



**KARNATAKA LEGISLATIVE ASSEMBLY
FIFTEENTH LEGISLATIVE ASSEMBLY
SIXTH SESSION**

THE KARNATAKA INNOVATION AUTHORITY BILL, 2020

(LA Bill No. 02 of 2020)

A Bill to provide for establishment of an authority to promote and regulate Innovative Technologies in the State of Karnataka.

Whereas it is expedient to establish an authority to promote and regulate innovative technologies in the State of Karnataka and for the matters connected therewith or incidental thereto.

Be it enacted by the Karnataka State Legislature in the seventy first year of the Republic of India, as follows:-

CHAPTER-I

PRELIMINARY

1. Short title and commencement.-(1) This Act may be called the Karnataka Innovation Authority Act, 2020.

(2) It shall be deemed to have been come into force on the 5th day of December 2019.

2. Definitions.- In this Act, unless the context otherwise requires,-

- (a) "Authority" means the Karnataka Innovation Authority constituted under section 3;
- (b) "Government" means the Government of Karnataka;
- (c) "Law" means any law in force, enacted by the Karnataka State Legislature and includes rules or regulations made there under;
- (d) "Participant" means any person who has been granted approval for participation in conduct of Innovation and to offer goods or services to the public within a Regulatory Sandbox established under this Act;
- (e) "Regulatory Sandbox" means the permission to conduct innovations within the time allotted with such exemptions or modifications from any law, along with conditions as may be prescribed under this Act, under which any participant may conduct innovations and offer goods or services to the public;
- (f) "Sandbox Operator" means any private agency or instrumentality of the Government, designated by the Authority to oversee and operate, a Regulatory Sandbox under this Act; and
- (g) "Technical Secretariat" means the Technical Secretariat of the Authority.

CHAPTER-II

Authority and its Employees

3. Karnataka Innovation Authority.-(1) As soon as may be, after the commencement of this Act, there shall be constituted by the Government an authority for the purpose of this Act, to be called the Karnataka Innovation Authority.

(2) The authority shall be a body corporate by the name aforesaid, having perpetual succession and a common seal with power to acquire, hold and dispose of property, both moveable and immovable, and enter into contract, and shall by the said name sue and be sued.

(3) The Headquarters of the Authority shall be at Bengaluru.

4. Composition of the Authority - The Authority shall consist of the following members namely:-

(1) The Chief Minister	-Chairman;
(2) The Minister in charge of the Department of Information Technology, Biotechnology and Science and Technology.	- Vice-chairman
(3) Not more than five Ex-officio members as the Government may nominate in the manner as may be prescribed.	- Member
(4) The Additional Chief Secretary /Principal Secretary/ Secretary to Government, Department of Information Technology, Biotechnology and Science and Technology,	- Member
(5) The Director, Department of Information Technology, Biotechnology and Science and Technology.	- Member-Secretary

5. Meetings of the Authority.-(1)The Authority shall meet at such times and places and as per the procedure with regard to transaction of business at its meetings by the regulations.

(2) The Authority may invite such other persons as it deems fit to attend a meeting in order to obtain their views or expertise on any item on the agenda for the meeting.

(3) The Chairman, or, in absence of the Chairman or under the direction of the Chairman, the Vice-Chairman shall preside over the meeting.

(4) All issues which come up before any meeting of the Authority, including decisions as to the exercise of its powers and functions under this Act, shall be decided by consensus among the members of the Authority.

(5) Not less than one third of the members of the Authority shall constitute the quorum for a meeting.

(6) The Member-Secretary shall exercise such powers and perform such duties as may be prescribed or as may, from time to time, be delegated to him by the Chairman.

6. Vacancies, etc., not to invalidate proceedings of the Authority.-No act or proceedings of the Authority shall be invalid merely by reason of,-

- (i) any vacancy in the Authority; or
- (ii) any irregularity in the procedure of the Authority not affecting the merits of the decision.

7. Powers and functions of the Authority.-The Authority shall have following powers and functions, namely:-

- (i) Notwithstanding anything contained in any law in force, the Authority may,-

(a) exempt any participant from compliance with any law for the purpose of innovation within the Jurisdiction specified therein; or

(b) modify any law insofar as it applies to any participant, as it deems fit and permit for the purpose of establishing a Regulatory Sandbox, in accordance with the provisions of this Act.

