



July 6, 2016

By Electronic Submission

Attn: FinTech Regulatory Sandbox Working Group
Monetary Authority of Singapore

From: Ripple
300 Montgomery Street, 12th Floor
San Francisco, CA 94014

Dear Monetary Authority of Singapore,

We are thankful for the opportunity to provide our input and applaud MAS's continued leadership in fostering responsible innovation.

Ripple is a technology company that provides financial institutions with real-time cross-border payment solutions. Ripple specializes in distributed ledgers and interoperability solutions. We believe such tools can enable more efficient payments, reduce friction between currencies, and broaden access to financial services.

Innovation often results from the convergence of three key domains: financial services, technology, and regulations. Within this view, the regulatory framework is a crucial aspect of innovation. When crafted in a balanced, proactive way, regulations can drive innovation and market competition. Yet, when regulatory frameworks are poorly crafted or not given necessary attention, they can directly restrict innovation and product development.

Sandbox proposals, in Singapore and other countries, have the potential to create a safe space for innovation. They may enable companies to develop positive, proactive relationships with their regulator(s), while empowering regulators to learn about emerging technology as it develops. The benefits accrue to all participants and ultimately result in better products and services for consumers and businesses.

Importantly, for sandbox proposals to be successful, they must be established with an open, proactive environment, free from fear of regulatory action so long as the participating companies adhere to the sandbox's expectations. The environment and culture of the sandbox will likely be a determining factor of companies' willingness to participate. We urge regulators globally to weigh this important factor when developing innovation initiatives.

Regarding Singapore, Ripple finds MAS's proposed sandbox to be an example of a well-crafted regulatory proposal that strikes the proper balance between innovation and oversight. Generally, we find the proposal to be properly calibrated, preserving crucial requirements such as consumer protection, data security and AML, while temporarily lowering barriers such as licensing fees and financial expectations – items often challenging for small or young companies to meet.

MAS's efforts to clearly define the Sandbox's expectations will attract new innovations, products, and services – further establishing Singapore as a leader in financial services.

The following comments provide specific input to your questions. We are grateful for this opportunity and happy to address any questions.

Sincerely,

A handwritten signature in black ink that reads "Ryan Zagone". The signature is written in a cursive, slightly slanted style.

Ryan Zagone

Director of Regulatory Relations, Ripple

zagone@ripple.com

Question 1. MAS seeks comments on Para 2.3 and ANNEX A. Apart from relaxing specific legal and regulatory requirements which the Applicant would otherwise be subject to, MAS seeks suggestions on other possible forms of support which can be provided for the duration of the Sandbox to encourage more FinTech experimentations.

We applaud MAS for clearly outlining the regulations that may be relaxed and those that will continue to be enforced to their full extent during the sandbox period. It is our belief that detailing out specific requirements is a prudent and clear approach to designing a framework. This approach provides clarity to the wider financial market, enabling innovative FinTech companies to discern, at an early stage, the areas of regulation on which to focus their efforts.

We are in agreement with the list of "To Maintain" regulations, specifically:

- Confidentiality of consumer information/data
- Honesty/integrity (consumer protection)
- Handling of assets by intermediaries
- AML/CTF

We find the above requirements are all crucial to maintain trust, safety and security of financial products, even those in an early stage of adoption.

Ripple supports MAS's proposal to relax certain regulatory requirements, especially those pertaining to the following three areas: financial soundness, technology risk standards, and governance.

Financial requirements such as cash balances, liquid assets, and paid-up capitals pose a challenge to startups and small companies, primary drivers of innovation. A history of audited financial statements, a requirement in many countries for technology service providers, is not feasible for new companies. By temporarily relaxing these financial soundness expectations within the Sandbox, MAS will support innovation in a balanced, prudent way.

We support MAS's proposal to relax technology risk standards and governance. Relaxing board composition requirements is appropriate for the Sandbox, as early stage companies are in the process of forming their board and governance committees as they grow. While risk controls and governance may not be fully developed for new companies, MAS can foster sound governance for companies in the Sandbox by having participants describe their plans for building out board members and advisors, as well as instituting accountability measures and controls.

An important, yet sometimes undervalued, component of the Sandbox is the environment that is established. By setting a flexible, open tone, MAS will foster fruitful conversations with participants. Yet, a rigid or fearful tone may drive potential participants away from the Sandbox and potentially Singapore. To foster the proper tone, we encourage MAS to explicitly state that enforcement actions will not occur for Sandbox participants that meet the terms of participation and agreed upon regulatory standards. Providing this clarity will

remove uncertainty and ultimately foster an open, communicative environment for innovation.

Today, we have seen an increasing number of pilot and sandbox approaches being developed and honed. As financial services grow global in scope, and as FinTech scales to match that global reach, we believe that international coordination among sandboxes would further foster innovation. Disjointed approaches in creating regulatory frameworks, worldwide, will ultimately create added complexity and confusion for FinTech companies seeking to adhere to these standards.

We commend MAS for demonstrating leadership in this coordination effort through their recent partnership with the Financial Conduct Authority (FCA) in the United Kingdom. To build on this effort, MAS and other global regulators may consider how they coordinate their sandbox approaches to best enable global innovation.

Question 2. MAS seeks comments on the proposed circumstances where the Sandbox may not be suitable (Para 5.5).

In response to circumstance (b), a critical part of externally validating a solution, particularly in financial services, is illustrating the regulatory treatment of a product. Oftentimes, regulatory clarity cannot be provided immediately for truly innovative products that may not squarely fit within established frameworks. Such uncertainty makes it challenging to fully validate a product externally.

