# FAQs: IFSCA FinTech Sandbox Framework, 2026

*The answers below reflect the IFSCA FinTech Sandbox Framework, 2026 (eF.No. 505/IFSCA-FTec0FTEF/1/2023, dated March 16, 2026), IFSCA's official FAQ circular on the Framework, and the IFSCA Fee Circular referenced therein, current as of July 2026. Note: the Framework itself refers to the "IFSCA Fee Circular dated April 08, 2025, as amended from time to time" — that circular has since been superseded by Circular IFSCA-DTFA/1/2026, dated March 2, 2026 (applicable from FY 2026-27 onwards), which is the fee schedule currently in force. This document is for general informational purposes and does not constitute legal or regulatory advice; entities should seek specific guidance for their own facts and circumstances.*

## A. What the Framework Is & Why It Was Issued

### 1. What is the IFSCA FinTech Sandbox Framework, 2026, and how is it different from what existed before?

It's IFSCA's current, consolidated regime for testing innovative financial technology in a controlled, monitored environment before full market launch, effective March 16, 2026. It replaces the 2020 Framework for Regulatory Sandbox and the 2022 Framework for FinTech Entity (FE Framework) entirely — both stand superseded, though actions already taken under them remain valid, and entities holding a valid Limited Use Authorization (LUA) under the 2022 Framework continue under that authorization until its validity expires, rather than being forced to migrate immediately.

### 2. Why did IFSCA replace the 2022 framework rather than just amending it?

The main driver was separating genuine, temporary product experimentation from what should really be a permanent registered business. Once the IFSCA (TechFin and Ancillary Services) Regulations, 2025 (TAS Regulations') created a proper registration pathway for technology and professional-support providers, IFSCA no longer needed the sandbox to double as an informal, extended entry route for entities that were really just permanent TechFin or Ancillary Services businesses. The 2026 Framework is built on that separation — which is why it now requires applicants to actively examine the TAS route first (see Section D below).

## B. Types of Sandboxes

### 3. What are the four types of sandboxes available, and how do I know which one fits my business?

IFSCA FinTech Regulatory Sandbox (FRS) — controlled live testing with real customers, with possible regulatory relaxations; IFSCA FinTech Innovation Sandbox (FIS) — testing in isolation from the live market using data made available by IFSC financial institutions, without needing to be physically present; Inter-Operable Regulatory Sandbox (IoRS) — for hybrid products that fall within the remit of one or more Domestic Financial Sector Regulator (RBI, SEBI, IRDAI, PFRDA) alongside IFSCA; and the Overseas Regulatory Referral Mechanism / FinTech Bridge — a cross-border cooperation channel with overseas regulators. In practice, the choice usually comes down to whether you need live customers and real transactions (FRS) or can validate your model against existing data without going live (FIS).

### 4. Are the obligations the same across all four sandbox types, or does the FIS get any relief?

There is a specific, narrower relief for FIS entities than is sometimes assumed: Part I applies to FIS entities in full except for two clauses — clause 20 (obtaining users' written consent and disclosing compensation terms before on boarding) and clause 28 (the currency, books-of-accounts and audited-financials requirements). FIS entities are not exempt from clause 19, however — they must still disclose to users that the idea/product/solution is being tested and inform them in writing of the potential key risks. Every other provision of Part I applies equally.

### 5. What happens after a successful exit from the Inter-Operable Regulatory Sandbox specifically?

The entity must separately approach IFSCA and/or the relevant Associate Regulator(s) for actual authorization and regulatory dispensation before it can launch in the market — successful IoRS testing itself doesn't automatically confer a license. The process runs under a Standard Operating Procedure issued by the co-ordination group for IoRS, under the aegis of the Inter-Regulatory Technical Group on FinTech and published on the IFSCA website — so this is genuinely a multi-regulator process rather than an IFSCA-only one.

### 6. For a hybrid product spanning IFSCA and another domestic regulator, who coordinates the IoRS application?

Where the product falls within the remit of IFSCA and one or more Domestic Financial Sector Regulator, IFSCA serves as the Principal Regulator for that application, with the concerned domestic regulator(s) functioning as Associate Regulator(s). The application is routed to IFSCA via the Co-ordination Group for IoRS and goes through the same application and screening process as under Part II of the Framework. The overall mechanics of how the Co-ordination Group allocates the Principal Regulator role across cases are set out in the IoRS Standard Operating Procedure published on the IFSCA website, which is worth checking directly for your specific product.

