



BANK OF BOTSWANA

REGULATORY SANDBOX GUIDELINES

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Foreword

Pursuant to the Bank of Botswana (the Bank) mandate to lead and safeguard the stability of the financial system, promote inclusive and sustainable economic development through sound policy, regulation and strategic advice, and its role in financial sector development, the Bank acknowledges the rapid developments in both the local and global Fintech ecosystem. This growth of the Fintech ecosystem presents opportunities that could be leveraged for the development of an inclusive digital financial services ecosystem, the enhancement of financial inclusion, and deepening of the broader digital economy. However, technology driven innovations also have the potential to pose risks to the financial system, which warrant appropriate effective risk mitigation measures to safeguard the safety, integrity, stability and soundness of the financial system.

Against this background, the Bank has established a Regulatory Sandbox whose objective is to foster the ingenuity to innovate in financial services, eliminate barriers to market entry for startups, and create a conducive environment for a level playing field while effectively safeguarding the stability and integrity of the financial system. The Regulatory Sandbox serves to facilitate testing of innovative financial services, products and business models that are not currently covered by the Bank's existing legal and regulatory frameworks. Such innovations should be geared towards addressing gaps in the financial services sector, advancing Government public policy objectives of enhancing financial inclusion for excluded and underserved communities and small, medium and micro enterprises, as well as reducing transaction costs for the public.

The Bank, therefore, issues these Regulatory Sandbox Guidelines for guidance to both startups and regulated entities on admission into the Bank of Botswana Regulatory Sandbox for purposes of testing of innovative Fintech driven financial services, products, and business models under supervision in a controlled environment prior to launch into the market. These Guidelines detail eligibility and admission criteria as well as all relevant sandboxing requirements that must be met for admission into the Sandbox. The Guidelines must be read together with the Bank's existing legal and regulatory frameworks, directives, and other guidelines that may be issued by the Bank from time to time.



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Acronyms

AML	Anti Money Laundering
CFT	Counter Financing of Terrorism
CIPA	Companies and Intellectual Property Authority
EPS	Electronic Payment Services
NCSS	National Clearance and Settlement Systems
KYC	Know Your Customer

Definitions

Applicant: means any financial institution, startup or legal entity which has applied for the Bank's approval to participate in the regulatory sandbox;

BoB Act: means the Bank of Botswana Act CAP: 55:01 of the Laws of Botswana, (as amended)

Customers: means a select group of users to which participants will provide their products or services during the regulatory sandbox testing process;

Financial Service Providers: means any institution licenced and/or supervised by the Bank that provides financial services and products;

Fintech Startup: means a newly established company that uses innovative technology to develop and deliver financial products or services in ways that are more efficient, accessible, user-friendly, or cost-effective than traditional financial solutions;

Innovation - means a product, service, solution or business model, and may include substantial improvements of existing products, services, solutions or business models

Legal Entity: means any cooperative, company and/or partnership as defined and regulated in their respective laws in Botswana;

Participant: means any financial institution, start-up or legal entity which has been approved by the Bank to participate in the regulatory sandbox;

Regulatory Sandbox: means a live, contained environment in which participants may assess their product, service, or business model within a limited timeframe subject to the requirements under this guideline.

Contents

Foreword	ii
Acronyms	iii
Definitions	iv
1. Introduction	1
2. Applicability	1
3. Eligibility	2
4. Registration for Participation in the Regulatory Sandbox	3
5. Application and Submission Procedures	3
6. Application Checklist	4
7. Application Assessment	6
8. Admission into the Regulatory Sandbox	6
9. Withdrawal of Registration for Sandboxing	7
10. Testing Phase	8
10. Reporting Requirements	8
11. Changes that Require the Bank's Prior Approval	9
12. Cessation of Operations During the Sandbox Testing Period	10
13. Exit Phase	10
14. Imposition of Terms and Conditions	11
15. General Participant Obligations	11
16. Risk management	13
17. Board Obligations	13
18. Senior Management Roles and Responsibilities	14
19. Sandbox Participant Key Persons	14
20. Power of the Bank to Issue a Directive	15
21. Other Relevant Provisions	16

