REGULATORY SANDBOX DIRECTIVE NO. FS/01/2026

NOVEMBER 2026

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NATIONAL BANK OF ETHIOPIA

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NATIONAL BANK OF ETHIOPIA

TABLE OF CONTENTS

PREAMBLE 1

PART ONE: GENERAL PROVISIONS 2

PART TWO: ENTRY AND ADMISSION INTO THE SANDBOX 5

PART THREE: TESTING AND OPERATIONAL REQUIREMENTS 11

PART FOUR: SUSPENSION, EXIT AND POST-EXIT OBLIGATIONS 19

PART FIVE: MISCELLANEOUS ITEMS 27

PREAMBLE

Whereas, fostering responsible financial innovation is essential for enhancing financial inclusion, improving efficiency, and supporting the development of Ethiopia's financial sector;

Whereas, financial innovation introduces opportunities to expand access to financial services, enhance competition, and improve efficiency, but also poses regulatory, operational, and consumer protection risks that necessitate a structured and well supervised testing environment;

Whereas, it is imperative to establish clear eligibility criteria, governance structures, risk management and compliance requirements for entities participating in the Sandbox;

Now, therefore, in accordance with, Article 6(21), Article 50(1) and Article 53(2) of the National Bank of Ethiopia Proclamation No. 1359/2025 and Article 89(2) and Article 91(2) of the Banking Business Proclamation No. 1360/2025, the National Bank has issued this Directive.

PART ONE: GENERAL PROVISIONS

1. Short Title

This Directive may be cited as the "Regulatory Sandbox Directive No. FS/01/2026."

2. Definitions

For the purpose of this Directive, unless the context requires otherwise:

2.1. "**Applicant**" means a financial institution applying individually or jointly with one or more eligible entities; an entity that has submitted an application for a financial institution license in accordance with the applicable laws; or an entity that has applied to the National Bank for designation as a new category of financial institution, where such person or entity seeks admission to the sandbox for the purpose of testing a proposed financial innovation;

2.2. **"Admission Letter"** means a formal notification issued by the National Bank, confirming an applicant's provisional admission to the sandbox and stipulating the pre-testing conditions to be met prior to the issuance of a Testing Approval Letter.

2.3. **"Bank"** means a private or state-owned bank, a foreign bank subsidiary or a branch of a foreign bank licensed by the National Bank to undertake banking business.

2.4. **"Digital Financial Services"** means provision of financial service including credit, savings, remittances, payments and other related services accessed and/or delivered through digital channels.

2.5. **"Financial Institution"** means a bank, an insurance company, a reinsurer, a micro finance institution, a micro insurance company, payment instrument issuer, payment system operator, a capital goods finance company, a money transfer institution, representative office of a foreign bank, a postal money transfer institution or such other similar institution as determined and licensed by the National Bank.

2.6. **"Financial Service Consumer/ Consumer"** means a person who uses, has used, or is contemplating to use any of the services provided by a financial institution.

2.7. **"Innovative Financial Service/ Innovation"** means the introduction or application of new or significantly improved financial products, services, business models, technologies, or delivery channels that enhance efficiency, accessibility, competition, or consumer benefits within the financial sector.

2.8. **"National Bank"** means the National Bank of Ethiopia.

2.9. **"Participant"** means an applicant or a group of applicants that has been jointly granted a Testing Approval Letter by the National Bank to conduct testing of a proposed innovation within the sandbox.

2.10. **"Person"** means any natural or juridical person.

2.11. **"Project Manager"** means a person who shall be responsible for the management and coordination of all sandbox testing activities and serve as the primary liaison between the participant and the National Bank during the testing phase.

2.12. **"Regulatory Sandbox/ Sandbox"** means a regulatory framework that allows for a live and time-bound testing of innovative financial services under the National Bank's control and oversight, prior to authorization or licensing by the National Bank.

2.13. **"Rule Waiver or Modification"** means a temporary regulatory exemption or adjustment granted to sandbox participants only when a specific regulatory requirement poses an undue obstacle to the testing of proposed innovation.

2.14. **"Test Team"** means individuals appointed by participant, directly responsible for the design, implementation, and oversight of the proposed innovation within the sandbox.

2.15. **"Testing Approval Letter"** means a formal authorization letter provided to an eligible participant to conduct sandbox testing under strictly defined conditions, within a specified scope, and for a predetermined period.

3. Scope of Application

This Directive shall apply to financial institutions, entities that have submitted applications for a financial institution license in accordance with the applicable laws, and entities that have applied to the National Bank for designation as a new category of financial institution, provided that such entities seek to test a proposed financial innovation through the sandbox.

4. General Principles

4.1. The National Bank's approach to sandbox applicants shall encompass the full progression of the process, including initial application, admission, testing, exit, and post-exit monitoring phases.

4.2. Unless otherwise expressly provided under this Directive, all sandbox activities shall comply with applicable national laws, regulatory standards, and relevant international best standard and practices.

4.3. The National Bank may, where appropriate, establish and maintain effective communication and cooperation with the home supervisory authority of foreign bank subsidiary or branch participating in the sandbox, to ensure coordinated oversight and exchange of relevant supervisory information.

4.4. Based on its independent assessment, the National Bank shall have the authority to temporarily suspend or terminate testing and determine the final outcome of an innovation, whether it involves transition to licensing or authorization, conditional or phased approval, extension of testing for additional data, requirement for regulatory change, or exit without licensing or authorization

PART TWO: ENTRY AND ADMISSION INTO THE SANDBOX

5. Eligibility Criteria for Applicants

5.1. An applicant possessing an innovation and desire to participate in a sandbox shall demonstrate that its proposed innovation:

5.1.1. falls within, or is likely to fall within, the supervisory scope of the National Bank;

5.1.2. provides measurable benefits to financial service consumers and/or addresses specific gaps or challenges within the financial sector in Ethiopia, including improved access, affordability, quality, efficiency, risk management, or cost reduction; and

5.1.3. is genuinely innovative and/or not currently available in Ethiopia's financial sector, or provides a substantial enhancement to an existing financial product, service, or business model.

