

LAW FOR THE **DIGITAL TRANSFORMATION** OF THE FINANCIAL SYSTEM

The **Law for Digital Transformation** has just been approved, which will allow companies to create sandboxes, or controlled test environments, so that financial operators can implement **technology-based financial innovation projects**, with the involvement of the supervisory authorities.

WHAT ARE THE **OBJECTIVES** OF THE LAW?

- 1 To facilitate **technology-based financial innovation** in a controlled and secure environment.
- 2 To enable the authorities to have a **better understanding** of technology-based financial innovation.

WHY CREATE A SANDBOX?

Because the promoters...

- 1 Will be able to have a **controlled testing space**.
"Will not be subject to the legislation normally applicable" to the provision of the corresponding financial services.
- 2 Will be able to **test the feasibility of the project** without the necessary prior authorisations.

HOW TO ACCESS THE SANDBOX?

- 1 Any interested party can be a **promoter** (irrespective of whether or not they are already subject to supervision), launching projects that involve **"technology-based innovation applicable to the financial system"**, which includes not only the development of software, but also processes (or methodologies), products or business models that, through the use of technology, can have an impact on financial markets.
- 2 The projects must provide **technology-based innovation applicable to the financial system** and must be at a sufficiently advanced stage to be able to offer a minimum level of functionality.
- 3 The project must **provide added value to existing uses in the sector** in at least one of the following areas:

- 
Facilitation of regulatory compliance by improving or standardising processes or instruments
- 
Reduction of costs, improvement of quality or access conditions and greater protection of the end customer
- 
Improvement of the efficiency of the organisations or markets
- 
Contribution to better financial regulation or supervision

GUARANTEE AND LIABILITY SCHEME



A guarantee scheme is established to cover liability for any damage incurred by the promoter, as well as a system of strict liability on the part of the promoter for loss or damage suffered by the project participants.

COMMUNICATION CHANNEL WITH THE AUTHORITIES



Through this direct channel, it will be possible to submit electronic queries regarding aspects of the regulation in relation to fintech projects.

Deadline for resolution: 2 months.

Effects: binding.

WHAT STEPS SHOULD I TAKE?

- 1 The promoter will send an application (using the relevant model) together with a report in support of the project.
- 2 The SGTFI will send it to the relevant authority, which will issue a detailed report (deadline 1 month).
- 3 A list of approved projects will be published on the SGTFI's website.
- 4 Approved projects must establish a test protocol between the promoter and the relevant supervisory authority (3 month deadline).
Before starting the tests, the promoter must provide users with an information document, drafted in simple, understandable and accessible language.
Form: in writing and preferably in electronic form.

EXIT SCHEME AND ACCESS TO A FAST-TRACK AUTHORISATION PROCEDURE

During the trial period, the promoters may **suspend** or terminate the pilot project with **just cause**.

The authority responsible for **monitoring may also suspend** the trials if the promoter fails to comply.

Once the trials have been completed, the promoter will be allowed **access to a fast-track approval procedure** in certain cases.

ENTRY INTO EFFECT



The Law **enters into effect** on 15/11/2020.

The SGTFI is expected to approve the standard application form within **one month** of the entry into effect.