1. **Introduction**

- 1.1 The Bank of Botswana (the Bank) is cognisant of the emergence and growth of financial technology (Fintech) driven financial services innovations, products, services, and business models that may not be covered by its existing financial services legal and regulatory frameworks. Where there may be an existing legal and regulatory framework, such framework may not enable the offering of emerging innovative products and services without significant exemptions or variations granted by the Bank.
- 1.2 Consistent with these developments, the Bank has established a Regulatory Sandbox to facilitate market entry for eligible innovative business models, products and services. The Regulatory Sandbox aims to provide a controlled environment for both licensed entities and emerging startups to test their innovations under supervision while implementing appropriate safeguards to ensure the safety, integrity, and stability of the financial system as well as consumer protection.
- 1.3 The Bank, therefore, issues these Regulatory Sandbox Guidelines (Guidelines) pursuant to Sections 4 (4)(2); 4B(b), (g), and (h), and 4C of the BoB Act, which empower the Bank to issue directives, circulars, and notices to achieve its mandate of contributing to the stability of the financial system, fostering and maintaining a stable, sound and competitive market-based financial system.

2. **Applicability**

- 2.1 These Guidelines shall apply to the following:
 - (a) innovative digital products and services by licensed financial services providers that align with and support the objectives of the Regulatory Sandbox programme;
 - (b) fintech start-ups partnering with licensed local financial institutions to deliver fintech solutions that align with and support the objectives of the Regulatory Sandbox;
 - (c) fintech start-ups that seek to enter the financial services sector for provision of novel products and services in alignment with the objectives of the Regulatory Sandbox;
 - (d) new digital business models that are not currently covered under any existing local financial services legal and regulatory framework; and
 - (e) fintech innovations that aim to improve access, usage, and cost-efficiency in alignment with the National Financial Inclusion Strategy and Roadmap.

3. **Eligibility**

3.1 The Bank may register an applicant as a Sandbox Participant if it is satisfied that the applicant:

- (a) is a fintech start-up or established financial service provider that is not licensed by the Bank of Botswana but seeks to participate in the Regulatory Sandbox either independently or in partnership with licensed entities or the applicant is an entity licensed by the Bank of Botswana under the Banking Act (2023), Electronic Payment Services (EPS) Regulations (2019), and the National Clearance and Settlement Systems (NCSS) Act (2003);
- (b) its directors, controller, and senior management are fit and proper;
- (c) will be able to conduct its obligations as set out under the Guidelines;
- (d) intends to offer an innovative financial services product, service or business model that is not currently covered under existing legal and regulatory frameworks;
- (e) can demonstrate that the proposed offering of the financial services business model, products or services serves to facilitate innovation, drive financial inclusion or provide a meaningful value proposition to the financial system;
- (f) has a clear and well-defined testing plan and parameters with expected testing outcomes including necessary plans for the scaling up of its business and operations; and having an Exit Plan that will provide for the orderly winding down or scaling up of the business;
- (g) has sufficient human resources to conduct its sandboxing operations;
- (h) has a realistic business plan that outlines the applicant's readiness in terms of strategies to operate a business and for the deployment of the proposed financial services product or service on a commercial scale beyond the testing period in the Regulatory Sandbox;
- (i) has the necessary infrastructure/systems and governance arrangements in place to enable the applicant to begin testing the intended financial services product or service within the Regulatory Sandbox and upon successful testing, deploy such product or service on a commercial scale;
- (j) can demonstrate readiness to offer the intended financial services product or service, including a simulation of a customer's journey from onboarding to the execution of transactions;
- (k) has identified the regulatory requirements or gaps that pose regulatory challenges in relation to the proposed offering of the financial product or service;

- (l) will be able to take appropriate action in relation to a customer's complaints including taking any necessary remedial measures;
- (m) will be able to manage risks associated with its business and operations including having adequate controls, policies and procedures, and a plan that will provide for the orderly winding down of the business or ceasing the offering of the financial service or product in the event the applicant is unable to carry out its business or operations;
- (n) undertakes that it will comply with any other requirements as may be specified by the Bank;
- (o) has ensured full alignment of its proposal with the objectives and scope set out in these Guidelines prior to applying; and
- (p) has provided a formal letter, duly signed by an authorised representative of the applicant, and included all requisite information and supporting documentation as prescribed by the Bank.