We believe that MAS' regulatory Sandbox is an excellent approach to reduce the varying degrees of uncertainty in innovative financial products. A large portion of due diligence for a financial institution involves ensuring regulatory compliance. Thus, a Sandbox would prove a useful solution for institutions interested in revolutionary technologies like blockchain. This supervised, exploratory period would permit regulators to work in tandem with banks during new product integration, ultimately allowing them to conduct robust due diligence throughout. We urge MAS to be open and flexible with products that may not have been fully validated externally because of regulatory uncertainty, but that show potential and promise.

In response to circumstance (d), we are in clear agreement with the MAS. The Sandbox should be strictly open to financial technology companies committed to working in Singapore.

Question 3. MAS seeks comments on the proposed evaluation criteria to assess the proposal's suitability for a Sandbox (Para 6.2 and ANNEX B).

We believe that the criteria detailed in ANNEX B are thoughtful and applicable to financial technology companies, and thus, are appropriate for assessing a proposal's suitability.

We find it encouraging that many of these criteria include topics and efforts that small, yet maturing, companies should be incorporating into in their long term vision, such as risk documentation, exit plan creation, and scaling strategization.

Question 4. MAS seeks comments on Para 7.2. In the event that the test outcomes have been achieved, but the Applicant is still unable to fully comply with the relevant legal and regulatory requirements, should the Applicant be allowed to proceed to deploy the FinTech solution on a broader scale? If so, how could potential concerns of an unlevel playing field be addressed?

In regards to Para 7.2:

The process of FinTech companies developing and adapting their products and subsequently gathering feedback from customers often varies in scope and duration. Due to the iterative nature of innovation, a Sandbox extension is likely critical for the success of some products. An extension would not only benefit growing FinTech companies, but would simultaneously enable regulators to assess the type of feedback these companies are receiving and the way in which they are addressing such feedback.

Flexibility in the extension is important to consider and, ultimately, will result in a more positive outcome for both the company and regulator. A strict deadline would prove limiting, particularly if a company is showing an active effort to improve upon their product. For this reason, we strongly urge great flexibility around the extension policy, with the primary exception being a company that does not show the level of expected commitment or cooperation.

In regards to Para 7.3:

If a truly innovative product cannot meet certain regulatory or legal requirements because the requirements are outdated or were not designed with such a technology in mind, MAS should consider utilizing the sandbox period to recommend updates be made to regulation. This is particularly the case for new technology, as many laws and standards were created prior to the advent of these new tools.

For example, in some countries, security trading requires paper contracts, limiting the adoption of digital tools. It is our belief that, if outdated, laws should be amended so that new, more efficient technology can be adopted. Yet, updates to laws and regulations should be limited to cases where participants are acting in good faith with the better interest of customers and financial systems in mind.

If a company is acting nefariously or cannot meet what are deemed to be appropriate regulatory guidelines after exiting the Sandbox, the company should not be allowed in the market.

Question 5. MAS seeks comments on the proposed circumstances where the FinTech solution will be discontinued (Para 7.4).

We believe that points in this section are properly framed and agree with the proposal.

Question 6. MAS seeks comments on the Sandbox application and approval process, as well as the timeline described in Section 8.

We urge the MAS to exercise great flexibility throughout the "In-Progress" Stage." During this phase, many complex products will arise and, despite their complexity, could have a significant impact on commerce and financial inclusion.

We encourage MAS to allot as much time to this stage as is necessary to witness the positive impact of these products. The process of innovation is often nonlinear and not always clearly defined. Factors such as regulatory feedback, customer feedback, and advances in technology can occur rapidly, altering the design yet improving the impact of the product.

For instance, in only a year and a half the financial industry has gone through three iterations of financial technologies. First, there was the advent of virtual currency, then the shift to blockchain technologies, followed by the development of open protocols. The rapid pace of change in the financial sector calls for ample time to fully realize the innovations taking place.

Additionally, in an effort to remain open and flexible, we urge MAS to provide clarity around reasons an application may have been rejected after the "Application Stage" and "Evaluation Stage." This feedback can prove valuable and productive insight for a company or product as they prepare for future regulatory engagements.

Feedback pertaining to specific paragraphs in the Guidelines:

Para	Feedback
	N/A

Any other comments:

For small FinTech companies and startups, time is a critically scarce resource. Daily business routines are often filled with unexpected setbacks that result in loss of valuable time. When regulators have conflicting views or when policies and procedures are not clearly defined, it often takes FinTech companies significant time to navigate these discrepancies. Regulators' actions that alleviate uncertainty, such as this proposed Sandbox, are met with great applause and appreciation from the FinTech community.

The proposed Sandbox is a constructive way for MAS to work alongside FinTech companies in an effort to better understand their models. This effort and continuous involvement could lead to shorter approval times and alleviate uncertainty. Through this approach, companies could see increased efficiency, ultimately spending less time clarifying regulatory questions.

The result will be more innovative and safe products coming to market. We anticipate that the design and balance of the MAS proposal will result in a wave of new innovative products. The MAS proposal may be held as an example for other countries looking to spur innovation in a prudent, responsible manner.

In conclusion, we would like to applaud MAS for an exemplary job in developing and outlining a clear framework for the proposed Sandbox. We find the plan to be well thought out, balancing the needs of both innovators and regulators, and we are fully supportive of the effort to forge a strong partnership between innovators and regulators.