



SECURITIES AND EXCHANGE COMMISSION OF BRAZIL, CVM

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In order to confirm if this translated version corresponds to the latest version, please also consult the original version in Portuguese.

Translation Date: January 6th, 2022.



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CVM RESOLUTION NO. 29, OF MAY 11, 2021

CVM RESOLUTION NO. 29, OF MAY 11, 2021

Provides for the rules for the constitution and operation of an experimental regulatory environment (regulatory **sandbox**) and revokes CVM Instruction No. 626 of May 15, 2020.

The **PRESIDENT OF THE SECURITIES AND EXCHANGE COMMISSION OF BRAZIL - CVM** makes public that the Board of Commissioners, at a meeting held on May 11th, 2021, based on the provisions of the arts. 8, item II, 16, 18, item I, 19, 21, 23, and 26, of Law No. 6,385 of December 7th, 1976, **APPROVED** the following Resolution:

CHAPTER I - SCOPE AND PURPOSE

Art. 1º This Resolution regulates the constitution and functioning of a regulatory environment (regulatory **sandbox**), in which participating legal entities may receive temporary authorizations to test innovative business models in activities in the securities market regulated by the Securities Commission of Brazil (CVM).

Sole paragraph. The implementation of the regulatory **sandbox** aims to serve as an instrument to provide:

- I - fostering innovation in the capital market;
- II - guidance to participants on regulatory issues during the development of activities to increase legal security;
- III – reduction of costs and maturation time to develop innovative products, services, and business models;
- IV – increased visibility and traction of innovative business models, with possible positive impacts on their attractiveness to venture capital;
- V – increased competition between service providers and financial product providers in the securities market;
- VI - financial inclusion resulting from the launch of less costly and more affordable financial products and services; and
- VII - improvement of the regulatory framework applicable to regulated activities.



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Art. 2º For this Resolution, it means:

I – regulatory bodies: the Securities and Exchange Commission of Brazil (CVM), the Central Bank of Brazil, the Superintendence of Private Insurance and the National Superintendence of Supplementary Pension, when not individually specified;

II – temporary authorization: authorization granted temporarily for the development of a specific regulated activity, in a regime other than that ordinarily provided for in the applicable regulations, by dispensing regulatory requirements and by pre-setting conditions, limits, and safeguards aimed at protecting investors and the proper functioning of the securities market;

III – **Sandbox** Committee: group responsible for conducting specific activities related to the regulatory **sandbox** provided for in this Resolution, which composition and operation are disciplined by CVM President's Ordinance; and

IV - innovative business model: an activity that, cumulatively or not:

- a) use innovative technology or make innovative use of technology; or
- b) develop a product or service that is not yet offered or with an arrangement other than what is being offered in the securities market.

Sole paragraph. The innovative business model of item IV should have the potential to promote efficiency gains, cost reduction, or increased access to securities market products and services.

CHAPTER II - RULES OF ACCESS TO THE REGULATORY **SANDBOX**

Section I - Participant Admission Process

Art. 3º The process of admission of participants in the regulatory **sandbox** must begin through a notice to the market, published on the CVM website of the worldwide web, which should indicate:

I - the schedule of receipt and analysis of proposals; and

II – the eligibility criteria and the required content of the proposals to be submitted, as well as the applicable selection and prioritization criteria, following Art. 11.

§ 1 - The statement referred to in the **caput** shall be approved by the Board of Commissioners and:

I – shall indicate the maximum number of bidders who can be selected to participate in the regulatory **sandbox**; and



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II – may restrict the admission of participants to those who perform one or more regulated activities defined by the CVM.

§ 2 - The **Sandbox** Committee may, exceptionally and on justification, exceed the limitation referred to in item I of § 1, when it finds that this does not compromise the monitoring of activities by the CVM.