- 3.2 Any departure from the Guidelines will be taken into consideration in the Bank's assessment on whether a breach of the Guidelines has occurred.
- 3.3 The Bank may, upon application, grant an exemption from or a variation to the requirements of the Guidelines if the Bank is satisfied that:
 - (a) such variation is not contrary to the intended purpose of the relevant requirements in the Guidelines; or
 - (b) there are mitigating factors which justify the said exemption or variation.

4. Registration for Participation in the Regulatory Sandbox

- 4.1 The Bank may register an applicant to participate in the Regulatory Sandbox, subject to the applicant satisfying the eligibility criteria as set out in the Guidelines.
- 4.2 If the applicant is not an entity licensed by the Bank, the applicant shall be registered as a Participant consistent with provisions of Clause 3 of the Regulatory Sandbox Guidelines for purposes of participating in the Regulatory Sandbox.
- 4.3 An applicant that is an entity licensed by the Bank may also be registered to participate in the Regulatory Sandbox subject to compliance with the relevant eligibility criteria listed under Clause 3 of the Regulatory Sandbox Guidelines before participating in the Regulatory Sandbox.

5. Application and Submission Procedures

- 5.1 An applicant must apply and submit to the Regulatory Sandbox, the relevant forms and documents as specified on the Bank of Botswana Regulatory Sandbox platform and any other information as may be required by the Bank.

- 5.2 All applications and submissions as required in the Regulatory Sandbox Guidelines shall be submitted to the Bank electronically through the Regulatory Sandbox Platform for the attention of the Regulatory Sandbox Operator.
- 5.3 Notwithstanding Clause 5.2, the Bank may require that the documents should be submitted by electronic mail (e-mail) to Sandbox@bob.bw.
- 5.4 All applications and submissions shall be made in accordance with the Regulatory Sandbox Application Forms and accompanied by relevant supporting documents as specified in the Regulatory Sandboxing Checklist.
- 5.5 A submitting applicant must ensure that the relevant persons as indicated in the Regulatory Sandbox Application Forms have authorised the submission of information and particulars stated in the Regulatory Sandbox Application Forms together with the supporting documents.
- 5.6 Any person who furnishes to the Bank, directly or indirectly, any statement, information or document, by whatever means or in any form must ensure that it is not false or misleading and does not contain any material omission. For the avoidance of doubt, this requirement includes any clarification or additional information submitted to the Bank.
- 5.7 The Bank must immediately be informed of:
 - (a) any material change in circumstances that may impact the Bank's consideration of the application after the submission of the application; or
 - (b) any material change or development in circumstances relating to an application or submission occurring after the Bank's approval.

6. Application Checklist

- 6.1 The applicant shall provide detailed and verifiable information relevant to the evaluation of the application.
- 6.2 The applicant, which should be legally registered with Companies and Intellectual Property Authority (CIPA) in Botswana, should provide a company profile comprising the following documents:
 - (a) company extract;
 - (b) certificate of incorporation;
 - (c) shareholders certificates;
 - (d) identification documents of shareholders;
 - (e) company profile and functional contacts (e-mails, telephone numbers, office postal and physical addresses); and
 - (f) curriculum vitae of Board Members, Senior Management of the company, and Compliance Officer(s).
- 6.3 The applicant should provide the organogram of the company detailing the governance and ownership structure, with clear demonstration of sufficient human resources to

carry out its sandboxing operations and begin operations if they successfully exit the Sandbox;

6.4 The applicant should provide a sufficiently detailed and realistic business plan that outlines the applicant's readiness in terms of strategies to operate a business and deploy the proposed financial service or product on a commercial scale beyond the testing period in the Regulatory Sandbox, detailing:

- (a) the identifiable direct or indirect value proposition that the proposed innovative product, service or business model is expected to deliver to the financial ecosystem and benefits to consumers;
- (b) a clear customer onboarding process clearly stating how each customer will be identified and identity verified using reliable, independent source documents, data or information;
- (c) a Risk Management Framework that details potential risks to customers that may arise from the testing of the innovative product, service or business model in the Regulatory Sandbox and the requisite risk mitigation measures and customer protection mechanisms for mitigation against identified risks;
- (d) a Complaints Procedure and Consumer Redress Mechanism, including the possibility for financial compensation claimable by the customer against the Regulatory Sandbox Participant under clearly defined circumstances;
- (e) implementation of sufficient safeguards to ensure customer protection including informing customers that the product or service is currently operating within the Regulatory Sandbox and that any losses will not be covered by the Deposit Insurance Scheme of Botswana or the Bank of Botswana;
- (f) ability to demonstrate readiness to offer the intended financial services product or service, including a simulation of a customer's journey from onboarding to the execution of transactions; and

6.5 The applicant should demonstrate proof of existence of the necessary technological systems, security and data protection safeguards as well as hosting arrangements that would enable the applicant to test the intended financial service under the Regulatory Sandbox and upon successful testing, deploy such product or service on a commercial scale;

6.6 The applicant should demonstrate readiness to test its product, service or business model in the Regulatory Sandbox and furnish the Bank with a detailed Test Plan indicating, among others:

- (a) a clear testing methodology, target metrics and the controls in place;
- (b) the expected key outcomes that the testing intends to achieve and the appropriate indicators to measure such outcomes;
- (c) risk management mechanism adopted;

- (d) Know Your Customer (KYC) due diligence process and the Anti Money Laundering (AML), Counter Financing of Terrorism (CFT), and Counter Proliferation protocols; and
- (e) the legal and regulatory requirements the applicant seeks to be waived to allow testing in the Regulatory Sandbox (where applicable).

6.7 The Sandbox Participant should provide a comprehensive Exit Plan that indicates:

- (a) an ability to commercially deploy its innovative product, service, or business model upon successful testing in the Regulatory Sandbox; and
- (b) measures to safeguard its customers interests if testing is unsuccessful.

7 Application Assessment

7.1 The Bank's Regulatory Sandbox platform shall automatically send acknowledgement of receipt of an electronic submission immediately upon receipt.

7.2 The Bank shall formally acknowledge receipt of the applicant's submission within ten (10) working days from the date of receipt following preliminary assessment of completeness of the application package.

7.3 The Bank shall assess the applicant's submission for compliance with all relevant Regulatory Sandbox admission criteria, agreeing on the Test Plan with the applicant and provide feedback on the success or lack thereof, of the application within thirty (30) working days from receipt of the application.

8 Admission into the Regulatory Sandbox

8.1 The Bank shall formally confirm approval and communicate acceptance of the applicant into the Regulatory Sandbox through a Letter of Approval, which letter shall:

- (a) communicate approval for a successful applicant to operate within the Regulatory Sandbox and to further comply with the Regulatory Sandbox terms and conditions detailed in the letter of approval;
- (b) require a successful applicant to, within ten (10) working days of receipt of the approval, issue the Bank with written acceptance;
- (c) specify the duration within which testing should have commenced;
- (d) indicate the duration for participation in the Regulatory Sandbox;
- (e) indicate the innovative product, service or business model admitted into the Regulatory Sandbox for testing;
- (f) set out the customer safeguards to be enforced; and

- (g) indicate expected reports to be furnished to the Bank and the frequency of the reports.

8.2 The Bank reserves the right to determine the number of applicants admitted into the Regulatory Sandbox at any point in time, to ensure effective and efficient supervision and oversight.