(ii) The Authority shall have the power to,-

(a) designate any agency or instrumentality of the state as a Sandbox Operator for a specified Regulatory Sandbox; and

(b) direct any Sandbox Operator for the purpose of this Act and such direction shall be deemed to be a direction of the Government for the purpose of any law;

(c) based on its experience, recommend for amendment, if any, necessary to any Acts, Rules or Regulations in force in the State to facilitate the promotion of innovations in the State. The Government may consider the recommendations and bring suitable amendment wherever necessary.

(iii) The Authority may hold public consultations with relevant stakeholders prior to, during, or after establishing a Regulatory Sandbox, in such manner as may be prescribed.

(iv) The Authority shall also have such powers and perform such functions which as may be prescribed.

8. Sub-committees of the Authority.-(1)The Authority may for any specific purpose constitute one or more sub- committees consisting of the Vice-chairman as Chairman and such other members not exceeding five on each sub-committees.

(2) The Sub-committees shall exercise such of the power and perform such duties of the Authority which are delegated to it by the Authority.

(3) Each Sub-committee shall meet atleast once in a month and shall observe such procedures in regard to the transaction of business at its meeting as may be provided by regulations.

CHAPTER-III

PROCEDURE TO ESTABLISH AND PARTICIPATE IN A REGULATORY SANDBOX

9. Permission to establishing a Regulatory Sandbox.- The Authority may grant permission to operate a Regulatory Sandbox, in accordance with the procedure under this Chapter when, in its opinion, it is necessary to do so for the promotion of any innovation.

10.Applications for Establishing a Regulatory Sandbox.-(1)Any person seeking permission to establish a Regulatory Sandbox may make an application in such manner along with such fee as may be prescribed and shall indicate the need for regulatory sandbox and the proposed sandbox operator.

(2)The Authority shall seek the inputs and recommendations of the Sandbox Operator proposed in such application, on the feasibility and desirability of the proposed Regulatory Sandbox.

(3) The Authority shall, within 60 days from the date of any application under this section, either reject such application or permit to establish a Regulatory Sandbox.

(4) Where the Authority is of the opinion that it is feasible and desirable to permit the establishment of the proposed Regulatory Sandbox, it shall,-

- (a) make an order in writing, indicating the need for such Regulatory Sandbox, with specific reference to the need to provide exemptions or modifications of any law for promoting the innovation in question subject to such conditions as it deem fit and the potential for such innovation to provide wider benefits to society, and;

- (b) permit to establish a Regulatory Sandbox by notification under Section 13.

(5) Where the Authority is of the opinion that it is not feasible or desirable to set up the proposed Regulatory Sandbox as sought by the applicant, or such innovation does not require the relaxation or exemption from any law for its promotion, it shall reject the application through an order in writing.

(6) No order under sub-section (4) or sub-section (5) shall be issued by the Authority without giving the applicant an opportunity of being heard, and also holding a public consultation with concerned stakeholders in such manner as may be prescribed.

11. Suo Moto Establishment of a Regulatory Sandbox.-(1)Notwithstanding anything contained in section 9, where the Authority is of the view that it is necessary to do so, it may, on its own motion, establish a Regulatory Sandbox and designate a Sandbox Operator, in accordance with the procedure under section 13.

(2) A decision to establish a Regulatory Sandbox under sub-section (1) shall be taken in accordance with the following procedure, namely:-

- (a) A notice shall be issued to the general public with the details of the Regulatory Sandbox proposed to be set up and the proposed Sandbox Operator, inviting submissions for inputs within a period of [thirty days] from the date of the notice.

Explanation:The notice shall be deemed to be issued to the public, if such notice is placed on the website of the Authority and is published in an English newspaper and a Kannada newspaper having the highest circulation in the State.

- (b) The Authority shall, after the expiry of thirty days from the date of issue of the notice under clause (a), hold a public consultation, in such manner as may be prescribed, seeking inputs from stakeholders on the feasibility and desirability of setting up the Regulatory Sandbox.
- (c) The Authority shall seek the inputs and recommendations of the proposed Sandbox Operator on the feasibility and desirability of the proposed Regulatory Sandbox.

