

Regulatory Framework for Experimental Regulatory Environment

Real Estate General Authority (REGA)

(1.0 Version)

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Introduction

The Real Estate Sector in the Kingdom of Saudi Arabia is undergoing accelerated transformation, necessitating flexible regulatory tools that enhance its readiness to leverage modern technologies and expand the scope of innovation. Such tools support the Sector's development, improve its efficiency, and ensure alignment with market requirements. Accordingly, the Real Estate General Authority (REGA), in its capacity as the competent authority responsible for regulating and enabling the Real Estate Sector, has established an advanced legislative framework through the issuance of a range of laws and regulations that have contributed to enhancing market efficiency.

In this context, and based on the competencies of REGA, as set forth in its Statute issued pursuant to Council of Ministers Resolution No. ٢٣٩, dated ٢٥/٠٤/١٤٣٨H, and in support of the objectives of Vision ٢٠٣٠, this Regulatory Framework for Experimental Regulatory Environment (Regulatory Sandbox) is intended to provide a flexible regulatory environment that enhances the readiness of the Real Estate Market to explore and assess innovative real estate technological solutions before their introduction into the open market. Based on the Comprehensive Strategy for the Real Estate Sector, issued by Council of Ministers Resolution No. ٢٥٢, dated ٢٣/٠٤/١٤٤٢H, REGA has launched the Experimental Regulatory Environment as a flexible environment designed to enable entrepreneurs, investors, and digital real estate service providers to test new and innovative business models under the supervision of REGA.

This document establishes the general framework governing participation in the Experimental Regulatory Environment, specifies the essential requirements for participation, and sets out the principal stages of participation in the Environment.



Definitions

The following words and phrases shall have the meanings assigned thereto, unless the context requires otherwise:

REGA: The Real Estate General Authority.

The Environment: A flexible, controlled, and experimental environment that enables Participants to test innovative technological solutions for the Real Estate Sector subject to specified terms and controls.

Model: Innovative, technological solutions in the Real Estate Sector.

Temporary Permit: A permit issued by REGA for a specified period, authorizing a Participant in the Environment to test a Model with a specified segment of Customers. The Temporary Permit shall expire upon the lapse of its specified period.

Participant: An applicant with a model accepted for participating in the Environment.

Customer: A person who receives the services provided through a Model within the Environment.



Objectives of the Environment

١. To support innovation in the Real Estate Sector by providing a flexible environment for testing models.
٢. To provide Participants with the opportunity to test models, thereby enhancing their readiness for compliance and integration into the Real Estate Market.
٣. To support Participants in developing their models and fulfilling the requirements for introducing them into the Real Estate Market.
٤. To enhance the readiness of the Real Estate Market to accommodate emerging technological solutions, thereby improving the quality of services and meeting the needs of customers and stakeholders in the Real Estate Sector.
٥. To develop legislation that keeps pace with technological advancement in the Real Estate Sector.
٦. To enable REGA to collect and study data for the purpose of enhancing its functions, including the development of legislation, the protection of customers, and keeping abreast of the latest innovation in the Real Estate Sector.

Scope of the Environment

The Environment shall be available to owners of innovative technological solutions whose models are not currently governed by the laws and regulations issued by REGA and that fall within REGA's regulatory competence.

Participation Criteria

An applicant seeking participation in the Environment shall satisfy the following criteria:

١. The Model shall demonstrate a high degree of innovation and provide added value. This criterion may be satisfied through any of the following:
 - a. The Model differs from existing solutions available in the Kingdom.
 - b. The Model demonstrates a novel application of technologies currently used in the Kingdom.
 - c. The Model represents an advancement of technologies currently used in the Kingdom.
٢. The Model shall provide direct and tangible benefits. Such benefits may include, without limitation:
 - a. Improving customer experience.
 - b. Enhancing the protection of customers' rights.
 - c. Introducing new products or services.
 - d. Improving operational efficiency.



٣. The Model shall demonstrate an advanced level of operational readiness, including, at a minimum:

- a. An operational minimum viable product suitable for testing.
- b. A detailed operational plan that includes defined timelines and key performance indicators (KPIs) demonstrating readiness for testing the Model.
- c. Customer protection measures and the availability of financial resources to ensure financial sustainability throughout the testing period.
- d. A comprehensive exit plan from the Environment.