§ 3 - The publication of the statement referred to in the **caput** does not generate the right or expectation of entitlement to any of the participants, tenderers, or other interested parties in the regulatory **sandbox**, and CVM may suspend it at any time before the granting of temporary authorizations.

Art. 4º The **Sandbox** Committee may establish complementary procedures for the admission process of participants, intended to:

I - analyze proposals for participation in the regulatory **sandbox** involving activities regulated by more than one regulatory body; and

II – enable joint testing of innovative business models in foreign jurisdictions, in partnership with regulatory authorities in countries that have similar or compatible experimental regulatory environments.

Section II - Eligibility Criteria

Art. 5º These are the minimum eligibility criteria for participation in the regulatory **sandbox**:

I – the regulated activity shall fit the concept of innovative business model;

II – the tenderer shall demonstrate that he has sufficient technical and financial skills to develop the intended activity in an experimental regulatory environment;

III – the directors and direct or indirect controlling partners of the tenderer may not:

a) be ineffective or suspended for the exercise of office in financial institutions and other entities authorized to operate by regulatory bodies;

b) have been convicted of bankruptcy crime, prevarication, corruption, graft, embezzlement, money laundering or concealment of assets, rights, and valuables, against the popular economy, economic order, consumer relations, public faith or public property, the national financial system, or the criminal penalty that prohibits, even temporarily, access to public office, by a final decision, with the possibility of rehabilitation; and

c) be prevented from administering their assets or disposed of them due to a judicial or administrative decision;



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IV - the tenderer may not be prohibited from:

a) contracting with official financial institutions; and

b) participating in bidding that has as object acquisitions, disposals, achievements of works and services and concessions of public services, within the scope of the federal, state, district, and municipal public administration and indirect public administration entities;

V – the tenderer shall demonstrate that he can establish, at least, mechanisms for:

a) protection against cyberattacks and undue logical access to his systems;

b) production and collection of records and information, including for performing audits and inspections; and

c) anti-money laundering and countering financing terrorist (AML/CFT); and

VI – the innovative business model must have been preliminarily validated through, for example, proofs of concept or prototypes, and cannot be found in a purely conceptual phase of development.

Sole paragraph. The participation of foreign legal entities in the regulatory **sandbox** provided for in this Resolution, in compliance with the eligibility criteria outlined in this article 5, is permitted.

Section III - Submission of Proposals

Art. 6º The tenderer must submit a formal proposal to participate in the regulatory **sandbox**, containing at least:

I – the description of the activity to be developed and the aspects that characterize it as an innovative business model, necessarily including:

a) the niche market to be served by the service or product offered;

b) the expected benefits in terms of efficiency gains, cost reduction, or increased access by the general public to securities market products and services;

c) the metrics that were foreseen for measuring performance and measurement periodicity; and

d) the preliminary validation of the innovative business model, following Art. 5º, item VI;

II – an indication of the exemptions of regulatory requirements intended and the reasons why, in his view, they are necessary for the development of the regulated activity subject to the requested temporary authorization;



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III – suggestions for conditions, limits, and safeguards that can be established by CVM, alone or in conjunction with another regulatory body, for mitigating the risks arising from the performance under the waiver of regulatory requirements, for example:

- a) limitations on the number of customers;
- b) maximum volume of operations;
- c) mechanisms to receive and respond to complaints from customers and investors;
- d) additional transparency measures concerning the reporting rules provided for in this Resolution;

and

- e) restriction of securities that can be transacted;

IV - analysis of the main risks associated with its performance, including those related to:

- a) cybersecurity;
- b) the processing of personal data; and
- c) anti-money laundering and countering financing terrorist (AML/CFT);

V - procedures necessary for the entry into operation, necessarily containing an indicative operational schedule;

VI – contingency plan for orderly discontinuation of the regulated activity for any reason, including the treatment to be given to customers, investors, or interested parties, as the case may be; and

VII – documents and information necessary to assess compliance with the eligibility criteria, as well as those of selection and prioritization, as disclosed in the notice to the market referred to in the **caput** of Art. 3º.

