



RWANDA UTILITIES REGULATORY AUTHORITY
P.O BOX 7289 KIGALI, Tel: +250 584562, Fax: +250 584563

Email: info@rura.rw

Web-site: www.rura.rw

**REGULATION N° OF .../.../2019 GOVERNING REGULATORY
SANDBOX IN RWANDA**

Table of Contents

PREAMBLE	3
CHAPTER ONE. GENERAL PROVISIONS	4
Article One: Purpose	4
Article 2: Definitions of terms	4
Article 3: Scope of this regulation.....	5
Article 4: Exclusion.....	5
Article 5: Objective of this Regulation	5
CHAPTER II: SANDBOX APPROACH	5
Article 6: Eligibility Criteria	5
Article 7: Support and Regulatory supervision	6
CHAPTER III. Sandbox Evaluation Criteria	6
Article 8: Genuine innovation	6
Article 9: Benefit to stakeholders.....	6
Article 10: Ready for testing	Error! Bookmark not defined.
Article 11: Defined boundary conditions	7
Article 12: Defined monitoring and evaluation procedure.....	Error! Bookmark not defined.
Article 13: Risk assessment and mitigation	7
Article 14: Defined exit and/or transition conditions.....	7
CHAPTER IV. AUTHORIZATION PROCESS	7
Article 15: Qualification for authorization under the sandbox	7
Article 16: Requirements for authorization.....	8
Article 17: Validity period	8
Article 18: Authorization fee.....	8
Article 19: Migration eligibility	8
Article 20: Exiting.....	9
Article 21: Cancellation of the authorization	9
Article 22: Limitations	9
Article 23: Reporting.....	10
CHAPTER V. ADMINISTRATIVE FAULTS AND SANCTIONS	10
Article 24: Non-compliance with the Enforcement notice.....	10
Article 25: Refusal to provide information	10

Article 26: Delay to submit the reports 10
Article 27: Non –compliance to any Requirement of this Regulation 11
CHAPTER VI: FINAL PROVISIONS 11
Article 28: Repealing provision 11
Article 29: Commencement 11

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PREAMBLE

The Regulatory Board of Rwanda Utilities Regulatory Authority;

Pursuant to the law n° 09/2013 of 01/03/2013 establishing Rwanda Utilities Regulatory Authority and determining its mission, powers, organization and functioning, especially in Article 2;

Pursuant to the law n° 24/2016 of 18/06/2016 governing information and communication technologies especially in article 44, 129, 130;

Conscious that the fast evolving technology landscape requires a responsive and progressive framework to facilitate the development, testing and adoption of promising technological innovations;

Considering that a flexible regulatory framework of a sandbox is needed to create and encourage innovation in a cost-efficient manner;

Upon due consideration and deliberation in its meeting of .../.../2019;

HEREBY issues the following Regulation;

CHAPTER ONE. GENERAL PROVISIONS

Article One: Purpose

The purpose of this Regulation is to put in place a clearly defined testing environment so as to develop and test innovative technology or solutions without being subjected to a great number of regulatory requirements.

Article 2: Definitions of terms

For the purpose of this Regulation, terms below have the following meanings:

1. **Applicant:** any natural or legal person who intends to operate under the Regulatory Sandbox;
2. **Innovation:** the application of better solutions that meet new requirements, unarticulated needs, or existing market needs;
3. **Regulatory sandbox:** a “safe house” where pilots of specified types of innovative products and services can take place;
4. **Regulatory Authority:** Rwanda Utilities Regulatory Authority (RURA) as established by the law n°09/2013 of 01/03/2013;
5. **Participant:** the holder of an authorization under the Regulatory Sandbox;
6. **Person:** natural or legal person.

Article 3: Scope of application

This regulation shall apply to:

1. A ground-breaking innovation which is a new, or products or services significantly different from products which complies with all relevant regulatory requirements;
2. Institutions wishing to pilot and launch their technological innovations that are not addressed by current regulations issued by Regulatory Authority; and
3. Other technological innovative solutions in relation to the current regulated sectors.

Article 4: Exclusion

The regulatory sandbox is not intended to be a platform for firms to launch an established technological product or service which complies with already existing and relevant regulatory requirements.

Article 5: Objective of this Regulation

The objective of this Regulation is to:

- (a) put in place a framework that enable firms, start-ups and academia to test their innovative solutions on the market;
- (b) reduce regulatory barriers in order to encourage innovation in the interest of consumers and driving competition;
- (c) reduce time-to-market at potentially lower cost;
- (d) increase the number and range of innovative products in the market; and
- (e) ensure appropriate consumer protection safeguards in innovative products.

