



CRI

Centre for Regulatory Innovation

Regulatory Innovation Tools

Webinar

December 13, 2023





Webinar Outline

By the end of this webinar, participants will know more about regulatory innovation tools and how the CRI can help them use these tools.

- 1** **Why Should Regulators Innovate?**
Overview
- 2** **Regulatory Experimentation Expense Fund**
Process





Knowledge:

Why Should Regulators Innovate?

Challenges

- Paper-based systems
- Rigid and outdated regulations
- Complex or unclear processes
- Regulatory burden and barriers to trade

Impact

- Enable businesses to thrive
- Facilitate faster market access for innovative products
- Support a robust Canadian economy

...to keep up with the pace of change



Some tools to support innovation include:

Experimentation

To find out what works and inform innovation implementation

Sandboxes

To find out whether, when, and how to regulate innovations in the marketplace and support marketplace innovation

Cooperation

To share information on regulatory innovation learnings and best practices



Knowledge: Regulatory Experimentation

What is Regulatory Experimentation?

In essence, regulatory experiment is a tool that can help regulators find out what works and decide whether and how to implement a regulatory innovation.



A time-limited **trial or test**



of a **new** product, service, approach or process



with the primary goal to generate evidence or information - to **learn something**



aimed at **informing the design or administration of a regulatory regime**



Knowledge: Regulatory Experimentation

Examples

Standards Council of Canada

AI standard accreditation – Pilot Project

The Problem / Uncertainty

- how to accredit an AI standard?
- how does accreditation impact AI product risk levels?

The Experiment

test a prototype accreditation framework for a proposed AI standard with a certification body and an AI company to help reduce that uncertainty

Learning Objectives

- Identify issues with its guidance and processes specific to accreditation to the AI standard
- The company's AI product risk level will be measured pre and post certification to obtain information on whether and how the standard can impact AI product risk level.

How Learnings Will be Used

- Inform the development of the accreditation scheme.
- Inform whether and how regulators could use the new AI standard to regulate AI.

Knowledge: Regulatory Experimentation

Why Should Regulators Use This Tool?

Challenge of Decision-Making in Uncertainty

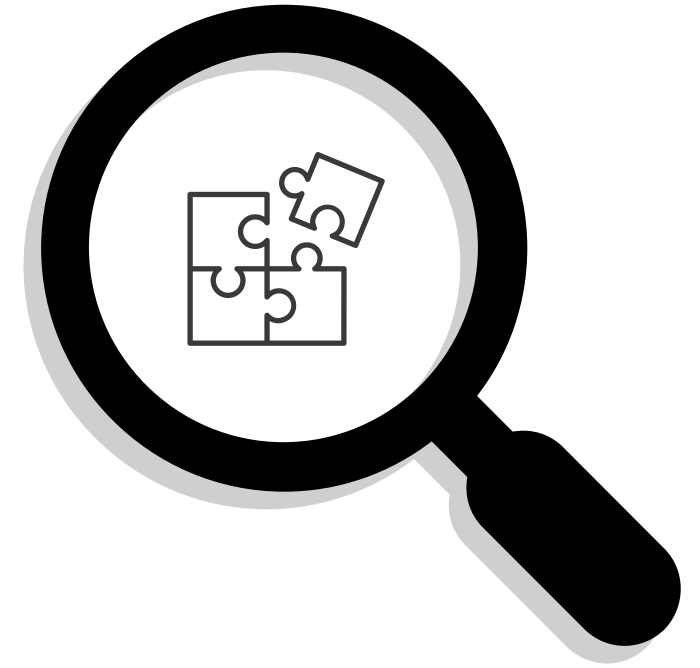
Regulators constantly face decisions amid uncertainty about their operating environment and the impact of their choices.

Uncertain Effects of Regulatory Changes

Changes to regulatory frameworks, policies, or mechanisms often bring deep uncertainty regarding their effects. Uncertainty is often more acute in the context of innovation

Addressing Uncertainty Through Experimentation

Experimentation offers regulators a way to reduce uncertainty, especially in innovative contexts, guiding informed implementation.





Knowledge: Tools – Regulatory Sandbox

What is a Regulatory Sandbox?

A space in which controlled flexibility from specific rules allows regulators to work with **industry** to test new products or new ways of regulating **prior these products fully entering the marketplace.**

CRI's definition is:

- 1** **Controlled Environment:** Established and overseen by a regulatory body
- 2** **Testing Platform:** Intended for experimenting with new products or processes
- 3** **Pre-market Entry:** Designed to assess novel concepts before their full introduction into the market



Knowledge: Tools – Regulatory Sandbox

Examples

Transport Canada Light Sport Aircraft

The Problem

Canadian flight schools are interested in using aircrafts for training purposes that are not currently authorized for that purpose. The existing regulatory pathway to seek authorization has been identified as a barrier.

