



FEEDBACK FROM INDUSTRY CONSULTATION

GUIDANCE NOTE FOR PARTICIPATION IN THE REGULATORY SANDBOX

September 2026

POLICY UNIT

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Section	Questions/Comments Received	Central Bank's Response
Paragraph 11: The Oversight and Regulatory Sandbox Authorisation Committee	Paragraph 11 of the draft note provides that where a Sandbox applicant's activities fall within the purview of other domestic supervisory authorities, including the Securities Commission of The Bahamas or the Insurance Commission of The Bahamas, the Central Bank shall coordinate with the relevant supervisory authority to ensure aligned supervisory approaches and the avoidance of duplicative or conflicting regulatory requirements. This provision is welcome and reflects the practical reality that many genuinely innovative financial products do not sit neatly within a single regulatory boundary. The draft guidance does not, however, specify the effect of such coordination requirements on the evaluation timeline. At paragraph 18, completed applications are to be assessed within 30 working days, with the applicant notified of the outcome. It is not clear whether this period is suspended or extended where inter-agency consultation is required, or whether the 30-day clock continues to run regardless. For applicants whose proposed models touch on both payment services and, for example, securities or insurance regulation, an incomplete inter-agency assessment conducted within an artificially constrained timeline could result in a refusal that does not reflect the full merits of the application. I would suggest that the final guidance specify clearly that where inter-agency coordination is initiated, the evaluation period is formally suspended until the relevant authority has provided its input, and that the applicant is notified promptly when such a suspension has been triggered. This would improve transparency and give applicants a more accurate picture of the likely timeline for a decision.	The Central Bank acknowledges this observation and recommendation. The 30 working day timeframe is intended to apply to completed applications and to operate alongside any necessary inter-agency coordination undertaken during the assessment process. Prior to any submitted application, there is a pre-application meeting with proposed applicants where details of the proposed structure will be discussed. During such time, the inclusion of inter-agency consultation would also be considered and factored into process. The Central Bank also considers that the Guidance Note provides the Oversight and Regulatory Sandbox Authorisation Committee (ORSAC) with appropriate flexibility to undertake ongoing regulatory consultations as part of its assessment process. To ensure continued transparency throughout the process the Central Bank will advise applicants when a submitted application is "complete".
Paragraph 13: Eligibility Criteria	The framework identifies digital banking and payment services and distributed ledger technology among the categories of eligible innovation, and financial inclusion is cited as a relevant consideration in the eligibility criteria at paragraph 13(ii). Products that seek to leverage the Sand Dollar as a payment rail are a natural fit for these criteria, and it is reasonable to anticipate that a number of Sandbox applicants will propose models that depend on Sand Dollar functionality.	The Central Bank acknowledges the underlying observations. The Guidance Note requires applicants to demonstrate operational readiness and identify any dependencies on third-party service providers, financial institutions, or technology infrastructures necessary to support testing activities. Accordingly, applicants proposing solutions that use SandDollar functionality are expected to present the necessary

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It is worth noting, however, that SandDollar wallet infrastructure is not operated directly by the Central Bank but rather by Authorised Financial Institutions acting as wallet providers. A Sandbox participant whose product relies on SandDollar payments would therefore need to establish a working arrangement with one or more AFIs in order to conduct a meaningful test. In practice, this means approaching an AFI as an unlicensed entity seeking to onboard for a financial product, and it is not clear what regulatory standing a Sandbox confirmation letter would confer in that context. An AFI's compliance team would have reasonable grounds to decline such a request in the absence of any guidance from the Central Bank clarifying how Sandbox participants should be assessed and treated for onboarding purposes. The framework as currently drafted does not address this gap, and I would suggest that the final guidance confirm what, if any, obligation or direction the Central Bank will provide to AFIs regarding the treatment of approved Sandbox participants seeking access to Sand Dollar infrastructure.

I would suggest that the framework acknowledge this intermediary layer explicitly, and provide clarity on the Central Bank's role, if any, in supporting Sandbox participants who require AFI cooperation to execute their proposed tests. Without this, applicants dependent on Sand Dollar infrastructure may find that their testing plan is contingent on a commercial negotiation that falls entirely outside the Sandbox framework's scope, introducing a practical bottleneck that the framework itself cannot resolve.