5.2. In addition to the requirements set out in sub-articles 5.1.1 to 5.1.3 of this Article, an applicant seeking to test a proposed financial innovation through the sandbox shall:

5.2.1. demonstrate the necessity of testing the proposed innovation within a sandbox environment, highlighting specific challenges that have constrained its deployment under existing laws and regulatory frameworks;

5.2.2. provide sufficient evidence of capacity, resources, and infrastructure to conduct testing effectively, including sound governance arrangements, adequate financial resources, and technical expertise to identify, monitor, and mitigate potential risks and losses;

5.2.3. demonstrate that the innovation has been sufficiently developed, tested, and validated to confirm its functionality and potential usefulness;

5.2.4. provide a detailed description of the proposed technical architecture, outlining how the technology will be applied to achieve the intended objectives; and

5.2.5. present a clear and feasible plan for full-scale commercialization or deployment of the innovation upon successful completion of the sandbox testing phase.

6. Project Manager and Test Team

6.1. An applicant seeking to participate in the sandbox shall appoint a project manager and assign a dedicated test team through a written authorization issued by its board of directors, organizer, or any other person or body duly authorized to act on its behalf.

6.2. The project manager and test team shall be honest, reputable and diligent. In determining integrity of the project manager and test team, the National Bank shall consider all relevant factors, including but not limited to:

6.2.1. whether the person has a record or evidence of previous conduct and activities where he has been convicted for a criminal offense under any law designed to protect members of the public from dishonesty or fraud whether in Ethiopia or elsewhere;

6.2.2. whether the person has a record of withholding information from public authorities, submission of incorrect financial or other statements, prior refusal of regulatory/ supervisory approval and failure to comply with requirements of regulatory/ supervisory body, other corrective actions or interventions by public authorities;

6.2.3. whether the person has an active or current record of disciplinary measures or any dispute with previous employers, or compliance with a code of conduct, which has led to the imposition of a penalty under employment law or any other disciplinary measures imposed by trade or professional associations; and

6.2.4. whether the person has a record or evidence of conviction of breach of trust, theft, robbery or any other similar criminal offence or failure to discharge his duties and responsibilities, in a duly and sound manner in his previous role as a promoter of a business organization including a financial institution or in any other circumstance.

7. Application Period

7.1. The National Bank shall issue a public call for applications to participate in the Sandbox at least twice each year.

7.2. Notwithstanding sub-article 7.1 of this Article, the National Bank may issue additional calls for applications to participate in the sandbox, as it deems appropriate.

7.3. An interested applicant meeting the eligibility requirements stipulated under this Directive shall submit an application to the National Bank only within the designated application period.

8. Initial Application

An applicant seeking admission to the sandbox shall submit the following documents and information to the National Bank as part of initial application:

8.1. A formal application letter.

8.2. A duly completed application form, as specified under Annex I of this Directive.

8.3. High level summary of the applicant and proposed innovation, including:

8.3.1. A short description of what the proposed innovation is and what problem it intends to solve;

8.3.2. Information indicating whether the applicant is applying individually or jointly as a consortium. Where the application is submitted jointly, details of legal basis and status of the consortium, including the roles, responsibilities, and obligations of each applicant;

8.3.3. A statement of why the sandbox is needed and how the proposed innovation may not fully fit current regulatory and licensing framework;

8.3.4. Evidence of technological readiness or minimum viable product, showing how far the proposed innovation is developed;

8.3.5. Basic information about target market and users, expected benefits for consumers and how the innovation differs from existing products, services or business model;

8.3.6. Initial assessment of major risks and safeguards; and

8.3.7. Information on governance structure, the key functions and responsibilities and how it would support testing of the proposed innovation.

8.4. The National Bank may request any additional information it considers necessary and may conduct meetings with the designated project manager and test team to obtain sufficient and relevant information regarding the proposed innovation.

8.5. The National Bank shall, within ten (10) working days of receipt of all required documents, assess the initial application against the eligibility criteria set out in Article 5 of this Directive and notify the applicant in writing whether the application is accepted, conditionally accepted, or declined for progression to the full application stage.

8.6. An applicant whose application has been rejected may reapply in subsequent cohorts, provided it addresses the reasons for rejection and presents a revised proposal.

9. Admission into Sandbox

An applicant whose initial application has been accepted shall submit the following documents and information, together with a cover letter, for admission to the sandbox:

9.1. A board resolution or other written authorization, authenticated by a legally recognized body where applicable, and issued by the person or body authorized to act on behalf of the applicant, setting out the particulars of the proposed innovation, the proposed sandbox participation, and the designated project manager and members of the test team;

9.2. A copy of agreement signed between joint applicants (if applicable), authenticated by a legally recognized body, at least outlining the roles, responsibilities, governance arrangements, and dispute resolution mechanisms of respective parties;

9.3. Duly completed application form for the project manager and test team, as specified under Annex II of this Directive;

9.4. Properly completed fit and proper test questionnaire for the project manager and/or test team, as specified under Annex III of this Directive;

9.5. Copies of the local and national identification cards of the project manager and members of the test team who are Ethiopian nationals; or, where the project manager or any member of the test team is a foreign national, a copy of a valid passport authenticated by a legally recognized body in the issuing country and the relevant government authority in the host country;

9.6. Curriculum vitae of the project manager and member of the test team;

9.7. Police clearance certificate by Federal Police or other competent pertinent authority, issued within the last six months. Where country of residence is different from home country, such documents shall come from both countries;

9.8. Patent certificates/ registration of a proposed innovation (if applicable); and

9.9. Business plan/ feasibility study of the proposed innovation, articulating its purpose, feasibility, risk management, and consumer protection measures. The plan shall contain at least the following:

9.9.1. Executive summary

9.9.2. Applicant profile, including institution name, registration details, and contact information.

9.9.3. Product or service description, including detailed explanation of technological innovation and its stage of development;

9.9.4. Market and feasibility analysis, covering target consumers and market size, competitive landscape, potential demand and use cases, SWOT analysis, and financial projections and sustainability;

9.9.5. Value proposition, including, consumer benefits, market or regulatory efficiency improvements and public interest or social impact;

9.9.6. Regulatory context, including applicable regulations and licenses and regulatory challenges or barriers to full deployment;

9.9.7. Risk identification and mitigation, emphasizing key operational, financial, legal, and reputational risks and their mitigation strategies;

9.9.8. Consumer protection and data security, describing high-level approach to consumer safety and data handling and commitments to transparency and responsible testing;

9.9.9. Governance and reporting, illustrating governance structure for test oversight and roles and responsibilities of key personnel; and

9.9.10. Exit and Transition Plan, indicating post-sandbox plans mechanism of handling of consumer data and funds after testing.

