced the regulatory sandbox as a means of providing a dynamic, evidence-based regulatory environment to test emerging technologies. By 2020, the World Bank had reported on 73 regulatory sandboxes spread across 57 jurisdictions around the world, only six of which are located in Latin America and the Caribbean.

NOW, THEREFORE, in accordance with articles 15, 18, 294 and 329 of the Constitution of the Republic of Honduras; 1, 2, 8.2, 12.2, 30 and 45 of the ZEDE Organic Law; Part 5, div. 16, sec. 1601-1602 of the Próspera Financial Regulation A; the Proclamation of Formation of the Roatán Financial Services Authority by Administrative Action of the Próspera ZEDE Council of Trustees; and the RFSA Oversight Committee Inaugural Action by Unanimous Consent; all of which are saved from repeal and guaranteed as controlling law under the mandate of Articles 96 of the Constitution, 10.4 of CAFTA-DR, and 16.4 of the Agreement for the Promotion and Reciprocal Protection of Investments between Honduras and Kuwait, as well as a certain amended Legal Stability Agreement approved by Resolutions §§5-1-130-0-0-0-1, 5-1-160-0-0-0-1; 17-A of the Law of the Financial System; the following Administrative Action is hereby promulgated.

RFSA ADMINISTRATIVE ACTION NO. 9

FINANCIAL AND INSURANCE INDUSTRY REGULATORY SANDBOX AND FINANCIAL INCLUSION EXCEPTION

Section 1. Creation of Regulatory Sandbox.

(1) A Financial and Insurance Industry Regulatory Sandbox is hereby established to allow financial technology innovators to test new products and services in a supervised, flexible regulatory sandbox using exceptions to specified general law and waivers of the corresponding rule requirements under defined conditions. The creation of a supervised, flexible regulatory sandbox provides a welcoming business environment for technology innovators and may lead to significant business growth.

Section 2. Definitions.

(1) "applicant" means a person applying under Sections 2 and 3 to be approved as a Sandbox participant;

(2) "approved form" means a form approved by the RFSA for the purposes of these norms;

(3) "financial services business" means a business or activity for which a regulatory insurance is required under the Próspera Industrial Regulation and Financial Responsibility Statutes, and such other activity that the RFSA determines in the guidelines to constitute financial services business;

(4) "FinTech" means technology that is used in providing or supporting financial services business;

(5) "innovative FinTech" means the development or implementation of a new system, mechanism, idea, method, or other arrangement through the use of technology to create, enhance or promote a product or service with respect to the conduct or provision of a financial services business;

(6) "Regulatory Sandbox" means the mechanism established within the RFSA where matters concerning a Sandbox participant are considered and processed, and includes a live and contained environment in which Sandbox participants may test their products or services in relation to the provision of financial services business; and

(7) "Sandbox participant" means a person approved by the RFSA pursuant to this Administrative Action to participate in the Regulatory Sandbox.

Section 2. Applicability.

(1) This regulatory sandbox is applicable to a Covered Regulated Industry Persons governed by the Próspera Financial Regulation A that is proposing to engage or is engaged in innovative FinTech.

(2) Specific or general provisions of the Próspera Financial Regulation A, as determined by the Roatán Financial Services Authority (RFSA), shall not apply to a Sandbox participant in so far as the Sandbox participant is using innovative FinTech to test a product or service within the Regulatory Sandbox.

Section 3. Application and approval.

(1) A person who wishes to be approved as a Sandbox participant under this administrative action shall submit an application to the RFSA in the approved form.

(2) An application shall be accompanied by the following:

a) a written indication that the applicant is utilising or intends to utilise innovative FinTech whereby the product or service is innovative and has the potential to

i. improve accessibility, efficiency, effectiveness, security and quality in the provision of financial services business;

ii. enhance the efficacy, efficiency and effectiveness of the management of risk by Covered Regulated Industry Persons licensed, authorized or otherwise approved by the RFSA to engage in financial services business under Próspera Financial Regulation A; or

iii. address shortcomings in, open up new opportunities in, or promote, the conduct or provision of financial services business;

b) a detailed and comprehensive business proposal, which includes the matters specified in the guidelines;

c) a written description of the risks that may be associated with the applicant's business model and the framework established or to be established to ensure an adequate management of the risks;

d) a written indication of the resources (financial, technological, human and otherwise) at the disposal of the applicant which the applicant intends to use to support participation in and testing within the Regulatory Sandbox, including ensuring the appropriate control and mitigation of potential risks and losses arising from offering the product or service that is the subject of innovative FinTech;

e) written strategies for exiting the Regulatory Sandbox

i. without seeking a licence under a regulatory legislation; and

ii. transitioning into a licensed entity to carry out financial services business under a regulatory legislation, including an indication of the potential to realistically deploy the innovative FinTech with respect to financial services business after the applicant has ceased to participate in the Regulatory Sandbox; and

f) the fee payable in respect of the application.