CHAPTER II: SANDBOX APPROACH

Article 6: Eligibility Criteria

To qualify for regulatory sandbox, the applicant:

- (a) must have a technology product that is untested in the national market, and not commercially available in any other market;
- (b) may already be offering their technology product in the market, but wish to continue researching and developing it, and to live-test and offer any product enhancements, variations or new features on a limited rollout basis within the limits of the Regulatory sandbox;
- (c) must be a researcher or academia seeking to test a technology for a limited period approved by the Regulatory Authority, otherwise, he must be apply for a required license; and

- (d) must be a company seeking to live-test their application, products and services in a clearly demarcated environment, with controlled scope and scale, without attracting the full suite of regulatory requirements.

Article 7: Regulatory support

The Regulatory Authority provides tailored guidance and support to any applicant interested in applying to the Regulatory sandbox and guide them to :

- (a) understand the Regulatory sandbox regulation ;
- (b) draw up a risk-appropriate testing parameters;
- (c) meeting their ongoing regulatory requirements; and
- (d) encouraging local innovation or incubation hubs and local academia.

CHAPTER III. Sandbox Evaluation

Article 8: Requirements

Any applicant who desires to operate under the Regulatory sandbox must demonstrate how they fulfil the following requirements:

- (a) how the technology to be deployed is genuine ;
- (b) the benefit of that technology solutions into the national market;
- (c) how the technology or solutions is ready for testing;
- (d) that the technology or solutions clearly define the duration of the experimentation.

Article 9: Genuine innovation

To consider any application under this Regulation, the applicant must include new or emerging technologies or solutions, or demonstrate how existing technologies or solutions are deployed in an innovative way.

Such application, should contain supporting documentation of research that clearly shows that few or no comparable offerings are available in the national market.

Article 10: Benefit of the technology and its testing readiness

Any applicant who intends to operate under the Regulatory sandbox, must submit a proposal that demonstrates how the technology or solutions to be deployed will benefit the Rwandan market.

The proposal should also show that the applicant has secured or intends to secure relevant assets and resources for experimentation and has clearly defined test scenarios and outcomes.

Article 11: Defined boundary conditions

Any approval of the proposal submitted by the applicant is subject to a limit duration of experimentation of the project, geographic rollout limitation, the capacity such as estimated tonnage or estimated customer base among others.

The applicant is required to provide quarterly progress reports to the Regulatory Authority on the sandboxed project.

Article 12: Risk assessment and mitigation

Any significant risk arising from the proposed technology or solution of the proposed project should be foreseen, assessed and mitigated by providing evidence of preliminary testing in the form of a report to the Regulatory Authority.

This report must clearly show the risks and proposing mitigating measures for such risks.

Article 14: Inability to meet objectives of the projects

Due to certain reasons, inter alia, the inability to meet objectives of the project, safety lapses; the owner of the project must submit to the Regulatory Authority the acceptable exit and transition conditions to disconnect the sandboxed project resulting from that failure.

If the project is disconnected, the project owner must ensure that affected parties are kept informed of the progress and outcome of the disconnection.

However, the owner of the project is allowed to benefit from an extended period to rectify faults,

Where the sandboxed project include substantial investments in fixed assets, the applicant should also specify how these fixed assets will be handled/decommissioned if the sandboxed project is discontinued.

CHAPTER IV. AUTHORIZATION PROCESS

Article 15: Qualification for authorization under the sandbox

Any person who seeks to operate under the Regulatory sandbox, shall demonstrate to the Regulatory Authority that they:

- a. have adequate and appropriate resources, including financial resources, to develop and test their technology proposal;
- b. are registered as a company or business in Rwanda;
- c. have relevant technical and business knowledge and experience to develop and test the technology proposal; and
- d. have a clearly defined sponsor, shareholders or incubation center at their support;
- e. are able to clearly define the technology proposal's test parameters, control boundaries, key milestones and intended outcomes;

- f. are able to satisfactorily detail the safeguards that have been put in place, and demonstrate how they are appropriate to the technology proposal being tested, the risks that are posed and the type of customers that are likely to be affected by the proposed innovation;
- g. are capable to set out a fair and proper exit strategy for customers, should the technology proposal be discontinued, completed or deployed on a broader scale outside the Regulatory sandbox; and
- h. comply with all applicable regulatory requirements that the regulator may prescribe from time to time.

Article 16: Requirements for authorization

Any person who wishes to be authorized under the sandbox shall apply for an authorization to the Regulatory Authority.

Article 17: Validity period

The Authorization to operate under the Regulatory Sandbox is valid for a period of one (1) year. The validity period of the sandbox authorization may be either renewed or extended upon the Regulatory Authority's assessment of the progress made during the past year.

In case the size, scale or progress of the technology proposal allows, before or after the authorization expired, the operator shall exit the Regulatory sandbox and, if found eligible, he/she must migrate to the full authorization and supervisory regime under current regulatory and licensing framework into force.

