

Capital Market Sandbox Regulation

Chapter 1			
Preamble			
Introduction and Name	1.	(a)	This regulation is enacted by the Capital Market Development Authority under section 63 (b)(12) of the Maldives Securities Act (Law no: 2/2006).
		(b)	This regulation shall be cited as “Capital Market Sandbox Regulation”.
Objectives of the Regulation	2.	The objectives of this regulation are outlined below.	
		(a)	To facilitate the introduction of new investment opportunities to the securities market, especially those that have been challenging to introduce under existing regulatory frameworks.
		(b)	To pave the way for strengthening and modernizing the services currently provided in the securities market, making them more convenient and accessible for investors.
		(c)	To encourage responsible innovation while continuously upholding the integrity of the capital market and ensuring investor protection.
Chapter 2			
Eligibility for Participation in the Sandbox			
Eligible Participants	3.	(a)	Entities licensed or registered by the Authority;
		(b)	Any legal entity that intends to introduce capital market products and services through new technology or other means, or to further develop existing services and make them available to the public.

		(c)	The entities specified in this section must register with the Authority as "Sandbox Participant" to take part in the sandbox, in accordance with these regulations.
Eligibility Criteria for Sandbox Product and Services	4.		Products or services submitted for participation in the Sandbox must meet the following requirements.
		(a)	The proposed product or service must be beneficial to the Maldivian capital market.
		(b)	The proposing entity must demonstrate a clear need for testing the proposed product or service.
		(c)	Adequate offline tests must have been conducted prior to applying for participation in the regulatory sandbox.
		(d)	The proposed product or service shall provide demonstrable benefits to its users.
		(e)	A risk management plan, incorporating appropriate measures to mitigate potential risks to investors during the sandbox testing phase, shall be implemented for the proposed product or service.
		(f)	The proposing entity shall demonstrate both the interest and capacity to deploy the proposed product or service broadly within the Maldivian capital market.
		(g)	The directors, or partners, and senior management of an applicant seeking sandbox participation shall comply with the standards and requirements specified in the Authority's "Guidelines on Fitness and Propriety Standards."
		(h)	Investors in any product or service submitted for participation in the sandbox must be sophisticated investors who satisfy the criteria established by the Authority.
		(i)	The number of investors participating in the proposed product or service during the sandbox testing phase shall be subject to the approval of the Authority, which reserves the right to determine the maximum number of participants.

		(j)	The product or service submitted for sandbox participation shall undergo testing for a minimum period of six (6) months and a maximum period of twelve (12) months.
		(k)	The proposed product or service for sandbox participation must incorporate processes for mitigating and regularly monitoring risks related to money laundering and financing of terrorism, in accordance with Law No. 2014/10 (Prevention of Money Laundering and Financing of Terrorism Act) and the regulations issued thereunder.
		(l)	Risks associated with investing in the proposed product or service for sandbox participation must be clearly and comprehensively disclosed to investors.
<p style="text-align: center;">Chapter 3</p> <p style="text-align: center;">Application to Participate in the Sandbox</p>			
Pre-Application Consultation With the Authority	5.	(a)	Applicants shall hold at least one consultation meeting with the Authority prior to submitting a formal application and shall provide all information necessary for the Authority to evaluate the nature of the proposed product or service and assess its regulatory implications.
		(b)	Any party wishing to participate in the sandbox shall submit a request for a consultation meeting in the manner determined by the Authority.
		(c)	The Authority may, if it deems necessary, designate the parties referred to in section 3(b) of this Regulation to attend a capital market training program conducted by the Authority.
		(d)	Following the consultation meeting referred to in subsection (a), the parties determined by the Authority to be eligible for sandbox participation shall register in accordance with section 3(c) of this regulation.

Application to participate in the Sandbox	6.	(a)	Parties deemed eligible by the Authority and registered under Section 5(d) shall submit a formal application for participation in the sandbox in the manner prescribed by the Authority.	
		(b)	The following documents are required to be submitted by applicants for participation in the Sandbox.	
			(1)	Description of the product or service offered (Business Model);
			(2)	Details of how the proposed product or service meets the Sandbox entry requirements;
			(3)	Business plan and feasibility study (business structure, operating model, target market, and implementation plan);
			(4)	Testing plan (test duration, key performance indicators, users, Sandbox tools needed, and outcomes to be achieved);
			(5)	The securities market sector to which the product or service submitted to the Sandbox pertains, along with any applicable regulations;
			(6)	Regulatory assessment (identifying legal or regulatory provisions that may impede deployment, as well as desirable exemptions and relief);
			(7)	Measures to manage risks and protect investors (including mitigation of operational, cybersecurity, data, and liquidity-related risks);
			(8)	Details of the applicant (promoters, directors, significant shareholders, and their ultimate beneficial owners, registration information, and statements of financial capacity and capital);
			(9)	Authorization or license, if any, from a regulatory authority that is a member of the International Organization of Securities Commissions (IOSCO), together with supporting documents;