Phases of the Environment

Phase I: Application:

During this Phase, the application shall be reviewed, any missing requirements or information shall be completed, and the applicant shall be notified of the decision to proceed to Phase II within a period not exceeding ٣٠ working days from the date on which the application is deemed complete.

An application for participation in the Environment shall include the following:

١. The information and data of the applicant.
٢. A description of the Model, including its degree of innovation, target customers, the challenges it seeks to address, its anticipated impact, and the direct benefits it is expected to provide to the Sector.
٣. Clarification that the Model falls within the supervisory scope of REGA and does not conflict with the applicable laws and regulations.
٤. A description of the regulatory challenges that hinder the implementation of the Model.
٥. A detailed operational plan demonstrating the operational and technical readiness of the Model for participation in the Environment.
٦. Identification of the anticipated risks associated with the Model and the measures proposed to manage such risks.
٧. Evidence demonstrating the Participant's ability to ensure financial sustainability throughout the testing period, thereby ensuring operational stability and, where required, providing compensation to Customers.
٨. A testing schedule that includes a detailed testing plan and key performance indicators.
٩. Customer protection measures applicable throughout the participation of the Model in the Environment, including channels for receiving Customer complaints and reports and the timeframes for handling them.



١٠. An exit plan prepared in accordance with the exit pathways set out in Phase IV (Exit from the Environment).

Phase II: Readiness Assessment:

During this Phase, the application shall be assessed within a period not exceeding ١٢٠ working days, during which the assessment results shall be determined and a decision shall be made on the application.

First: Model readiness assessment, by the following:

١. Conducting interviews with the applicant to examine the technical aspects of the Model and verify its operational readiness.
٢. Reviewing the documents submitted during Phase I.
٣. Testing the Model through simulation processes.

Second: Based on the readiness assessment, an application shall be directed to one of the following paths:

١. Approval of the Application: The testing period shall be determined, and a Temporary Permit shall be issued in accordance with the determined testing period. The Participant shall be notified of the following:

- a. The testing period of the Model.
- b. The criteria for the selection of the Customer segment.
- c. The support team assigned to the Participant, where applicable.
- d. Any additional conditions, controls, or requirements applicable, including the obligation to disclose potential risks to Customers.
- e. The detailed key performance indicators (KPIs) for the Model, including, for example, Customer satisfaction levels, operational stability, number of identified issues, and other qualitative and quantitative performance measures.
- f. The required monthly report forms.
- g. The procedure for submitting the testing results.

٢. Incomplete Model Readiness: Where the Model's readiness is incomplete, the applicant shall be notified of the identified deficiencies and granted a period not exceeding ٣٠ working days to remedy them. Such period shall not be counted toward the period specified for the assessment of the application.

٣. Rejection of the Application: Where the application is rejected, the applicant shall be notified of the rejection and the reasons therefor.



Phase III: Testing:

In this Phase, the Model shall be tested with a specific segment of Customers within a period of ٦ to ٢٤ months, in accordance with the following procedures:

- a. Testing the Model in accordance with the approved testing plan and the approved Customer segment.
- b. Assessing the performance of the Model based on the monthly reports submitted by the Participant.
- c. Publishing periodic summary reports on the performance of the Model to promote transparency and demonstrate the impact of the Environment.
- d. Approving the KPI results.
- e. Providing the Participant with the guidance necessary to ensure the safe operation of the Model throughout the testing period.
- f. Monitoring the progress of the Model and, where necessary, appointing specialized experts or entities to support the supervision and assessment processes.
- g. Providing support to the Participant in coordination with the relevant authorities.
- h. Reassessing the approved Customer segment, where necessary.

