



Senator Steve Wilson
Senate Bill 249
Sponsor Testimony
House Financial Institutions Committee

Chairman Jordan, Vice Chair Ferguson and Ranking Member Crossman, and members of the House Financial Institutions Committee. Thank you for the opportunity to testify before you today on Senate Bill 249.

This legislation creates a regulatory sandbox program for novel financial products and services in Ohio. As defined in the bill, a regulatory sandbox program is a closed environment, designed for temporarily testing novel financial products or services to a limited access of the market. The sandbox will be administered under the Department of Commerce within the Division of Financial Institutions, where the Superintendent will establish the regulatory sandbox program in consultation with applicable state and federal agencies.

The Superintendent will approve applications to regulatory sandbox on a rolling basis and have sole authority on admitting applicants to the regulatory sandbox. The applicant must include a plan on how to wind down the test and protect consumers if the test fails. If approved, the Superintendent and sandbox participant will enter into an agreement, which will include any restrictions or limits on testing, such as number of consumers or dollars. The sandbox participant will acquire a license and registration number after disclosing necessary information to Superintendent.

The testing period is 24 months, but a shorter period of time can be agreed upon by the parties, and participants can opt out early if needed. The Superintendent may require a sandbox participant to make additional disclosures to consumers.

In order to exit the regulatory sandbox, the participant will give a 30-day notice before doing any of the following:

- Exit the sandbox, wind down its test, and cease operations within sixty days of the end of the testing period,
- Seek an extension to pursue a license or other authorization,
- If no notice is given, the sandbox participant will immediately cease operations,
- If operations require ongoing duties (such as a loan), the participant will continue those duties or arrange another entity to do so.

If product fails before end of testing period, the sandbox participant must notify the Superintendent and report actions that ensure consumer protection. In addition, the Superintendent has the authority to remove a participant if he/she has reasonable cause to believe they are in violation of the law.

In the Senate we did make an important change in committee, the substitute bill strengthened the consumer protections in the bill by only allowing the superintendent to approve applicants that prove the maximum interest rate and fees are at the legal limit. Additionally, the legislation explicitly prohibits a sandbox participant from charging interest and fees exceeding the otherwise maximum allowable for that loan.

A regulatory sandbox program will spur innovation in Ohio's financial services industry by creating a special relationship between a company and the applicable regulator where innovations can be tested with real customers without the full burden of regulation. This legislation will allow a regulator more options and explore new ideas without fearing they would impact the oversight of their existing business.

Thank you for your time today, and I would be happy to answer any questions from the committee.