



National Standard of Canada Standards Proposal

Proposed Standard Title:

Design, Use and Evaluation of a Regulatory Sandbox

Plain Language Summary of Standards Proposal (200 words max):

As policymakers look at novel ways to support Canadian innovators, a reliance on regulatory sandboxes has enabled regulatory flexibility by testing innovations in a live environment while still providing consumers the protection they expect.

Given the pace of innovation, policymakers often need to quickly respond to innovation in an agile way without thwarting their regulatory objectives. A national standard for the design of regulatory sandboxes would support policymakers' response to innovation and accelerate market-entry of new technologies and business models by providing minimum requirements for the design of a regulatory sandbox that could be used to assist regulators to both achieve and promote innovation.

Proposed Scope:

This proposed standard aims to specify guidance for the design, use and evaluation of a regulatory sandbox.

NOTE: This standard is not intended for conformity assessment.

Strategic Need:

Identify the strategic need of key stakeholders and confirmation expressing the need.

This includes consideration for:

- a. The strategic need of key stakeholder (e.g. legislator, industry, government, consumers);*
- b. The type of standard (international, regional, domestic standards and harmonization need);*
- c. Addressing up-to-date vs outdated standard to ensure latest innovative/technology/safety features available for businesses;*
- d. If the standard is intended to support national/regional/international certification programs;*
- e. If there is stakeholder intention to transition to different standard;*
- f. The type of maintenance (periodic, continuous, stabilized, best before date); and*
- g. The use of "CAN" descriptor.*

Policymakers are increasingly relying on regulatory sandboxes for supervised testing of innovative technologies or processes in a live environment to enable their full entry into the marketplace. Although implemented in over 60 jurisdictions internationally, regulatory sandboxes lack a consistent definition and framework for measuring their success.

Stakeholders have identified a strategic need for policymakers to quickly assess whether a sandbox is a viable path to mitigating the risks of new innovations. To date, some jurisdictions have developed handbooks and frameworks for sandbox design, but no standards exist. A national standard will establish a consistent definition and approach to designing regulatory sandboxes for use in Canada.



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The proposed standard for developing regulatory sandboxes will provide policymakers with a:

- Clear definition of regulatory sandboxes
- Decision-tree for determining when a sandbox is appropriate
- Elements required to establish a sandbox
- Considerations for determining eligibility requirements
- Performance indicators for measuring success

The benefits to stakeholders include:

- Regulators
 - Greater market and innovation insight
 - Gain evidence on how innovation interacts with people, markets, and regulations in a live environment
 - Informed policymaking and regulatory development
- Industry
 - Reduced barriers to adoption of innovation in products and services
 - Quicker entry to market
 - Reduced regulatory uncertainty
 - Greater investor confidence
- Consumers
 - Assurance that appropriate safeguards are in place when adopting new technologies or participating in new business models
 - Provide an avenue for early intervention in consumer, public and environmental protection.

to the standard aims to define best practices for sandbox design to multiply the opportunities to accelerate the market-entry of innovation in new and existing sectors. Policymakers may intend to rely on their own internal policies and procedures but the standard itself will lay out a framework for the adoption of a consistent approach to developing sandboxes. A successful standard will lead to an increase in the use of regulatory sandboxes and will reduce barriers to innovation adoption, helping to grow Canada's digital economy.

This proposed National Standard of Canada will:

- be maintained in accordance with the policies of the Digital Governance Standards Institute and be subject to an annual review; and
- use the CAN descriptor designating the standard as a National Standard of Canada.

Need for Availability in Both of Canada's Official Languages:

Do stakeholders need the standard published in both official languages?

Yes



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Do users of the standard need the standard published in both official languages?
 Do authorities having jurisdiction need the standard published in both official languages?
 Are there health and safety related needs for the standard to be published in both official languages?
 For adoptions, is there availability of the regional/international standard or other deliverable from the source?
 For adoptions, is there an agreement with the source committee to facilitate official translation?

Geographical Representation Considerations:

Identify the Canadian geographical representation appropriate to the subject area covered by the standard.

Geographic representation may consider factors such as:

- a. Industry (e.g. petroleum in petroleum producing provinces);
- b. Reference in regulation (if a regulation exists in a province); or
- c. Commodity characteristics and social impact (e.g. heating oil for northern climates).

This proposed standard is of interest to all stakeholder groups including industry, government, and consumers across all regulated sectors of the economy.

Trade:

Identify how the standard meets the needs of the marketplace and contributes to advancing trade in the broadest possible geographical and economic contexts.

For example:

- a. Facilitate Canadian innovation to lead internationally;
- b. Support the objectives of “One standard, one test, accepted everywhere”;
- c. Support the objectives of “First to Market”;
- d. Foster international/ regional/ national alignment of requirements.

Regulators are striving to keep up with the pace of innovation. Regulatory sandboxes ensure that Canadian innovation remains competitive by removing regulatory barriers, providing greater regulatory certainty, and increasing investor confidence to ensure timely market entry. Additionally, regulatory sandboxes ensure consumers are better protected by introducing appropriate safeguards are in place to support early intervention in consumer, public, and environmental protection.

The proposed standard will facilitate policymakers’ ability to accelerate innovation adoption in Canada by using regulatory sandboxes where appropriate. It will support the objective of “one standard, one test, accepted everywhere” by establishing a consistent approach to sandbox design and evaluation. As innovation transfer becomes increasingly global, enabling regulatory flexibility while still ensuring appropriate oversight and supervision of new technologies and business models, will be key to advancing Canada’s digital economy.

Relevant existing documents at the international, regional, and national level:

National

- Centre for Regulatory Innovation, [Regulators’ Experimentation Toolkit](#) (2022) Government of Canada



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- Financial Services Regulatory Authority of Ontario, [All Together Now: FSRA, the Innovation Office, and an Innovation Framework for a More Innovative Ontario Financial Services Sector](#) (January 2022) Province of Ontario.
- Jonathan Bulter & Ian Currie, [Regulating for Innovation in an Age of Disruption](#) (16 April 2018) Carleton University School of Public Policy and Administration.
- Technology Task Force, [Regulatory Sandbox for Innovative Technological Legal Services](#) (April 2021) Law Society of Ontario.

Regional

- European Data Protection Supervisor, [Opinion 1/2023 on the Proposal for an Interoperable Europe Act](#) (13 January 2023) European Union
- European Parliament, [Artificial intelligence act and regulatory sandboxes](#) (2022) European Union.
- Cristina Poncibò & Laura Zoboli, [The Methodology of Regulatory Sandboxes in the EU: A Preliminary Assessment from A Competition Law Perspective](#) (2022) European Union Law Working Papers No. 61.
- Federal Ministry for Economic Affairs and Energy, [Handbook for Regulatory Sandboxes](#) (July 2019) Federal Republic of Germany.
- Datasphere Initiative, [Sandboxes for data: creating spaces for agile solutions across borders](#) (2022) UK Government.

International

- A. Attrey, M. Leshner & C. Lomax, [The role of sandboxes in promoting flexibility and innovation in the digital age](#) (2020) OECD Going Digital Policy Toolkit Policy Note No.2.
- ISO/IEC JTC 1 Technical Report 24028: 2020, Information Technology – Artificial Intelligence – Overview of trustworthiness in artificial intelligence (Not specific to regulatory field)

Other

- Ivo Jeník & Schan Duff, [How to Build a Regulatory Sandbox: A Practical Guide for Policy Makers](#) (2020) CGAP.