

Greece: Establishing a Regulatory Sandbox to facilitate FinTech and Innovation

Terms of Reference

1. Background and objectives of the Project

The Bank of Greece (the “BoG”) has requested support from the European Commission under Regulation (EU) 2017/825 on the establishment of the Structural Reform Support Programme (“SRSP Regulation”) to assist the BoG in establishing a Regulatory Sandbox to facilitate FinTech and Innovation in Greece (the “Project”).

The Project is funded by the European Union via the SRSP and implemented by the Local Currency and Capital Market Development (LC2) Team of the European Bank for Reconstruction and Development (the “EBRD”), in cooperation with the European Commission’s DG REFORM.

Financial Technology (FinTech) is an important tool to improve the efficiency of the financial system. FinTech comprises a variety of products, applications, processes and business models that have transformed the traditional way of providing banking and financial services, which can be of great benefit to the Greek society.

As the FinTech sector in Greece grows, it is important that all parties involved not only pay close attention to technical, regulatory, policy, and legal considerations, but also monitor its growth and better understand its impact. There is a strong need to fully identify and understand the potential of FinTech in Greece, as well as the risks associated with its adoption; and to develop a robust and flexible regulatory framework, that would facilitate further growth and legitimate solutions, providing at the same time a sufficient level of consumer protection.

One of the challenges that Greece has to tackle is the slow digital transformation of the Greek economy, where it lags behind peers. It is thus important that an appropriate and innovative legal and regulatory framework is put in place to support FinTech and foster modern, efficient, and well-functioning markets capable of serving the needs of investors, entrepreneurs, borrowers, and lenders.

To this end a “regulatory sandbox”, as a live testing environment can bring positive results, given the complexity of applying the Greek legal and regulatory framework surrounding financial services on technology-driven financial products and business models, when in balance with the need to ensure consumer protection and to promote effective competition.

The EBRD will engage a consulting company (the “Consultant”) who has expertise in financial markets legislation and regulation, with vast experience in applications of technology in finance including expertise in technologies depicted below:

DIGITAL TECHNOLOGY	FINANCIAL ACTIVITIES AND SERVICES							
	Payment services	Advisory & agency services Planning	Investment & trading	Lending & funding	Insurance	Security	Operations	Communications
Distributed ledger technology	x	x	x	x	x	x	x	x
Big Data		x	x	x	x	x	x	x
Internet of things					x			x
Cloud computing				x			x	
Artificial intelligence		x	x		x			x
Biometric technology					x	x		
Augmented / Virtual reality		x	x					x

The Consultant should have proven expertise in other areas of FinTech, SupTech and RegTech. In-depth knowledge of the Greek legal system and financial instruments legal environment and understanding of new legal and regulatory developments are required. The provided expertise should cover the areas defined in the description of the support to be provided.

It is expected that the Consultant will closely liaise with the BoG, key capital market participants and representatives of shareholders, DG REFORM and the EBRD in carrying out the above mentioned activities.

2. Scope of work and Deliverables

The Consultant's scope of work and deliverables will be as follows:

Output 1: Inception Report

The first output of the technical support is the preparation of an Inception Report, which will set the basis for all operational aspects of the Project and ensure that there is a common understanding among the parties involved.

Activities:

- Hold a kick-off meeting between the EBRD, the DG REFORM and the BoG team that will work on the Project. The purpose of the meeting will be to discuss the detailed scope, timeline and information needs for the Project and present the methodology to be followed.
- Preparation of an inception report. Following upon the methodology presented by the EBRD during the kick-off meeting, an inception report should be produced covering all agreed operational aspects of the Project. This report should cover, at least, decisions on the detailed scope, the timeline and the information needs as well as the responsibility for providing the necessary information to the contractor.

Output 2: Assessment Report

The second output of the technical support is a comprehensive Assessment of the FinTech scene in Greece (the "Assessment Report"), which will present the current legal and regulatory framework surrounding FinTech in the country, compare with relevant FinTech supervisory

solutions in other countries and present the optimal solution for the BoG to adopt in relation to a sandbox regime. It is envisaged that the Assessment Report will serve as a map for the establishment of the regulatory sandbox.

Activities:

- map the FinTech start-up scene in Greece, while taking into account innovative services in finance that incumbent firms may have ventured to offer;
- review the FinTech legal and regulatory environment in Greece (including but not limited to the types of licenses and authorisations, relevant processes, involved stakeholders and timeline), while taking into account the past experience of the BoG also from the findings of the operations of its innovation hub;
- conduct a comparative review of supervisory solutions, mechanisms and practices existing in other countries in order to (i) support FinTech growth, (ii) set out best practices for the design and operation of regulatory sandbox in Greece, and (iii) identify the optimal solution to be applied in Greece;
- prepare a clear path of action for the BoG as to enable the operation of the regulatory sandbox, set the necessary parameters [entry requirements (i.e. application, supporting documents, selection of participants), requirements while in the sandbox (i.e. supervision, testing, monitoring, reporting, customer safeguards) and the exit plan];
- conduct any other legal analysis, including but not limited to data protection considerations; organise a roundtable discussion in Athens, Greece between the Project team, the BoG, Ministry of Finance of Greece (the “MoF”), the DG REFORM and other stakeholders to consult on the topics to be covered by the Assessment Report and as to raise visibility on the Project.