		(10)	Withdrawal or exit plan from the Sandbox (including the post-Sandbox deployment plan and the plan for discontinuation in the event of project failure);
		(11)	All documents and information arising from pre-application discussions;
		(12)	Any other information required to test the proposed product or service in the Sandbox, including anticipated challenges;
		(13)	A declaration signed by the senior officials of the applicant, confirming the accuracy of the information submitted and agreeing to comply with the requirements of the Sandbox.
<p style="text-align: center;">Chapter 4</p> <p style="text-align: center;">Testing in the Sandbox</p>			
Review of Sandbox Product or Service	7.	The Authority shall determine the eligibility of participants and the products or services to be tested in the Sandbox under these Regulations. In doing so, the Authority may, at its discretion, seek advice or consultation from experts in the relevant fields.	
Authority's Responsibility in Reviewing Sandbox Products or Services	8.	The Authority's responsibilities in the review of Sandbox products and services are as follows:	
		(a)	Review and analyze proposals for participation in the sandbox and issue a decision on the eligibility of the product or service;
		(b)	A decision on each application shall be made within a reasonable time;
		(c)	Monitor products and services tested in the sandbox, and review and assess the reports submitted to the Authority;
		(d)	Oversee the maintenance of security and robustness of products and services in the sandbox;

		(e)	Based on the quality and outcomes of a product or service in the sandbox, determine whether it is ready to exit and be introduced to the market, or, if found not ready or inadequate, inform the applicant of the reasons therefor.
<p style="text-align: center;">Chapter 5</p> <p style="text-align: center;">Reports to be Submitted by Sandbox Participants</p>			
Progress reports	9.		During the testing period, sandbox participants must submit a monthly report that includes the following:
		(a)	Improvements achieved against key performance indicators (KPIs);
		(b)	Details of any incidents that occurred and the corrective actions taken;
		(c)	Feedback or opinions of service users;
		(d)	Any changes necessary to expand, amend, or terminate the testing process, differing from those previously submitted.
Incident report	10.		During the testing period, the Authority shall be promptly informed of any event or circumstance believed to materially affect or compromise the proposed project.
Final report	11.		A final report shall be submitted within thirty (30) days of the conclusion of the sandbox testing period. The report shall include the following sections:
		(a)	Details of test results;
		(b)	Results against Key Performance Indicators (KPIs);
		(c)	Details of any incidents or risks, and the measures taken to address them;
		(d)	An assessment of commercial progress;
		(e)	Plans for exit from the sandbox and introduction to the market.

		(f)	If the sandbox testing period exceeds 12 (twelve) months, the applicant shall submit audited financial statements (if available) or management accounts for the previous year, along with the information specified in subsection (a)–(e) of this section.
Third-party IT Audit	12.		For the purpose of evaluating the technology of a product or service proposed for sandbox participation, the Authority has the discretion to require submission of a third-party IT audit during the proposal review or testing period.
<p style="text-align: center;">Chapter 6</p> <p style="text-align: center;">Exit and Withdrawal from the Sandbox</p>			
Exit after successful testing	13.		Where the objectives of sandbox testing have been achieved, the proposed product or service may be deployed to the broader market upon completion of the following steps.
		(a)	All rights of investors who participated in the testing have been exercised;
		(b)	The Authority has determined that the benefits to investors from the product or service outweigh the risks involved;
		(c)	The Authority has granted approval for the broader market introduction of the product or service.
		(d)	Complete adherence to all regulatory requirements set forth by the Authority.
Exit plan	14.		All applicants shall prepare an exit plan to be implemented when a sandbox product or service successfully completes testing and exits the sandbox. The exit plan shall include the following information;
		(a)	Effective mechanisms for informing and notifying participating investors;
		(b)	Procedures for transitioning investors who wish to move to the live environment during deployment.