A related point concerns the verifiability of SandDollar transactions. The utility of Sand Dollar as a settlement layer for innovative financial products is in part premised on the verifiability of transactions on an underlying distributed ledger. Where transaction verification data is not readily surfaced to end users or third-party platforms, the evidentiary value of SandDollar payment records for purposes such as credit assessment, compliance reporting, or dispute resolution is diminished. I would suggest that the framework encourage applicants proposing SandDollar-integrated products to address transaction verifiability explicitly in their

operational arrangements, with any third-party service providers, as part of their application and testing plan.

The Central Bank notes the comment regarding commercial access to the SandDollar platform via Authorised Financial Institutions (AFIs). Decisions regarding the onboarding of Sandbox applicants and the provision of services remain subject to each AFI's risk management, compliance, and business considerations. The Sandbox is intended to provide a controlled environment for testing innovative products and services, but it does not replace or modify the commercial, operational, or regulatory requirements applicable to relationships between participants and third-parties. Applicants whose testing plans propose alternative access to the SandDollar infrastructure should indicate this feature during the pre-application stage for consideration by the oversight committee. Participation in the Sandbox does not, in itself, confer a right of access to the SandDollar infrastructure or require an AFI to enter into a commercial or operational arrangement with a participant. The Regulatory Sandbox has, however, conceptualised sufficient flexibility to facilitate alternative access to platform environments licensed, operated and regulated by the Central Bank of The Bahamas. The Central Bank also notes the comment regarding transaction verifiability. The Central Bank Digital Currency (CBDC) is already designed with provisions for transactions record-keeping innovations that leverage this infrastructure would have access to such functionality.

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	testing plans, and that the Central Bank give consideration to whether current SandDollar infrastructure adequately supports the verification requirements that innovative use cases would demand	
Paragraph 18: Evaluation Criteria	A matrix/scorecard outlining evaluation criteria would be helpful as it would give prospective participants an easy-to-follow guideline to assess the strength of their application and what resources may be required. This could be useful in their decision-making process.	The Central Bank acknowledges this recommendation. The Guidance Note outlines the key evaluation criteria that will be considered during the assessment process, including the level of innovation, the adequacy of risk mitigation measures, customer safeguards, testing parameters, and the applicants proposed exit strategy. The Central Bank also intends to publish a summary of the general evaluation criteria used for admission into each Sandbox cohort to support the applicant's understanding of the assessment approach. As the Regulatory Sandbox framework matures and provides useful insight into trends observed by applicants, tools such as a matrix/scorecard could be developed to enhance transparency and support applicants in preparing their submissions.
Paragraph 19: Evaluation Criteria	Paragraph 19(viii) of the draft note lists among the customer safeguards applicable during the testing stage the possible restriction or prohibition on participants holding or controlling client money or financial assets. This provision, as currently drafted, is ambiguous in its application to business models where the pooling of client contributions is not a peripheral feature but the primary operational mechanism through which the product delivers value to participants. A broadly applied restriction on holding client funds would, in practice, exclude a meaningful category of financial innovation from the Sandbox, particularly models designed to formalise community-based savings arrangements that are already widely practiced across The Bahamas. Such models depend structurally on the temporary aggregation of contributions prior to disbursement, and their value to participants is inseparable from that mechanism. I would respectfully suggest that the framework provide clearer guidance on the conditions under which a trust account arrangement, administered	The intent behind paragraph 19(viii) is to provide ORSAC with the flexibility to apply proportionate customer protection measures based on the risks presented by a proposed solution. It is not intended to operate as a blanket prohibition on business models involving the holding or pooling of client funds. However, where the value-added products involved handling client funds, the Central Bank expects that such arrangements would use licensed custodians that are already authorised to hold private funds, while retaining the flexibility to innovate on the fintech solutions. Such arrangements would be expected to maintain appropriate safeguards, among others, around effective fund segregation, robust safeguarding arrangements, transaction limits where relevant, appropriate governance and oversight controls, and adequate measures to ensure customer protection throughout the testing period.

