



RESERVE BANK OF VANUATU

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Vanuatu participates in the Pacific Islands Regional Regulatory Sandbox Roadshow



Figure 1: Day 1 Consultation with RBV Staff



Figure 2: Day 2 Consultation with relevant local Stakeholders

The Reserve Bank of Vanuatu, in collaboration with the Alliance for Financial Inclusion (AFI), organized a two-day in-country consultation on the Pacific Islands Regional Initiative (PIRI) Regional Regulatory Sandbox on the 19th and 20th November 2019 at the Reserve Bank's Conference Room in Port Vila.

The PIRI Regional Regulatory Sandbox, the first platform of its kind in the world, was jointly created by central banks from the seven Pacific Island countries in PIRI. These monetary authorities have recognized that advances in financial technologies have led to the introduction of new business models and solutions that have contributed to improved living standards as well as greater economic growth and development. Growing recognition that these new innovations should be complimented with enabled regulatory requirements and safeguards led to the development of the Regulatory Sandbox and other approaches.

Regulatory sandboxes are formal regulatory platforms that allow interested financial service providers and potential financial technology (FinTech) companies to conduct live tests of financial services or models with customers under certain conditions for safeguards and regulatory oversight. The PIRI Regional Regulatory Sandbox concept takes the form of a digital portal that is designed to allow potential applicants to apply and test their innovative financial services or products in a live environment under certain regulatory parameters. After successfully exiting the Regulatory Sandbox, applicants will be guided on compliance and regulatory requirements necessary to launch their products or services into the wider

market. The sandbox will benefit new applicants by allowing them to learn from their experiences in a controlled market environment while also receiving guidance and input from regulators on how to ensure compliance with regulation, enforce consumer protection measures that align with data protection, privacy and ethical considerations and any other policies or regulations mandated by the Reserve Bank of Vanuatu. Applicants will be empowered with insight that will inform necessary modifications of their financial products to suit the local market and existing legal frameworks before initiating the process of being approved for commercial launch in the country.

The draft Guideline of the Regional Regulatory Sandbox was presented and unanimously endorsed by PIRI leaders, namely, central bank governors from each of the seven countries, during the PIRI Leaders' High-Level Forum in September 2019. Upon endorsement, the PIRI leaders then approved that implementation roadshow. Vanuatu was the fifth out of the seven PIRI member countries to be visited during the roadshow. The roadshow was designed to identify and capture each country's specific requirements in implementing the Regional Regulatory Sandbox. The consultation for Vanuatu was conducted on the 19th and 20th November at the RBV Conference Room by a Policy Specialist on FinTech from AFI and a technical consultant. Day one of the consultation was exclusively for RBV staff while day two was open for external stakeholders, including financial service providers, mobile network operators, non-governmental organizations, development partners, government departments and other key regulatory authorities. The consultation was successfully undertaken with many questions and concerns raised and addressed. The main message to stakeholders was that collaboration and cooperation is needed at all levels to ensure a balance between innovation and regulation.

In the opening remarks during the consultation, the Bank's OIC- Director Financial Markets Department, Mr. Philip Arubilake highlighted the importance of finding the right balance between regulation and innovation. *“Financial technology and digital finance have the potential to reshape the financial services and financial inclusion landscape, by reducing costs and improving access and quality of financial services. But as regulators, we need to be alert - we need to strike a balance between effectively utilizing Fintech while minimizing systemic risks.”*

The National Financial Inclusion Strategy 2018-2023 – Strategic Goal # 2 seeks to promote and encourage financial services providers and other institutions to innovate in the digital finance space to improve the access to and usage of financial products and services in the country. Therefore, the Reserve Bank of

Vanuatu calls for strong collaboration and participation among all key stakeholders in implementing this Regional Regulatory Sandbox.

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