

Public Comments on Draft IFSCA FinTech Sandbox Framework

The consultation paper seeking comments/suggestions from the public on the Draft IFSCA FinTech Sandbox Framework was issued by IFSCA on September 19, 2025. The General public, market participants and stakeholders are requested to forward their comments / suggestions latest by October 10, 2025. The following comments/suggestions were received:

	Submitted by	Clause	Comment / Suggestion	Rationale	IFSCA Comments	Global Benchmark
1	Pluto	NA	Clarify MAT exemption for early-stage FinTech/TechFin startups and extend GST exemption to cross-border AI/API-based services rendered from IFSC units.	Encourages AI first solopreneurs and small teams to domicile in IFSC without tax drag during early years.	The tax-related aspects referred to fall outside the scope of the Draft FinTech Sandbox Framework. Furthermore, the regulatory frameworks issued by IFSCA do not ordinarily address tax matters, and maintaining parity would warrant adopting the same approach in this framework.	DIFC & ADGM provide complete 0% tax regime for innovation license holders.
2	Pluto	NA	Introduce a Digital Front Door — single application interface for sandbox, authorisation, and live licence with auto escalation pathways.	Streamlined application improves time-to market and regulatory transparency.	The Application is received through SWIT which is a single application interface.	FCA (UK) offers “Innovation Pathway” & “Digital Application Platform.”
3	Pluto	Claus 5(iii) and (iv)	Create a “Solopreneur Lite” Licence — capped exposure, mandatory sponsor, and defined consumer limits.	Allows individual innovators to test capital access solutions safely and compliantly.	Individuals or groups of individuals are already permitted under Clause 5(iii)(d) and Clause 5(iv)(a) of the Draft FinTech Sandbox Framework. Introducing a mandatory sponsorship requirement may constrain participation and restrict genuine innovations. However the fintech sandbox entity has to onboard a testing partner within 90 days after the issuance of in principle approval to be sure that the use case is in alignment with the market demand.	ADGM “RegLab” & DFSA “ITL” licences enable proportionate participation. S.
4	Pluto	NA	Publish semi annual cohorts with defined KPIs on customer impact, AI model fairness, and portfolio health.	Structured cohorts improve transparency, attract global collaboration.	This input pertains to the over all development of FinTech Ecosystem in GIFT City and positioning it as a World- Class FinTech Hub. In this regard, IFSCA shall take relevant steps including, initiate engagement with GIFT City, IFIH, and other relevant stakeholders.	FCA Sandboxes with published KPIs since 2018.
5	Pluto	NA	Add Synthetic Data Sandbox with anonymised datasets (KYC, GST, trade, e invoice) for AI/ML credit modelling.	Enables safe experimentation and responsible AI in financial risk models.	This input pertains to the over all development of FinTech Ecosystem in GIFT City and positioning it as a World- Class FinTech Hub. In this regard, IFSCA shall take relevant steps including, initiate engagement with GIFT City, IFIH, and other relevant stakeholders.	MAS “Sandbox Plus” includes data access & AI testbeds.
6	Pluto		Launch Private Credit & Digital Securities Track within IORS for tokenised NCDs, receivable pools, and bridge finance markets.	Directly supports platforms like LiquidEquity to solve SME capital access gaps.	The comment proposes amendments relating to operational aspects of IoRS, which are dealt as per the SOP formulated by IRTG. Further, IFSCA shall take relevant steps including, initiate engagement with GIFT City, IFIH, and other relevant stakeholders to reinforce its focus on innovative fintech areas including above tracks.	UK Digital Securities Sandbox, DFSA tokenisation track.
7	Pluto		Add Pre-Revenue AI/Science Track requiring sponsor supervision & escrowed client funds.	Supports genuine innovation in early-stage founders. Drives outcome based growth and responsible use of grant capital. Increase this money to allow Grants up to 2 million \$	The Draft FSF has not mandated any revenue criterias for the eligibility for entry into the Sandbox. However the entity has to onboard a partner within 90 days after the issuance of in principle approval to be sure that the use case is in alignment with the market demand.	MAS Sandbox Plus allows pre-revenue entry.
8	Pluto		Introduce Milestone-linked grant tranches tied to customer acquisition, compliance audit, and AI model validation.	Equivalent to support deep tech R&D in Fintech and Tech Fin Space	IFSCA had implemented the FinTech Incentive Scheme and the scheme was valid till March 31, 2025. However based on the learnings and availability of various grant opportunities available from various state and central schemes, the scheme has not been further extended as per the direction of relevant ministry.	MAS & HKMA link innovation grants to measurable adoption metrics.

9	Pluto		Establish Shared KYC/AML Utility 2.0 and AI Model Registry for fairness audits and MLOps governance.	Lowers duplication and builds trust in Indian AI-based underwriting systems.	IFSCA has already released KRA Regulations to effect in this matter. The constitution of Centralized Platforms for KYC AML and AI model falls outside the purview of Draft FSF. Further, the input also pertains to the over all development of FinTech Ecosystem in GIFT City and positioning it as a World- Class FinTech Hub. In this regard, IFSCA shall take relevant steps including,initiate engagement with GIFT City, IFIH, and other relevant stakeholders.	FCA Supervised AI Registry pilot (2023).
10	Pluto		Expand to Private Credit Marketplaces and Bridge Money Protocols for SMEs/startups with escrowed disbursement standards.	India's biggest need is frictionless working capital & bridge credit access.	The scope of the Draft FinTech Sandbox Framework is broad-based and encompasses solutions and services enabled under the IFSCA Act. Certain elements of the suggestions are already facilitated through ITFS platforms operating within the IFSC. Further, the input also pertains to the over all development of FinTech Ecosystem in GIFT City and positioning it as a World- Class FinTech Hub. In this regard, IFSCA shall take relevant steps including,initiate engagement with GIFT City, IFIH, and other relevant stakeholders.	DIFC and DFSA permit such sandboxed pilot marketplaces.
11	Pluto		Introduce Soft Landing Packs (pre-approved cloud infra, sandbox data, 90 day build visa).	Enables global innovators to quickly establish presence in GIFT.	The soft-landing support measures mentioned, such as pre-approved cloud infrastructure and the 90-day build visa, fall outside the purview of the Draft FinTech Sandbox Framework. Relevant sandbox-related data are periodically updated on the IFSCA website under the directory section for access by other applicants. However, specific data pertaining to individual use cases may not be shared with entities. Any entity requiring such data may directly approach the respective FinTech Sandbox Entities	DIFC Innovation Licence and DFSA ITL offer similar provisions.
12	Pluto		Publish Founder Playbook for OI/OPI compliance for Indian-resident founders operating IFSC domiciled startups.	Simplifies structure for Indian founders investing via IFSC routes.	The input pertains to the over all development of FinTech Ecosystem in GIFT City and positioning it as a World- Class FinTech Hub. In this regard, IFSCA shall take relevant steps including,initiate engagement with GIFT City, IFIH, and other relevant stakeholders.	FCA & BoE provide step by-step sandbox S. authorisation guide.
13	Pluto		Launch FinTech Bridges 2.0 for mutual sandbox recognition and cross-border data/API conformity.	Enables India-to world scaling of FinTech products.	IFSCA may explore establishing additional FinTech Bridges with foreign regulators under the provisions of the Overseas Regulatory Referral Mechanism. The possibility of mutual sandbox recognition with other regulators may also be examined and deliberated upon at appropriate policy-level platforms.	UK-MAS, MAS ADGM bridges are proven collaborative models.
14	Pluto		Pilot Parametric SME default covers and tokenised NCD settlement (T+0) within IFSC.	De-risks private credit and improves investor confidence.	The scope of the Draft FinTech Sandbox Framework is broad-based and encompasses solutions and services enabled under the IFSCA Act. Individual use cases will be evaluated for suitability based on the prescribed eligibility criteria and the activities permitted under the IFSCA Act.	UK Digital Securities Sandbox exploring same model.
15	Pluto		Add Supply chain finance, Green projects, and Receivables finance as high impact tracks.	Aligns innovation focus with India's capital-intensive segments.	The suggestion pertains to the establishment of theme-specific regulatory sandboxes; however, the Draft FinTech Sandbox Framework adopts a comprehensive approach that inherently accommodates such thematic elements. Additionally, IFSCA is organizing themed hackathons, consistent with its previous initiatives in this area (e.g., Green FinTech)	FCA & MAS thematic sandboxes (AI, ESG) yield higher adoption. III. Strategic Recommendations for IFSCA