## C. Eligibility

### 7. Who can apply — does it have to be an existing IFSC entity?

No. Domestic applicants can include companies, LLPs, or partnership firms (including branches already in IFSC), DPIIT-registered FinTech start-ups, entities already regulated by a Domestic Financial Sector Regulator, and individuals or groups affiliated with recognized research or academic institutions, incubators, or accelerators established in India. Foreign FinTechs, and foreign researchers/academic-affiliated individuals or groups, are equally eligible — provided, in both cases, they are not based or incorporated in, or operating from, an FATF 'High-Risk Jurisdiction subject to a Call for Action'.

### 8. Can an early-stage individual researcher or academic apply, or only registered companies?

Yes — this is one of the more notable expansions in the 2026 Framework compared to its predecessor. Individuals or groups affiliated with recognized research or academic institutions, incubators, or accelerators (both in India and abroad) are explicitly eligible applicants, not just incorporated entities. This lowers the entry barrier considerably for genuinely early-stage pre-incorporation innovation.

### 9. What does the proposed FinTech idea need to demonstrate to be considered eligible?

It needs to use innovative technology in the core product, service, business model, distribution model or methodology relating to a financial product or service that IFSCA regulates or is likely to regulate (or that directly or indirectly aids or assists such activities); have the potential to significantly enhance existing financial services or products; and show a genuine need for testing in a controlled environment. The proposal must also set out the direct benefits to users or the financial ecosystem and include adequate risk-management strategies to prevent adverse impact. IFSCA is explicitly filtering for genuine innovation needing a testing environment — not for products that are just ready to launch.

## D. The TAS Filter — Sandbox vs. Permanent Registration

### 10. We've been told our business model might not even qualify for the sandbox because it looks too much like a standard TechFin service. Is that a real concern?

Yes, and it's worth taking seriously before applying. Clause 7 of the Framework requires every applicant to explore the suitability/applicability of the TAS Regulations, 2025 to the proposed product or solution before applying for sandbox entry. The sandbox is meant for genuine testing of something not yet proven or ready for permanent registration — if what you're actually offering is a mature, ready-to-deploy TechFin or Ancillary service that simply fits within the TAS Regulations' list of permitted services, IFSCA's expectation is that you register under TAS directly rather than using the sandbox as a slower, indirect entry route.

### 11. If we do the TAS-suitability check and conclude the sandbox is still the right fit, do we need to document that reasoning in the application itself?

The Framework doesn't spell out a specific documentary format for this beyond what the application process generally requires, but given clause 7 makes this an explicit precondition, it's sensible to proactively address it in the Preliminary Application — explaining specifically why the offering is still at a genuine testing stage and doesn't yet fit within a permanent TAS service category — rather than waiting for IFSCA to raise the question.

## E. Application Process & Fees

### 12. What's the actual step-by-step application process?

A two-stage process, entirely through the SWIT portal. Stage 1 is a Preliminary Application, which IFSCA examines within thirty (30) days purely to assess whether the proposed idea is suitable for the sandbox at all. Only once IFSCA confirms acceptance of the Preliminary Application can the Final Application be submitted — you cannot skip straight to the Final Application. The Final Application must contain the complete set of requisite information, documents and supporting materials, together with payment of the applicable application fee.

### 13. What fees apply, and when are they payable?

The Framework requires the application fee to be paid at the time the Final Application is submitted, in accordance with the IFSCA Fee Circular — not at the Preliminary Application stage. Under the fee circular currently in force (IFSCA-DTFA/1/2026, dated March 2, 2026, Schedule-I), the FinTech Sandbox application fee is USD 100, the Limited Use Authorization fee is USD 1,000, and a further USD 1,000 applies if the LUA is later extended.

