

**RULES, REQUIREMENTS, CONDITIONS AND CHARACTERISTICS OF THE SANDBOX CHALLENGE 2.0**

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## 1. WHAT IS AN INNOVATIVE MODEL?

In Mexico, an innovative model is related to the scheme known in the international context as "Regulatory Sandbox", and which is being implemented by several financial authorities in the world in order to support and supervise ventures that promote innovation in the provision of financial services through emerging technologies.

In Mexico, an Innovative Model is a financial business model that seeks to carry out a financial reserved activity using tools or technological means in modalities other than those existing in the market. The FinTech Law contemplates two schemes, both for non-regulated companies and for financial institutions already supervised.

If the Innovative model is accepted within the Sandbox, it will receive a temporary authorization up to three years for non-regulated companies and up to two years for financial institutions. Companies authorized to operate under this scheme may test their product and service in a controlled environment, with a limited number of clients, and must generate tangible benefits, offering a space for experimentation and regulatory flexibility in the provision of financial reserved activities, in accordance with the provisions of the Fintech Law.

A financial reserved activity<sup>1</sup> is one that requires an authorization, registration or concession by a financial authority to carry it out; otherwise, the performance of this activities would be sanctioned.

We suggest all the applicants to review whether the financial activity associated with their business model is a reserved financial activity, and identify which is the financial authority that they would have to go according to the regulatory framework applicable to their activity. As a guideline, we invite you to visit the pages of the supervisory committees:

CNBV (<https://www.gob.mx/cnbv>)

CONSAR (<https://www.gob.mx/consar>)

CNSF (<https://www.gob.mx/cnsf>)

CONDUSEF (<https://www.condusef.gob.mx/>)

If the test of the business model during the temporary authorization is successful, the Company Authorized to operate the Innovative Model could process the definitive authorization as a Financial Institution.

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<sup>1</sup> For more details on the reserved activities, consult:  
[https://www.gob.mx/cms/uploads/attachment/file/514651/Sandbox\\_Preguntas\\_frecuentes.pdf](https://www.gob.mx/cms/uploads/attachment/file/514651/Sandbox_Preguntas_frecuentes.pdf)

## 2. CALL

The Sandbox Challenge 2.0 invites entrepreneurs from Mexico, Latin America and other parts of the world who have innovative projects to offer financial services based on emerging technologies and who want to test their business model in the Mexican financial system, through the scheme of "Innovative Models / Modelos Novedosos" contained in the FinTech Law.

This call seeks to support the best initiatives, with the advisory of the main firms in the sector, that will help them consolidate their business model to enter the Regulatory Sandbox.

## 3. WHAT IS "THE SANDBOX CHALLENGE 2.0"?

The Sandbox Challenge 2.0 is the second edition of the innovation contest to promote the Innovative Models scheme of the FinTech Law in Mexico. The competition is organized with the support of the Financial Services Program of the Prosperity Program of the Embassy of the United Kingdom in Mexico. It is coordinated by DAI and Distrito Emprendedor (DE) for planning, convening, dissemination, realization and monitoring. The contest seeks to strengthen the ecosystem of ventures oriented to the financial services sector, and thereby promote innovation and support the formation of a more competitive and inclusive financial system.

The contest includes 3 stages:

- Call: promotional events, informative webinars, invites, nomination of entrepreneurs and / or financial entities, as well as training, advice and accompaniment to participants for the development of their application.
- Evaluation: stage where the Evaluation Committee analyzes and qualifies the applicant projects by category and determines the winners of the contest.
- Follow-up: the accompaniment program is carried out, where the different prizes will be executed, among them; specialized service packages.

#### 4. GENERAL OBJECTIVES

- Encourage innovation in the financial services sector, through the promotion of the Innovative Models (Regulatory Sandbox) of the Fintech Law.
- Develop the entrepreneur's capabilities, to allow the fulfillment of the criteria to be candidates for the Innovative Models framework.
- Strengthen the Fintech ecosystem and its strategic alliances with different organizations.
- Encourage the participation of projects focused on offering financial services with a positive impact on gender equity, financial inclusion and the environment.

#### 5. SPECIFIC OBJECTIVES

At the national level, the *Sandbox Challenge 2.0* has the following objectives:

- Deepen the dissemination of the Scheme of Innovative Models both in the entrepreneurial ecosystem and in financial institutions.
- Identify projects that may request temporary authorization as a Innovative Model.
- Identify innovative projects of technological services with the potential to integrate together of a financial institution a temporary application such as Innovative Model.