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	through a licensed and supervised Bahamian financial institution, would satisfy the consumer protection intent of paragraph 19(viii) without being treated as a prohibited holding of client funds. A tiered approach, in which the Central Bank sets defined transaction and balance limits applicable to pooled funds during the testing period rather than applying a categorical prohibition, would preserve both consumer protection and the practical viability of innovative models that operate within this space. The distinction between an entity holding client funds directly and an entity operating a trust account at a licensed institution on behalf of clients is a material one and deserves explicit treatment in the final guidance.	
Paragraph 23: Sandbox Cohorts	Gap/Challenge: Restricting the sandbox structure to only one cohort per year reduces the specific impact sandboxes aim to achieve: promoting innovation and providing supervised market entry mechanisms for new financial innovations. With only one opportunity to enter the sandbox each year, many financial service providers will miss the date and may not wait until another 12 months, a long cycle for a growing innovator, especially a fintech. This ultimately limits your visibility and oversight of financial services being launched in market. Recommendation: By adopting a model that allows for both rolling applications or cohort-based applications, the Central Bank of the Bahamas will make the sandbox more effective for its intended purposes, and sustained visibility on innovations being used in the Bahamas market. It is important to consider what tools and digital platforms can enable this model, cost-effectively, which is covered in Resource Constraints below. Allowing for cohorts can be useful to a regular, to test and observe specific new models or new technologies in a single cohort, and also for coordinated engagement with a new industry.	The cohort-based approach is intended to facilitate the orderly administration, supervision, and evaluation of Sandbox participants. This will enable ORSAC to effectively allocate supervisory resources and assess emerging risks associated with innovative financial products and services. However, the Central Bank will consider how added flexibility can be offered around the timing of applications as the Sandbox matures.
Paragraph 23 – Sandbox Cohorts	Given the one cohort per year structure described in the draft, publishing indicative application windows and expected timelines as early as possible would help smaller applicants plan resourcing, documentation, due diligence, and technical readiness around the Sandbox cycle.	The Central Bank recognises that advance notice of application windows and indicative timelines may assist prospective applicants in preparing for future Sandbox cohorts. This observation aligns with comments received during the consultation regarding cohort planning and intake frequency and will be considered as part of the operational maturity of the Regulatory Sandbox.

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Paragraph 24: Sandbox Cohorts	Gap/Challenge: The framework cites functional resource capacity constraints as the reason for limiting the sandbox intake. This reflects the structural limitations of manual management and legacy supervision. Digital regulatory platforms are available, to not only improve data ingestion, data analysis, and risk analysis and resource efficiency, but can optimise the use of a regulator's internal resource digital workflows that draw on expertise from across a regulator. Recommendation: Operationalise a sandbox framework with a digital regulatory platform that leverages API driven data ingestion to reduce the administrative bandwidth currently spent organising and reconciling manual or web-based submissions. Utilising workflows that are automated optimises the capacity of the sandbox team while clearing administrative backlogs, thereby allowing them to manage the sandbox more efficiently.	The Central Bank acknowledges this observation and recommendation. The Central Bank will continue to assess opportunities to enhance the operational efficiency of the Sandbox through the use of appropriate technological solutions and supervisory tools that remain proportionate to available supervisory resources.
Paragraph 26 – Restricted Customer Testing	Additional guidance on what typically qualifies as an approvable restricted customer group would assist prospective applicants in designing appropriate pilot proposals.	The Central Bank will take a risk-based approach, when necessary to “restrict” potential customers in the Sandbox. The Guidance Note provides ORSAC with the discretion to determine appropriate testing parameters which appropriately consider the size and composition of any restricted customer group, having regard to the nature, complexity, and risk profile of the proposed solution.
Paragraph 28: Terms and Conditions	A 12-month test window (beginning to end) seems a bit rigid, especially in the case of a product/fintech solution that may require a longer time to test/validate.	The standard 12-month testing period is intended to provide participants with sufficient time to assess the viability of their proposed solution while ensuring that testing remains focused and subject to appropriate regulatory oversight. However, paragraph 40 and 41 of the Guidance Note provides ORSAC with the discretion to grant an extension where additional time is justified to complete testing or assess the risks and outcomes of the proposed solution. Such extensions are considered on a case-by-case basis and are not intended to extend participation indefinitely. Applicants are also required to submit a clear exit strategy as part of their application, setting

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		out how testing will conclude and the proposed transition following completion of the Sandbox.
Paragraph 29: Third-Party Service Providers	Additional clarity regarding when a third-party service provider is considered critical to Sandbox operations would assist applicants in preparing the appropriate due diligence documentation.	The Central Bank acknowledges your observation. The Guidance Note requires applicants to identify material third-party service providers that support the proposed testing activity and demonstrate that appropriate governance, operational controls and risk management arrangements are in place. Whether a provider is considered critical will depend on the proposed solution and the extent to which the provider is necessary for the safe and effective operation of the Sandbox testing. Applicants should also consider whether the services provided involve a regulated financial activity or create material risks, such as Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT), payment, customer or operational risks. Relevant international standards, including the Financial Action Task Force (FATF) Recommendations, may assist in making this assessment. For example, Recommendation 14,15, and 17 address money or value transfer services, new technologies, and reliance on third parties, including circumstances where licensing, registration, supervision or appropriate controls may be required. Where applicable, applicants should demonstrate that the relevant regulatory approval, registration or risk management arrangements are in place.
Paragraph 30: Reporting Requirements while in the Sandbox	Gaps/Challenges: The framework assumes that participants will be required to manually compile and submit periodic and final reports. While the draft does not explicitly mention manual Excel or email submissions, reliance on manual data ingestion, legacy-style reporting through manual means via email or file uploads, creates a real burden on the sandbox team, requiring regulators to use their resources to manually arrange and clean data rather than analyse it in robust ways or deepen understanding of new business models. It also prevents more real-time risk analysis, especially comparative risk analysis 4 where the sandbox team would want to compare risks from products in the sandbox to others in the market.	The Central Bank acknowledges your observation and recommendation. The Central Bank will consider this recommendation and will continue to monitor its effectiveness in practice, based on scheduled pre-application meetings, frequency of intake, and overall participation levels as the Sandbox matures.