16	Pluto		Create an "AI Capital Access Mission" under IFSCA	Combine policy, data, and innovation programs to position GIFT City as the AI Finance Hub for Asia and also meeting Global South Agenda.	The suggestion received falls outside the scope of the Draft FinTech Sandbox Framework. However, as this input may contribute to the over all development of FinTech Ecosystem in GIFT City and positioning it as a World-Class FinTech Hub. In this regard, IFSCA shall take relevant steps including, initiate engagement with GIFT City, IFIH, and other relevant stakeholders to reinforce its focus on innovative fintech areas including Artificial Intelligence.	
17	Pluto		Launch "TechFin Founders Fellowship" for Indian innovators	A 12-month cohort providing compliance guidance, sandbox credits, and mentoring with global regulators. Allow Virtual incubation, Hybrid and physical innovation.	IFSCA has launched a total of 13 I-Sprints/ Hackathons in innovative fintech areas. Further, this input also pertains to contributing to the over all development of FinTech Ecosystem in GIFT City and positioning it as a World-Class FinTech Hub. In this regard, IFSCA shall take relevant steps including, initiate engagement with GIFT City, IFIH, and other relevant stakeholders to encourage stakeholders to launch of cohorts in innovative fintech areas, covering the suggested provisions.	
18	Pluto		Establish a Global "Capital Access API Standard" Consortium	Enable interoperable APIs for credit scoring, tokenisation, and SME finance, aligned with OpenAI + BIS frameworks.	This input pertains to contributing to the over all development of FinTech Ecosystem in GIFT City and positioning it as a World-Class FinTech Hub. In this regard, IFSCA shall take relevant steps including, initiate engagement with GIFT City, IFIH, and other relevant stakeholders to encourage them to establish an APIs bank.	
19	Black Dot Public		Insert a Clause / Amend Clause 21 to codify "No	A "No Action Policy" is an immunity given from	sufficient time for entities to test their products. The suggestion appears to	The Consumer Finance Protection Bureau in
20	Compliance Kart Private Limited	Clause 5	Consider extending eligibility to non licensed startups in pre-incorporation phase (with sandbox entry contingent on incorporation).	Helps support early-stage innovation and attracts international talent; allows experimentation before regulatory burdens.	The Draft FinTech Sandbox Framework already permits individuals or groups of individuals affiliated with duly recognized research or academic institutions established in India, with the objective of encouraging genuine applications from diverse segments. However, considering the suggestion, the eligibility criteria may be further relaxed to include startups and individuals associated with reputed incubators or accelerators. Partnership firms may also be included among the eligible Indian entities, and suitable amendments may be made to the eligibility provisions in the Draft FinTech Sandbox Framework accordingly.	UK FCA allows startups to participate in pre-licensing stages under guidance.
21	Compliance Kart Private Limited	Clause 6	Include AI-based RegTech, ESG FinTech, and blockchain/DLT-based solutions explicitly.	These are emerging domains with increasing global relevance. Lack of clarity could deter cutting-edge innovation.	The Draft FinTech Sandbox Framework already encompasses these aspects under the eligible use cases listed in the section on Financial Support Services in Annexure I of the Draft FSF	MAS and FCA both have specific regulatory pathways and sandboxes for RegTech and ESG-related innovations.
22	Compliance Kart Private Limited	Clause 13	Suggest increasing sandbox duration to 18 months (with 6-month extension), rather than 12 months.	Complex innovations (e.g., cross-border payments, blockchain) often require longer cycles for user onboarding, testing, and evaluation.	The sandbox duration, extending up to approximately 18 months, provides sufficient time for entities to test their products. Further clause 43 allows the Authority to provide certain relaxation if required on a case to case basis.	ASIC (Australia) offers a 24-month period; MAS Singapore allows extensions case-by-case.
23	Compliance Kart Private Limited	Clause 16	Recommend issuing a non-exhaustive list of potentially relaxable regulations (e.g., KYC/AML, capital adequacy).	Provides clarity and predictability to applicants. Reduces ambiguity during proposal writing.	The clause 16 of Draft FSF refers to the regulatory relaxations. However if approved IFSCA may later publish a guidance note/ FAQs which may include extent of relaxation that may be provided to the Applicants.	Provides clarity and predictability to applicants. Reduces ambiguity during proposal writing. FCA and HKMA publish sandbox toolkits, listing potential exemptions.

24	Compliance Kart Private Limited	Clause 20 (User obligations)	Encourage a standardized consumer risk disclosure template and optional compensation fund.	Enhances user trust, reduces disputes, and aligns with consumer protection standards.	Clause 20 mandates FinTech Sandbox Entities (FSEs) to ensure that users have read, understood, and acknowledged the associated risks prior to participation. Further, the framework adopts a broader approach by allowing the FSE, testing partners, users to mutually determine the terms of compensation, if any, as per the specific use cases, nature of risks involved and testing conditions.	FCA requires documented risk acknowledgments; MAS implements compensation criteria during sandbox phase.
25	Compliance Kart Private Limited	Clause 24 (Revocation of authorization)	Add appeal and review mechanism for revocation decisions.	Provides procedural fairness and increases confidence among participants.	The Draft FSF already provides opportunity to the FSE to be heard by allowing detailed written submission to the Authority and giving prior notice.	ADGM and FCA include internal review mechanisms for sandbox decisions.
26	Compliance Kart Private Limited	Clause 35 (Innovation Sandbox)	Allow synthetic data sandboxes for AI/ML model testing, if real market data is unavailable.	Boosts AI/ML innovation, prevents regulatory data privacy conflicts.	The FinTech Sandbox Entities form partnerships with relevant testing partners as defined in the Draft FinTech Sandbox Framework to access required datasets.	MAS and Bank of Canada have public synthetic data repositories for FinTech testing.
27	Compliance Kart Private Limited	Clause 42 (Overseas Regulatory Referral)	Add clarity on bilateral reciprocity and fast track licensing post-sandbox success.	Builds trust among cross-border FinTech players and facilitates expansion.	The overseas regulatory referral mechanism facilitates access to Foreign Sandboxes through IFSCA. The Licensing in the referred Sandbox is subject to the provisions of Licenses in the respective regulators jurisdiction and is outside the scope of the FCA and remain subject to the terms of the bilateral FinTech Cooperation Agreements executed between the respective regulator. Further As per the precedence, A press note may be issued upon the signing of individual agreements to outline the salient features of the mechanism of individual signed FCAs and provide greater clarity to stakeholders	UK-Singapore FinTech Bridge enables successful sandbox entities to operate with reduced duplication.
28	Compliance Kart Private Limited	Clause 31	Recommend semi-annual reporting of operational, risk, and compliance KPIs, even during sandbox stage.	Promotes transparency and assists IFSCA in real-time risk evaluation	Clause 31 pertains to the requirement of seeking information on a case-by-case basis, encompassing both reporting obligations and any other information that may be necessitated under specific circumstances. Key performance indicators and risk-related details are obtained from the entity at the application stage. Furthermore, the reporting timelines and related requirements are stipulated in the Letter of Limited Use Authorisation and general reporting requirements may be separately published in Website or may be incorporated in the Guidance Note	HKMA, MAS, and FCA require quarterly/bi-annual sandbox progress reports.
29	Compliance Kart Private Limited	Clause 28	Suggest allowing dual currency operations (INR + foreign currency) for early-stage domestic FSEs.	Helps startups manage domestic expenditures efficiently while remaining globally focused.	IFSCA already allows operations through SNRR Account for administrative matters. However for business transactions freely converted currencies may only be permitted as per the relevant circulars amended from time to time.	ADGM allows such operational flexibility in its sandbox regime