9.10. In addition to the admission requirements set out in sub-articles 9.9.1 to 9.9.10 of this Article, a foreign bank subsidiary or branch applying for sandbox participation shall submit evidence that its home supervisory authority has been notified of the proposed participation in the sandbox and, where required under the applicable laws or regulatory requirements of the home jurisdiction, has provided its no-objection or consent.

9.11. Evidence of payment of non-refundable application processing fee, as per Article 29 of this Directive.

9.12. The National Bank may require further clarification or require technical demonstration or pilot risk evaluation before passing admission decision.

9.13. Upon verifying that an applicant has satisfied all admission requirements, the National Bank shall, within twenty (20) working days of receipt of all required documents, issue an Admission Letter to an eligible applicant.

9.14. An applicant whose application has been rejected may reapply in subsequent cohorts, provided it addresses the reasons for rejection.

PART THREE: TESTING AND OPERATIONAL REQUIREMENTS

10. Test Plan Design

10.1. An applicant admitted to the sandbox shall submit a comprehensive test plan describing how the proposed innovation will be tested in a controlled and safe environment. The test plan shall, at a minimum, include the following:

10.1.1. A detailed description of the proposed innovation to be tested, including specific regulatory requirements that may need to be relaxed or modified to accommodate the test, and/or those that are intended to be evaluated during the testing phase;

10.1.2. Clearly defined test objectives and intended outcomes, indicating the anticipated test duration, methodology, and the key performance indicators or other measurable success criteria;

10.1.3. Defined control boundaries for the testing period, including but not limited to the type and number of consumers, transaction limits, and aggregate exposure thresholds;

10.1.4. A comprehensive consumer communication plan, incorporating sample risk disclosures, consent forms, and communication materials to be used during the live testing period;

10.1.5. Identification of all associated risks and corresponding risk mitigation measures for each scenario, covering data protection and cybersecurity, KYC and customer due diligence processes, and AML/CFT safeguards;

10.1.6. Well-articulated customer safeguard measures, including arrangements for insurance or compensation mechanisms, and procedures for handling consumer inquiries, complaints, or disputes during the test period;

10.1.7. Defined governance arrangements, including roles and responsibilities of the project manager, testing team, and oversight mechanisms to ensure effective monitoring, accountability, and reporting throughout the testing phase;

10.1.8. Reporting obligations, outlining the frequency, format, and content of progress reports to be submitted to the National Bank throughout the testing period; and

10.1.9. A well-developed exit strategy, specifying the procedures and conditions for the conclusion or early termination of the test, including transition measures for affected consumers and data retention or deletion plans.

10.2. The National Bank may engage with the admitted applicant and provide feedback on the test plan, including recommendations to strengthen risk management measures, consumer protection safeguards, and other aspects relevant to the safe and effective conduct of the test.

10.3. The National Bank shall, within thirty (30) working days of receipt of the test plan, review the plan for compliance with the objectives and requirements of the sandbox and notify the applicant of its decision. Where the test plan is approved, the National Bank shall issue a Testing Approval Letter.

11. Regulatory Support

11.1. Participant may submit a written request for specific regulatory support during the application or testing phase, provided the request aligns with the objectives of the sandbox test and is essential for the execution of the accepted test plan.

11.2. Based on an assessment, the National Bank may grant an eligible participant the following supports:

11.2.1. Rule waivers or modifications strictly necessary for testing, provided they do not compromise regulatory objectives, financial stability, or consumer protection.

11.2.2. Tailored regulatory guidance, including clarification of applicable regulatory requirements, advisory support and collaboration with other regulatory or governmental bodies to address issues outside the National Bank's mandate.

11.3. Notwithstanding any exemption, modification, or waiver granted under sub-article 11.2 of this Article, the following requirements shall continue to apply to all participants:

11.3.1. Fit and proper requirements for project manager and test team;

11.3.2. Anti-money laundering and countering the financing of terrorism and counter-proliferation requirements;
11.3.3. Consumer protection, data privacy and cyber security laws; and
11.3.4. Requirement for permanent licensing or post-testing market entry.

11.4. A participant shall remain fully liable for any loss or harm caused to consumers, counterparties, or the financial system, including those arising from activities conducted under any regulatory waiver or modification.

11.5. The National Bank reserves the right to amend or withdraw the support it granted with or without prior notice, in the event that risks to financial stability, consumers, or regulatory integrity emerge.

12. Sandbox Testing Period

12.1. The sandbox testing period granted to a participant shall not exceed twelve (12) months.

12.2. The testing period shall commence within 30 days of receiving Testing Approval Letter from the National Bank.

12.3. Notwithstanding the provisions of sub-article 12.1 of this Article, an extension may be granted to allow further assessment of an innovation, provided that the participant has demonstrated substantial progress and continued compliance.

12.4. A sandbox participant seeking an extension of the test period shall submit a formal written request to the National Bank at least thirty (30) working days prior to the scheduled test completion date, stating the reasons for the extension and additional time required.

12.5. The National Bank shall notify the participant of its decision within fifteen (15) working days of receiving the extension request.

