



Jordan

Jordan Regulatory Sandbox - FinTech in COVID19 and Beyond

ADDRESSING HIGH DEMAND FOR MSME FINANCING BY FOSTERING THE EMERGENCE OF FINTECH ENTREPRENEURS FOCUSING ON COVID RESPONSES

PURPOSE

The Fintech service sector has been evolving fast in Jordan over the last 5 years. Banking on this dynamic, and in response to the COVID19 outbreak, the CBJ enhances the use of fintech services to MSMEs in different areas to facilitate faster and more affordable access to finance.

PARTNERS



EXECUTING BODY

Central Bank of Jordan (CBJ)

CONTEXT AND ISSUES

Jordan has developed its financial sector by leveraging a strong banking system and fostering innovation. In 2018, the CBJ championed the National Financial Inclusion Strategy (NFIS) through a participative approach (government, private sector, civil society). Under the digitalization pillar, the strategy recognizes fintech services as a focal area and plans to capitalise for implementation on the Jordan National FinTech Hub established in 2017. This high-level policy dialogue forum facilitated the awareness raising and the coordination of stakeholders around “having Jordan becoming a centre for financial innovation in the region”. The NFIS also acknowledges that technology is reshaping the financial landscape, starting with the payment platforms, and that the regulatory sandbox is a useful tool to undertake regulatory reform based on real-life testing. In 2018, the CBJ launched the first Regulatory Sandbox in the MENA region (inspired by the UK practice, FCA, 2016). The project started with capacity building sessions for the CBJ staff to allow them implementing the sandbox procedures and provide technical assistance fintech start-ups. A framework was adopted by the CBJ for the formulation and implementation of regulations ensuring customers satisfaction, investors protection, safety and financial stability. The CBJ works with the FinTech ecosystem stakeholders (banks, non-banks, incubators, investment funds) and signed several international agreements with peers to exchange and share knowledge and experience. After a successful first cohort in 2019 (5 fintech companies graduated), the CBJ expedited the second cohort with a focus on facilitating alternative and innovative financing solutions addressing the challenges raised by the COVID-19 pandemic.

SHORT DESCRIPTION

The Regulatory Sandbox launched in Jordan allows businesses test their innovative solutions in a safe and relaxed regulatory environment that allows the regulator to closely test and analyse the impact of a draft new regulation; this is undertaken in a





TARGET GROUP

All fintech solutions providers either start-ups or incumbents in addition to international entities who aim at collaborating with Jordanian companies/start-ups. This includes licensed and unlicensed financial institutions.

DURATION

9 Months

STARTING DATE

30/05/2020

CATEGORY

MSME Financing

KEY WORDS

Fintech, Policies, NA, MSME financing, Digitalisation, NA

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“ring-fenced” space as follows:

- The CBJ provides an incubation space for eligible participants who are enrolled through call for projects
- The CBJ provide support, guidance and mentorship to participants
- Collaboration with companies under foreign regulatory sandboxes is facilitated
- Testing Period is set at 9 months with a possibility of 2 months extension (on a case by case basis)
- Based on testing results, the CBJ, Participants and relevant stakeholders shall define the regulatory and legislative amendments required to put the innovation into market.
- Priorities are given to solutions with specific focus on responding to the needs of SMEs to overcome the negative impact of COVID-19. As of July 2020, 10 applications were shortlisted.
- No financial barrier to entry: the application fee is JOD 50 (EUR 60).

KEY HIGHLIGHTS

- The financial regulator acknowledged that alternative finance and fintech were possible means to address the issue of MSME financing.
- The adopted National Financial Inclusion Strategy provided the framework for supporting the transformation of the financial sector through digitalisation, including fintech.
- The fintech hub played an important role in crafting a vision shared by stakeholders and in coordinating supporting activities.
- The CBJ took a hands-on role as regards dialogue, policy making, training, provision of space and hands-on implementation of live testing procedures.
- The regulatory sandbox was officially adopted as a practical and grassroot-level tool for crafting and testing fintech regulations in close collaboration with the sector.
- The tool also allows orienting the fintech sector towards the resolution of specific issues, like the challenges raised by the Covid19 pandemic.
- The CBJ is offering graduates to internationalize their services.





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TOOLS / SOURCE

[Regulatory Sandbox Instruction](#)

[Application form](#)

[A guide for launching regulatory fintech sandboxes, MED MSMEs programme 2020](#)

[Gate to internationalisation - Jibril Network](#)

[Sanbox Framework](#)

[COVID 19 Response](#)

[National Financial inclusion Strategy](#)