§ 1 - The suggestions for risk mitigation referred to in item III shall present solutions and possible remedial measures for any damages caused to customers, investors, and interested parties during the period of participation in the regulatory **sandbox**, including, if applicable, any insurance contracted.

§ 2 - The tenderer shall:

I – indicate, in a justified manner, the information contained in the proposal which disclosure may represent a competitive advantage to other economic agents, and, therefore, should be treated by the CVM as confidential, as they are protected to the support of legal hypotheses of secrecy; and



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II – expressly agree with the possibility of CVM sharing its information, including those that fall under item I, with any third parties who can assist CVM in the analysis of proposals, under the terms provided for in Art. 10.

Section IV - Analysis of Proposals

Art. 7º The proposals for participation in the regulatory **sandbox** received promptly are analyzed by the **Sandbox** Committee.

§ 1 - In the analysis of the proposals received, the **Sandbox** Committee may request additional information or clarifications to resolve any formal defects identified preliminary and to support the analysis of the proposals received.

§ 2 - The request for information referred to in § 1 shall be made with specific requirements, granting a reasonable period for the applicant's reply.

§ 3 - The receipt and analysis of proposals that come from admission processes of other regulatory bodies for their respective regulatory **sandboxes** are admitted, even if the deadline set by the CVM for registrations has already ended.

Art. 8º Untimely proposals or the ones considered unfit for admission to the regulatory **sandbox** shall be refused by the **Sandbox** Committee upon presentation of justification to the tenderer.

Sole paragraph. Proposals are considered unfit when they are ineligible or have not presented the necessary information to perform the analysis referred to in Art. 7º.

Art. 9º The proposals considered by the **Sandbox** Committee as apt to admission to the regulatory **sandbox** shall be included in an analysis report to be submitted to the Board of Commissioners, containing, for each proposal, at least:

I - description of the innovative business model to be tested;

II - temporary authorization to be granted;

III - recommendation of waivers of regulatory requirements reputed by the **Sandbox** Committee as necessary and sufficient for the development of regulated activity; and

IV - proposal of conditions, limits, and safeguards to be imposed by CVM to mitigate the identified risks.



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Art. 10. The **Sandbox** Committee may interact with third parties, such as universities, researchers, representative entities, and associations, to enter into a partnership, cooperation agreements, or covenants, to perform the analysis referred to in Art. 7 and the analysis report referred to in the **caput** of Art. 9.

Sole paragraph. The third parties referred to in the **caput** shall observe the legal hypotheses of information confidentiality contained in the proposals for participation to which they have access, and the confidential treatment shall be provided for in the legal instruments under the **caput**.

Art. 11. If the number of proposals considered fit for admission to the regulatory **sandbox** is greater than the maximum number of bidders who can be selected to participate in the regulatory **sandbox**, according to item I of § 1 and § 2 of Art. 3, the **Sandbox** Committee shall include in the analysis report referred to in the **caput** of Art. 9 the recommendations motivated by the selection and prioritization for acceptance of proposals.

Sole paragraph. Without prejudice to the observance of other selection and prioritization criteria, to be expressly informed in the notice to the market provided for in Art. 3, **caput**, the eventual selection and prioritization for acceptance of proposals shall comply with the following criteria:

- I - presence and relevance of technological innovation in the business model;
- II - stage of business development, privileging activities that are already in operation or ready to go into operation;
- III - the magnitude of the expected benefit for customers and other stakeholders;
- IV - potential impact or contribution to the development of the securities market;
- V – potential for financial inclusion considering, among other aspects, the expansion of public access or the improvement in the quality of the use of the product or service; and
- VI – conducting the innovative business model primarily within the Brazilian securities market, although activities may also take place in other jurisdictions.

Art. 12. The Board of Commissioners shall decide on the granting of the required authorizations, taking into account, among other things, the CVM's institutional objectives for the development and protection of the capital market.