The Sandbox

TC has facilitated the experiment by establishing a sandbox with a regulatory exemption with conditions to maintain an acceptable level of safety.

TC and interested Canadian flight schools are conducting experiments to test the capabilities and limitations of the proposed aircrafts in a training environment.

How Learnings Will be Used

Use lessons learned to inform whether regulations should be changed to allow the use of these aircrafts for training purposes.

Knowledge: Tools – Regulatory Sandbox

Why Should Regulators Use This Tool?

Primary Motivations

1. Supporting Marketplace Innovation:

Objective: Reduce regulatory barriers to market entry.

Impact: Fosters a conducive environment for innovative solutions to thrive.

2. Contributing to Regulatory Learning:

Objective: Investigate public value, risks, and regulatory implications.

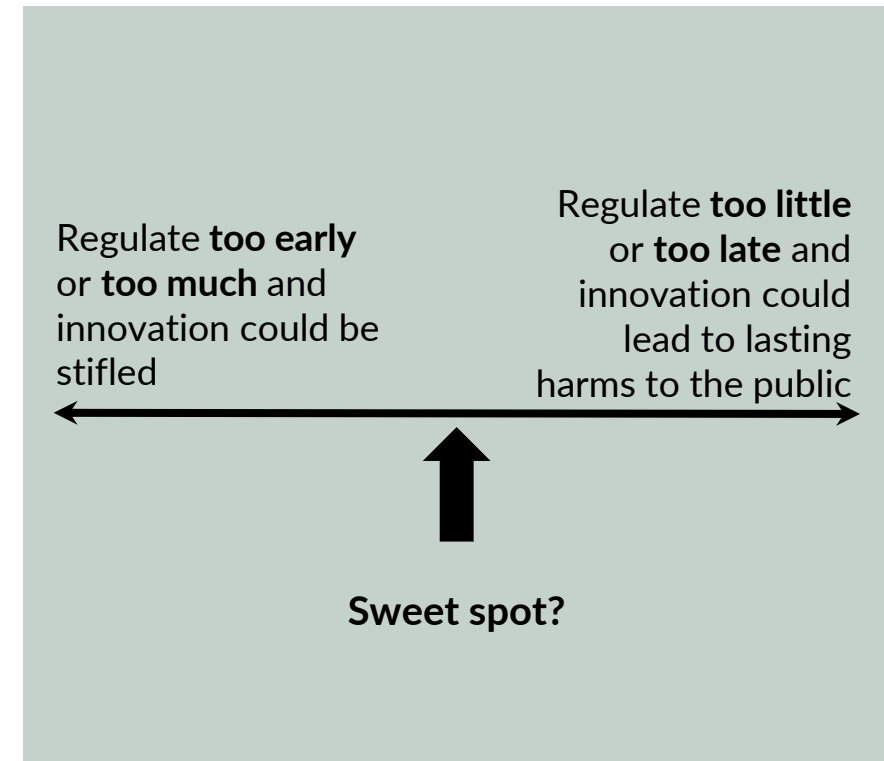
Impact: Enhances understanding of the broader implications of innovations.

Regulatory Adaptation:

Regulatory sandboxes enable regulators to:

Better Understand: Whether and how regulations need adaptation and gain clarity on whether their innovations meet existing regulations.

Facilitate: An adaptive regulatory framework aligned with technological advancements.



How CRI Can Support Our Role



Advisory Services

- Is experimentation the right approach?
- Defining a research question and type of experiment
- Determining regulatory flexibility
- Designing the testing environment
- Knowledge sharing on best practices, projects reports, guidance, webinars and events



Regulatory Experimentation Expense Fund

Helps regulators test new ideas to:

- improve how they regulate, or
- help industry innovations reach the marketplace.