12.6. The extension that may be provided by the National Bank shall not exceed twelve (12) months.

13. Risk Assessment

A participant approved by the National Bank for sandbox testing shall:

13.1. identify all material risks arising from the proposed testing, including, at least risks to:

13.1.1. consumer harm, including financial loss and data privacy.

13.1.2. market integrity, competition distortion or regulatory arbitrage.

13.1.3. financial stability, operational resilience, cybersecurity, fraud, money-laundering and terrorist financing.

13.1.4. information security, data protection, confidentiality and system integrity.

13.1.5. exit or wind-down risk, including customer migration and transition to full deployment.

13.2. prepare a detailed mitigation plan for each risk, describing the measures and controls to be implemented to prevent, detect, respond to and recover from risk events.

13.3. define governance structure for risk management of sandbox test, including assignment of responsibility for monitoring, escalation, record-keeping and reporting.

14. Safeguards

The participant shall implement and maintain at least, the following as applicable:

14.1. Limiting the number and/or profile of participating consumer and/or the volume or value of transactions to manageable levels.

14.2. Maintaining adequate data protection, confidentiality and cybersecurity measures, including secure systems, monitoring logs and incident-response processes.

14.3. Ensuring Anti-Money Laundering, Countering the Financing of Terrorism and Proliferation Financing, Know Your Customer, fraud-prevention and other applicable regulatory requirements are respected.

14.4. Regularly reviewing the risk-profile of the test and promptly escalating to the National Bank any material changes in risk or any incident that could compromise the objectives or integrity of the test.

14.5. In placing appropriate exit procedures including proper migration of consumers, addressing liabilities and preserving data and records either on conclusion of the test or in the case of termination initiated voluntarily or required by the National Bank.

15. Consumer Protection

A participant shall establish, at least, the following consumer safeguarding measures for the duration of the sandbox test and post-exit period as applicable:

15.1. Inform participating customer, in writing that the innovation is being tested under the sandbox, and get explicit written consent to participation.
15.2. Adhere strictly to data protection laws regarding the collection, processing, and storage of personal data.
15.3. Ensure proper technical and organizational security measures to protect against data breaches and cyber-attacks.
15.4. Disclose terms and conditions of the proposed innovation in a simple and clear language.
15.5. Disclose product risks alongside benefits, ensuring balanced and non-deceptive advertising.
15.6. Provide at least ten (10) working days prior notice and obtain explicit consent concerning any modifications to consumer agreements that result in an increase of consumer obligations.
15.7. Ensure continuity of services or responsible discontinuation with minimal disruption to consumers, upon exit from the sandbox.
15.8. Provide clearly accessible redress or compensation mechanisms for consumer in the event of loss or harm arising from the testing.

16. Complaint Handling and Dispute Resolution

The participant shall establish and maintain an effective complaint handling process for the duration of the sandbox test, which shall include:

16.1. Establishing accessible, transparent, effective, and free internal complaint-handling mechanisms.
16.2. Acknowledging complaints promptly and resolved it within a maximum of 10 working days.
16.3. Assigning a unique tracking number to each complaint and communicate outcomes to the consumers in writing.
16.4. Maintaining complaint databases with records of complaint resolutions, systemic issues, and report trends to the National Bank.

17. Record Keeping

The participant shall:

17.1. maintain comprehensive records of all transactions, consumer interactions, risk assessments, and compliance activities throughout the testing period and in full compliance with pertinent laws thereafter.

17.2. ensure data accuracy and accessibility by keeping records in a format that is easily retrievable, secure, and protected from unauthorized access or alteration.

17.3. maintain all records in a readily accessible form to allow for the efficient review and analysis by the National Bank.

17.4. log and document test activities including key decisions, modifications to the accepted test plan (if applicable), incidents, and corrective actions taken during the sandbox period.

17.5. implement a secure archiving system that ensures long-term storage and retrieval of critical records while preventing unauthorized deletion or modification.

17.6. collect, process, store and share personal data in full compliance with the Personal Data Protection Proclamation and any applicable law issued thereunder.

18. Mandatory Incident Report

A participant shall report the following incidents to the National Bank within 24 hours of its occurrence:

18.1. Any breach of sandbox conditions, including non-compliance with the accepted test plan.

18.2. Consumer complaints or disputes that indicate potential systemic issues or regulatory concerns.

18.3. Cyber security incidents, including data breaches, system failures, or fraud attempts.

18.4. Any financial distress or operational instability that may affect its ability to complete the test or meet financial obligations.

18.5. Any suspicion of money laundering, fraud, or illicit financial activities.

18.6. Any other incident deemed to materially impact financial stability, consumer protection, or regulatory integrity, requiring immediate notification to the National Bank.

19. Regular Report and Monitoring

A participant shall facilitate an ongoing monitoring supported by regular and transparent reporting as per the accepted test plan. Specific requirements include:

19.1. provide timely and accurate information by submitting all required reports, disclosures, and data in accordance with the timelines and formats specified on the accepted test plan.

19.2. facilitate real-time data access for the National Bank if required, at the participant's cost.

19.3. facilitate regulatory oversight by granting the National Bank unrestricted access to relevant records, systems, and operational data necessary for monitoring compliance, assessing risks, and evaluating test progress.

19.4. participate in regulatory reviews and audits through full cooperation with scheduled and unscheduled inspections, audits, or assessments conducted by the National Bank.

19.5. respond promptly to inquiries and directives by addressing any requests for clarification, additional documentation, or compliance adjustments within the timeframes specified by the National Bank.

19.6. disclose material developments without delay, informing the National Bank of any significant operational changes, security breaches, legal actions, financial distress, or other events that may affect the integrity or viability of the test.

19.7. implement corrective measures as directed, ensuring timely compliance with any regulatory actions, recommendations, or risk mitigation measures imposed by the National Bank.

20. Assessment Report

20.1. A participant exiting the sandbox, under any of a pathway stipulated under sub-article 22.1 of this Directive shall submit assessment report to the National Bank at least thirty (30) working days before a planned termination date or earlier at the request of the National Bank or a scheduled completion date of sandbox testing.