§ 1 - Temporary authorizations are granted to proposals approved through a Deliberation issued by CVM, and shall include, for each participant, at least:



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I - the name of the company or entity;

II - the authorized activity and regulatory waivers granted;

III - the conditions, limits, and preservations associated with the exercise of the authorized activity;
and

IV - the start date of the temporary authorization.

§ 2 - Temporary authorizations are granted for a period of up to one (1) year, extendable for up to a further 1 (one) year.

§ 3 - The request for an extension shall be submitted to the **Sandbox** Committee at least 90 (ninety) days before the end of the period of temporary authorization, indicating reasoned justification about the necessity and relevance of the extension.

§ 4 - The Board of Commissioners shall decide on the application for extension of the temporary authorization at least 30 (thirty) days before the end of the period of the authorization granted.

§ 5 - The request for extension shall be considered automatically granted if it is not assessed by the Board of Commissioners within the period indicated in § 4.

CHAPTER III - MONITORING

Art. 13. Once the temporary authorizations are granted by the Board of Commissioners, the **Sandbox** Committee shall monitor the progress of the activities developed by the participant under the regulatory **sandbox** according to § 2.

§ 1 The monitoring carried out by the **Sandbox** Committee, under the **caput**, does not remove or restrict the supervision of technical areas on the different activities regulated by CVM, and all those involved shall observe a routine exchange of information about the legal entity participating in the regulatory **sandbox** and the development of its activities.

§ 2 - To monitor the **Sandbox** Committee, the legal entity participating in the regulatory **sandbox** shall:

I - provide representatives with managerial responsibilities to meet in person or remotely, periodically;

II – grant access to relevant information, documents, and other materials related to the business, including those relating to its development and the results achieved, whenever requested;



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III – cooperate in the discussion of solutions for the improvement of its regulation and supervision due to the monitoring of the activity developed under the temporary authorization;

IV - communicate the materialization of anticipated and unforeseen risks during the development of activities;

V – communicate the intention to make relevant changes or adjustments in the innovative business model as a result of the progress of the tests;

VI – periodically demonstrate the compliance with the conditions, limits, and preservations established; and

VII - report the occurrences of customer complaints and present measures to deal with frequent cases and of greatest relevance.

§ 3 - During the monitoring period, the participant may submit to the **Sandbox** Committee a reasoned request for the extension or amendment of the waivers of regulatory requirements granted, or to review the conditions, limits, and preservations agreed upon, which shall be submitted to the Board of Commissioners.

§ 4 - The **Sandbox** Committee may establish additional mechanisms for monitoring participants in conjunction with other regulatory bodies or with competent regulatory authorities of foreign jurisdictions.

CHAPTER IV - COMMUNICATION

Art. 14. All promotional material prepared by the participant of the regulatory **sandbox** related to the approved project, as well as the respective section on the page on the worldwide computer network, if any, shall:

I – explain the meaning and functioning of the regulatory **sandbox**, as well as provide information about the temporary authorization of the participant, including the date of its beginning and its termination; and

II – place the following notice, in a visible location and readable format: "The activities described in this material are carried out on an experimental basis with temporary authorization for the development of regulated activity in the Brazilian securities market."

Art. 15. If the activity to be developed includes the collection or administration of client resources, the participant shall present a risk knowledge term signed by the clients, following Annex A.



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Sole paragraph. The signing of the risk knowledge term shall not be required in cases where the client is classified as a professional investor, as defined in specific regulations.

CHAPTER V - CLOSURE OF PARTICIPATION IN THE REGULATORY **SANDBOX**

Art. 16. Participation in the regulatory **sandbox** closes:

I - by the expiry of the period set for participation;

II - at the request of the participant;

III – as a result of the cancellation of the temporary authorization, under Art. 17; or

IV – by obtaining definitive registration from the CVM to develop the respective regulated activity.