## F. Evaluation & Approval

### 14. What does IFSCA look at when evaluating an application?

A broad set of parameters: the applicant's profile; the genuine use of innovative solutions, including technology and/or processes; identified benefits to customers/investors and the ecosystem; the compilation of meaningful test scenarios and expected outcomes; risk-measured/graded testing conditions to protect markets and investors; disclosure requirements and user protections; adequate risk disclosure to users; clearly defined user rights and grievance redressal; prior confirmation that users understand and accept the risks; consumer-protection and data-management practices; the applicant's intent and feasibility to actually deploy the solution commercially after testing; its post-testing deployment/monitoring strategy or exit strategy; demonstrated intent to undertake market-exploration activity within the IFSC; and any other factor IFSCA considers relevant.

### 15. Can we ask IFSCA for specific regulatory relaxation as part of the sandbox, or do we just get whatever standard exemptions apply?

You can actively request specific regulatory relaxations or exemptions as part of the application, along with supporting documentation for why they're needed. IFSCA isn't obliged to grant them as requested — it retains full discretion to grant, refuse, or grant with modifications, based on its assessment of that specific application — but this is a negotiated element of the process, not a fixed menu.

### 16. What is ‘In-Principle Approval,’ and what happens between that and starting the testing?

If the Final Application satisfies IFSCA’s conditions, In-Principle Approval is granted within sixty (60) days. The applicant then has thirty (30) days to fulfil the specific conditions attached to that approval — one of which may require securing at least one Testing Partner — unless IFSCA extends that window. If the conditions aren’t met, IFSCA may revoke the In-Principle Approval, but only after giving the applicant an opportunity to file written submissions. Only after the conditions are satisfied does the actual Limited Use Authorization, and the Testing Stage itself, begin.

### 17. What is a Testing Partner, and is it always required?

A Testing Partner is an entity that either renders financial services in respect of a financial product, or directly or indirectly aids or assists activities relating to financial products, services or institutions, and with whom the applicant has a Memorandum of Understanding, Letter of Intent, or similar arrangement for developing or testing the proposed idea in the sandbox — it does not need to be an IFSC-regulated entity itself. It’s one of the more commonly imposed conditions attached to In-Principle Approval, though the Framework frames it as a condition IFSCA ‘may’ impose rather than an absolute requirement in every case — so it’s worth clarifying at the Preliminary Application stage whether your specific proposal is likely to need one.

### 18. Can a sandbox entity sell or commercially deploy its product to real customers in the IFSC market during testing, or is it purely a controlled pilot?

The Framework does expressly permit market-exploration activity for a developed product within the IFSC financial services market during the Testing Stage — this isn’t purely an isolated pilot. However, this is evaluated specifically as part of the application (the applicant’s intent to undertake market-exploration activity itself is an evaluation parameter), and any such activity remains subject to the Boundary Conditions and other terms IFSCA specifies. In other words, limited real-market activity is possible, but only within whatever boundaries were negotiated and approved upfront — not as an automatic entitlement.

## G. The Testing Stage

### 19. How long does testing run, and can it be extended?

Twelve (12) months maximum, extendable by a further six (6) months at IFSCA’s discretion, on a written request from the FinTech Sandbox Entity. There’s no indefinite extension mechanism built in — eighteen months is the hard outer limit.

### 20. What are ‘Boundary Conditions,’ and what happens if we need to materially change our product mid-testing?

Boundary Conditions are the parameters set out in the Limited Use Authorization letter itself, within which the FinTech Sandbox Entity must operate — they may include restrictions on duration, customer type, transaction limits, and geographic scope. Any material change during testing that has a bearing on the LUA needs IFSCA’s prior written approval before being implemented — you can’t simply pivot the product mid-test and inform IFSCA after the fact.

### 21. Do we need a physical office in GIFT IFSC to run our sandbox test?

It depends on the sandbox type and what you’re testing. Under the FRS, physical presence generally isn’t required — unless the testing involves holding customer funds, which necessitates opening a bank account with an IFSC Banking Unit, or in such other use cases as IFSCA may direct. Under the FIS, physical presence is never required, since testing can be done fully remotely. Under IoRS and FinTech Bridges, it depends on the specific SOP or MoU governing that arrangement.

## H. User Protection & Reporting Obligations

### 22. What do we have to tell users before onboarding them into a live sandbox test?

Before onboarding any user, the FSE must ensure users have read, understood and acknowledged the risks of using the product in the sandbox; disclose whether any compensation will be provided for potential losses during testing, along with the applicable protection and compensation terms; and obtain express written consent to participate. Separately — and this applies more broadly, including to FIS entities — the FSE must disclose that the product is being tested in a sandbox and inform users in writing of the potential key risks involved, obtaining their acknowledgment. The consent-and-compensation-disclosure obligation specifically (but not the general risk-disclosure obligation) is the one that does not apply to entities operating purely under the FIS.