(3) The RFSA may, in addition to the matters outlined in subsection (2), require an applicant to provide such further information as the RFSA considers necessary to facilitate the RFSA's decision with regard to the applicant's application.

(4) Where, after submitting an application for approval as a Sandbox participant, a change occurs in any of the information required under sub section (2) (a) – (f), the applicant shall immediately notify the RFSA in writing of that change.

Section 4. Approval by the RFSA.

(1) The RFSA may approve an applicant as a Sandbox participant, with such conditions as it may consider fit if, after receipt and review of the application for approval as a Sandbox participant, the RFSA is satisfied that

a. the requirements outlined in Section 3(2) have been materially complied with;

b. any additional information the RFSA required of the applicant has been provided and is materially compliant with the RFSA's requirement;

c. the applicant has demonstrated compliance with the Roatán Common Law Code and the Próspera Industrial Regulation and Financial Responsibility Statutes; and

d. the granting of approval is not against the public interest.

(2) Where the RFSA approves an applicant as a Sandbox participant under subsection (1), it shall

a. register the applicant in the Register of Sandbox participants established under Section 11; and

b. communicate to the applicant of his or her approval as a Sandbox participant, in such manner and with such terms and conditions as the RFSA considers fit.

Section 6. Duty to notify refusal of application.

(1) The RFSA may refuse an application for approval as a Sandbox participant if, after receipt and review of the application, it forms the view that

a) the requirements outlined in section 3(2) have not been materially complied with;

b) any additional information the RFSA required of the applicant has not been provided or is not materially compliant with the RFSA's requirement;

c) the applicant is not in compliance with the Roatán Common Law Code and the Próspera Industrial Regulation and Financial Responsibility Statutes; or

d) it will not be in the public interest to approve the application.

(2) Where the RFSA refuses an application under subsection (1), it shall notify the applicant, in writing, of the refusal, stating the reason for the refusal.

Section 7. Effect of approval by the RFSA.

(1) Where the RFSA approves an applicant as a Sandbox participant under Section 4(1), the approval shall entitle the Sandbox participant to

a) test within the Regulatory Sandbox; and

b) the RFSA shall, subject to subsection (2), specify the date when the Sandbox participant's testing within the Regulatory Sandbox shall commence and end.

(2) The specification by the RFSA of a date when a Sandbox participant's testing within the Regulatory Sandbox shall commence and end is without prejudice to the RFSA's exercise of its power to revoke the approval of the Sandbox participant in accordance with Section 12.

(3) A Sandbox participant, during the period of testing within the Regulatory Sandbox, shall maintain his or her operations within the scope described in the business proposal filed and approved by the RFSA during the application process. Operations within the Regulatory Sandbox that do not fall within the disclosed business proposal shall require additional authorization from the RFSA.

Section 8. Extensions.

(1) A Sandbox participant may, at least thirty (30) days before the end of the period specified for testing within the Regulatory Sandbox, submit a written application to the RFSA seeking an extension to remain in the Regulatory Sandbox.

(2) A Sandbox participant seeking an extension of time under subsection (1) shall

a) provide the reason or reasons for the application for extension of time; and

b) state the additional time required to remain in the Regulatory Sandbox.

(3) Where the RFSA, after reviewing an application received under subsection (1), is satisfied that

a) the initial testing by the Sandbox participant has been generally positive, and

b) an extension is necessary to enable the Sandbox participant to respond to specific issues or risks identified during the initial testing in the Regulatory Sandbox, it may grant the Sandbox participant an extension to continue testing within the Regulatory Sandbox for an additional period of time.

(4) A Sandbox participant may at any time cease to participate in and test within the Regulatory Sandbox

Section 9. Obligations of a Sandbox Participant.

(1) A Sandbox participant shall, at all times

a) notify the RFSA immediately of any matter or change in circumstances relating to the Sandbox participant which is unforeseen and not initiated by the Sandbox participant, such as any development or change to the conduct of the business or change in the environment in which the Sandbox participant operates that has or is likely to have a material impact on the Sandbox participant's risk profile or obligations under these norms;

b) have no more than the maximum number of clients approved by the RFSA;

c) A Sandbox participant shall, during his or her testing period within the Regulatory Sandbox, take adequate measures to identify potential risks to financial services business and consumers of financial services business that may arise from the testing of products or services that are the subject of innovative FinTech;

d) In relation to any potential risks identified pursuant, the Sandbox participant shall adopt appropriate measures to address the potential risks, including the prevention of money laundering, terrorist financing and proliferation financing.