Based on the results of the monitoring and assessment process, REGA may take any of the following actions:

First: Temporary Suspension: REGA may, by a reasoned decision, temporarily suspend the testing where a violation of the plans and documents submitted during the Application Phase is identified, or where the Participant fails to comply with the instructions of the supervisory team. The period of suspension shall not be counted toward the testing period. The Participant shall be granted a period not exceeding ٣٠ days to rectify the identified violations and shall submit a detailed report to REGA, including the following:

- Identification of the reasons that led to such violation or breach.
- The corrective measures to be taken.
- A proposed plan for resuming testing, including an assessment of the challenges encountered and the measures proposed to prevent their recurrence.

REGA shall, accordingly, take any of the following measures:

١. **Resume the testing of the Model and extend the Temporary Permit** to correspond with the approved testing period, and impose any additional requirements REGA considers appropriate.
٢. **Extend the suspension** for an equivalent period, by a reasoned decision.
٣. **Terminate the testing of the Model** in the following cases:



- a. The Participant fails to respond within the prescribed period.
- b. It is established that the Model is likely to cause harm to Customers.
- c. It is established that there is a deficiency in the management of the Model.
- d. The Model is determined to be unsuitable for use by Customers.
- e. The Model no longer requires participation in the Environment.

In case of termination, the Participant shall be notified to implement the exit plan in a manner that safeguards the rights of Customers. REGA shall thereafter issue a decision to revoke the Temporary Permit.

Second: Extension: Where the Model cannot be tested within the approved testing period, REGA may extend the testing period for a period not exceeding three months and extend the Temporary Permit accordingly in the following cases:

١. The Participant submits a reasoned request at least ٦٠ working days before the expiry of the testing period, setting out the nature of the challenges that necessitate the extension.
٢. REGA determines that the Model should remain in the Environment because the testing results are insufficient to enable a comprehensive assessment.

Third: Termination: By means of a reasoned decision, the Temporary Permit, granted to the Participant in the Environment, shall be revoked at any time before the end of the testing period in the following cases:

١. REGA determines that the objectives of the testing have not been achieved, based on its assessment of the actual progress, the results of each testing stage, and the extent of compliance with the approved implementation schedule.
٢. The Participant commits serious or repeated breaches of the plans and procedures it has submitted.
٣. It is established that the Model contains a material defect that gives rise to risks that cannot be remedied.
٤. The Participant requests withdrawal from the Environment.

Where a decision is made to terminate the testing, the Participant shall be notified to implement the approved exit plan in a manner that safeguards the rights of Customers. REGA shall thereafter issue a decision revoking the Temporary Permit.

In all cases, the Participant shall submit a final report at the end of the testing period. Such report shall include the following:

١. The testing results and the practical outcomes of the Model.
٢. The legal and technical challenges encountered during implementation.
٣. Any recommendations for amendments to the applicable regulatory framework, if any.



Phase IV: Exit from the Environment:

Upon achievement of the objectives of the testing phase, and based on the results of the periodic reports, the Participant shall be directed to one of the following pathways:

١. The Model may be introduced into the open market after the Participant has obtained all required permits.
٢. The Model may be amended or further developed based on the feedback received, and the Participant may be directed to reapply for participation in the Environment, if necessary.
٣. The testing of the Model shall be discontinued after implementation of the exit plan if the Model is determined to be unsuitable for the Real Estate Market or cannot be implemented safely.

Innovation and Beneficiary Experience Committee

By a resolution of the Chairman of the Board of Directors of the Real Estate General Authority, a committee shall be established to undertake the following tasks and powers:

١. To appoint a support team for each Participant to oversee the periodic reports.
٢. To assess the testing results.
٣. To approve applications for participation in the Environment.
٤. To issue, suspend, or revoke a Temporary Permit.
٥. To approve the technical assessment results of models.
٦. To approve the amendments required to a Model based on the feedback received during its participation in the Environment.
٧. To approve recommendations concerning a Model's exit from the Environment.
٨. To perform any other tasks or exercise any other powers necessary to achieve its objectives.

General Provisions

١. Acceptance of an application for participation in the Environment shall not be considered as confirmation that the Model complies with the applicable laws and regulations in the Kingdom.
٢. Participation in the Environment shall not exempt the Participant from complying with any regulatory requirements in the Kingdom.
٣. The Participant shall be solely responsible to Customers for any damage arising from the testing of the Model. REGA shall bear no liability in respect thereof.