30	Cyril Shroff Centre for AI, Law and Regulation	Clause 3 (h)	The word "new" should be dropped from the definition.	<p>Using "new" as a definitional element is problematic for the following reasons:</p> <p>(i) It is vague and does not prescribe an objective threshold for what might qualify to be "new" (e.g., is repurposing an existing KYC model for cross-border flows "new" or not?);</p> <p>(ii) It has a risk of false negatives whereby it may be used to screen out materially beneficial but only marginal improvements (e.g., process redesigns or novel deployment of established technology); and</p> <p>(iii) It invites subjectivity in analysis of the reviewers as different reviewers can set different bars for 'novelty' (e.g., the same API-based solution admitted by one panel could be rejected by another for being not "new").</p> <p>Deleting "new" in this definition and incorporating other suggestions in this section at S. No. 2, 3, and 4 comprehensively will increase legal certainty, reduce arbitrariness, and aligns the framework with international practice.</p>	The Comment is accepted. The word "new" may be removed	The Financial Stability Board (FSB), a G20-mandated standard setter, uses a working definition of FinTech as technology-enabled innovation in financial services with a "material effect" on the provision of those services. This impact-based framing is mirrored in the Bank of England's definition of FinTech as well: "fintech is technology-enabled financial innovation, which is changing the way financial institutions provide, and consumers and businesses use, financial services."
31	Cyril Shroff Centre for AI, Law and Regulation	Clause 3(k)	The words "that may add value to the financial products or financial services offered in the IFSC" should be dropped from the definition.	<p>These words in the definition are not necessary for defining this sandbox per se. The key description of the sandbox is it allows testing of ideas and products in isolation. These extra words are operational and qualitative description of activities in the sandbox.</p> <p>Indeed, in some cases, this definition might be perceived to disincentivise certain entities from applying to this sandbox. For instance, it might exclude entities who cannot immediately see them driving value for existing IFSC products or services. Therefore, the best practice would be to keep the sandbox type/definition neutral and assess "value" under evaluation criteria, not inside the definition. This preserves technology-neutrality and legal clarity.</p>	The term 'may' has been deliberately used to preserve flexibility and maintain a broad scope, thereby preventing rigidity in interpretation and avoiding unintended exclusions, while simultaneously providing directional clarity on the nature of innovation envisaged	The Monetary Authority of Singapore (MAS) describes their equivalent of the innovation sandbox as a controlled environment to test innovative financial services with guardrails without hard-wiring a market-specific "value-add" qualifier into the definition. The Financial Conduct Authority (FCA) likewise defines their Digital Sandbox functionally without any reference to or restricting it to circumstances where there is a 'value-add'.

32	Cyril Shroff Centre for AI, Law and Regulation	Clause 5(i) and 5(ii)	<p>These clauses suffer from uncertainty:</p> <p>a. In 5(i), what might amount to 'innovative' technology in the core product to qualify for the sandbox;</p> <p>b. In 5(ii), what product, solution, or idea might be termed 'innovative' to qualify;</p> <p>c. Clauses 5(i) and 5(ii) read together, what might amount to an 'innovative' technology used for an 'innovative' product/ solution/ idea to qualify.</p>	<p>The draft uses the word "innovative" in two different eligibility tests but never defines it. This leads to three issues: (a) overlap, because the same proposal can be argued under both tests; (b) inconsistent decisions across reviewers; and (c) scope for arbitrary inclusion or exclusion.</p> <p>A simple fix is to define 'innovation' using the 4Ps (Product, Process, Position, Paradigm) framework, whereby, innovation refers to any improvement in the (a) product or services; (b) process for delivery of product or services; (c) the perception of the product or services with its users, and (d) any improvement to the business model around the products or services. Thereafter, these clauses should be merged into one as an innovative technology might deliver a non-innovative product, and a non-innovative technology might deliver an innovative product. Accordingly, the revised clause in the place of Clause 5(i) and 5(ii) should be: "The Applicant must propose the use of innovative technology/processes, or present an innovative product or service/idea".</p>	<p>While "innovative" is broad, regulatory contexts often require a degree of evaluative discretion. The evaluation criteria may incorporate contextual judgment to assess whether a proposal demonstrates genuine innovation or presents a substantive differentiation from existing offerings to the ecosystem.</p> <p>Such discretionary evaluation is appropriate in sandbox environments, where the focus is on testing and learning in controlled environment.</p> <p>However, it doesn't mean that the solutions/ products solving the existing problems/ challenges in the ecosystem are discouraged.</p>	<p>The FCA publishes five clear entry tests for firms applying to its sandboxes:</p> <ul style="list-style-type: none"> o They should be in-scope, o They should pursue genuine innovation, o They must demonstrate consumer benefit, o They must demonstrate readiness, o They must have the need for support. <p>Each of these have both positive and negative indicators to evaluate the criteria which is consistent throughout the framework and does not leave room for ambiguity, arbitrariness, or confusion.</p> <p>Similarly, Australian Securities and Investments Commission (ASIC) Enhanced Regulatory Sandbox (ERS) also uses an Innovation Test and a Net Public Benefit Test, and it tells applicants the exact criteria which is quite reliable.</p>
33	Cyril Shroff Centre for AI, Law and Regulation	Clause 15 (b)	Usage of innovative solutions including technology would also benefit from the definition of 'innovation'.	As discussed in the point above at S. No. 3, a definition of 'innovation' would also benefit this evaluation criteria. This clause specifies that evaluation within the sandbox should happen based on use of "innovative solutions including technology". With innovation defined, this clause will be able to offer greater regulatory certainty.	<p>While "innovative" is broad, regulatory contexts often require a degree of evaluative discretion.</p> <p>Assessors can apply contextual judgment to determine whether a proposal is genuinely novel or meaningfully different from existing offerings.</p> <p>Such discretionary evaluation is appropriate in sandbox environments, where the focus is on testing and learning in controlled environment</p>	Same as above.
34	Cyril Shroff Centre for AI, Law and Regulation	Clause 5(iii) and 5(iv)	The need for an individual or a group of individuals to be affiliated with duly recognised research or academic institutions is unnecessary.	This requirement creates unnecessary barriers for individual innovators and early-stage teams who may lack institutional backing but possess viable innovations. Many fintech ideas originate from independent founders, early-stage startups, incubators, or small research labs that are not formally affiliated with a research or academic body	The requirement for affiliation with duly recognized research or academic institutions ensures credibility, accountability, and adherence to ethical and research standards. It provides access to adequate technical resources and facilitates effective evaluation of proposals. Such affiliation also helps maintain the integrity of the framework and prevents misuse by non-serious applicants, thereby ensuring that participation is limited to genuine and research-backed innovations.	ASIC allows natural persons and businesses to test within limits. The FCA accepts firms of all sizes, authorized or unauthorized, without academic-affiliation requirements. These broad approaches are designed to capture innovation from all corners of the market