(3) Where the Authority is of the opinion that it is feasible and desirable to establish the proposed Regulatory Sandbox, it shall,-

- (a) make an order in writing, indicating the need for such Regulatory Sandbox, with specific reference to the need to provide exemptions or modifications of any law for promoting the innovation in question subject to such conditions as it deem fit and the potential for such innovation to provide wider benefits to society, and;

- (b) establish a Regulatory Sandbox by notification under Section 13.

(4) Where the Authority is of the opinion that it is not feasible or desirable to set up the proposed Regulatory Sandbox, or that such innovation does not require the relaxation or exemption from any law for its promotion, it shall reject the application through an order in writing.

12. Terms and Conditions for participants in the Regulatory Sandbox.-(1)Every participant in the Regulatory Sandbox shall follow such terms and conditions as may be prescribed.

(2) Such conditions may provide for all or any of the following, namely:-

(a) Time period and geographical area within which an innovation may be conducted and goods or services may be offered to the prescribed customers:

Provided that, the time period of a Regulatory Sandbox shall not be more than one year, subject to any extension made under Section 15, however for recorded reasons it may be further extended for not more than one year.

(b) The eligibility and number of customers to whom goods or services may be offered;

(c) The consumer protection and risk mitigation safeguards to be followed by participants, including, but not limited to dispute and grievance redressal conditions, mandatory disclosures of risks to customers, requirements for obtaining consumer consent and adequate compensation arrangements in case of defaults;

(d) Capital requirements of the participants;

(e) Data security and confidentiality requirements;

(f) Reporting requirements of the participants to the Sandbox Operator; and

(g) Any other terms or conditions as the Authority may deem fit.

(3) The Sandbox Operator shall be responsible for overseeing the compliance of the participants within the terms and conditions of the Regulatory Sandbox.

13. Regulatory Sandbox to be established by Notification.-(1)Where the Authority establishes a Regulatory Sandbox in exercise of its powers under Section 10 and 11, it shall do so by notification in the Official Gazette, and such Regulatory Sandbox shall come into effect from the date of such notification.

(2) Any notification made under sub-section (1) shall specify the provisions of laws which are exempted or modified, as well as the terms and conditions to be followed by participants in the Regulatory Sandbox, period of operation of the Regulatory Sandbox and shall specify the Sandbox Operator.

(3) Any notification made under sub-section (1) shall have effect despite anything inconsistent in any other law in force or any instrument under any such law.

(4) No notification made by the Authority under sub-section (1) shall have retrospective effect.

(5) Any notification made under sub-section (1) shall cease to have effect after the expiry of the period permitted or withdrawal of the Regulatory Sandbox under section 16.

(6) Every notification issued under this section shall be laid before each house of the state legislature.

14. Participation in the Regulatory Sandbox.-(1)A Sandbox Operator shall, within thirty days from the date of notification of a Regulatory Sandbox under section 13, call for applications from any person desiring to participate in the Regulatory Sandbox.

(2) No person shall be eligible to make any application under sub-section (1) unless,-

(a) he carries on business or has a registered office or branch office in Karnataka;and

(b) the goods or service sought to be tested in the Regulatory Sandbox are proposed to be deployed in or operated in a larger scale, from Karnataka.

(3) The application shall be in such form and in such manner as may be prescribed, and shall indicate the manner in which the proposed participant fulfils the conditions laid down by the Authority to participate in the regulatory sandbox, as well as the criteria laid down under sub-section (5).

(4) The Sandbox Operator, shall, within a period of thirty days from the receipt of any application under this section either reject an application, or approve it. In approving or rejecting any application for participation in the Regulatory Sandbox, it shall ensure the proposed participant meets the following criteria that,-

- (a) the goods or services are provided within the scope of the Regulatory Sandbox;
- (b) there are regulatory barriers in the form of any laws which restrict or prohibit the deployment of the goods or services;
- (c) the goods or services offered by such person is ready for testing in the market and the proposed participant has a well-developed testing plan for implementing the goods or services within the Regulatory Sandbox;
- (d) there is a genuine innovation, significantly different from available offerings in the same market, which utilizes a new technology or utilizes existing technology in a novel manner;
- (e) the goods or services deliver an identifiable benefit to consumers within Karnataka;
- (f) the deployment of the goods or services is in the larger public interest, including, inter alia, the ability of the goods or services to generate employment in Karnataka;
- (g) the goods or services does not expose consumers to significant levels of risks of harms, injuries or losses;
- (h) the proposed participant has the ability to, and the goods or services is capable of, deployment at a larger scale after the expiry of the period of testing under the Regulatory Sandbox; and
- (i) the goods or services are designed to be deployed or operated from and within the Karnataka under the existing Regulatory Sandbox.