### 23. What ongoing reporting is required once testing has started?

A monthly status report, duly affirmed by an authorized representative, due before the 10th day of the succeeding month, covering key performance indicators, milestones and statistical information; key issues arising from fraud or operational incident reports; and the actions taken to address them. Separately, any order passed by a regulatory authority restraining, prohibiting or debarring the FSE from accessing, providing or dealing in financial products or services, or any other order with a material bearing on the financial services market, must be reported within fifteen (15) days of receipt — a fast turnaround that's easy to miss if it isn't built into internal compliance tracking from day one.

### 24. What happens at the end of the Testing Stage from a reporting standpoint?

A final report is due within thirty (30) days of the Testing Stage expiring, covering key outcomes and performance indicators against agreed success/failure measures, a full account of incident reports and resolution of user complaints, and key learnings from the test. Separately, all testing records must be retained for seven years from the date of exit from the sandbox, which is a longer retention period than some other IFSCA frameworks require.

## I. Financial & Currency Requirements

### 25. What currency do we need to transact and keep records in during testing?

FRS entities must transact only in a foreign currency specified in the First Schedule of the IFSCA (Banking) Regulations, 2020, as amended, though administrative expenses can be defrayed through an INR account. Records, documents and books of accounts must be maintained in a freely convertible foreign currency other than INR, as declared at the time of the Final Application, and financial information submitted to IFSCA must be in US Dollars unless IFSCA specifies otherwise. As noted earlier, this entire set of requirements (clause 28) does not apply to FIS entities, since they aren't handling live transactions.

### 26. Is there an audit requirement during the sandbox period?

Yes — a duly certified copy of the audited annual financial statements must be furnished within thirty (30) days of finalization. Where those statements aren't available, the FSE may instead furnish a statement dealing with the financials pertaining to the sandbox testing, or a certificate issued by an independent third-party professional. This is a genuine, ongoing compliance obligation during testing, not just a wrap-up exercise at the end.

## J. Exit & Revocation

### 27. What happens automatically when the Testing Stage simply ends?

The Limited Use Authorization, along with any regulatory relaxations or exemptions granted alongside it, expires automatically at the end of the Testing Stage. There's no default rollover into permanent status — a successful test doesn't itself grant a permanent license; the entity needs to separately pursue whatever permanent registration pathway (TAS, or a sector-specific IFSCA registration) fits its now-tested product.

### 28. Can we exit early if the test isn't going the way we planned?

Yes, but not unilaterally — early exit requires a written application with detailed reasons and is permitted only if IFSCA allows it. Before exiting, all existing obligations to users already onboard must be fully complied with or addressed — not left hanging.

### 29. On what grounds can IFSCA revoke our authorization before we're ready to exit?

Eleven specific grounds: the authorization being obtained on the basis of incomplete or wrong information/disclosure; failure to put in place risk-mitigating measures; submission of false, misleading or inaccurate information in any report or submission; contravention of a statutory or regulatory requirement that adversely affects the entity's functioning in IFSC; a loss of reputation likely to impact user engagement with the product; insolvency or liquidation proceedings against the entity or its parent; compromise of the digital security and integrity of the IFSC financial services market; carrying on business in a manner detrimental to users or the public at large; failure to effectively address technical defects or vulnerabilities giving rise to recurring service disruptions or fraudulent activity; failure to implement any direction given by IFSCA; or failure to comply with any requirement under the Framework or any other applicable law.

### 30. Does IFSCA have to give us notice and a chance to respond before revoking, or can it act immediately?

Ordinarily, yes — prior notice and an opportunity to file written submissions are required before revocation. However, IFSCA retains a specific power to suspend the authorization without prior notice, as an interim measure, if it considers this necessary or expedient in the interest of the financial services market or the public, giving the FSE an opportunity to make written submissions only afterward. This suspension power is a meaningful exception worth being aware of — it isn't limited to the standard notice-and-hearing process.