35	Cyril Shroff Centre for AI, Law and Regulation	Clause 6 (read with Annexure I)	The list provided in Annexure I prescribing that the product or solution must fall into the categories listed therein should not be prescribed as such. It should be prescribed functionally.	<p>A predefined list can create a 'check-box' approach to innovation. Technologies that are cross-cutting, like Decentralized Finance (DeFi) or AI-driven services, may not align neatly with the listed activities, creating ambiguity about their eligibility. Annexure I should use a functional approach to eligibility by focusing on the fact that the activities of the entity applying should be an activity that is within the remit of the IFSCA. This will prevent further amendments to these regulations if IFSCA's remit expands. Accordingly, Clause 6 can be revised to:</p> <p>"An Applicant may be permitted to develop and/or test FinTech ideas or products and/or solutions falling within the activities regulated by the IFSCA, in any one of the following sandboxes"</p>	Providing an exhaustive list may create ambiguity for applicants regarding their eligibility if their use case is not explicitly mentioned. Aligning the scope with the IFSCA Act, however, ensures adequate flexibility and reflects the broad applicability of potential use cases	The FCA describes permissible activities functionally (viz., for the FCA the activity should be within their jurisdiction) rather than through closed lists, enabling continual evolution of use-cases and not needing amendments when remit expands.
36	Cyril Shroff Centre for AI, Law and Regulation	Clause 9 and Clause 33	The stipulation that all 'In-principle Approvals will require the Applicant to have at least one Testing Partner' has been drafted as a default requirement for all firms. This might not be required by some entities who do not need such a Testing Partner.	Mandatory 'Testing partner' requirement may not be necessary for all types of innovations being pursued. Certain business models, particularly in consumer-facing technologies (B2C) or those developing standalone infrastructure, may not require a partner for testing. This raises barriers and delays and unnecessary burdens for innovators.	The testing partner was incorporated based on the previous experience of the framework to understand the market demand which may translate into the relevant regulatory instrument. Further the testing partner shall be required as IFSCA may not be providing relevant data sets.	Neither the FCA, nor the MAS or ASIC expect each Applicant to obtain a Testing Partner as a pre-condition.
37	Cyril Shroff Centre for AI, Law and Regulation	Clause 37	The condition in the Proviso is restrictive without any rationale. It should be "within the remit of at least one more domestic financial sector regulator other than IFSCA" instead of "within the remit of more than one domestic financial sector regulator"	The current phrasing inadvertently excludes a scenario where a product or solution falls under the joint purview of IFSCA and a single domestic regulator. For e.g., oIFSCA + RBI for cross-border payments, or oIFSCA + SEBI for tokenised securities This wording would technically disqualify such cases from IoRS consideration, even though they are precisely the type of innovations this sandbox is designed to facilitate	The Comment is accepted. This may be incorporated to provide better clarity in the clause 37	In the UK FCA's 2019 "Call for Input: Cross-Sector Sandbox" the condition posited was "at least one other regulator", encompassing situations where it is the FCA along with one other regulator. Irrespective of foreign best practices, this clause is unnecessarily restrictive and not drafted aptly.
38	Cyril Shroff Centre for AI, Law and Regulation	Clause 13	This clause imposes a hard limit of 18 months (12 months plus a 6-month extension) for the testing stage. The framework should allow for the possibility of a second, well-justified extension in certain circumstances.	<p>Certain complex financial models, particularly those involving artificial intelligence or machine learning, may require longer periods to be tested safely and effectively across various market cycles.</p> <p>In any case, the purpose of sandboxes is to facilitate innovation. A strict time limit for being in the sandbox is counter intuitive to its purposes. If there is a requirement to limit the time a firm spends in a sandbox, it can be an internal quality metric for the IFSCA instead of a rule and it can shape its decisions according to these metrics.</p>	The sandbox duration, extending up to approximately 18 months, provides sufficient time for entities to test and validate their products. The existing provision also enables the Authority to consider relaxations on a case-by-case basis, thereby offering adequate flexibility without necessitating an additional formal extension	The MAS provides for extensions that may be granted on a case-by-case basis for applications for such an extension made at least one month prior as provided in their FinTech Regulatory Sandbox Guidelines

39	Cyril Shroff Centre for AI, Law and Regulation	Clause 16	There should be greater clarity on the kinds of relaxations that may be provided.	<p>This clause grants wide discretion to IFSCA to grant or refuse regulatory relaxation or exemptions as it may deem fit. Apart from this, it fails to provide confidence to the users of the sandbox about the different kinds of regulatory relaxations that may be available. This can create uncertainty, lack of visibility of perceived benefits, and fears of inconsistent treatment due to lack of transparency of measures available. To enhance transparency and ensure reasoned, non-arbitrary actions, and build market confidence, the framework could specify categories of non-relaxable core obligations (e.g., relating to data privacy) and relaxable procedural requirements (e.g., reporting timelines and other curable infirmities). Similarly, there can be some clarity extended that national laws will not be suspended in the sandbox but there may be a suspension of certain relaxations of some rules and regulations (e.g., made by a sectoral regulator depending on the requirements</p>	The relaxations required may vary on a case-by-case basis depending on specific circumstances. However, illustrative examples may be provided in the FAQs or a Guidance Note for greater clarity	The MAS transparently provides “To Maintain” regulatory requirements and “Possible to Relax” regulatory requirements in a list. This creates transparency and reposes trust for applicants regarding the kind of reliefs they may be able to claim. The FCA also provides clarity that it cannot suspend national laws. But it allows tailored authorisation requirements and compliance conditions. Similarly, the FCA mentions that it can issue comfort letters to organisations that it will not undertake investigations for certain kinds of conduct provided associated conditions are complied with.
40	Cyril Shroff Centre for AI, Law and Regulation	Clause 17	This clause should provide that the reporting should be undertaken in a standardised format notified by the IFSCA.	<p>To promote consistency and comparability across sandbox cohorts, IFSCA should publish a standardized reporting template that includes a set of baseline metrics such as transaction volumes, user adoption and churn, complaints, fraud and loss incidents, cybersecurity events, service latency, and innovation-specific indicators such as financial-inclusion reach, cost-to-serve, or ESG-related performance. This will promote significant regulatory certainty and clarity in expectations for applicants. For this reporting template to be mandated, this clause should be revised to provide that the reporting required should be undertaken in a format that will be notified by the IFSCA.</p> <p>Separately, in the reporting process internally, the IFSCA may consider adopting a tailored risk-based reporting frequency for firms depending on the product or service they are working to develop. This will ensure that IFSCA is apprised of important developments and risks, and actions can be taken to address key issues arising from incidents. This would enhance confidence instead of making reporting a paper requirement.</p>	The Reporting format may be provided in the FAQ/ Guidance Note to be published post the issuance of Draft FinTech Sandbox Framework	All financial services firms are subject to standard, base-level monitoring, and supervision in the UK by the FCA and in Singapore by the MAS. As part of these routine supervisory activities, the MAS and FCA specify key indicators, monitoring questionnaires and reporting formats. This creates regulatory certainty.