(5) The Sandbox Operator may, for the purpose of assessing the applications made under this section,-

- (a) consult the Authority; or
- (b) request for any information from the proposed participant.

(6) Any order of approval or rejection of any application under sub-section (4) shall be accompanied by reasons in writing and shall be published on the website of the Authority and the Sandbox Operator.

(7) The Sandbox Operator, may, before approving any application, upon consultation with the proposed participant, recommend further terms or conditions for participation of the applicant in the Regulatory Sandbox, to be notified by the Authority under section 15.

(8) A participant may begin testing the approved goods or services in the Regulatory Sandbox as soon as the order of approval of their participation has been made under this section.

(9) No material changes to the goods or services offered by a participant in a Regulatory Sandbox shall be made without obtaining the prior approval of the Sandbox Operator in writing.

Note:For the purpose of this sub-section, material changes are any changes which affect the criteria for evaluation of the goods or services under sub-section (4).

(10) The Sandbox Operator shall, upon consultation with each participant, recommend the transition strategy to be followed by the participant to ensure the protection of consumers and the compliance with laws in the event of the expiry or withdrawal of the Regulatory Sandbox under section 16.

(11) Such information about the participants in the Regulatory Sandbox shall be disclosed on the website of the Authority and the Sandbox Operator, as may be prescribed.

15. Modification of Regulatory Sandbox.-(1) The Authority may, by notification in the Official Gazette, upon its own motion, or upon the recommendation of the Sandbox Operator, modify any of the exemptions or modifications of law provided in the notification made under section 13, insofar as it applies to any participant.

(2) The Authority may, upon the recommendation of the Sandbox Operator, by notification in the Official Gazette, modify any of the terms and conditions imposed under section 12, insofar as it applies to any participant.

(3) Authority may on application by the Sandbox operator, may modify the terms and conditions of Sandbox permission to such extent and in such manner as it deems fit.

(4) Every notification issued under this section shall be laid before each house of the State Legislature.

(5) Any modifications, made under sub-sections (1) and (2), shall not affect the validity of anything previously done by any applicant or participant under this Act.

16.Expiry or Withdrawal of the Regulatory Sandbox.-(1) The Regulatory Sandbox shall be discontinued upon the expiry of the time period prescribed under section 12, subject to any modification of the time period made under section 15.

(2) The Sandbox Operator may revoke the approval of any participant in the Regulatory Sandbox if such participant,-

- (a) expresses his desire to discontinue his participation in the Regulatory Sandbox, by sending a notice in writing to the Sandbox Operator, with reasons for the same;
- (b) fails to comply with the conditions prescribed by the Authority or the Sandbox Operator;
- (c) has submitted false, misleading or inaccurate information, or has concealed or failed to disclose material facts;
- (d) has, in the course of business, contravened any other provisions of law in force which has not been expressly exempted or modified by the Authority; and
- (e) carries on its business in a manner detrimental to its consumers or the public at large; or offers goods or services with a technical fault or vulnerability which regularly causes failure of the goods or service or leads to high incidences of fraud.

(3) Any order of revocation made under sub-section (2) shall be a reasoned order made in writing and shall be binding.

(4) Every participant in the Regulatory Sandbox shall be liable to comply with all applicable laws after the discontinuation of the Regulatory Sandbox.

(5) No order of revocation against a participant shall be issued by the Sandbox Operator without giving the participant an opportunity of being heard.

17. Appeals.-(1) Any person aggrieved by the order of the sandbox operator may appeal to the authority within 30 days from the date of such order.

(2) The authority may consider the appeal and dispose it after giving an opportunity of being heard to the applicant and may make suitable orders in this regard and order of the authority shall be final.