9. Withdrawal of Registration for Sandboxing

9.1 The Bank reserves the right to suspend or withdraw an approval to participate in the Regulatory Sandbox if:

- (a) a breach of the terms and conditions of the admission into the Regulatory Sandbox inclusive of failure to commence testing within the stipulated timeframe or on the emergence of information demonstrating consumer detriment; or
- (b) the Bank establishes that, at any time, the Sandbox Participant submitted to the Bank, any false or misleading information or that there is a material concealment or omission of information;
- (c) the Sandbox Participant fails to meet or contravenes any requirements or terms and conditions imposed by the Bank as provided in applicable laws, the Regulatory Sandbox Guidelines, any other relevant guidelines issued by the Bank and any directive issued by the Bank to the Sandbox Participant;
- (d) the Sandbox Participant fails or ceases to carry on the business or the offering of the financial service for which it was registered under the Regulatory Sandbox for a consecutive period of three (3) months;
- (e) the Bank establishes that, at any time, the Sandbox Participant failed to achieve its intended purpose, expected outcomes or testing milestone;
- (f) establishes that there is liquidation of an entity admitted into the Regulatory Sandbox;
- (g) that there is contravention of any laws of the Republic of Botswana; or
- (h) the Bank deems it necessary to withdraw registration in the public interest.

9.2 The Sandbox Participant may, by notice in writing, apply to the Bank to withdraw its registration and provide reasons for its withdrawal.

9.3 Unless otherwise permitted by the Bank, a withdrawal of registration of the Sandbox Participant shall not take effect until the Bank is satisfied that:

- (a) adequate arrangements have been made to meet all the liabilities and obligations of the Sandbox Participant that are outstanding at the time when the notice of withdrawal is submitted; and
- (b) the withdrawal is not used to:

- (i) avoid or affect any agreement, transaction or arrangement entered by the Sandbox Participant, whether the agreement, transaction or arrangement was entered into before or after the withdrawal of the registration; or
- (i) affect any right, obligation or liability arising under any such agreement, transaction or arrangement.

10 Testing Phase

- 10.1 A successful applicant, upon furnishing the Bank with written consent to operate within the Regulatory Sandbox and abide by the applicable terms and conditions as stated in the Letter of Approval, shall begin testing in accordance with the Test Plan agreed with the Bank.
- 10.2 The applicant shall be expected to meet the following requirements related to the testing phase:
 - (a) use the Letter of Approval to secure partnerships with licenced financial institutions for purposes of testing their innovation where required;
 - (b) integrate the innovative solution with the relevant Regulatory Sandbox reporting system for real time reporting;
 - (c) provide remote access to the Bank's Supervisory and Oversight personnel for offsite monitoring, supervision and oversight;
 - (d) maintain records in relation to risks identified and addressed; and
 - (e) submit all periodic reports required by the Bank in accordance with reporting obligations.
- 10.3 The period for testing shall be limited to a maximum of six (6) months, after which the regulatory approval and relaxations received by the Participant will expire.
- 10.4 In the event that the Sandbox Participant, for whatever reason, requires an extension to the agreed testing period, this should be communicated in writing to the Bank within at least three months and no less than one month before the end of the agreed testing period.
- 10.5 The Bank will consider the application for extension and the Bank reserves the right to approve or reject any request for extension.

10. Reporting Requirements

- 10.1 The Sandbox Participant must submit the following reports to the Bank:
 - (a) a monthly compliance report to demonstrate the Sandbox Participants' compliance with any terms or conditions imposed by the Bank;

- (b) a monthly progress report to demonstrate the progress of the Sandbox Participant's testing activities detailing key performance indicators, key milestones and statistical information including testing outcomes in relation to the scaling up of its operations or winding down, where applicable; and
- (c) key issues arising as observed from fraud or operational incident reports;
- (d) actions or steps taken to address consumer complaints, emergent risks, or other issues relevant to the Bank's assessment of applicable regulatory requirements; and
- (e) any other information required by the Bank.

10.2 The Sandbox Participant must submit a final report to the Bank within 30 calendar days before expiry of the testing period. The report shall contain:

- (a) key outcomes and performance indicators against agreed measures for the success or failure of the Sandbox Testing;
- (b) a full account of all incident reports and resolution of customer complaints; and
- (c) in the case of a failed test, lessons learned from the test.

10.3 The reports and information required by the Bank must be submitted in accordance with the relevant timeline and in the form and manner as may be specified by the Bank.