20.2. The assessment report submitted shall, at least cover the following:

20.2.1. Summary of test activities, its functionality, scale and impact on the market.

20.2.2. Testing results and key findings, including performance data and customer adoption rates.

20.2.3. Risk & compliance review with a summary of regulatory challenges encountered and compliance status.

20.2.4. Consumer protection measures including complaints, redress mechanisms, and data protection practices.

20.2.5. Lessons learned, residual risks identified and the plan for full-scale deployment or wind-down;

20.2.6. Recommendations for regulatory amendments, should the test outcomes necessitate changes to existing legal frameworks.

PART FOUR: SUSPENSION, EXIT AND POST-EXIT OBLIGATIONS

21. Temporary Suspension of Tests

21.1. The National Bank may suspend sandbox testing at any time where a participant:

21.1.1. fails to submit required reports on testing progress, financial performance, or risk management;

21.1.2. experiences significant technical malfunctions or operational disruptions that adversely affect service delivery, consumer transactions, or the integrity of the testing process;

21.1.3. faces cyber security vulnerabilities that expose consumers to data breaches or financial loss;

21.1.4. fails to maintain adequate risk management protocols, leading to system-wide instability;

21.1.5. encounters unexpected financial distress, including risk of insolvency or failure to meet liquidity requirements;

21.1.6. faces market instability or systemic risk factors that necessitate suspension of operations to prevent wider financial repercussions; or

21.1.7. poses any other concerns deemed to materially impact financial stability, consumer protection, or regulatory integrity.

21.2. The participant shall cease all testing operations immediately after receiving the suspension notice from the National Bank.

21.3. The participant shall submit a corrective action plan to the National Bank within ten (10) working days of receiving a suspension notice, specifying how identified deficiencies will be addressed.

21.4. A participant shall resume testing activities within thirty (30) working days of receiving suspension notice by rectifying all identified deficiencies to the satisfaction of the National Bank.

21.5. Notwithstanding the provisions of sub-article 21.4 of this Article, the National Bank may grant maximum of fifteen (15) working days extension of suspension period, up on a formal request by the participant and subject to review of the progress made to implement corrective measures.

21.6. The National Bank shall terminate testing activities if a participant fails to fully implement corrective measure to its satisfaction during the extended suspension period.

22. Requirements and Exit Pathways

22.1. Participants may exit from a sandbox through any of the following pathways:
- 22.1.1. Voluntary exit prior to completion of the approved testing period;
- 22.1.2. Forced termination demanded by the National Bank; or
- 22.1.3. Completion of the testing period in accordance with the accepted test plan.

22.2. A participant exiting the sandbox, under any pathway shall:
- 22.2.1. submit to the National Bank, an assessment report prepared pursuant to sub-article 20.2 of this Directive.
- 22.2.2. submit certificate or clearance obtained from Information Network Security Administration (INSA) and/ or other appropriate authority depending on the innovation being tested to ascertain that no residual risks remain that could compromise financial stability, consumer protection or data security.
- 22.2.3. provide evidence that all affected consumer has been informed and appropriately protected.

22.3. A participant who decides to voluntarily withdraw from a sandbox shall submit a written request to the National Bank stating reasons for withdrawal at least thirty (30) working days before the planned exit date.

22.4. The National Bank, at its own discretion may terminate a participant's sandbox participation under the following conditions:
- 22.4.1. Serious regulatory breaches, including fraud, anti-money laundering and countering the financing of terrorism, or consumer protection failures.
- 22.4.2. Failure to meet the milestones or reporting requirements specified in the accepted test plan.
- 22.4.3. Continued test poses undue risk to consumers or the financial stability.
- 22.4.4. Participant becomes financially insolvent or unable to sustain operations.

22.4.5. A participant who fails to fully implement required corrective measure to the satisfaction of the National Bank within an extended suspension period.

22.4.6. Other factors having undue consequence, including on regulatory integrity, data security, consumer protection, and financial stability.

22.5. A participant who is demanded by the National Bank to terminate testing due to any factors stipulated under sub-article 22.4 of this Article shall immediately cease all sandbox operations, up on receipt of such notification.

23. Exit through Test Completion and Outcome Classification

Upon completion of the sandbox testing phase, the National Bank shall, taking into account the participant's level of regulatory compliance and consumer protection considerations, classify the final test outcome of the participant into one of the following categories:

23.1. Transition to Licensing or Authorization

23.1.1. A participant may transit to licensing or authorization where the sandbox test demonstrates that the innovation is viable, compliant with applicable regulatory requirements, and does not pose undue risks to consumers, market integrity, or financial stability.

23.1.2. The participant that prefers to undergo the licensing or authorization process as provided under sub-article 23.1.1 of this Article, it shall proceed in accordance with applicable existing laws and regulations.

23.2. Conditional or Phased Transition

23.2.1. A participant may be subjected to a conditional or phased transition where the innovation demonstrates potential but requires further refinement, risk mitigation, or operational enhancements.

23.2.2. The National Bank shall require participant to operate under specified terms and conditions during a conditional or phased transition, identified based on the outcome of the test.

23.3. Extension of Testing for Additional Data

23.3.1. The National Bank may require extension of the sandbox testing period where additional data, validation, or evidence is necessary to reach a conclusive regulatory determination.

23.3.2. An extension under sub-article 23.3.1 of this Article shall be one-time, subject to defined objectives, timelines, and conditions, and shall not exceed the maximum extension duration prescribed under this Directive.

23.4. Regulatory Adjustment Required

Where the innovation demonstrates potential benefits but cannot proceed to licensing or authorization due to identified legal or regulatory gaps, the participant shall cease testing and may apply only after the requisite legal or regulatory adjustments have been made.

23.5. Exit without Licensing or Authorization

A participant shall exit the sandbox without licensing or authorization where the sandbox test outcome is unsatisfactory, or where the innovation is found to pose unacceptable risks to consumer protection, market integrity, or financial stability.