41	Cyril Shroff Centre for AI, Law and Regulation	Clause 17	There should be a provision to include an auditor's or an expert's report	The IFSCA should have the liberty ask the FSE to include an independent third-party review report of the FSE's testing process and results. This might be extremely useful for technical products where testing benchmarks can be measured more effectively by an auditor than self-reports.	The third party reports may add cost of compliance for the start ups and may not be in alignment with ease of doing business for the FSE especially start ups in IFSCA. Further by clause 31, the authority may, from time to time, call for any information, documents, or records, as it may deem necessary, from the FinTech Sandbox Entity	No known rules for third party audits in foreign jurisdictions are available, but most other jurisdictions also do not promulgate regulations for these subjects and govern them flexibly. As IFSCA is making regulations, there should be enough flexibility for the IFSCA. Therefore, this recommendation.
42	Cyril Shroff Centre for AI, Law and Regulation	Clause 20	This clause might benefit from further clarification on the standard of consent and standard of disclosure required.	write the clause imposes an obligation on firms to obtain consent and provide disclosure of risks, it can ensure better compliance practices. The framework could, for instance: oRequire a standard of consumer consent which is similar to the EU's GDPR standard of informed and free consent. oRequire a standard in disclosure of risks to specify that the risks will be informed in clear, plain and unambiguous language. In the context of IFSCA sandboxes, this would imply any consent obtained to be freely obtained, should be specific to a particular purpose, and should demonstrate an understanding of the associated risks within the consent.	The Limited Use Authorisation letter mandates the FSE to ensure the compliance with applicable rules regulations and maintain a data in the prescribed format if any required.	MAS requires that customers be informed of material risks and that consent be meaningful; MAS sandbox guidance emphasise clear disclosure of risks and the use of plain language. MAS also expects firms to keep records of consent and the disclosure.
43	Cyril Shroff Centre for AI, Law and Regulation	Clause 20	The compensation criterion is incomplete.	The clause implies compensation is optional. For a live Regulatory Sandbox, this is a significant consumer protection gap. The framework should mandate that all FSEs should have a clear, pre-approved policy for compensating users for any financial loss directly attributable to testing failures or product defects. Parties with vastly superior bargaining power should not be allowed to bypass their fundamental duty of care, even within a sandbox. Indeed, even where informed consent is taken, FSEs should not entirely absolved of liability for direct losses caused by its own product failures.	IFSCA in its application form for the sandbox specifically mandates an applicant to specify user compensation, arrangements to limit loss if applicable e.g. margin, stop loss thresholds etc. and other relevant information in this regard. However, it is to be noted the compensation arrangement is between the applicant, testing partners and the concerned users; therefore, it is upto the concerned testing stakeholders to mutually determine the compensation terms and conditions, if any, based on the nature of their respective use cases.	The Hong Kong Securities and Finance Commission, Monetary Authority, and Insurance Authority all in their respective sandbox frameworks require the entities to specify compensation criteria and method for any customer losses
44	Cyril Shroff Centre for AI, Law and Regulation	Clause 20	There should be a clarification that in granting the LUA, the IFSCA might impose conditions that prescribe: -standards of customer consent required to be obtained by the FSE; and -Adopting a clear compensation formula for customers for various kinds of customer liability.	As a condition of providing an LUA, the IFSCA should retain the power to impose conditions on the FSEs relating: oSecuring consumer consent; and ohaving a compensation program to address consumer liability.	IFSCA in its application form for the sandbox specifically mandates an applicant to specify user compensation, arrangements to limit loss if applicable e.g. margin, stop loss thresholds etc. and other relevant information in this regard. However, it is to be noted the compensation arrangement is between the applicant, testing partners and the concerned users; therefore, it is upto the concerned testing stakeholders to mutually determine the compensation terms and conditions, if any, based on the nature of their respective use cases.	Similar to 39 and 40

45	Cyril Shroff Centre for AI, Law and Regulation	Clause 7	No substantive suggestions on the clause itself. But a mechanism to consider disputes or complaints arising from rejection of Preliminary Applications should be specified to avoid judicial review challenges.	Since the regulation lacks an internal remedy, aggrieved applicants may directly seek judicial review, leading to unnecessary procedural scrutiny and inefficient use of IFSCA's resources. Incorporating a short, time-bound internal review, allowing applicants to provide supplementary information before rejection or an appeal mechanism for rejected preliminary applications would increase transparency, strengthen institutional credibility, and minimise premature resorts to writ jurisdiction.	The preliminary stage on the SWIT portal is designed to guide applicants in assessing the alignment of their specific use case with the draft FinTech Sandbox Framework. This stage also facilitates the provision of appropriate guidance for refining or tailoring the use case, where necessary, thereby optimizing regulatory resources and ensuring efficient utilization of time for both the applicants and the Authority.	This is a specific requirement given the Indian judicial review framework and in compliance with standards of 'fairness' and good governance.
46	Cyril Shroff Centre for AI, Law and Regulation	Clause 25	This clause is structured as a discretion that may be exercised by IFSCA. It should instead be structured as an obligation on the IFSCA.	As a statutory authority subject to judicial review under Articles 32 and 226/227 of the Constitution, the IFSCA is obligated to adhere to the principles of reasonableness, non-arbitrariness, and equality as stipulated in Article 14. A discretion in providing prior notice has the potential to undermine procedural fairness and confer unguided power. Further, it can significantly prejudice the entity holding the LUA. Indeed, the affected entity should have a sight of the fact that their LUA is getting terminated to be ready for compliance with regulations which might have been relaxed under a sandbox. This clause should be structured as an obligation. Accordingly, IFSCA should be obligated to provide notice. This will also prevent unnecessary judicial review exercises in writ courts.	The term 'may' in the clause has been used in the FinTech Sandbox Framework to provide regulatory discretion in circumstances involving blatant violations that may warrant immediate revocation	This is a specific requirement given the Indian judicial review framework and in compliance with standards of 'fairness' and good governance.

47	Cyril Shroff Centre for AI, Law and Regulation		<p>The regulation must consider the applicant's beginning with the FinTech Innovation Sandbox, advancing to the FinTech Regulatory Sandbox, and ultimately transitioning to the Inter-Operable Regulatory Sandbox (IoRS) or to full authorisation, as applicable. The Authority should expressly state that it will encourage and facilitate such progression, treating sandbox participation as a continuous regulatory journey rather than a set of isolated processes.</p> <p>A well outlined tiering process would ensure regulatory continuity and reduce procedural duplication. It would also enable entities to scale within a predictable framework while reinforcing IFSCA's role as an enabler of long-term, innovation-led market development.</p> <p>Further, the framework extensively covers entry, testing, and failure/exit but is silent on the process for a successful entity to "graduate" to a full authorisation. The tiered graduation process explicitly laid out could provide a streamlined and expedited pathway for a successful FSE to transition from a limited authorisation to a full license.</p>	<p>The sandboxes are intentionally maintained separate to allow applicants to choose the one most appropriate to the nature of their use case. Furthermore, certain entities may proceed directly to authorisation or licensing upon developing their product in the IFSCA FinTech Innovation Sandbox as per their business call. To preserve flexibility for applicants, a defined graduation process has not been prescribed</p>	<p>N/A - this is a general suggestion looking at the kind of sandboxes offered in India and how a journey could be envisaged through these sandboxes for an applicant.</p>
48	Cyril Shroff Centre for AI, Law and Regulation		<p>Tiering of Sandboxes and graduation process should be clarified. The framework should introduce a structured graduation mechanism that allows entities to progress seamlessly across sandbox stages.</p>	<p>Publishing annual insights on sandbox performance shall help foster transparency, learning, and market confidence.</p>	<p>IFSCA may, if deemed appropriate, publish an annual performance report; however, this may be kept outside the purview of the FinTech Sandbox Framework.</p> <p>FCA releases reports summarising sandbox results and policy learnings</p>
49	ICICI Bank	Clause no 28 (i)	<p>Clarification on how feasible it is for an India based FSE's which are not SEZ entities, to open a bank account in foreign currency with IBU's</p>	<p>Clause 28 talks about accounts in such freely convertible foreign currency, other than INR by FSE. Most of the FSEs are Indian entities for which opening a foreign currency account may not be feasible in any IBU if it does not qualify under relevant FEMA regulations. Therefore opening of a bank account in foreign currency for such FSEs who are based in India & not an SEZ entity need further clarification.</p>	<p>The Draft FinTech Sandbox Framework does not provide any relaxation to FSEs with respect to SEZ approvals. Accordingly, FSEs are required to obtain all relevant approvals, including those necessary for opening bank accounts, as applicable</p>
50	MSGM & Associates		<p>Create a fast-track approval mechanism for (a) public-good RegTech/TechFin use-cases and (b) pilots that have already completed testing in recognised overseas sandboxes under existing FinTech bridge MoUs.</p>	<p>This will attract credible global innovators to IFSC, cut duplication of effort, and position IFSCA as a preferred launchpad for cross-border FinTechs, similar to the UK FCA, Global Sandbox and MAS cross-border referral programs.</p>	<p>A fast-track mechanism based solely on classifications may not be appropriate, as applications are evaluated based on the nature of the use cases and the information submitted by the applicants</p>
51	MSGM & Associates		<p>Mandate a minimum cyber-security and data-protection baseline? encryption at rest/in transit, MFA/SSO, vulnerability assessment & penetration testing (VAPT), and explicit compliance with India's Digital Personal Data Protection Act (DPDP) 2023? for all sandbox participants.</p>	<p>Clear upfront standards protect users and reduce supervisory risk when pilots scale or move to full authorisation, aligning IFSC with global best practice and India's evolving privacy regime.</p>	<p>Applications may originate from diverse domains and represent different stages of development. The applicable cybersecurity certification requirements are already published on the IFSCA website and may be incorporated into the FAQs or Guidance Note to be issued subsequent to the publication of the Draft FinTech Sandbox Framework. Furthermore, all FSEs are subject to IFSCA's Cybersecurity Guidelines and other relevant regulatory requirements, which will be detailed in the Limited Use Authorisation Letter.</p>