11. Changes that Require the Bank's Prior Approval

11.1 A Sandbox Participant must obtain the Bank's prior approval:

- (c) for the appointment of any new key persons as set out under clause 19 of the Regulatory Sandbox Guidelines; and
- (b) for the change to the Sandbox Participant's shareholding, which will result in a direct or indirect change in the Sandbox Participant's controller.

11.2 A Sandbox Participant must notify the Bank at least thirty (30) days before effecting any of the following:

- (a) change in shareholders or shareholding;
- (b) appointment of a Director, Senior Management or Compliance Officer, and change in the designation of Director;
- (c) change of entity's particulars such as name, business or registered address;
- (d) change of corporate shareholders' particulars;
- (e) cessation of business;

- (f) cessation of Director, Senior Management or responsible person; and
- (g) any other changes as the Bank may determine.

11.3 All approvals sought or notifications given shall be made in the form and manner as may be prescribed by the Bank.

12. Cessation of Operations During the Sandbox Testing Period

- 12.1 A Sandbox Participant shall not cease its business or the offering of the financial service during the testing period without prior engagement with the Bank.
- 12.2 Unless otherwise permitted by the Bank, the cessation shall not take effect until the Bank is satisfied that adequate arrangements have been made by the Sandbox Participant to meet all the liabilities and obligations of the Sandbox Participant that are outstanding.
- 12.3 Without prejudice to clause 11 of the Guidelines, the Bank may issue a directive or impose any terms or conditions for purposes of ensuring the orderly cessation of the business or the offering of the financial service of the Sandbox Participant.

13. Exit Phase

- 13.1 Upon completion of the testing period, the participant will exit the Regulatory Sandbox as guided by the Exit Plan, which shall provide for an orderly exit without disruption to the financial system and prejudice to customers.
- 13.2 The final testing reports shall be submitted to the Bank for evaluation and recommendation of the exit strategy.
- 13.3 The Exit Phase envisages two possible outcomes for the participant, being:
 - (a) the commercial scalability of the Sandbox Participant's innovative product, service, or business model to the wider public upon determination of the successful achievement of the intended test outcomes to the satisfaction of the Bank; and
 - (b) a discontinuation of Regulatory Sandbox testing on grounds that:
 - (i) the Bank determines that testing outcomes were not met;
 - (ii) substantial risks identified regarding the innovative product, service or business model significantly outweigh the benefits;
 - (iii) occurrence of any of the grounds for withdrawal contained in the Letter of Approval have materialised; or
 - (iv) discontinuation at the request of the Sandbox Participant has materialised.

- 13.4 The Sandbox Participant must comply with exit obligations towards its customers.
- 13.5 In the event of a successful Sandbox Test, the Bank has three (3) possible outcomes for graduating successful Sandbox Participants as follows:
 - (a) issuance of a license or authorisation under the Sandbox Framework;
 - (b) exemption, waiver or no objection at the Bank's discretion; or
 - (c) initiation of a legislative or regulatory change to incorporate insights and lessons learned into the broader regulatory agenda.

14. Imposition of Terms and Conditions

- 14.1 The Bank may, in registering the applicant as a Sandbox Participant, reasonably impose any terms or conditions, and at any time vary, add or remove any terms or conditions.
- 14.2 The terms or conditions imposed under clause 5.1 may include:
 - (a) terms and conditions required to be complied with prior to the Sandbox Participant commencing its business or offering its financial products or services; and
 - (b) on-going terms and conditions that must be complied with by the Sandbox Participant for as long as it is registered, or such other period as may be determined by the Bank.

- 14.3 A Sandbox Participant shall only remain registered for a period as may be determined by the Bank for purposes of the Regulatory Sandbox.

