

CVM REGULATORY SANDBOX

CVM INSTRUCTION 626, OF 5/15/2020

➤ **Regulatory Sandbox:** By means of CVM Instruction 626 and based on successful models adopted in other countries, the Securities and Exchange Commission of Brasil - CVM created a testing regulatory environment ("**Regulatory Sandbox**"), which allows the granting of **temporary authorization** so that companies can test **innovative business models** in the stock market

➤ **Purpose** of the Regulatory Sandbox

- To foster **innovation** in the capital markets
- To **guide** participants **on regulatory issues** during the development of activities to **increase legal certainty**
- To **reduce costs and time** for the development of innovative products, services and business models
- To increase **visibility** of innovative business models and **fund raising**
- To increase **competition** between service providers and suppliers of financial products
- To launch **less costly and more affordable** financial products
- To **enhance** the regulatory framework

➤ **CVM Sandbox Committee**

- Will select participants and monitor their activities
- Will be able to test innovative business models in other countries and alongside other regulatory authorities in those countries

➤ To be eligible **to participate** in the Regulatory Sandbox, the national or foreign legal entity must fulfill certain requirements, such as:

- Its activity must fall under the concept of **innovative business model**, which must have been previously validated by proof of concept or prototypes
- It must have proven technical and financial capacity to, amongst others, develop the intended activity, establish mechanisms for **protection against cyber attacks**, production and **information protection** for audit and inspection purposes and **prevention against money laundering** and the financing of terrorism

- It cannot be prevented from contracting with official financial institutions or from participating in a bidding process conducted by the Federal, State, District and Municipal public administration and by indirect public administration entities
- Its managers and/or direct or indirect controlling partners can neither be disqualified or suspended for the exercise of their position in financial institutions and other entities regulated by the CVM, by the Central Bank of Brazil, the Superintendence of Private Insurance (SUSEP), and/or by the National Superintendence of Supplementary Pension Funds (Previc), nor have been convicted of crimes that render them unfit to occupy managerial positions in companies
- **Temporary authorization** of up to 1 year (extendable for another 1 year) to participants for the development of specific regulated activity with **exemption from certain requirements** and setting of **conditions, limits** and **safeguards** to guarantee the protection of investors and the functioning of the stock market
- **Innovative business model** must have the potential to promote **efficiency gains, cost reduction** or **expansion of public access** to stock market products and services and it must, cumulatively or not
 - use innovative technologies or make innovative use of technologies
 - develop a product or service that is not yet offered or with an arrangement different from what is being offered in the stock market
- **CVM Instruction 626 will take effect on 06/01/2020**

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