52	Reesecure	Clause 6	Explicitly recognize parametric products, multi-oracle validation systems, and hybrid financial instruments as eligible innovations, with specific mention of climate-risk transfer mechanisms.	Creates regulatory certainty for the entire parametric insurance ecosystem, enabling multiple fintechs to innovate in climate resilience, agricultural finance, and disaster risk reduction.	The scope of the Draft FinTech Sandbox Framework is broad-based and encompasses the solutions and services enabled under the IFSCA Act. Each use case will be evaluated for its suitability based on the prescribed eligibility criteria and the activities permitted under the Act. Furthermore, a preliminary meeting has been incorporated into the process flow to provide regulatory clarity to applicants regarding their proposed use cases.	Singapore MAS Sandbox Express, UK FCA Sandbox, and Bermuda BMA have established clear precedents supporting parametric and oracle-based solutions, making this a global standard.
53	Reesecure	Clause 6 and 28	Establish clear protocols for Inter-Operable Regulatory Sandbox (IoRS) coordination between IFSCA, IRDAI, SEBI, and RBI for hybrid use cases spanning insurance, capital markets, and banking.	Enables comprehensive testing of complex financial products that span multiple regulatory domains, reducing fragmentation and accelerating innovation across the entire financial ecosystem.	The comment pertains to the IoRS, which is governed by the clear guidelines prescribed in the Standard Operating Procedure (SOP) of the IoRS and falls under the purview of the Reserve Bank of India, which serves as the Coordination Group for the IoRS.	The EU's regulatory sandbox coordination and Australia's enhanced regulatory sandbox demonstrate the value of cross-regulator collaboration for complex financial innovations.
54	Reesecure	Clause 12	Provide indicative guidance tiers for different innovation categories (e.g., meso-agriculture: ≤5,000 participants, ≤₹5 crore; micro-finance: ≤10,000 participants, ≤₹2 crore).	Standardizes expectations across all applicants, reduces application uncertainty, and enables more predictable resource planning for both regulators and innovators.	The boundary conditions for each application are determined and refined based on discussions with the applicants and as mandated by the Evaluation Committee in accordance with the Internal Approval Process. The prescription of indicative guidance tiers may not necessarily reflect the actual boundary conditions, and could potentially limit the flexibility available to FinTech Sandbox entities for testing.	UK FCA and Singapore MAS provide clear, tiered boundary conditions that have proven effective in managing sandbox scale and risk across diverse use cases.
55	Reesecure	Clause 15	Encourage adoption of optional ESG and social impact KPIs such as Financial Inclusion Index, Subsidy Equity Ratio, and Climate Resilience Score to align with India's sustainable development goals.	Positions India's sandbox as a global leader in sustainable finance innovation, attracting ESG-focused capital and demonstrating measurable social impact across all sandbox participants.	The comment relates to innovations in sustainable finance, whereas the Draft FinTech Sandbox Framework is designed as a comprehensive framework. As per the prevailing practice, the relevant indicators may, however, be appropriately incorporated within specific use cases where such conditions are applicable in the Limited Use Authorisation letter.	EU SFDR requirements, IFC performance standards, and UN Sustainable Development Goals provide established frameworks for ESG measurement in financial innovation.
56	Reesecure	Clause 20	Establish an IFSCA-hosted consent template library with standardized risk disclosure formats, compensation frameworks, and grievance procedures accessible to all sandbox participants.	Ensures consistent, high-quality user protection across all sandbox entities while reducing compliance burden and regulatory oversight costs for IFSCA.	The relevant data submission formats mandated under the Draft FinTech Sandbox Framework may be incorporated into the FAQs or Guidance Note for prospective applicants and published on the IFSCA website. In this regard, initial steps have already been undertaken as part of IFSCA's SupTech Project. Further, it is to be noted that IFSCA in its application form for the sandbox specifically mandates an applicant to specify user compensation, arrangements to limit loss if applicable e.g. margin, stop loss thresholds etc., user grievance mechanism, and other relevant information in this regard. However, it is to be noted the compensation arrangement and grievance mechanism is agreed between the applicant, testing partners and the concerned users; therefore, it is upto the concerned testing stakeholders to mutually determine the compensation terms and conditions, and grievance arrangements, if any, based on the nature of their respective use cases.	Singapore MAS and UK FCA both maintain centralized resource libraries that have significantly improved consistency and reduced regulatory burden across sandbox participants.
57	Reesecure	Clause 20	Implement a centralized disclosure registry where all consent versions, risk updates, and user communications are timestamped and made accessible to IFSCA in real-time.	Creates a comprehensive audit trail for regulatory oversight while enabling real-time monitoring of user protection standards across the entire sandbox ecosystem.	IFSCA may require the submission of relevant disclosures, risk updates, user communications, and other applicable documents through periodic reports during the monitoring phase. In this regard, initial steps have already been undertaken under IFSCA's SupTech Project.	Advanced regulatory technology implementations in Singapore and the UK demonstrate the effectiveness of centralized, real-time disclosure monitoring systems.
58	Reesecure	Clause 28	Clarify that pure-play technology orchestrators may operate through licensed FICSA arrangements without direct FCY compliance obligations, provided all client funds remain with licensed entities.	Removes unnecessary barriers for technology-focused fintechs while maintaining appropriate financial safeguards, enabling more innovation in financial infrastructure and platform solutions.	Clause 28 clearly specifies the applicable entities, namely, the FinTech Sandbox Entities whose testing of products and/or solutions involves the holding of customer funds and necessitates the opening of a bank account with IBU in GIFT IFSC.	Singapore MAS explicitly accommodates technology-only providers through licensed intermediary arrangements, recognizing the distinct risk profile of infrastructure versus financial service providers.