15. General Participant Obligations

- 15.1 A Sandbox Participant must, among others:
 - (a) execute its activities as approved by the Bank with appropriate safeguards in place to protect customer funds and information;
 - (b) have the necessary arrangements in place to segregate customer funds from the Sandbox Participant's own assets;
 - (c) ensure that all disclosures made are not false or misleading, or contain any material omission;
 - (d) prominently disclose the relevant information that may be required to decide on whether to participate in the products or services offered by the Sandbox Participant, including:
 - (i) details of products or services offered including fees, charges and other expenses imposed as well as all necessary risk warning statements;

- (ii) information about complaints managing or dispute resolution and its procedures;
- (iii) information on controls, policies and procedures including a plan that will provide for the orderly winding down of the business or ceasing the offering of the financial products or services in the event the Sandbox Participant is unable to conduct its business or operations;
- (iv) disclosure that any loss resulting from customer participation in the Sandbox Participant's services is not covered by the Deposit Insurance Scheme of Botswana; and
- (v) any other information as may be specified by the Bank.

(e) immediately notify the Bank of:

- (i) of any irregularity or breach of any provision of the Bank's Regulatory Sandbox Guidelines, legal and regulatory frameworks, any other relevant guidelines issued by the Bank and terms and conditions imposed by the Bank including any alleged or suspected violations of any law or guidelines in relation to anti-money laundering, terrorism financing and proliferation financing by its customers;
- (ii) of any material change in the information submitted to the Bank;
- (iii) when the Participant becomes aware of any matter which adversely affects or is likely to adversely affect the Participant's ability to meet any of its obligations under the Regulatory Sandbox Guidelines; or
- (iv) of the occurrence of any event which would trigger the activation or execution of the Business Continuity Plan, in such form and manner as may be specified by the Bank;

(f) ensure that it does not engage in any business practices that are deceitful or improper;

(g) implement and maintain controls, policies and procedures for the orderly winding down of the business or ceasing the offering of the financial service;

(h) provide the Bank with documents and information when requested and within the time prescribed, or where such time is not prescribed, within a reasonable time;

(i) establish, maintain and consistently review the effectiveness and relevance of controls, policies and procedures to ensure compliance with the Regulatory Sandbox Guidelines; and

(j) manage customer complaints and disputes in a fair, transparent, timely and efficient manner.

16. Risk Management

- 16.1 The Sandbox Participant must establish a Risk Management Framework to identify, assess, monitor, control and report all material risks to which the Sandbox Participant could be exposed.
- 16.2 The Risk Management Framework must include:
 - (a) strategies developed to identify, assess, monitor and mitigate all material risks;
 - (b) controls, policies and procedures relating to management of all material risks;
 - (d) measures to mitigate risks relating to money laundering, terrorism financing and proliferation financing including adequate customer on-boarding arrangements and controls, policies and procedures addressing such risks; and
 - (e) a reporting system to enable the reporting of all material risks to senior management and Board on a timely basis.

- 16.3 A Sandbox Participant must conduct periodic reviews, audits and testing on controls, policies and procedures relating to risk management and its Business Continuity Plan.

17. Board Obligations

- 17.1 The Sandbox Participant's Board must, among others:
 - (a) ensure that the Sandbox Participant complies with Botswana Laws and specific laws governing the operations of the Bank of Botswana, the Regulatory Sandbox Guidelines, any other relevant guidelines issued by the Bank and any directive issued or any terms or conditions imposed by the Bank;
 - (b) ensure that the Sandbox Participant's duties and responsibilities are conducted by the designated responsible person(s);
 - (c) review and adopt the appropriate controls, policies and procedures to manage the risks associated to its business and operations;
 - (d) ensure that the Sandbox Participant has in place, controls, policies and procedures to, among others:
 - (i) effectively and efficiently manage actual and potential conflicts of interest;
 - (ii) implement anti-corruption and whistleblowing measures that are appropriate to the nature, scale and complexity of its business;
 - (iii) monitor the transactions and activities to detect non-compliance with Bank of Botswana laws, the Regulatory Sandbox Guidelines and any other relevant guidelines issued by the Bank;

- (iv) deal with complaints relating to the financial products or services provided by the Sandbox Participant; and
- (v) ensure compliance with all relevant laws, regulations and guidelines including the Data Protection Act, 2024.