Withdrawal plan	15.	All applicants shall prepare a withdrawal plan, to be applied in the event that the product or service fails sandbox testing or is withdrawn prior to the completion of the testing period. The withdrawal plan shall include the following information:	
		(a)	Applicants shall establish robust procedures for providing information and notifications to investors who participated in the testing;
		(b)	Unless otherwise directed by the Authority, any refunds to investors shall be completed within a period not exceeding 14 (fourteen) working days.
Extension of the Testing Period	16.	(a)	A participant seeking an extension of the sandbox testing period shall submit a written request to the Authority at least fifteen (15) working days before the end of the pre-approved testing period.
		(b)	An application for an extension shall include the following information:
		(1)	A detailed explanation of the reasons for the extension request, including a description of progress achieved to date and the work remaining to meet the testing objectives;
		(2)	An updated timeline, specifying new deadlines for the completion of testing, as well as for the implementation of the exit or withdrawal plan;
		(3)	Details of the potential impact of the extension on investors, including any associated risks and the measures proposed to mitigate them.
		(c)	The Authority reserves the right to grant or deny an extension of the testing period, or to grant an extension subject to specific conditions, based on the information submitted.
Implementation of the Exit or Withdrawal Plan	17.	(a)	At any stage of the sandbox, the Authority may require participants to review and amend their exit or withdrawal plan.

		(b)	All exit or withdrawal processes shall be conducted in a transparent and robust manner to minimize any adverse impact on investors and the financial market.
		(c)	If the Authority determines that a product or service tested in the sandbox is not sufficiently market-ready, it shall notify the sandbox participant in writing and initiate the withdrawal of the product or service from the sandbox.
<p style="text-align: center;">Chapter 7</p> <p style="text-align: center;">Miscellaneous</p>			
Submission of Previously Submitted or Related Sandbox Applications (Cooling-off period)	18.	(a)	An applicant whose sandbox application has been rejected, withdrawn, or removed from sandbox testing may submit a resubmission for the same proposal only after three (3) months have elapsed from the date of the Authority's most recent decision.
		(b)	If a person referred to in subsection (a) of this section reapplies to participate in the sandbox, they shall submit evidence demonstrating that the feedback provided or deficiencies identified in the previous application have been addressed.
Confidentiality	19.		All information and documents submitted to the Authority under these rules shall be treated as confidential throughout all stages of the sandbox and shall be used solely for sandbox assessment, monitoring, and regulatory oversight purposes.
Fees	20.	(a)	Parties wishing to participate in the sandbox shall pay a non-refundable application processing fee of MVR 5,000 (five thousand) at the time of submission.
		(b)	A non-refundable registration fee of MVR 35,000 (thirty-five thousand) shall be paid upon submission of the sandbox application.
		(c)	Following the successful completion of sandbox testing and exit, entities introducing the product or service on a wider scale shall pay

			the prescribed fees for the relevant license or permit, as specified in the applicable regulations.
Record Keeping	21.		Each sandbox participant shall maintain accurate and complete documentation of all activities conducted during the sandbox testing period. Participants are also responsible for securely retaining these records for the prescribed period, or until any identified issues have been fully resolved.
Authority's Power to Issue Directives, Circulars, Orders	22.		The Authority reserves the right to issue instructions, circulars, or orders on any matter not specifically addressed herein, for the purpose of ensuring the effective administration and enforcement of these Regulations.
Publication of the List of Sandbox Participants	23.	(a)	List of sandbox participants shall be published and updated on the Authority's official website.
		(b)	The list referred to in subsection (a) of this section shall include the following information:
		(1)	Name of the sandbox participant;
		(2)	Product or service being tested;
		(3)	Date of commencement of testing.
Definitions	24.		Unless the context otherwise requires, the following terms and phrases shall have the meanings assigned to them below.
		(a)	"Act" shall mean Law No: 2/2006 (Maldives Securities Act).
		(b)	"Authority" shall mean the Capital Market Development Authority established under Law No: 2/2006 (Maldives Securities Act).
		(c)	"Sandbox" shall mean a system in which new products and services are tested and experimented with in a controlled environment prior to their market introduction.

		(d)	“Sandbox Participants,” “participants,” or “applicants” shall mean legal entities that apply to the authority to participate in the Sandbox and test a product or service within it.
		(e)	“Deployment” or “deploying” shall mean the broad introduction of new products or services to the capital market, with the approval of the Authority, following testing in the Sandbox.
		(f)	“Senior Officials” shall mean, in the case the applicant is a company, its directors, and in the case of a partnership, its partners.
		(g)	“Sophisticated Investors” shall mean natural persons with an annual income of at least MVR 720,000 (seven hundred and twenty thousand) or more and capable of making investment decisions independently, or legal entities with total assets of MVR 2,000,000 (two million) or more, including eligible nationals and foreign investors registered with the Authority under Regulation No. 2025/R-97 (Regulation on Investment in Securities by Foreign Investors).
		(h)	“Experts” shall mean technical specialists possessing specific skills and experience in relevant fields.
Commencement	25.	This Regulation shall come into effect on the date it is published on the Gazette.	