At the international level, the *Sandbox Challenge 2.0* has the following objectives:

- Promote knowledge of the Innovative Models scheme (Mexican regulatory Sandbox) at an international level, particularly in Latin America and the United Kingdom.
- Identify projects in operation with an interest in testing their business model in Mexico that are likely to request temporary authorization as Innovative Model.
- Position Mexico as a benchmark in financial innovation.

## 6. CATEGORIES

The Sandbox Challenge 2.0 calls for initiatives with the potential to participate in the Scheme of Innovative Models of the FinTech Law and with the purpose of expanding the scope of the contest, as well as the promotion of a greater number of projects, and the Sandbox Challenge 2.0 contemplates two categories of participation:

**Innovative Models:** Those projects that seek for the performance of financial activities that require authorization, registration or concession by a financial authority and have sufficient progress in their MVP (Minimum Viable Product) that allows them to request their temporary authorization to operate under the Novel Model Scheme of the Fintech Law at the conclusion of the accompaniment program

**Financial innovation:** Those projects that offer innovative financial technology services to financial institutions for the provision of their financial services that would like to be tested jointly under the Scheme of Novel Models of regulated Financial Entities or those who intend to carry out reserved financial activities and do not have sufficient progress that allows them to start their process of temporary authorization to operate under the scheme of innovative models at the end of the contest.

## 7. PRIZES: SPONSORS AND ALLIES<sup>2</sup>

The Sandbox Challenge 2.0 has two prize pools, one for each entry category.

For the Innovative Models Category, the prize pool includes specialized service packages from firms of recognized prestige in the financial sector, who will support the integration of requests for temporary authorization to operate Innovative Models in accordance with the Fintech law; please consult the document Prize pool -category Innovative Models for more details

For the Financial Innovation Category, the support of allied institutions that promote innovation in the financial system is contemplated, within who make up an award pool made of specialized training and / or mentoring programs, services, and benefits in kind, among others. Please consult the document Prize Pool category Financial Innovation.

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<sup>2</sup> Note. The detail and status of the sponsors, allies, as well as the specifications, terms and conditions on each benefit in kind that integrates the bag of prizes and benefits of the Sandbox Challenge, is subject to changes, updates, additions and can be consulted at:

<https://www.sandboxchallenge.com/wp-content/uploads/2021/11/Prizes-pool-Innovative-Models.pdf>

<https://www.sandboxchallenge.com/wp-content/uploads/2021/11/Prizes-pool-Financial-Innovation.pdf>

## 8. REGISTRATION AND SUBMISSION OF PROJECTS

The participants must do the following procedure to obtain confirmation of their registration in the *Sandbox Challenge 2.0*:

- Participant registration: Enter the website <https://www.sandboxchallenge.com> and fill out the indicated form.
- Registration of the project: The participant will receive the indications to make the application of his/her project either in the category of Innovative Model or of Financial Innovation. Once the project application has been reviewed and validated, the Organizing Committee will send an email confirming the registration to the Sandbox Challenge, following the procedure detailed in the Evaluation Process section.
- Development and submission of application: Participants will be enabled the interactive guide depending on their category within the *platform*: <plataforma.sandboxchallenge.com> where they must:
  1. Take the online course
  2. Develop the Application Guide
  3. Upload the corresponding attachments
  4. Answer awards section

## 9. POSTULATION: DELIVERABLES AND REQUIREMENTS TO PARTICIPATE

The application of the Innovative Model to the Sandbox Challenge 2.0 is integrated by the technical deliverables and its annexes, which prove compliance with the participation requirements:

The following table has the list of **technical deliverables** by section:

SECTION	ENTREGABLE	NOVEDADOS MODELS	PROJECT WITH FINANCIAL INNOVATION
Justification of the Innovative Model	<ul style="list-style-type: none"> <li>• Justification of why the proposal is considered to be an Innovative Model in relation to those existing in the market.</li> <li>• Potential benefits for customers of the product and/or service.</li> </ul>	Applies	Applies
Problem statement	<ul style="list-style-type: none"> <li>• Detailed description of the identified problem that they intend to solve with the Innovative Model.</li> <li>• Identification of the financial reserved financial activity that is intended to be offered.</li> <li>• The legal provisions that regulate the financial reserved activity that consider to hinder the development of products or services through the Innovative Model</li> </ul>	Applies	Applies
Business model	<ul style="list-style-type: none"> <li>• Detailed description of the product and/or service.</li> <li>• Justification of why to operate under this Novel Model.</li> <li>• Definition of the target market.</li> <li>• Access channels.</li> <li>• Use cases that comprise the Innovative Model.</li> <li>• Flowchart of information management.</li> <li>• Flowchart of resources, assets and goods.</li> <li>• Flowchart of interaction between the Innovative Model, customers, service providers and any other third party.</li> </ul>	Applies	Applies
Technological infrastructure	<ul style="list-style-type: none"> <li>• Description of the technological infrastructure and facilities.</li> <li>• Detail of functions by component and as a whole.</li> <li>• Description of information security.</li> </ul>	Applies	Applies

Test Plan	<ul style="list-style-type: none"> <li>• Testing plan definition and description, including indicators and ranges that will be used for their analysis</li> <li>• Schedule of implementation of the testing plan in stages</li> <li>• Definition and justification of the limited number of clients</li> <li>• If appropriate; geographical delimitation, the maximum amount to be received per client and its justification, as well as maximum total amount to receive during the period of temporary authorization</li> </ul>	Applies	Not Applicable
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**The following table shows the detail of the annexes required to prove compliance with the participation rules:**

REQUIREMENT	DESCRIPTION	DOCUMENT	INNOVATIVE MODELS	PROJECT WITH FINANCIAL INNOVATION
Financial reserved activity	Document that identifies the reserved financial activities contemplated by the project, as well as the incorporation of emerging technologies, and the type of innovation.	Annex A	Applies	Applies
Non-market modalities (financial innovation)	It should be described what the modalities other than the market offered by your model consist of, that is, what would be the innovation associated with your model. For example, if your model offers an improvement or new processes, products, services, regulatory compliance mechanisms, corporate governance structures, etc.	Annex B	Applies	Applies
Minimum Viable Product or Service	Have a Minimum Viable Version of the product and / or financial service listo to be able to start operating within a period not exceeding three months from the conclusion of the implementation of specialized advisory services.	Annex C	Applies	Not Applicable



Operation in national territory	The Innovative Model will need to be tested and serve customers in Mexico.	Annex D	Applies	Applies
Accordance	Each member of the project and/or partners of the participating entity must send their Letter in accordance with the rules of participation of the <i>Sandbox Challenge 2.0</i> .	Annex E	Applies	Applies
Project ownership	Documents that prove the ownership of the project either before the INDAUTOR and / or letter under protest to tell the truth about the belonging of the project.	Annex F	Applies	Applies
Relationship with financial institution	Document that proves the relationship between the project and the financial institution; either service contract and / or letter of intent to contract services.	Annex G	Not Applicable	Applies

Participating companies must send the requested information in a timely manner through the registration platform, in order to continue with the process of evaluating their business model.

Those applications that do not meet one or more of the aforementioned requirements will not be able to participate in the *Sandbox Challenge 2.0*.

## 10. EVALUATION PROCESS

The *Sandbox Challenge 2.0* will have two evaluation stages:

- Documentary evaluation: Review of compliance with participation requirements by the Distrito Emprendedor.
- Technical evaluation: Analysis and score of projects made by the Evaluation Committee.

### Documentary evaluation

Distrito Emprendedor will verify the existence, legibility and veracity of the documents received. subsequently, send an e-mail to the participants, within a period not exceeding three working days after receipt of said documents, according to the following scenarios:

- If the documentation is complete, legible and truthful, a confirmation of registration to the Sandbox Challenge 2.0 will be sent.
- If there are omissions and/or mistakes in the documentation, the correction will be requested within three following business days to the day in which the notification was sent. In case of omitting the correction and/or incurring again in omissions and/or mistakes, the registration will be rejected to be part of the Sandbox Challenge 2.0.
- If false information or apocryphal documentation is detected, it will be notified that the registration to the Sandbox Challenge 2.0 will not be possible.