Includes CRI's advisory services at every stage

Offsets experimentation expenses



Regulators' Experimentation Toolkit

Outlines best practices and practical advice for regulators about choosing, designing, and implementing experiments



To access the Toolkit, click [here](#),



Proposal: enterprise-wide sandbox authorities

To enable a consistent approach across sectors in establishing a sandbox by:

- by providing **all Ministers** to issue sandbox-enabling exemptions from their legislative and/or regulatory requirements.
- codifying best practices for **all federal sandboxes** in the Cabinet Directive on Regulation

Overview

Regulatory Experimentation Expense Fund

Overview

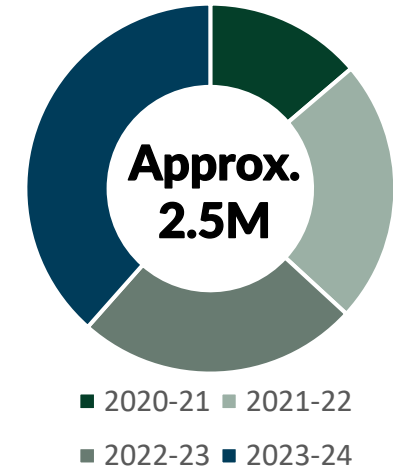
Helps regulators innovate or support innovation in the marketplace by experimenting with:

- Innovative approaches to any stage(s) of the regulatory lifecycle (issue definition and instrument choice, regulatory development, administration, compliance/enforcement, and review/evaluation)
- Market innovations (e.g., products, business models, services.)

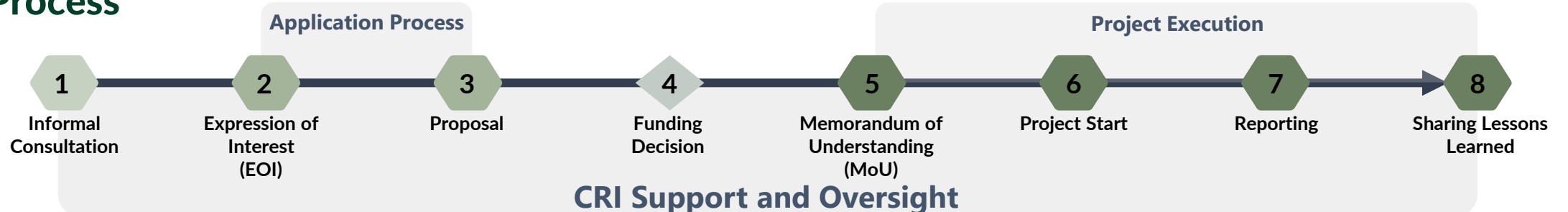
Supported Projects

8 Pilots / Sandboxes

6 Departments / Agencies



Process





Regulatory Experimentation Expense Fund

How Can You Apply?

Do you have a regulatory challenge that you would like to test a solution to?

Apply to the Regulatory Experimentation Expense Fund today!

We highly recommend contacting us to informally confirm eligibility before completing the EOI!

Learn more about applying [here](#) or by reading the [REEF Guide](#)

Now Accepting EOIs

TOTAL FUNDING ENVELOPE:

up to \$1.4 million available per year, multi-year project funding available

OPENING DATE:

November 14, 2023

CLOSING DATE:

January 16, 2024



Regulatory Experimentation Expense Fund

Eligibility Criteria

Projects will be deemed eligible if they meet the following **experimentation, innovation, and project** criteria under a **regulatory lens**:

1. Using Experimentation

- Are you conducting an experiment?
- Are you pre-experimenting?
 - developing a regulatory experiment
 - determining whether a regulatory experiment should be used to advance a problem

2. Type of Project

- Are you addressing an **industry need**?
- Is a **technology challenging** a regulation or Act?
- Will the project help a product or service reach the **market** faster?

3. Driving Innovation

- Does your project approach any part of the regulatory lifecycle in a new way?
- Will it bring new products or services to market faster?

See **REEF**
Guide for
more



Regulatory Experimentation Expense Fund Assessment Criteria

Public Benefit

Identify where your project **supports** any of the following:

1. The Canadian economy
2. Canadian regulatory competitiveness
3. Canadian health and/or safety
4. The environment
5. Government of Canada priorities/investments

Viability

Pre-/Experiments

- Create a clear plan
- Identify project risks and mitigation strategies
- Keep in mind the **feasibility** of timelines/deliverables

Experiments

- Describe current progress and plans to address the identified problem
- Describe why an experiment is needed to obtain the evidence
- Create an **experimentation plan** (incl. method and metrics)

See REEF
Guide for
more



Contact us to learn more about...

Email: cri-cir@tbs-sct.gc.ca

Visit: [CRI GCWiki page](#)

Experimentation

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Sandboxes

To find out whether,
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regulate innovations in
the marketplace and
support marketplace
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Cooperation

To share information on
regulatory innovation
learnings and best
practices