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	Recommendation: For a sandbox to be sustainable, it is important to improve the use of the Regulator's internal resources by shifting staff from data processing to high-value risk analysis. We echo our recommendation made above in Resource Constraints: adopting a digital sandbox platform that is API-first will (a) automate the reporting data directly into a central repository; (b) provide a single platform for data ingestion and analysis, including other sources of data. This is more pronounced for virtual assets (whose usage is primed to increase given the Bahamas' Digital Assets and Registered Exchanges Act 2024) are not beholden to banking hours.	
Paragraph 35-39: Suspension or Rescission of Regulatory Sandbox	Gaps/Challenges: The framework can be improved by addressing inconsistencies in due process and in proportionality of the wait period. • Procedural Due Process Gaps: The current framework applies a uniform 6-month "cool-off" period regardless of whether an application is refused or suspended. 3 These two different scenarios require differentiated treatments rather than a blanket restriction. • Failure of the Proportionality Test: As outlined in Art/Par 38 and Art/Par 36, the mandatory 6-month wait period lacks proportionality. Administrative penalties should distinguish between minor issues, such as scheduling delays (36 viii), and severe violations like systemic crises (36.ii) or material misrepresentation (36 i). Recommendation: Addressing the incongruence between application rejections, voluntary withdrawals, and live operational suspensions should be the prerequisite before the framework can properly assign a cooling-off timeline. Once these distinct regulatory circumstances are uncoupled into independent administrative tracks, then the Central Bank can apply proportionate, customised timelines (i.e., the 6-month lockout would be strictly for unmitigated, live operational defaults, not for onboarding paperwork omissions.)	The Central Bank acknowledges the comments regarding the application of a uniform cooling-off period across different procedural outcomes, including application refusals, voluntary withdrawals, and suspensions. The Central Bank recognises that these circumstances may warrant different regulatory treatment depending on the nature of the underlying issues and will consider whether further differentiation would enhance the clarity, proportionality, and effectiveness of the Regulatory Sandbox framework. Any amendments to the application of the cooling-off period will continue to be guided by the need to promote sound risk management, regulatory consistency, and fairness, while ensuring that applicants have sufficient opportunity to address identified deficiencies before reapplying.
Paragraph 38	With respect to the entry requirements, could an entity who applied and was unsuccessful in their bid to enter the cohort apply to be included in	Applicants whose applications are unsuccessful at the evaluation stage would not be subject to the cooling-off period and may submit a new