24. Post-Exit Monitoring

24.1. The National Bank shall continue to monitor the activities of participant that have exited a sandbox through any of the pathways stipulated under sub-article 22.1 of this Directive, to ensure ongoing compliance, consumer protection, and market stability.

24.2. The scope, intensity, and duration of post-exit monitoring shall be determined by the National Bank taking into account the exit pathways and the nature, scale, and risk profile of the innovation, but shall not exceed one year from the date of exit, unless otherwise specified.

24.3. A participant that exits sandbox through voluntary exit or forced termination, as part of post-exit monitoring, shall be required to:

24.3.1. submit periodic reports to the National Bank, matters relating to unresolved consumer issues, unresolved risk exposures and other post-exit risk matters;

24.3.2. provide information, records, or clarifications necessary to assess consumer impact, data protection concerns, or other risk exposures, upon request of the National Bank;

24.3.3. cooperate with any targeted review or inquiry conducted by the National Bank in relation to sandbox-related activities; and

24.3.4. promptly notify the National Bank of any subsequent incidents, complaints, or legal claims directly linked to the sandbox testing.

24.4. A participant that exits the sandbox through transition to licensing or authorization, or operates under conditional or phased approval, shall, during the post-exit monitoring period, be required to:

24.4.1. submit periodic reports to the National Bank on operational performance, consumer complaints, and risk incidents, as specified by the National Bank;

24.4.2. promptly notify the National Bank of any material change in business operations, ownership, governance, or technology affecting the innovation.

24.5. The post-exit monitoring obligations set out under sub-article 24.4 of this Article shall be integrated into applicable licensing, regulatory, or supervisory framework, to avoid duplication of reporting or supervisory requirements.

24.6. The National Bank may conduct targeted reviews, inspections, or data-driven assessments during the post-exit period to verify continued compliance with requirements related to consumer protection, cybersecurity, market conduct, or prudential standards.

24.7. Where post-exit monitoring reveals non-compliance, misrepresentation, or consumer harm attributable to sandbox participation, the National Bank may take supervisory or enforcement actions in accordance with applicable laws and directives.

24.8. Upon satisfactory completion of post-exit monitoring, the National Bank shall issue a written confirmation of closure of sandbox-related obligations, without prejudice to its powers under other applicable laws and directives.

25. Prohibited Activities

A participant shall not:

25.1. provide false or misleading information about the sandbox product, its risks, or its regulatory status.

25.2. use consumer data for purposes beyond the sandbox test unless explicitly consented by the consumer.

25.3. misuse regulatory infrastructure or databases, including unauthorized system access.

25.4. misrepresent regulatory approval, implying that sandbox participation equates to full licensing.
25.5. engage in deceptive marketing, including exaggerated claims about financial returns, risk-free services, or guaranteed success.
25.6. operate outside the designated test scope set in the accepted test plan.
25.7. modify its business model without prior approval of the National Bank, including expansion into unapproved services.
25.8. continue operations after a suspension of the sandbox testing or non-extension of the sandbox testing period.
25.9. engage in fraud, market manipulation, or deceptive practices that distort competition or harm financial stability.
25.10. facilitate Money Laundering, terrorist financing, or illicit financial transactions.
25.11. issue financial instruments or accept deposits without regulatory approval, if applicable and engage in unauthorized lending, credit provision or investment activities beyond the sandbox's permitted scope.

26. Responsibilities of the National Bank

The National Bank shall have the following responsibilities:

26.1. Oversee and supervise the overall implementation of sandbox activities to ensure that the objectives of the sandbox are effectively achieved and that testing is conducted in a safe, controlled, and compliant environment.
26.2. Review and accept test plans, monitor ongoing tests, and take timely supervisory actions, including suspension or termination of tests, where risks to consumers, financial stability, or regulatory integrity are identified.
26.3. Provide regulatory guidance and technical support to participants, where necessary, to promote innovation while upholding sound risk management and consumer protection standards.
26.4. Maintain the confidentiality of all non-public information submitted by participants and use such information solely for regulatory and supervisory purposes, except where disclosure is required by law, court order, or for the discharge of statutory or regulatory duties.
26.5. Facilitate coordination and information-sharing, as appropriate, with other domestic or international regulatory bodies to enhance consistency, transparency, and efficiency in the regulation of innovative financial services.

27. Responsibilities of Participants

A participant shall have the following responsibilities:

27.1. Comply with all applicable Ethiopian laws, regulations, and directives, except where specific regulatory exemptions or modifications have been expressly granted by the National Bank for sandbox purposes.

27.2. Adhere to all terms and conditions of participation, including obligations specified under the accepted test plan and any supervisory directions/ decisions issued by the National Bank.

27.3. Not construe or represent any admission, acceptance, approval, or authorization granted by the National Bank, including acceptance of a test plan or any related guidance, as an exemption from applicable legal or regulatory obligations, nor as a waiver of potential legal or enforcement consequences arising from the participant's actions or omissions.

27.4. Conduct testing activities with integrity, transparency, and accountability, ensuring that all communications and representations to consumers, partners, and regulators are accurate, complete, and not misleading.

27.5. Ensure fair treatment of consumer by providing clear and accurate risk disclosures, obtaining informed consent, and maintaining accessible mechanisms for inquiries, complaints, and redress.

27.6. Implement sound risk management, internal control, data protection, cybersecurity, and AML/CFT/CPF compliance measures to safeguard consumer information, ensure operational resilience, and uphold the integrity of the financial system.

27.7. Maintain adequate financial and human resources to sustain operations throughout the testing period and to cover potential liabilities or consumer losses arising from the test.

27.8. Immediately notify the National Bank of any material incident, security breach, system failure, or risk event that could adversely affect consumers, data integrity, or the soundness of the sandbox test.

27.9. Refrain from engaging in any activity that may pose systemic risk, compromise market integrity, or threaten financial stability.

27.10. Cooperate fully with the National Bank in supervision, evaluation, post-exit monitoring, or audits, and provide all information, records, and reports as may be required.