59	Reesecure	Clause 21- 23	<p>Establish a graduated licensing pathway: Sandbox → Provisional Authorization → Full TechFin License, with clear criteria and timelines for each transition.</p>	<p>Creates predictable scaling pathways for successful innovators while allowing for incremental risk management and regulatory learning, benefiting the entire fintech ecosystem.</p>	<p>The authorisation pathway referred to in the comment applies only to FinTech Sandbox Entities (FSEs) that intend to seek relevant regulatory approvals upon graduating from the IFSCA FinTech Sandboxes. The Draft FinTech Sandbox Framework does not mandate FSEs to establish operations or apply for authorisation/licences under the applicable frameworks or regulations. It has also been observed that, in certain instances, FSEs may defer applying for authorisation post-sandbox exit based on their internal business considerations or strategic priorities. Hence Appropriate guidance may be provided post-sandbox exit, depending on whether the FSE's exit was successful or otherwise</p>	<p>Abu Dhabi Global Market (ADGM) and Singapore MAS both employ graduated licensing approaches that have proven effective in managing innovation scaling and regulatory risk.</p>
60	Shardul Amarchand Mnagaldas & Co	Clause 07 & 08	<p>The application process shall consist of a single-stage submission through the SWIT portal, subject to two levels of assessment by the Authority. (i) Applicants shall submit their proposal using a standardised application template provided by the Authority, outlining key details of the FinTech idea(s) / product(s) / solution(s), its innovative features, intended use case, potential regulatory implications, amongst others.</p> <p>ii) Upon submission, the Authority shall first undertake a Preliminary Assessment to determine the applicant's eligibility, completeness of documentation, and overall suitability of the proposed innovation under this framework. This assessment shall be completed within thirty (30) working days from the date of submission. Where the application shall be the rejected pursuant to Preliminary Assessment, it shall record and communicate to the Applicant its reasons therefore.</p> <p>(iii) Applications meeting the preliminary assessment criteria shall proceed to a Detailed</p>	<p>Under the proposed framework, the sandbox application involves two stages – (i) a Preliminary Application, assessed within 30 working days for suitability, followed by a (ii) Final Application with an associated fee and additional processing under separate circulars. While structured, this multi-step process risks becoming cumbersome, potentially delaying approvals and discouraging smaller or early-stage innovators from applying. A cumbersome application process, like the one proposed by IFSCA, could stifle innovation and deter participation for several reasons. Startups, the primary targets of regulatory sandboxes often operate with limited resources and lean teams. Lengthy documentation, and multi-layered approvals can make entry prohibitively time-consuming and expensive. It has also been formally documented in multiple government and industry assessments that cumbersome application and approval procedures have historically dampened access to various state and central government incentive schemes in India, particularly for startups and MSMEs. This recommendation attempts to mitigate this risk.</p>	<p>The two-stage application process outlined in the Draft FinTech Sandbox Framework ensures enhanced procedural clarity and alignment with the existing IFSCA circulars on fee structure and timelines</p>	<p>India should consider simple application processes like the Singaporean “Sandbox Express” which uses a pre-defined application template and fixed approval timelines. Applicants self-assess their eligibility against published criteria, submit standardised documents, and receive approval (or feedback) within 21 days.</p>

61	Shardul Amarchand Mnagaldas & Co	Clause 05 (i)	<p>Clause 05 (i) may be rephrased as "that proposes the use of innovative technology in its core product, service, business model, distribution method, or supporting solution relating to financial products or services regulated (or likely to be regulated) by the Authority, will be eligible to seek Limited Use Authorisation under this Framework, provided that the proposed innovation falls within one or more of the following broad thematic tracks:</p> <p>a) Digital Payments & Remittances b) Open Finance & APIs c) Embedded Finance & Platform Banking d) RegTech, SupTech & Compliance Automation e) Digital Identity, KYC / e-KYC & Authentication f) Decentralised / Tokenised Finance, Blockchain & Tokenisation g) InsurTech, Micro-insurance & Risk Mitigation Solutions h) Credit Scoring, Alternative Lending & Financial Inclusion Solutions. "</p>	<p>A thematic outlining of various possible products within the sandbox framework will make it easier for industry participants to navigate the application process, identify relevant regulatory focus areas, and design innovations that align with the Authority's developmental and supervisory objectives. Moreover, global experience demonstrates that thematic sandboxes - such as those in Thailand, Malta, Lithuania, and Dubai are more effective in channelling innovation toward defined national and regulatory priorities.</p>	<p>The Comment pertains to rewording the Clause 05 (i) by which this may be very prescriptive and restrictive in nature.</p>	<p>The Bank of Thailand's sandbox initially prioritised interoperable digital payments and shared KYC frameworks . Malta's Digital Innovation Framework is another example of a thematic framework. Notably, the Dubai Financial Services Authority (DFSA) has introduced a tokenisation-focused sandbox and thematic innovation tracks around open finance, RegTech, and sustainable finance. These global experiences show that structured thematic segmentation not only enhances regulatory clarity and resource allocation but also enables evidence-based policymaking, ensuring that fintech experimentation contributes directly to innovation.</p>
62	Shardul Amarchand Mnagaldas & Co	Clause 05 (ii)	<p>proposed FinTech idea(s)/ product(s)/ solution(s) by the Applicant must present: innovative idea/ product / solution that significantly enhances existing financial services or products and there is a genuine need for testing the idea/ product/ solution in a controlled environment. Further, the proposal must give details of the clear and direct benefits to users or the financial ecosystem while incorporating adequate risk management strategies to prevent any adverse impact meet the following conditions:</p> <p>1.Genuine Innovation The proposed product, service, or business model must be genuinely innovative and represent a new or significantly different offering from those currently available in the market.</p> <p>2.Consumer Benefit The innovation should offer a clear benefit to consumers - such as lower costs, improved access, enhanced transparency, or greater convenience -without compromising consumer protection or market integrity.</p> <p>3.Need for Sandbox Testing</p>	<p>Clearly distinguishing between innovation, consumer benefit, testing need, readiness, and regulatory scope offers greater clarity and predictability for applicants, enabling companies especially startups and early-stage innovators to better understand regulatory expectations and self-assess their suitability before applying. the framework reduces ambiguity and administrative back-and-forth during evaluation.</p>	<p>The Clause 05 (ii) have been kept broad based to widen the scope and better evaluate the applications.</p>	<p>For industry participants, such structured eligibility criteria mirror international best practices like the UK Financial Conduct Authority (FCA) model, making India's framework more transparent, navigable, and investor-friendly.</p>

63	Shardul Amarchand Mnagaldas & Co	Add new clause as Clause 05 (iii)	<p>The Applicant shall define clear and proportionate testing parameters, exposure limits, and safeguards based on the risk category of the proposed innovation, to ensure the safety of markets, investors, and users.</p> <p>2.2. Risk Disclosure: The Applicant shall disclose all material risks - financial, operational, data-related, or otherwise that may arise during testing, and indicate how such risks are identified, mitigated, and monitored.</p> <p>3.3. Data Protection and Privacy: 4.The Applicant shall ensure that all data processing activities undertaken during the sandbox testing are consistent with applicable data protection and privacy laws and any rules or regulations issued thereunder.</p> <p>Without prejudice to the foregoing sub-clause, the Applicant shall observe the following conditions: (i) Disclosure and Transparency: The Applicant shall provide clear, concise, and accessible information to users regarding the nature and purpose of data processing, categories of</p>	<p>Such default standards are essential to ensure that innovation within the sandbox does not come at the cost of user trust or market integrity. They establish a minimum regulatory baseline that protects consumers, promotes responsible data handling, and mitigates systemic risks while still allowing flexibility for experimentation. For market participants, these standards provide clarity and predictability - setting out clear expectations around disclosures, consent, and grievance handling which reduces regulatory uncertainty and enhances credibility with investors, users, and partners.</p> <p>Further, aligning data protection measures within the regulatory sandbox to the requirements of the DPDPA will not only strengthen user trust and compliance readiness but also serve as a strategic market advantage. It enables sandbox participants to position themselves as privacy-responsible and globally credible innovators, while avoiding overlapping or conflicting obligations that may arise from parallel regulatory requirements.</p>	<p>The Draft FinTech Sandbox Framework addresses these aspects under Clauses 12 and 15. However, defining them in a highly prescriptive manner may pose challenges for early-stage startups</p>	<p>Under the Monetary Authority of Singapore's (MAS) Regulatory Sandbox Guidelines, market participants are required to adhere to certain "to maintain requirements" relating to the safe handling of monetary assets, alongside obligations on consumer protection, data privacy, and risk management. These obligations function as default baseline standards, ensuring that even within a controlled testing environment, participants adhere to essential safeguards that protect users and preserve market integrity. Similarly, UAE's Fintech Laboratory Guidance also outlines these default standards as "authorisation requirements". This aligns with both practices in the UK and in Singapore and provides clarity to market participants.</p>
64	Shardul Amarchand Mnagaldas & Co	Clause 15	<p>Evaluation Criteria</p> <p>15) The FSE may be evaluated within Sandbox by the Authority, inter-alia, based on the parameters given below: a) Profile of the FSE b) Usage of innovative solutions including technology and/or processes c) Identified benefits to the customers/investors and/or the Capital Market, Funds Management, Banking, Insurance etc.; d) Compilation of meaningful test scenarios and expected/desired outcomes e) Intent and feasibility to deploy the proposed FinTech product (s)/ solution(s) post testing f) The deployment and monitoring strategy post testing (in the event the sandbox tests are successful) or the exit strategy (in the event the sandbox tests are unsuccessful) g) Any other factors considered relevant by the Authority.</p>	<p>The proposed list of parameters under Clause 15 – which include risk disclosures, grievance mechanisms, and deployment plans conflates evaluation criteria with default standards for eligibility. This lack of separation can potentially blur what the regulator seeks to evaluate (innovation, consumer benefit, feasibility) versus what it expects firms to comply with (risk management, grievance redressal, disclosures). Thus, the clause (5), sub-clause (3) lays out default standards while clause 15 only outlines the evaluation criteria for clarity</p>	<p>The evaluation criteria should encompass all parameters outlined in the Draft FinTech Sandbox Framework, including risk-related parameters, to ensure regulatory clarity for applicants</p>	