Article 18: Authorization fee

The Regulatory Sandbox authorization shall be issued to the applicant upon the presentation of proof of payment of the authorization fee of One million Rwandan Francs (1.000.000 Frw).

The Regulatory Authority reserves the right to modify the authorization fee when deemed necessary. The authorization fee is not refundable in case of modification or cancellation of the authorization.

Article 19: Migration eligibility

At the expiration of the sandbox authorization, the participant may migrate to the full licensing framework. In order to be declared eligible for the migration, the operator shall be able to demonstrate that:

1. He/she have achieved their intended test outcomes under the Regulatory sandbox so as to deploy the technology product or service on a broader scale; and
2. He/she continues to be fit and proper as per regulatory and Rwandan company law requirements.

If the operator is found unable to satisfy the above criteria, he shall be required to cease carrying on the activity for which they received the authorization under the sandbox.

The deadline for ceasing the activity is upon the expiration of its sandbox authorization, or at such time as the regulator modifies or cancels the authorization.

Article 20: Exiting

Unless an application to extend the validity period is made at least three (3) months before the authorization expires, or at such time as is otherwise agreed by the Regulatory Authority, the participant will have to exit the sandbox through defined exit strategy.

Article 21: Cancellation of the authorization

The Regulatory Authority may revoke the authorization, if it is found that the participant:

1. is deviating, or failing to satisfy the conditions of the sandbox;
2. has failed to comply with notices from the Regulatory Authority;
3. substantial evidence is brought by test customers or regulatory supervision show that the participant is abusing their sandbox powers;
4. has failed to comply with applicable laws, rules and regulations

Article 22: Limitations

Upon being granted the authorization, the Regulatory Authority may impose limitations or conditions on the participant.

These limitations include, but are not limited to:

1. The number and type of customers with or for whom the participant carries on, or intends to carry on the approved services within the sandbox;
2. The type and size of customer transactions that the participant is permitted to enter into;
3. The suitability assessment and customer's' written consent required prior to carrying on the services within the sandbox;
4. The participant's ability (if any) to hold or control customer money and customer investments;

5. The requirements surrounding the participant's handling and protection of customer information;
6. The manner and type of promotion that the participant may undertake and the associated disclosures that the participant is required to make to customers;
7. The key information required to be contained in a customer agreement;
8. The prevention of money laundering and countering the financing of terrorism measures that the participant is required to implement;
9. The participant's capital requirements (if any);
10. The participant's financial and other reporting requirements; and
11. Any other safeguards to protect the interests of customers or maintain the safety and soundness of the market as the Regulatory Authority may prescribe.

The Regulatory Authority may, at any time throughout the life-cycle of the proposal, by notice in writing to the participant, cancel or modifies any condition or restriction imposed on the participant or impose such further condition or restriction as it may think fit.

Article 23: Reporting

The participant shall submit to the Regulatory Authority the report on progress, each quarter and not later than 30th of the first month of the next quarter.

Such report shall include: financials, customer size, customer location, current challenges, the latest business model and any other information the regulatory authority may deem important.

CHAPTER V. ADMINISTRATIVE FAULTS AND SANCTIONS

Article 24: Non-compliance with the Enforcement notice

Any participant who does not comply with the enforcement notice issued by the Regulatory Authority in accordance with the provisions of this Regulation shall be liable to an administrative fine of between five hundred thousand (5,000,000) and one million and Five hundred (1,500,000) Rwanda francs.

Article 25: Refusal to provide information

If a participant fails or refuses to provide timely the information or gives partial or false information to the Regulatory Authority or fails to provide in accordance with the relevant procedure or within the planned timeframe, he/she shall be liable to an administrative fine of between five hundred thousand (500,000) and one million (1,000,000) Rwanda francs and/or the withdrawal of their authorization.

Article 26: Delay to submit the reports

Any participant who delays to submit intentionally the audit plan report, the audit report and remediation plan to the Regulatory Authority as provided under this Regulation shall be liable

to an administrative fine of between five hundred thousand (500,000) and one million (1,000,000) Rwanda francs.

Article 27: Non –compliance to any Requirement of this Regulation

Any participant who does not comply with any other requirement of this Regulation shall be liable to an administrative fine of between five million (5,000,000) and fifteen million and Five hundred (15,000,000) Rwanda francs and/or the withdrawal of their authorization.

CHAPTER VI: FINAL PROVISIONS

Article 28: Repealing provision

All prior regulatory provisions contrary to this regulation are hereby repealed.

Article 29: Commencement

This regulation shall come into force on the date of its signature by the Chairperson of the Regulatory Board.

Done at Kigali on, .../.../2019.

Dr. Ignace GATARE

Chairperson of the Regulatory Board

ANNEX I. SANDBOX APPLICATION FORM

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