PART FIVE: MISCELLANEOUS ITEMS

28. Administrative Sanctions

28.1. Without prejudice to the application of other applicable laws, where a sandbox participant contravenes any provision of this Directive or the accepted test plan, the National Bank shall impose administrative penalties in accordance with this Article.

28.2. A participant who contravenes the prohibited activities specified under sub-articles (25.1 to 25.7) of Article 25 of this Directive, including misrepresenting regulatory approval; operating outside the approved test scope; engaging in deceptive marketing or misuse of consumer data; failing to report material incidents or risks; engaging in deceptive marketing; operating outside approved test scope; or modifying business model; shall be punished with an administrative fine of Birr 50,000 (Fifty Thousand Birr).

28.3. A participant who contravenes the prohibited activities specified under sub-articles (25.8 to 25.11) of Article 25 of this Directive, including fraud, unauthorized deposit-taking, illicit financial activity, or continued operation after termination, shall be punished with an administrative fine of Birr 100,000 (One Hundred Thousand Birr).

28.4. Where a participant commits repeated or continuing violations of this Directive, the National Bank may permanently disqualify such participant from participation in the sandbox.

28.5. Without prejudice to the monetary penalties provided under this Article, the National Bank may impose one or more of the following administrative measures, as it deems appropriate:

28.5.1. imposition of enhanced reporting, monitoring, or independent assurance requirements;

28.5.2. restriction of approved innovation features, transaction limits, or customer numbers;

28.5.3. suspension or termination of sandbox participation; or

28.5.4. disqualification from future sandbox participation.

28.6. The National Bank may reduce or waive the penalties provided under this Article where it is satisfied that the violation was committed without intent, was promptly remedied, and did not result in material consumer harm or systemic risk.

29. Processing Fee

An applicant seeking admission to the sandbox shall pay a non-refundable application processing fee as follows:

29.1. A Bank shall pay Birr 100,000 (One Hundred Thousand Birr);

29.2. An Insurance Company shall pay Birr 75,000 (Seventy-Five Thousand Birr);

29.3. A Microfinance Institution or a Capital Goods Finance Company shall pay Birr 50,000 (Fifty Thousand Birr);

29.4. Any other entities not specified under sub-articles 29.1 to 29.3 of this Article shall pay Birr 35,000 (Thirty-Five Thousand Birr).

30. Appeal Against Rejection of Application

Where an applicant wishes to appeal against the rejection, it shall do so by writing to the National Bank, within thirty (30) working days from the date of receipt of the rejection notice.

31. Effective Date

This Directive shall enter into force as of the 17th day of November 2026.

Eyob Tekalign (PHD)
Governor

ANNEX I
APPLICATION FORM TO PARTICIPATE IN A SANDBOX

NOTE:

a) Read the declaration section below before completing this form.
b) In case the space provided is inadequate, use additional paper.
c) This form should be submitted, duly completed, accompanied by the complete set of documents and information prescribed under Article 8 of this Directive.

1. DETAILS OF SANDBOX APPLICANT(S)

1.1. Name of Applicant:

1.2. Type of License:

1.3. Address:

Street: ---

Building: ---

Postal address: ---

Telephone No.: ---

e-mail: ---

Website URL: ---

2. LIST OF PARTNER(S)/ JOINT APPLICANT(S) (IF APPLICABLE)

2.1. Name of Entity: ---

2.2. Nature of Entity:

☐ Financial Institution (specify license type):---

☐ Non-Financial Institution (specify license type):---

2.3. Name of Licensing Authority: ---

2.4. License and/or Registration Number: _____

2.5. Country of Incorporation: _____

2.6. Address:

Street: _____

Building: _____

Postal address: _____

Telephone No.: _____

e-mail: _____

Website URL: _____

2.7. Contact Person:

Full Name: _____

Position/Title: _____

Email: _____

Telephone: _____

2.8. Additional Partner(s) (if applicable):

(List all other partner(s) on additional paper, including all information indicated under item No. #2 of this form (if applicable.)

_____

_____

3. DESCRIPTION OF THE PROPOSED INNOVATION

3.1. Name/ Title of the Proposed Innovation: _____

_____

3.2. Type of Innovation:

☐ Product Innovation ☐ Service Innovation ☐ Business Models ☐ Process/ Technology Innovation

3.3. Description of the Proposed Innovation:

(Summarize what the innovation is, how it works, and how it differs from existing market offerings.)

_____

_____

3.4. Problem Statement and Expected Impact:

(Explain the problem being solved and the potential benefits to consumers and/or the financial system.)

3.5. Key Technologies Involved (if any):

☐ Artificial Intelligence ☐ API Integration ☐ Cloud Computing ☐ Data Analytics

Other:_____

4. ELIGIBILITY CRITERIA

4.1. Regulatory relevance and supervisory scope

(*Describe the financial service area or regulatory domain the proposed innovation relates to and explain any potential implications for oversight or compliance.*)

4.2. Consumer benefit and market impact

(Explain how the innovation delivers measurable value to financial service consumers in Ethiopia, highlighting improvements in access, affordability, quality, or user experience.)

4.3. Novelty of proposed idea

(Highlight the aspects that make this innovation genuinely new or significantly enhanced compared to existing market offerings.)

4.4. Readiness and capacity of applicant

Present evidence of the applicant's organizational readiness to undertake controlled testing within the sandbox. Include information on governance structures, technical expertise, financial and operational capacity.

4.5. Need for sandbox

Outline regulatory, operational, or market uncertainties that make sandbox testing necessary for the proposed innovation before full deployment.

4.6. Technical design and commercialization plan

Summarize the key features of the technical architecture and its functionality, current development stage and validation efforts completed. Highlight a feasible plan for scaling or commercial deployment of proposed innovation after successful sandbox testing.

5. TESTING OBJECTIVES AND PARAMETERS

5.1. Specific Objectives of Sandbox Participation

5.2. Testing Scope and Parameters:

(Describe what will be tested, expected metrics, and the boundaries of the test.)