65	Shardul Amarchand M Nagaldas & Co	Clause 24 and 25 - Sub clause (i) and (xi)	<p>Use Authorisation can be discontinued at any time prior to completion of the duration of the sandbox, if:</p> <p>i. the testing has not achieved its intended purpose, based on, amongst other things, the defined test scenarios, outcomes, and schedules; ii. the risks of the proposed innovative product or service outweighs the benefits, and these risks cannot be mitigated during the testing phase; iii. there is an incidence of breach of any of the requirements imposed</p> <p>(25)(i) In certain circumstances, the Authority may, by order, require FSEs to cease providing its services and discontinue its business immediately. The Authority will discuss the wind down mechanics with the FSEs, after offering the FSE a reasonable opportunity to be heard before the Authority.</p> <p>(ii) Nothing contained in sub-section (i) shall apply to a case where the Authority considers it necessary to discontinue the authorisation given in the interest of the monetary policy of the country or for any other reasons to be</p>	<p>The revocation of authorisation under the proposed framework may signal regulatory uncertainty to market participants, particularly when the grounds for such revocation are broadly defined.</p> <p>Conditions such as “loss of reputation” or other subjective criteria introduce ambiguity and may inadvertently act as a disincentive for young or early-stage businesses seeking to innovate responsibly within the sandbox. Clear, objective, and proportionate criteria for revocation are therefore essential to preserve regulatory credibility, ensure predictability for innovators, and maintain confidence in the sandbox as an enabling environment rather than a punitive one. Further, the revocation/discontinuation of authorisation should be accompanied by procedural safeguards to ensure fairness and transparency. In particular, the applicant must be given an opportunity to be heard before any final decision is made by the Authority. This principle aligns with established regulatory practice - for instance, under Sections 7(3) and 8 of the Payment and Settlement Systems Act, 2007, the Reserve Bank of India may reject/ revoke an authorisation for operating a payment system only after giving the system provider a reasonable opportunity of being heard.</p>	<p>In the said comment, the term ‘revocation’ has been reworded as ‘discontinuation’ to reflect scenarios where an entity may voluntarily exit the Sandbox. However, it may be noted that this aspect is already addressed in the section pertaining to Sandbox Exit. The present section specifically relates to the revocation of the Limited Use Authorisation</p>	<p>UAE’s sandbox regulations use the suggested language for “revocation of authorisation”. The UAE’s sandbox regulations, particularly under the Abu Dhabi Global Market (ADGM) RegLab and the DFSA Innovation Testing Licence (ITL) frameworks, use softer and more facilitative language for revocation of authorisation. These frameworks also emphasize continued engagement, notice, and an opportunity to respond before any adverse action is taken. Given that the IFSCA’s regulatory environment is similarly cross-border in nature - designed to attract international fintechs, startups, and investors adopting, comparable language would signal a collaborative and investor-friendly regulatory posture.</p>
66	Vettedcode Technologies India Pvt. Ltd.		<p>Every quarter, we should have some sort of engagement with the IFSCA authority to discuss challenges and the way forward. It could have helped in monitoring the progress, too.</p>	<p>Lack of ongoing engagement makes it difficult for FE to be updated on what’s going on and what to expect from the authority.</p>	<p>The FinTech Sandbox Framework also outlines the reporting requirements (Clause 17 and Clause 18). In line with the established practice, the Letter of Limited Use Authorisation explicitly mandates the submission of periodic reports by the FinTech Sandbox Entities. Additionally, the Guidance Note to be issued subsequent to the publication of the FinTech Sandbox Framework may elaborate on the modalities of engagement with these entities to monitor testing progress. Periodic meetings with the entities are also conducted to review and assess their ongoing developments.</p>	<p>Kpi monitoring on a regular interval. Feedback session for both parties involved. Dedicate a desk to support and solve queries.</p>
67	Vettedcode Technologies India Pvt. Ltd.		<p>During the FE sandbox duration, a meaningful business introduction and having some common groups among FE cohort members can fuel more business synergies and ideas</p>	<p>FE members not connected via a common platform make them work in silos. It should work as a common support team for ideas, innovations and challenges: Time to time, industry problem statements are shared among FE to see, if they are willing to solve some other problems or pivots, etc.</p>	<p>FSEs may obtain relevant information from the IFSCA website, which lists all authorised FinTech Sandbox Entities, and may connect with them as appropriate. Furthermore, IFSCA organises Chintan Shivir sessions, inviting various regulated entities to facilitate interaction and collaboration among stakeholders within the GIFT IFSC ecosystem. Additionally, GIFT IFIH may be engaged to support the formation of common groups and promote synergies among use cases</p>	
68	Vettedcode Technologies India Pvt. Ltd.		<p>Dedicated window/ desk for graduating FE: After the sandbox period, what are the steps to scale up, with hand-holding in setting up entities</p>	<p>A dedicated desk to facilitate the graduating FE in terms of government contracts, setting up entities, and connecting with other stakeholders</p>	<p>As per the precedence post the successful exit guidance may be provided to the FinTech Sandbox Entity for further steps for applying for Authorisation/ Licensing as per the applicable rules and regulations</p>	

69	Vettedcode Technologies India Pvt. Ltd.		Incentives & funding: Emerging startups have a different set of challenges and opportunities from those of established companies.	While regulatory relaxation is one incentive, additional incentives (grants, tax relief, subsidies for compliance costs) help attract innovators, especially from small or emerging startups. Small and regulated incentive makes alot of difference in making on a startup in its early years.	IFSCA had implemented the FinTech Incentive Scheme and the scheme was valid till March 31, 2025. However based on the learnings and availability of various grant opportunities available from various state and central schemes, the scheme has not been further extended as per the direction of relevant ministry.	
70	Vettedcode Technologies India Pvt. Ltd.		Learning & feedback loops : It's important that lessons learned in each sandbox cohort feed back into regulatory policy.	Periodic public reports, sharing anonymised lessons, best practices, and sometimes public consultations to evolve the framework.	An annual report on the performance of the FinTech Sandbox may be published.	
<p>IFSCA Response: The above comments/ suggestions received within the prescribed timeline (19th September, 2025 -10th October, 2025) were considered and placed before the Competent Authority. Necessary modifications / changes have been carried out on the Draft IFSCA FinTech Sandbox Framework</p>						