- (e) ensure that the Sandbox Participant has the relevant capabilities and sufficient resources to undertake its business and operations including technological capabilities and infrastructure security;
- (f) approve and oversee all key policies including those relating to risk management, internal controls and compliance with the requirements as provided the Bank's legal and regulatory frameworks, the Regulatory Sandbox Guidelines and any other relevant guidelines issued by the Bank or industry best practices; and
- (g) ensure that all controls, policies and procedures are continuously reviewed so that they remain relevant and effective, taking into consideration, developments in its business and operations.

18. Senior Management Roles and Responsibilities

- 18.1 The Sandbox Participant's senior management must, among others:
 - (a) implement and monitor the effectiveness of the controls, policies and procedures approved by the Board;
 - (b) manage risks associated with the business and operations of the Sandbox Participant including performing periodic evaluation of its risk management process;
 - (c) frequently and adequately apprise the Board on the business and operations of the Sandbox Participant; and
 - (d) ensure that records are accurate, properly secured, and retained.

19. Sandbox Participant Key Persons

- 19.1 A Sandbox Participant must ensure that members of its Board, Senior Management, and responsible person(s) are fit and proper per Section 47 of the Banking Act, 2023.
- 19.2 Where a member of the Board, Senior Management or responsible person becomes subject to any disqualification or becomes otherwise unfit to hold office, the Sandbox Participant must ensure that such person vacates the position immediately.
- 19.3 A Sandbox Participant must ensure that an individual appointed to fulfil any position within its senior management has the necessary professional skills and qualification, experience, and competence to fulfil the responsibilities and duties of that position.

- 19.4 The Sandbox Participant must immediately notify the Bank when the position of director, senior management or responsible person is vacated pursuant to clause 10.2.
- 19.5 A Sandbox Participant must take the necessary steps and ensure that any vacancy in relation to the position of senior management or responsible person shall be filled within three (3) months from the date of vacancy.
- 19.6 A Sandbox Participant must have at least one responsible person on a full-time basis.
- 19.7 The responsible person must be appointed from the Sandbox Participant's Senior Management.
- 19.8 The responsible person must always undertake the role of the main contact person for the purpose of consulting with the Bank and perform any duty as may be directed by the Bank.
- 19.9 Any vacancy in relation to the position of a responsible person must be filled immediately.

20. **Power of the Bank to Issue a Directive**

- 20.1 The Bank may issue a directive to the Sandbox Participant, the Sandbox Participant's Board, any of the Sandbox Participant's Directors, Senior Management or any other person if the Bank is satisfied that it is necessary or expedient for the protection of the customers, or it is in the public interest.
- 20.2 A directive under clause 15.1 may be:
 - (a) to give effect to any requirement of any relevant laws, the Regulatory Sandbox Guidelines and any other relevant guidelines issued by the Bank;
 - (b) to restrict the types or number of customers who may have access to the financial services or products provided by the Sandbox Participant;
 - (c) to cease or refrain from committing an act or pursuing a course of conduct or activity;
 - (d) to do any act, in relation to its business and operations or affairs as the Bank deems necessary;
 - (e) to remove any Director from the Board or any Senior Manager of the Sandbox Participant, where:
 - (i) such person is not fit and proper; or
 - (ii) it would be contrary to public interest for such person to continue to hold the office of a Director or be a member of the Senior Management; or
 - (e) any other matter as the Bank may consider necessary.

- 20.3 The Bank may conduct a periodic assessment of the Sandbox Participant's compliance with any of its regulatory obligations and request for documents as may be necessary.
- 20.4 A directive issued under this clause of the Regulatory Sandbox Guidelines must be complied with and nothing in the Regulatory Sandbox Guidelines shall preclude the Bank from exercising its powers under relevant laws and any other guidelines issued by the Bank.

21. **Other Relevant Provisions**

- 21.1 The Guidelines must be read together with other relevant existing legal and regulatory frameworks, the Fintech Analytical Assessment Framework, and any other guidelines issued by the Bank.
- 21.2 The Guidelines are in addition to and not a substitution of any other requirements provided for under the Bank's legal and regulatory frameworks or any other guidelines issued by the Bank.
- 21.3 For the avoidance of doubt, compliance with the Regulatory Sandbox Guidelines does not relieve any entity from other obligations which may be imposed on the entity under any other existing law.