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	the very next cohort, or would they be subject to the 6-month cooling-off period?	application for a subsequent cohort, provided that any deficiencies or concerns identified during the assessment process have been satisfactorily addressed. The cooling-off period is intended to apply to circumstances where an applicant has been suspended, rescinded, or withdrawn from participation in the Regulatory Sandbox.
Paragraph 39	For applicants who are rejected, suspended or rescinded, will there be an appeals committee outside of ORSAC in the event the outcome of their review is unfavorable?	The Central Bank notes that the Guidance Note provides applicants whose applications are rejected, suspended, or rescinded with an opportunity to request reconsideration by ORSAC within thirty (30) business days, supported by additional information or clarification. At this time, the framework provides for reconsideration within ORSAC as the mechanism for review and does not include a separate Appeals Committee. This approach is intended to ensure that applicants are afforded an opportunity for further review before a final determination is made.
Paragraph 39	Gap/Challenge: Applicants have 30 days to request reconsideration for rejected, rescinded, or suspended applications, with a 20-day determination window upon receipt. This provision, however, is in direct conflict with the 6-month cool-off period given the text under Art/par 38. It is not clear whether, once the reconsideration request is triggered, the clock on the cool-off period is stopped(stayed) or it keeps ticking pending the outcome of the appeal. Recommendations: Restructure the administrative timeline to explicitly state that the 6-month cooling-off clock is automatically stayed or frozen the moment a participant triggers a Request for Reconsideration under Paragraph 39. This ensures that no premature penalty lockouts are enforced until a final written determination on the appeal is officially issued. This recommendation will be most effectively considered together with Contradictions in the Administration above.	The reconsideration process set out in paragraph 39 is intended to provide applicants with an opportunity to seek further review of ORSAC's decision before pursuing any subsequent application to the Regulatory Sandbox. The intent of the six (6) month cooling-off period operates independently of the reconsideration process and is applied in accordance with paragraphs 35 to 38. The submission of a request for reconsideration does not, in itself, suspend or otherwise alter the application of the cooling-off period. Given the recommendation and the clarification noted, the Guidance Note will be revised to reflect both the intent/application of the cooling-off period and additional considerations that an application may be rejected, rescinded, or suspended.
Paragraph 46: Extending or Exiting the Regulatory Sandbox	We expect there will be a wait period between the time an entity who was recommended to apply for a licence is actually approved to conduct business. While they are awaiting their licence, can they operate on a limited scale? Consideration should be given to some sort of "fast tracked" licence approval for those who successfully completed the process as an incentive.	The Central Bank notes that successful completion of Sandbox testing does not constitute licensing, registration, approval, or authorisation to conduct regulated financial service activities. Paragraphs 45 and 46 of the Guidance Note provide that those participants may be recommended to apply for the appropriate licence or

		registration, and any such application will be assessed in accordance with the applicable legislative and regulatory requirements. Prudential and operational risk review applied during the Sandbox may differ from the conditional licence requirements of a Supervised Financial Institution. Accordingly, entities awaiting licensing approval are not permitted to commence regulated activities, including on a limited basis, unless and until the relevant authorisation has been granted. The Central Bank requires all licence applicants to satisfy the relevant prudential, operational, governance, and compliance standards before commencing regulated activities.
Paragraph 46	Gap/Challenge: For participants who are recommended for licensing, the framework is unclear about the status of a provider to continue operating in the market as they have been under the sandbox framework approval during the gap between sandbox exist and licence application and approval. It is also unclear for providers who exit the sandbox successfully but where a licence does not yet exist for their service. This is a heavy limitation on a provider and the lack of clarity can undermine the value of participating in the sandbox, especially if they have gained strong market share by showing real value to consumers. Recommendation: Including the consideration of a bridge authorisation mechanism for these instances can ensure that successful participants receive interim operational status, thus they would not need to halt live operations after their company's investment and sandbox success.	The Central Bank acknowledges this observation and recommendation. The Regulatory Sandbox is a controlled testing environment that permits participants to undertake only those activities authorised by ORSAC within approved testing parameters. Accordingly, successful completion of Sandbox testing does not confer a licence or authorisation to continue providing regulated financial services after the testing period has ended, nor does it permit a participant to conduct regulated financial service activities pending the grant of a licence. The Central Bank recognises that, in some instances, Sandbox testing may identify innovative activities for which an appropriate legislative or regulatory framework does not yet exist. In such circumstances, the outcomes of the testing process may inform the development of future regulatory or legislative measures. Accordingly, the Guidance Note does not provide for a bridge authorisation mechanism, as any transition to full market participation must occur in accordance with the applicable legislative and regulatory framework.
Paragraph 47: Confidentiality	Gap/Challenge: The framework provides for the protection of confidentiality while concurrently granting the Central Bank the right to publish summaries of sandbox activities. A clear, standalone guarantee regarding the legal protection and confidentiality of the highly proprietary technology that participants will disclose during the trial is lacking.	The Central Bank appreciates your recommendation. The confidentiality provision in paragraph 47 is intended to protect non-public information shared by participants during their involvement in the Regulatory Sandbox. While paragraph 54 permits the Central Bank to publish information on Sandbox activities and outcomes, any such

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Recommendation: An IP protection clause should be included, defining who owns the IP created or disclosed during the testing period. A clear and comprehensive guarantee would protect the participants whenever they disclose proprietary information, which is especially important for innovators with limited market share and limited capital.

publication will take into account the need to protect confidential and commercially sensitive information. Matters relating to intellectual property ownership and protection are governed by the applicable laws and any contractual agreements between the relevant parties. The Sandbox framework does not alter or determine intellectual property ownership rights.