Technical evaluation:

The Evaluation Committee will be integrated by a representative of the CNBV, a representative of CONSAR, a representative of the Financial Services Program of the Prosperity Fund of the Embassy of the United Kingdom in Mexico, a representative of DAI and a representative of the Distrito Emprendedor. This will proceed to the review, analysis and qualification of the projects under the following process:

- Evaluation: The application of the Innovative Model or financial innovation project will be reviewed including all its documentation and annexes; the application will be evaluated in a period not exceeding 20 business days, under the following evaluation criteria:

<b>Section</b>	<b>Weighting Novel Models (%)</b>	<b>Weighting Project with Financial Innovation (%)</b>
Innovative Model Justification	<b>10%</b>	<b>10%</b>
Problem statement	<b>10%</b>	<b>10%</b>
Business model	<b>30%</b>	<b>40%</b>
Technological infrastructure	<b>20%</b>	<b>20%</b>
Test Plan	<b>10%</b>	-
Operational and regulatory viability	<b>10%</b>	<b>10%</b>
Expert opinion of the Evaluation Committee	<b>10%</b>	<b>10%</b>

- Winners announcement: Projects with the highest score in their evaluation that have an award designation will be notified by email to the registered email.
- Confirmation of interest: The finalist projects will be asked to confirm their participation within a period not exceeding 2 business days through the corresponding documents that prove the following:
  - Interest to continue in the Sandbox Challenge 2.0 according to Annex H.
  - For the Innovative Models category:
    - Operational capacity to attend in a timely manner the service packages, along with the designation of the person of the team that will attend each item (legal advice, business consulting and specialized acceleration), according to Annex I.
    - Ability to release your MVP to operate the test plan in national territory within a period not exceeding 3 months, after the conclusion of the accompaniment program according to Annex J.

## 11. DESCRIPTION AND AWARD PROCESS

Within the Interactive Guide, entrepreneurs will find the technical sheets where the sponsors of both categories will detail the description of their services, terms and conditions.

Entrepreneurs when evaluating sponsor options and their terms will choose their preference options based on the value offer of the institutions, the activity reserved to be carried out, the tool or technological means to be used and / or the proposed financial innovation.<sup>3</sup>

For the category of innovative models, based on the technical evaluation, the Evaluation Committee will make the designation of the winners, whom will be able to select the sponsored institution's, being the 1st place, the first to integrate its package of services, the 2nd place the next to choose, and so on; respecting the pre-selection of each winning team and the availability of the institution.

The foregoing, with the understanding that the winners will be subject to the policies and hiring processes of the sponsors.

For the Financial Innovation category, depending on the technical evaluation, the best evaluated projects will receive the list of benefits available in the prize pool.

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<sup>3</sup> Any situation not foreseen in these rules will be relieved by the Organizing Committee as unappealable.

## Winners announcement

The Evaluation Committee will notify through the Sandbox Challenge website and its social networks the winners of both categories and will send the documents that prove the integration of the packages of services and benefits in kind for the finalists.

## Next steps

Once the contest is concluded, a diagnosis of the situation of the six finalist teams will be made, as well as a schedule for the reception of the assigned service packages, whose development will be accompanied by Distrito Emprendedor for sixteen weeks to ensure their successful execution.<sup>4</sup>

## 12. PROGRAM STAGES\*

- Call launch: November 4, 2021
- Dissemination events: from November 4 to December 15, 2021, and from January 6 to January 14, 2022.
- Call closure (project registration): January 21, 2022
- Call closure (reception of applications): January 3, 2022
- Project evaluation: 1 February 1 – March 11, 2022
- Publication of winning projects: March 18, 2022
- Follow-up of winners for sixteen weeks.

\*Dates might change without previous notice and would be announced in a timely manner through the official Sandbox Challenge site.

## 13. REPORTS OR CONTACT

For comments or questions, please send an email to: [hola@sandboxchallenge.com](mailto:hola@sandboxchallenge.com)

## 14. ORGANIZING COMMITTEE

Embassy United Kingdom  
DAI Mexico  
Distrito emprendedor

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<sup>4</sup> The benefits must be taken advantage of by the finalists during the 16 weeks of follow-up from the awards event.

## 15. STATEMENTS:

### About the United Kingdom Embassy

Coordinates the different programs of the Prosperity Fund of the United Kingdom including Financial Services Programme. This programme seeks to support the development initiatives of the financial services sector in Mexico with the objective of facilitating it to be more inclusive and competitive.

### About DAI Mexico

The implementer of the Financial Services Programme of the United Kingdom Prosperity Fund.

### About Distrito Emprendedor

Promoter of the entrepreneurial culture through education of entrepreneurs who are capable of ideation, building and validating their projects commercially, technically and financially.