CHAPTER-IV MISCELLANEOUS

18. Establishment of Technical Secretariat.-(1) The Authority shall be assisted by a Technical Secretariat.

(2) The Technical Secretariat shall be set up by the State Government to provide logistical, technical and research support for the implementation of the provisions of this Act, and to oversee the Sandbox Operators and the Sandbox Participants.

(3) The Technical Secretariat shall perform such functions as may be prescribed.

(4) The Technical Secretariat shall be headed by the Member-Secretary of the Authority and staffed by such persons as may be enlisted and their method of recruitment, minimum qualification and conditions of service shall be such as may be prescribed.

(5) The salary and allowances of said staff shall be defrayed out of the fund of the Authority.

19. Budget of the Authority.-(1) The Authority shall prepare every year, before such date and in such form as may be prescribed, a budget estimate of its income & expenditure for the financial year to commence on the first day of April and shall forward it to the Government for sanction. The authority may also prepare supplementary budget estimates, during the course of any financial year, if necessary.

(2) The Government shall approve the budget estimates and supplementary budget estimates with or without modification.

(3) In cases of extreme urgency, the Members Secretary shall be competent to incur expenditure not exceeding 5 lakhs of rupees in a financial year, notwithstanding the fact that such expenditure has not been included in the annual or supplementary budget estimates approved by the Government under sub-section(2).

(4) The Member Secretary shall also have power to re-appropriate funds from one unit of expenditure to another unit, subject to a maximum of rupees one lakh at a time.

20. Funds of the Authority.-(1) There shall be a fund called as the Karnataka Innovation Authority fund.

(2) There shall be credited to the said fund,-

(a) All grants, subventions, donations and gifts made by the Central Government, State Government, any local authority or any body, whether incorporated or not or any person;

(b) The amount borrowed by the authority; and

(c) All other sums received by or on behalf of the Authority from any sources whatsoever.

(3) Except as otherwise directed by the Government all money credited to the fund shall be invested in any Nationalized bank or in the State Government treasury.

(4) The administrative expenses of the Authority including the salaries, allowances and pension if any, payable to the officers and employees of the Authority shall be defrayed out of the fund of the Authority.

21. Accounts and audits.-(1) The Member Secretary or an officer not below the rank of Deputy Secretary to Government designated by him shall cause maintenance of such books of accounts and other registers as may be prescribed and shall prepare in the prescribed manner an annual statement of accounts.

(2) The financial year of the authority shall commence on 1st April of each calendar year and shall end on 31st March of the succeeding calendar year.

(3) The accounts of the Authority shall be audited annually by the Controller, State Audit and Accounts Department. The Authority or the Government may order concurrent and special audits also.

(4) The Auditor shall, for the purposes of the audit, have access to all the accounts and other records of the Authority.

(5) As soon as may be after the receipt of the annual statement of accounts and the report of the auditor, the Authority shall consider it in its meeting and send a copy of the annual statement of accounts together with a copy of the report of the auditor to the Government to lay it before both Houses of the State Legislature, along with its explanation on the comments made by the auditor, if any, and a statement of action taken by the Authority to remedy the irregularities or loopholes, if any, pointed out by the auditor.

22. Annual Report.-(1) The Authority shall, within three months from the end of every calendar year, submit its annual report in such Form as may be prescribed to the Government and same shall be published on the website of the Authority.

(2) The Government shall cause to be laid the Annual Report with compliance before the each house of the State Legislature.

23. Confidentiality of Information.- Notwithstanding anything contained in this Act, the Authority, or the Sandbox Operator, as the case may be, shall maintain the confidentiality of such information disclosed by the Applicant or the Participant, including commercial confidence, trade secrets or intellectual property, the disclosure of which would harm the competitive position of any applicant or participant in the Regulatory Sandbox.

24. Protection of action taken in good faith.-No suit, prosecution or other legal proceeding shall lie against any person for anything which is in good faith done or purported to be done under this Act.

25. Penalties.-(1) Any Sandbox operator or any participant who violates any of the conditions laid down by the Authority or the Sandbox operator shall in addition to revocation of permission to operate or participate be liable for a fine which may extend to rupees five lakhs or such amount to the extent of which a damage is caused to any public in operating or participating in the regulatory sandbox. The Authority shall after summary enquiry and after giving an opportunity to represent, impose fine on defaulting Sandbox operator or participant and make good the loss incurred by the concerned public the damage so caused.