e) A Sandbox participant shall, at such intervals as the RFSA may determine, file interim reports regarding the tests he or she is carrying out in the Regulatory Sandbox, in the format determined by the RFSA.

f) The reports furnished by the Sandbox participant shall at least

   i. outline the financial positon of the Sandbox participant;

   ii. state the aggregate monetary exposure of the Sandbox participant's clients;

   iii. indicate risks that have been encountered and how they have been resolved or are being resolved, including whether there has been any financial or other loss;

   iv. any significant complaints (if any) by clients and how such complaints have been resolved;

   v. where a significant complaint by a client has not been resolved, the plan put in place by the Sandbox participant to resolve the client's complaint; and

   vi. include such other information as the RFSA may require the Sandbox participant to provide.

g) The Sandbox participant shall at all times maintain proper and clear records during the period of testing within the Regulatory Sandbox in order to assist the

RFSA in reviewing the interim and final reports prepared and submitted in accordance with this norms.

Section 10. Disclosure of obligations.

(1) A Sandbox participant shall, at the time of making offers to or soliciting clients or potential clients, disclose to the clients or potential clients

a) the potential risks to participating in the Regulatory Sandbox;

b) that the Sandbox participant does not hold a licence issued by the RFSA, where such is the case, to provide the business activity being tested within the Regulatory Sandbox;

c) that the business activities of the Sandbox participant will be conducted pursuant to and in accordance with the Sandbox participant's business proposal;

d) that the Sandbox participant's FinTech or FinTech-related product or service is being tested within the Regulatory Sandbox;

e) the period approved by the RFSA within which the Sandbox participant may test within the Regulatory Sandbox; and

f) such other information as the RFSA considers appropriate to be disclosed.

Section 11. Register of Sandbox Participants.

(1) There is established a register to be known as the Register of Sandbox Participants in which the RFSA shall record all Sandbox participants that have been approved by the RFSA. The Register of Sandbox Participants shall be in such form as the RFSA may determine.

Section 12. Revocation of approval of a Sandbox participant.

(1) Where at any time the RFSA is satisfied that

a) a Sandbox participant

i. has contravened a provision of these norms,

ii. has submitted a false, misleading or inaccurate report or information to the RFSA,

iii. has concealed or failed to disclose any material fact in its application for approval or in its report to the RFSA,

iv. is undergoing or has undergone liquidation,

v. has breached any data security, whether in relation to testing within the Regulatory Sandbox or otherwise,

vi. is carrying on business in a manner that is or may be detrimental to his or her clients or to the public generally, or

vii. is no longer fit and proper, or

b) it is not in the public interest that the Sandbox participant should continue to be approved,

the RFA may revoke the approval of the Sandbox participant to participate in and test within the Regulatory Sandbox.

(2) Where the approval of a Sandbox participant is revoked under subsection (1), the Sandbox participant shall

a) immediately cease taking on any new client;

b) invoke his or her exit strategy to cease participation in and testing within the Regulatory Sandbox; and

c) notify his or her clients of the revocation of his or her approval by the RFSA.

(3) Subject to subsection (4), the period within which the Sandbox participant shall invoke his or her exit strategy and cease participation and testing within the Regulatory Sandbox shall not exceed thirty (30) days from the date of revocation of his or her approval by the RFSA.

(4) The RFSA may, in any particular case where it considers it appropriate and justified

a) upon receipt of a written application from a Sandbox participant whose approval has been revoked, and

b) having regard to the nature, size and complexity of the Sandbox participant, grant an extension of 30 days to the Sandbox participant to exit the Regulatory Sandbox and cease testing.

grant an extension of 30 days to the Sandbox participant to exit the Regulatory Sandbox and cease testing.

(5) For the purposes of facilitating compliance with the requirements of these norms, an applicant and a Sandbox participant shall, in addition to complying with these norms, comply with such guidelines as the RFSA may issue in relation to these norms.

IT IS SO PROMULGATED THIS 14TH OF JUNE OF 2022.

Alexander P. Rolfe
Alexander P. Rolfe (Jun 16, 2022 14:07 EDT)

ALEXANDER ROLFE
RFSA Commissioner

Jose luis moncada r
Jose luis moncada r (Jun 16, 2022 12:34 MDT)

JOSÉ LUIS MONCADA
RFSA Commissioner

Chirag Shah
Chirag Shah (Jun 16, 2022 21:52 GMT+4)

CHIRAG SHAH
RFSA Commissioner

Sohan Dasgupta
Sohan Dasgupta (Jun 16, 2022 [illegible] EDT)

SOHAN DASGUPTA
RFSA Commissioner