5.3. Consumer Group / Target Market:

(Describe target market and type of customer to be considered for test proposed innovation, including mechanism of getting such customer.)

5.4. Risk Identification and Mitigation Strategies:

(Outline the key risks associated with the proposed innovation, including operational, consumer protection, cybersecurity, AML/CFT along with their risk mitigation measures.)

5.5. Exit or Transition Plan (Post-Sandbox):

Describe your plan when exiting the Sandbox

---

6. COLLABORATION AND GOVERNANCE ARRANGEMENTS

6.1. Roles and Responsibilities:

(Outline the division of roles between the partners, if applicable.)

6.2. Governance / Oversight Structure During Testing:

6.3. Legal or Contractual Arrangement Between Parties:

☐ Memorandum of Understanding (MoU) ☐ Service Agreement ☐ Other:_____

DECLARATION BY PROJECT MANAGER

i. I am aware that it is an offense to knowingly or recklessly provide any information, which is false or misleading in connection with an application for the National Bank. I am also aware that omitting material information intentionally or unintentionally shall be construed to be an offense and may lead to rejection of my application.

ii. I certify that the information given above is complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the National Bank should be aware.

iii. I undertake to inform the National Bank of any changes material to the applications which arise while the application is under consideration.

Authorized Signatory: _____ Date:_____

Name:_____ Designation: _____

Official Stamp/Seal

ANNEX II:
GENERAL INFORMATION OF PROJECT MANAGER AND TEST TEAM

1. PROJECT MANAGER

1.1. Personal Details

Full Name: _____

Nationality:_____

Position/Title: _____

1.2. Address:

City: _____ Sub-city: _____

Woreda/ District: _____ House No./ Street: _____

Post code: _____ E-mail: _____

Telephone: _____

1.3. Proposed Name/ Title of Innovation under consideration:

_____

1.4. Present Position or Occupation of the project manager:

_____

1.5. Professional & Regulatory Experience

a) Years of Project Management Experience: _____

b) Years of Experience in the Financial Services/FinTech: _____

c) Relevant professional certifications (List): _____

_____

1.6. Have you ever been responsible for a project involving regulatory compliance? ☐ Yes ☐ No

1.7. If yes, please provide a brief description:

_____

I hereby confirm that the above particulars and the information provided in the attached enclosure are true and correct.

Authorized Signatory: _____ **Date:**_____

Name:_____ **Designation:** _____



2. TEST TEAM MEMBERS

(Fill all members of test team, who is designated and will be directly involved in developing, operating, and testing the innovation.)

No.	Full Name	Nationality	Job Title & Role in Test	Relevant Skills & Expertise	Years of Experience	Address						
						City	Sub-City	Woreda/ District	House No/ Street	Post code	Tel.	E-mail
1.												
2.												

Declaration by Test Team

We, the undersigned members of the Test Team, hereby declare that:

1. We are aware that under sub-article 51.1(b) of the National Bank Proclamation No. 1359/2025 and sub-article 6(b) of Article 90 of Banking Business Proclamation No. 1360/2025, it is an offense to provide false or misleading statement.
2. We certify that the information and/ or statements given above are complete and accurate to the best of our knowledge, and that there are no other facts relevant to this application of which the National Bank would be aware.
3. We accept full responsibility for the safe and ethical execution of the accepted test plan, protection of consumer interests, and confidentiality of all information obtained during testing.
4. We also undertake to inform the National Bank of any changes that are material to the application.

ANNEX III:

PROPRIETY TEST QUESTIONNAIRE FOR PROJECT MANAGER/ TEST TEAM

Full Name:

_____

(Project Manager/ Test Team - **underline**)

Name/ Title of proposed innovation_____

Give yes or no answer for the following questions. If your answer is "yes" please provide particulars.

1. Have you been charged or convicted of any criminal offense, particularly an offense relating to dishonesty or fraud under any law whether in Ethiopia or elsewhere? Yes ☐ NO ☐

   If yes, please give particulars _____

   _____

2. Have you ever been imposed with corrective actions or interventions by public authority due to withholding information or submission of incorrect financial or other statements Yes ☐ NO ☐

   If yes, please give particulars_____

   _____

3. Have you ever been refused approval by any regulatory/supervisory body or failed to comply with requirements of regulatory/supervisory body? Yes ☐ NO ☐

   If yes, please give particulars_____

   _____

4. Have you ever been in dispute with previous employers concerning fulfillment of position or compliance with a code of conduct which has led to the imposition of a penalty under employment law or ever been Yes ☐ NO ☐

dismissed or requested to resign from any office of employment or disciplinary measures imposed by trade or professional associations?

If yes, please give particulars_____

_____

5. Have you ever been refused, whether in Ethiopia or elsewhere, the right to carry trade, business or profession for which a special license, registration or other authority is required? Yes ☐ NO ☐

   If yes, please give particulars_____

   _____

6. Have you been declared bankrupt whether in Ethiopia or elsewhere or have your assets been sequestrated because of bankruptcy or foreclosed a bank due failure to repay a loan? Yes ☐ NO ☐

   If yes, please give particulars_____

   _____

7. Have you ever been convicted of default on repayment of bank or other credits or tax payment? Yes ☐ NO ☐

   If yes, please give particulars_____

   _____

8. Have you ever been carrying non-performing loans or account been closed and not reinstated by any bank in line with relevant Directives of the National Bank or other relevant laws in any other country? Yes ☐ NO ☐

   If yes, please give particulars_____

   _____

Declaration

I am aware that under sub-article 51.1(b) of the National Bank Proclamation No. 1359/2025 and sub-article 6(b) of Article 90 of Banking Business Proclamation No. 1360/2025, it is an offense to provide false or misleading statement.

I certify that the information and/ or statements given above are complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the National Bank would be aware. I also undertake to inform the National Bank of any changes that are material to the application.

Authorized Signatory: _____ Date:_____

Name:_____ Designation: _____

Official Stamp/Seal