(2) Any person aggrieved by the order of the Authority under sub-section(1) may appeal to the concerned district judge having jurisdiction.

26. Bar of Jurisdiction on Civil Courts.- No Civil Court below the court of District Judge shall have jurisdiction to settle, decide or deal with any question or to determine any matter which is by or under this Act required to be settled, decided or dealt with or to be determined under the provisions of section 17 and 25.

27. Power to removal of difficulties.-(1) If any difficulty arises in giving effect to the provisions of this Act, the Government may by notification, make such provisions not inconsistent with the provisions of this Act, as appear to it to be necessary or expedient for removing the difficulty:

Provided that, no such notification shall be issued after the expiry of two years from the date of commencement of this Act.

(2) Every order issued under Sub-section (1) shall be laid before each house of the State Legislature.

28. Act to override other laws.- The provisions of this Act and the orders issued or made thereunder shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force.

29. Power to make rules.-(1) The Government may by notification, after previous publication, make rules to carry out the purposes of this Act.

(2) Every rules or notifications made under this Act shall be laid as soon as may be after it is made, before each house of the State Legislature while it is in session, for a total period of 30 days which may be comprised in one session or in two or more successive sessions and if before the expiry of the session immediately following the session or the successive sessions aforesaid, both houses agree in making any modification in the rules or notification or both houses agree that the rule or notifications should not be made, the rule or notification shall, from the date on which the modification or annulment is notified have effect only in such modified form or be of no effect as the case may be; so, however, that any such modification or annulment shall be, without prejudice to the validity of anything previously done under that rules or notification.

30. Power to make regulations.-The Authority may subject to the provisions of this Act and the rules made under section 29 and with the previous sanction of the Government, by notification make regulations to carry out the purposes of this Act.

31. Transitory provisions.- Any rule, notification or order made or issued under the Karnataka Innovation Authority Ordinance, 2019 (Karnataka Ordinance No. 2 of 2019) or otherwise providing for or relating to any of the matters for the furtherance of which this Act is enacted, before the commencement of this Act and in force on the date of commencement of this Act, to the extent they are not inconsistent with the provisions of this Act, shall continue to be in force and effective as if they are made or issued under the corresponding provisions of this Act unless and until superseded by anything done or any action taken or any rule, notification or order, made under this Act.

32. Repeal and Savings.- (1) The Karnataka Innovation Authority Ordinance, 2019 (Karnataka Ordinance No. 2 of 2019) is hereby repealed.

(2) Notwithstanding such repeal anything done or any action taken under this Ordinance shall be deemed to have been done or taken under this Act.

STATEMENT OF OBJECTS AND REASONS

The Government of Karnataka witnesses development of innovative products and services using descriptive technologies which usually do not fall within the parameters of established regulatory regimes. These innovators are subject to legal hardship and this curbs innovation to happen, while amendment to the law to address regulatory challenges thrown by these new products and services using emerging technologies takes time, a legal frame work to enable innovation, needs to be established in interim. Therefore, "Karnataka Innovation Authority " is to be established to enable setting up of "Regulatory Sandboxes" wherein such innovators are allowed a small window of exemption for a prescribed period to carry out innovation and the State also gets to observe such innovations and time to respond with further legislation and amendments, if required.

The Karnataka State is one of the Global Innovation Hubs. Several Foreign Countries are having Global Alliance with Karnataka. NitiAyog of Government of India has ranked Karnataka as the top most Innovative State in the country. Bengaluru Tech Summit, flagship event of the State Government, on Information Technology, Biotechnology, Electronics, Animation and Startups, is scheduled from 18th to 20th November 2019 at Bengaluru Palace. Government has received confirmations of participation from 20 foreign countries. The setting up of Karnataka Innovation Authority is proposed to be announced by Hon'ble Chief Minister during the inauguration of Bengaluru Tech Summit 2019 on 18th November, 2019, to signal to the world that Karnataka is way ahead of others in promoting and encouraging innovation and entrepreneurship. Hence there is a great need to sustain this position in view of the competition from other States.