### 31. What are we required to do immediately after revocation?

Immediately implement the exit plan and discontinue use of the product by all users; notify users of their exit rights and grievance-redressal options; comply with obligations imposed by IFSCA, under the agreement signed with users, and under any other applicable law; dispose of all confidential information, including users' personal information collected during testing; submit a report to IFSCA on the actions taken regarding the exit plan, within thirty days of revocation; and comply with any other directions IFSCA issues. This is a compressed timeline, so having an exit plan thought through in advance — not drafted for the first time after revocation — matters in practice.

## K. Permissible Activities, Grants & Practical Questions

### 32. What sectors and activities can be tested in the sandbox?

A wide scope: Capital Markets (corporate finance, sustainable finance, market infrastructure, investment funds), Banking (finance company activity, aircraft/ship leasing, payment services and systems), Insurance and Re-Insurance, Pension, Metals and Commodities, Foreign University-linked activity, Financial Support Services listed in Appendix-2 of the Framework, compliance and supervision of all the above, and a catch-all for any other area IFSCA permits. Appendix-2 already names a broad range of emerging TechFin categories explicitly — including space tech, quantum tech, Web 3.0, DLT, and metaverse/AR/VR solutions — so the scope is wider than it might first appear.

### 33. Is there financial support available beyond just the regulatory pathway itself?

Not currently. IFSCA had earlier operated the FinTech Incentive Scheme, 2022, offering non-dilutive grants (including a Start-up Grant, Proof of Concept Grant, Sandbox Grant, Green FinTech Grant, Accelerator Grant, and Listing Support Grant) to eligible entities in the sandbox or FinTech Bridge pathway. However, that Scheme was valid only until March 31, 2025, and IFSCA has confirmed it has not been extended, in light of the range of grant opportunities now available through various state and central government schemes. Applicants should not assume grant funding will be available alongside a sandbox authorization and should look to other government schemes for that support.

### 34. Who do we contact at IFSCA if we have questions specific to our sandbox application?

The Division of FinTech Sandbox, Department of Technology, IFSCA, reachable at fe-sandbox@ifsca.gov.in. This is a different division from the one handling BATF and Ancillary Services queries, reflecting how IFSCA has organizationally separated permanent registration frameworks from the sandbox/innovation pathway.

### 35. If our sandbox test succeeds, what’s the realistic next step to move to permanent operations?

There’s no automatic conversion — you need to separately apply for whatever permanent registration is appropriate to the now-tested product, most commonly under the TAS Regulations if it’s a TechFin or Ancillary-type service, or under the relevant sector-specific IFSCA regulation if it falls within banking, capital markets, insurance, or another regulated activity. Given the sandbox authorization and all its relaxations expire automatically at Testing Stage end, it’s worth starting the permanent-registration application well before the test concludes, rather than treating it as a step to begin only after exit.

## L. Looking Ahead

### 36. What is the single biggest mindset shift in the 2026 Framework compared to its predecessors, and how should that change how we approach applying?

The sandbox is no longer a soft, extended entry point into permanent operations. Clause 7’s TAS-suitability filter, the automatic expiry of the LUA at Testing Stage end, and the explicit ‘genuine need for testing’ evaluation criterion all push in the same direction: IFSCA wants the sandbox used for something genuinely unproven, not as a slower alternative route to a license you could already qualify for. Practically, this means the TAS-suitability analysis (Section D) should happen before you start drafting the Preliminary Application, not as an afterthought if IFSCA questions it.

### 37. If we’re already confident our business could qualify for full TAS registration today, is there still any reason to go through the sandbox first?

Generally, no — and doing so anyway risks exactly the outcome clause 7 is designed to prevent. If the offering is a mature, ready-to-deploy TechFin or Ancillary service that already fits within the TAS Regulations permitted-services list, applying to TAS directly is both the faster and the compliant route. The sandbox is best reserved for businesses that genuinely need a controlled, time-bound environment to prove out something not yet ready for permanent registration — using it otherwise invites the kind of scrutiny that could delay or derail the application rather than smooth it.

### 38. If we are still unsure whether the sandbox or a direct TAS registration is the right starting point, or want help preparing a Preliminary Application, who can help us think it through?

Our team at PKM Advisory works through exactly this kind of threshold question regularly — including the TAS-suitability analysis itself — and can help assess the right pathway and prepare the application before it goes to IFSCA.