Output 3: Establish the regulatory sandbox

The third output of the technical support is to support the BoG with the operationalisation of the sandbox, including through the preparation phase after the acceptance of a firm into the sandbox, the testing phase after agreeing on the testing parameters and the evaluation phase after completion of testing.

Activities:

- upon finalisation of the Assessment Report, support the BoG with the preparation of the internal required documentation for the sandbox regime to be formally adopted with the BoG, including but not limited to the documentation required for approval (information memos, submission for approval documents, presentations, etc.) by the internal committees of the BoG and any documents to be made public for the operationalisation of the regulatory sandbox on the BoG’s website;
- support the BoG in operationalisation of a regulatory sandbox, including preparing the process flows, risk register, the rules for selection of sandbox participants, the draft of application form for sandbox participants and licensing procedure for sandbox participants;

- support the BoG throughout the testing phase of firms in the regulatory sandbox cycle, i.e. support in (i) setting criteria of the technologies to be tested and their use in the financial markets; (ii) benchmarking the technologies against the existing frameworks for financial infrastructure, products, consumer and data protection and any other relevant regulation and identifying gaps or impediments; (iii) benchmarking the technologies against existing risk guidelines and identifying gaps or impediments; (iv) preparing a report detailing the results of the sandbox testing.

Output 4: Kick-off event

The fourth output of the technical support is to organise a kick-off/launch event at the premises of the BoG in Athens, Greece. The event aims at presenting the findings of the Assessment Report and announcing the operationalisation of the regulatory sandbox. The kick-off/launch event shall be organised immediately after the regulatory sandbox has been established in Greece. This will effectively contribute to the visibility of the Project to the wider public and increase the interest of start-ups, incumbent firms and technology companies, which wish to venture into FinTech to participate and test their solutions.

Activities:

- set up the agenda for the event;
- prepare a short video/animation featuring in simple terms the operations of a regulatory sandbox;
- design and print the event banner and invites;
- arrange the logistics of the event organisation (day of the event, agenda, venue, coffee break, translation/interpretation (as required), etc.) and coordinate the invitation list;
- advertise through available social media and media outlets the organisation of the event; and
- conduct any other preparatory work for the event, as required.

In order to achieve outcome 2, i.e. commencing of actions under the FinTech Roadmap, the EBRD shall produce the following outputs by implementing the activities listed below:

Output 5: FinTech Roadmap

The fifth output is the FinTech Roadmap for the BoG and is expected to be drafted in parallel with the Output 3.

Activities:

- present the findings from the operation of the regulatory sandbox, including but not limited to statistics and any success stories or areas for improvement;
- draft recommendations for innovative technologies to be integrated within the BoG, such as artificial intelligence (AI), distributed ledger technology (DLT), API

management and eID to enhance existing supervisory functions (SupTech) (“SupTech recommendations”);

- prioritise the SupTech recommendations with the indication of critical areas having the biggest potential to improve the operations of the BoG;
- propose legal and regulatory reforms surrounding the integration of FinTech within the Greek legal and regulatory framework, including but not limited to contractual legal matters (e.g. smart contracts, rights in rem), reporting obligations (e.g. reports to investors, tax), payment services (e.g. bringing in crypto-assets, new payments models based on API economy or smart contracts), KYC/AML considerations, lending (peer-to-peer) or new supervised entities (e.g. third-party providers which may fall outside the regulatory perimeter but provide cloud computing or data services to supervised entities); and
- identify areas of collaboration between the BoG and other stakeholders, including but not limited to the MoF and other Ministries.

Output 6: Final Report

The sixth output is the Final Report outlining activities undertaken and lessons learned by the EBRD during the implementation of the Project, and providing action plan to the authorities for the further implementation of the Project.

Activities:

- draft the Final Report that contains a summary of all activities undertaken by the EBRD over all of the outputs; lessons learned during the implementation of the Project; a two-page action plan (with actors, tasks and timelines) to facilitate the authorities with the implementation of the Project; and a two-page summary explaining in a simple language the purpose and content of the Project that can be used both internally within the BoG and externally to present the Project.

Reports and meetings will be delivered in English. The presentations and workshops will be provided in English. Under the request of the BoG, the Consultant will translate all relevant documents necessary for the performance of the Project, unless otherwise agreed between the EBRD and the BoG. The BoG will provide interpretation services during meetings/trainings if required.

3. Implementation Arrangements

The Consultant will report on all aspects of the Project to the Operation Leader at EBRD Local Currency and Capital Market Development, which is one of the key strategic teams of the EBRD.

The objective is to support EBRD’s countries of operation to build deeper and more resilient local financial markets.