Since, the matter was urgent and both the houses of the State Legislature were not in session, the Karnataka Innovation Authority Ordinance, 2019 (Karnataka Ordinance 2 of 2019) was promulgated to achieve the above object.

This Bill seeks to replace the said Ordinance.

Hence the Bill.

**EXPLANATORY STATEMENT AS REQUIRED BY SUB-RULE (1) OF RULE 80 OF THE
RULES OF PROCEDURE AND CONDUCT OF BUSINESS IN THE KARNATAKA
LEGISLATIVE ASSEMBLY**

The Government of Karnataka witnesses development of innovative products and services using descriptive technologies which usually do not fall within the parameters of established regulatory regimes. These innovators are subject to legal hardship and this curbs innovation to happen, while amendment to the law to address regulatory challenges thrown by these new products and services using emerging technologies takes time, a legal frame work to enable innovation, needs to be established in interim. Therefore, "Karnataka Innovation Authority" is to be established to enable setting up of "Regulatory Sandboxes" wherein such innovators are allowed a small window of exemption for a prescribed period to carry out innovation and the State also gets to observe such innovations and time to respond with further legislation and amendments, if required.

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Since, the matter was urgent and both the houses of the State Legislature were not in session, the Karnataka Innovation Authority Ordinance, 2019 (Karnataka Ordinance 2 of 2019) was promulgated to achieve the above object.

**EXPLANATORY STATEMENT AS REQUIRED BY SUB-RULE (1) OF RULE 77 OF THE
RULES OF PROCEDURE AND CONDUCT OF BUSINESS IN THE KARNATAKA
LEGISLATIVE COUNCIL**

The Government of Karnataka witnesses development of innovative products and services using descriptive technologies which usually do not fall within the parameters of established regulatory regimes. These innovators are subject to legal hardship and this curbs innovation to happen, while amendment to the law to address regulatory challenges thrown by these new products and services using emerging technologies takes time, a legal frame work to enable innovation, needs to be established in interim. Therefore, "Karnataka Innovation Authority" is to be established to enable setting up of "Regulatory Sandboxes" wherein such innovators are allowed a small window of exemption for a prescribed period to carry out innovation and the State also gets to observe such innovations and time to respond with further legislation and amendments, if required.

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Since, the matter was urgent and both the houses of the State Legislature were not in session, the Karnataka Innovation Authority Ordinance, 2019 (Karnataka Ordinance 2 of 2019) was promulgated to achieve the above object.

FINANCIAL MEMORANDUM

There is an approximate extra expenditure to the extent of rupees one crore involved in the proposed legislative measure.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 4:	Sub-clause (3), empowers the State Government to make rules regarding the manner in which the ex-officio members may be appointed.
Clause 5:	Sub-clause (6), empowers the State Government to make rules, regarding powers and duties to be exercised and performed by the Member Secretary
Clause 7:	In item (iii), empowers the State Government to make rules regarding the manner of public consultations with relevant stakeholders prior to, during, or after establishing a regulatory sandbox. In item (iv), empowers the State Government to make rules regarding the powers and functions to be performed by the Authority.
Clause 10:	Sub-clause (1), empowers the State Government to make rules regarding the manner of application along with fees to establish a regulatory sandbox. Sub-clause (6), empowers the State Government to make rules regarding the manner of holding a public consultation with concerned stake holders.
Clause 12:	Sub-clause (1), empowers the State Government to make rules regarding the terms and conditions to be followed by the participants in the regulatory sandbox.
Clause 14:	Sub-clause (3), empowers the State Government to make rules regarding the form and the manner of application to participate in the regulatory sandbox. Sub-clause (11), empowers the State Government to make rules regarding the information about the participants in the regulatory sandbox to be disclosed in the website of the Authority and the sandbox operator.
Clause 21:	Sub-clause (1), empowers the State Government to make rules regarding the maintenance of books of accounts and other registers.
Clause 22:	Sub-clause (1), empowers the State Government to make rules regarding the form in which the Authority shall submit its annual report.

The proposed delegation of legislative power is normal in character.

Dr. Ashwath Narayan C.N
Deputy Chief Minister and
Minister for Higher Education, IT & BT,
Science and Technology
Skill Development,
Entrepreneurship Livelihood,

M.K. Vishalakshi
Secretary (I/c)
Karnataka Legislative Assembly