§ 1 - In the cases of termination of participation provided for in items I to III, the participant shall implement its contingency plan for the orderly discontinuation of the regulated activity, per item VI of Art. 6.

§ 2 - To request definitive registration with the CVM, as provided for in item IV, the participant may formally express his intention to the **Sandbox** Committee, which shall guide the formulation of the request for registration and any requests for waiver of regulatory requirements with the CVM Office responsible for granting the registration.

§ 3 - The analysis of the application for registration by the responsible Office shall take into account the experience obtained during the monitoring of the activity in the regulatory **sandbox**, especially regarding any waivers to be granted.

§ 4 - The temporary authorization remains valid during the processing of the analysis of the registration request if it has been submitted by the last day of the deadline for participation in the regulatory **sandbox**.

Art. 17. The Board of Commissioners may suspend or cancel temporary authorization granted to the participant of the regulatory **sandbox** at any time, after hearing the recommendation of the **Sandbox** Committee, depending on the:

I - non-compliance with the duties established in the Arts. 13, 14, and 15;

II - existence or supervenience of serious operational failures in the implementation of the innovative business model, as determined or verified by the **Sandbox** Committee;



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III - understanding that the activity developed generates excessive risks or that have not been previously foreseen;

IV - finding that the participant:

- a) no longer meet any eligibility criteria;
- b) presented false information; or
- c) began to develop a business model substantially different from that admitted, without CVM's approval; or

V - evidence of irregularities.

§ 1 - The suspension or cancellation of temporary authorizations based on the **caput**'s items does not rule out:

I – the imposition of an extraordinary punitive fine on the participant for non-compliance with an order issued by the CVM, following the specific regulations; and

II - the establishment of administrative proceedings to establish responsibilities.

§ 2 - Preliminary to the recommendation to the Board of Commissioners for suspension or cancellation of temporary authorizations as a result of the identification of the hypotheses provided for in the **caput** items of this article, the **Sandbox** Committee:

I – may formulate requirements for the participant to have the opportunity to regularize conducts or adjust faults and risks, if they are repairable; and

II – shall inform the participant of the regulatory **sandbox** the intention to suspend or cancel the temporary authorization, as the case may be, granting him a period of ten (10) working days from the date of receipt of the communication, extendable for the same period, to present the reasons for defending its stay in the **sandbox**.

CHAPTER VI - FINAL PROVISIONS

Art. 18. The CVM, through the **Sandbox** Committee, shall make available on its website on the worldwide web a section dedicated to the periodic disclosure of information regarding the admission processes of new participants and the progress of the regulatory **sandbox**, such as:

I - statistics on proposals received, approved entries, and rejected proposals;



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II - brief description of the innovative business models tested; and

III - frequently asked questions (FAQ).

Sole paragraph. When making the periodic disclosures referred to in the **caput** and items, CVM shall preserve the confidentiality of the information referred to in item I of § 2 of Art. 6º.

Art. 19. The exercise of the activities under this Resolution by a person authorized based on a false statement or documents shall be considered a serious infringement, for the provisions of Article 11, § 3, of Law No. 6,385 of December 7, 1976.

Art. 20. CVM Instruction No. 626 of May 15, 2020, is revoked.

Art. 21. This Resolution comes into force on April 1st, 2021.

Digitally signed by
MARCELO BARBOSA
President



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ANNEX “A” TO CVM RESOLUTION NO. 29, OF MAY 11, 2021

Term of Risk Knowledge (provided for in art. 15)

By signing this term, I declare that I had full access to all the necessary and sufficient information for the investment decision, notified that it is a participating regulatory **sandbox** company and that it develops, for a predetermined period, regulated activity without definitive registration before the regulatory body.

I also declare to be aware that this is an experimental project, for the development of regulated activity in the securities market.

[Date and place]

[Name and Individual Taxpayer Registration or National Registry of Legal Entities number]