

REGULATORY SANDBOX GUIDELINES, 2019

<https://www.secp.gov.pk/laws/guidelines/>

Publication Date: 21-April-2020

Objective

Regulatory Sandbox ["RSB"] is a regulatory environment for conducting limited scale **live tests of new products, services, processes, and/ or business models** to assess that the regulatory environment will be conducive for such tests.

Comments:

SECP has conceived and floated this innovative idea in Pakistan. RSB is the need of the hour especially due to present unpredictable business environment occasioned due to COVID-19 pandemic.

We would like to highlight that presently there are no enabling provisions in law, which would authorize, empower, and provide legitimacy to SECP to undertake such regulatory measures.

Applicability

Applicable for **new products, services or business models** which **have not been addressed under existing laws** and regulations.

Participants

- Following persons can apply in which set of applicants enter to test their innovation in a specified time, namely:
 - All **companies registered with SECP**;
 - Unregistered start-ups**; or
 - Internationally well-known companies or any other persons** etc.

Process for Seeking Permission for Promoting Innovation

- The Regulatory Sandbox shall be operated by way of bringing **applicants together** to **learn together** and work collaboratively toward common goals.
- The Commission to decide to start any experimentation cycle. The process will comprise of following stages:
 - Call for applications**
SECP will make **announcement** and its related call for application whenever considered appropriate.
 - Applications from potential innovators**
An applicant will make an application to SECP on prescribed **Form-1** along with requisite information and documents
 - Preliminary screening of applications**
 - SECP will communicate to applicant **preliminary screening results** within **30 working days** of receipt of

an application. Incomplete applications shall not proceed to the next step.

- The successful applications will be thoroughly scrutinized.
- The **initial screening of applications** shall be done based on **parameters**, including the following:
 - * Genuineness of **innovation**
 - * Financial **inclusion**
 - * **Consumer** benefit
 - * Readiness for **testing**
 - * **Exit** plan

– Review and Selection

- After the initial screening, SECP to review and evaluate application within **45 working days** and may seek further information from the applicant.
- SECP to issue **letter of approval** to the **successful applicants** to participate.
- After approval, **participant** will be allowed to **operate** in accordance with these Guidelines for the period of **up to 6 months**.
- SECP may **extend the testing period** at the request of Participant.
- Every Participant shall implement a **Safeguard Plan** for the duration of the test, participant to design the plan in consultation with SECP. This plan will address at minimum, **the integrity, conduct, and applicable consumer protection** requirements and should, at least, include:
 - * **compliance** with applicable rules and regulations concerning **prevention of money laundering**, counter-terrorism financing, and other illicit activities; and
 - * address the **risks** presented by the Regulatory Sandbox test and specify any mandatory actions to be taken by the Participant to minimize impact of such risks on consumers, market participants, and the financial markets.
- Participant to **ensure protection and stability** of market participants and consumers and to mitigate regulatory risks and propose to take remedial measures.
- Participant to identify any **regulatory impediments**.
- The Commission may **delay or defer acceptance** of any applicant, which may impair quality, effectiveness, impact of Regulatory Sandbox test.
- If applicants are **beyond SECP's capacity**, SECP may delay the acceptance of eligible participants to the next group.

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- SECP's decision **denying admission** to the Regulatory Sandbox to be in writing, giving rationale for denying application.

– Testing/ Experimentation

- The approved participant allowed to operate in sandbox environment for a period of **6 months**, under the monitoring of SECP.
- Participant will provide **reports** upon agreed terms to SECP prior to the commencement of testing stage.
- In case of force majeure circumstances, Participant may submit **request for extension** in time for commencement of **testing period** to SECP.
- Participant to inform SECP, if any the ability to commence or complete the testing is impaired. SECP is to advise appropriate course of action.

– Completion Report

- At the end of the testing period, participant shall submit a **completion report** to SECP including:
 - *the overall **results and statistics** of the testing.
 - *An objective assessment of the **potential impact of the solution** to be scaled out which would include a **comparison of results with objectives; scope** of scaling out to a larger audience in case of success; and **how the Participant will fully comply** with relevant legal and regulatory requirements.

Exit Stage

SECP to **analyze completion report** submitted by participant at the exit stage and will determine **future course of action** with respect to the following:

- Facilitating the participant in scaling up its solution in a compliant manner to a **larger market** in case of **success** or **wind up** of its proceedings in case of **failure**.
- Decision with regards to **formulation of regulatory framework** for promotion of the innovative solution, or amendment to the existing regulatory framework for facilitating innovation.
- Prohibit completely** or **defer the deployment of the solution** to a wider scale if the Commission is not satisfied with the results of the testing.

Suspension or revocation of approval

At any stage, where SECP has reasons to believe that the innovator has **failed to adhere** to the details agreed during the review and selection stage:

- SECP can **temporarily suspend the approval** until the matter in question has been fully clarified.
- SECP can **withdraw the approval** with a public notice in case **a serious discrepancy** has been observed related to consumer detriment or any other serious matter.

Form -1

S. No	Applicant's particulars
1	Company's name/ Person's name
2	CUIN/ Registration number, if applicable
3	Website address
4	Chief Executive Officer/ Managing Director/ Key person
5	Focal person for correspondence related to this project
6	Email address
7	Mailing address and phone No.
8	Description of nature and scale of current business operations
9	Application Category

Contact us

Karachi Office
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi – 75530
Telephone 92 (21) 3568 5847
Telefax 92 (21) 3568 5095
e-Mail karachi@kpmg.com

Lahore Office
351, Shadman-1
Main Jail Road
Lahore 54000
Phone +92 (42) 111 576 484
Fax +92 (42) 3742 9907
E-Mail lahore@kpmg.com

Islamabad Office
Sixth Floor, State Life Building
Blue Area
Islamabad
Telephone 92 (51) 282 3558
Telefax 92 (51) 282 2671
e-Mail islamabad@kpmg.com

www.kpmg.com.pk

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