

FINTECH

Uganda opens sandbox to attract fintech founders

A sandbox creates a temporary bounded space where the normal rules are partially suspended in exchange for close supervision.

Fintech. |

DEOGRATIUS WAMALA

There is a particular kind of frustration that haunts regulators across emerging capital markets in sub-Saharan Africa. It is not a lack of innovation. Entrepreneurs are everywhere, ideas are cheap, and grant-makers have spent years bankrolling early-stage fintech across the continent.

The problem is conversion. Products are built, paraded at conferences, then quietly die. Too often, the grant is treated not as seed capital, but as the exit.

Josephine Ossiya, the chief executive of Uganda's Capital Markets Authority (CMA), is tired of watching this cycle repeat.

"You get the development grants, but sometimes you stop at that place and do not commercialise that idea," she said.

Her institution's answer is a regulatory sandbox. This is a supervised testing environment, formally launched in October last year, where fintech firms can run live products under regulatory oversight before rolling them out to the wider market.

What is the sandbox?

A regulatory sandbox, in theory, solves a classic chicken-and-egg problem in financial regulation.

Established rules are written for established products. New financial products, especially those using novel technology, often do not fit neatly into existing frameworks.

The result is a grey zone where entrepreneurs cannot obtain regulatory clearance without a track record, and cannot build a track record without it.

A sandbox cuts through this by creating a temporary, bounded space where the normal rules are partially suspended in exchange for close supervision and data-sharing with the regulator.

In practice, the quality of a sandbox depends on the regulator's willingness to engage genuinely rather than observe.

Dickson Sembuya, the CMA's director of research and market development, said the sandbox is not merely a vehicle for enabling innovation. It also serves as a critical tool for the CMA to determine which regulatory measures, if any, are genuinely necessary.

"We want to determine if at all you need to regulate," he noted. That is a more intellectually honest starting position than most regulators publicly adopt, and it signals that the CMA is approaching this as a learning exercise, not merely a compliance box to be ticked.

The applications

The four applications currently under review tell a coherent story about where Uganda's fintech community sees opportunity.

Two of them focus on fixed-income markets; the trading of government securities, which in Uganda has historically been the preserve of banks and a narrower tier of institutional investors.

One platform targets retail investors, seeking to democratise access to treas-



Key figures

\$500b

The sandbox supports Uganda's 10-fold Growth strategy, which aims to grow Gross Domestic Product to \$500 billion by 2040, by nurturing technology-driven capital mobilisation and long-term investment.

ury instruments that offer relatively stable returns in a market where most citizens have no meaningful savings vehicle beyond a mobile money wallet.

The other targets the institutional end of the market, and does so using blockchain technology for trade settlement.

The blockchain application is worth examining carefully. Distributed ledger technology has been trialled for government securities settlement in several African markets, with mixed results.

The promise is near-instant settlement, transparent audit trails, and reduced counterparty risk.

The complications are that blockchain settlement requires all participants to be on the same system, or for interoperability bridges to be built; it creates new cybersecurity attack surfaces; and it can run into difficulties with existing banking infrastructure that was not designed for tokenised assets. That an applicant is proposing this in a sandbox context is exactly the right venue for the experiment.

Whether the CMA has the technical capacity to evaluate the risks rigorously is a

question the next twelve months will answer.

The crowdfunding application addresses a different gap. Small and medium enterprises in Uganda face a chronic financing problem: too large for microfinance, too small and too opaque for bank lending, and operating in a market where equity capital markets are thin.

Online crowdfunding platforms, if structured correctly, can aggregate retail capital and channel it toward businesses that would otherwise be invisible to formal finance.

Energy Minister Ruth Nankabirwa tours the Deep Tech Centre of Excellence in Namanve. Capital Markets Authority launched its regulatory sandbox in October 2025. PHOTO/

MICHAEL KAKUMIRIZI

The regulatory challenge is investor protection: crowdfunding platforms can attract unsophisticated investors who do not fully understand the risk of loss, and the history of the sector globally includes high-profile collapses.

The CMA will need to think carefully about disclosure requirements, investment limits per investor, and the obligations of platform operators.

The harder question

Sandboxes have a complicated record in Africa. Several Central Bank-run sandboxes on the continent have been criticised for slow admission timelines that leave applicants in limbo, for approving participation without providing meaningful regulatory guidance, and for failing to produce a single commercially launched product after years of operation.

The CMA's sandbox, launched in October 2025 and now holding four active applications, is still too young to be fairly judged by outcomes.

But the speed with which it moves from application to admission, and from admission to live testing, will be closely watched by the fintech community it is trying to attract.

There are structural reasons for cautious optimism.

Uganda's mobile money penetration is among the highest in the world relative to its Gross Domestic Product (GDP), which means there is a digital payments infrastructure on which capital market products can be layered.

The country's Treasury bill and bond market is active, and the government has a clear interest in broadening the retail investor base to diversify its funding sources.

Demand, in other words, is plausibly there. The question is whether the platforms in the sandbox can reach it affordably and at scale.