

As Introduced

**134th General Assembly
Regular Session
2021-2022**

S. B. No. 249

Senator Wilson

Cosponsors: Senators Cirino, Romanchuk

A BILL

To enact sections 1355.01, 1355.02, 1355.03, 1
1355.04, 1355.05, 1355.06, 1355.07, 1355.08, 2
1355.09, 1355.10, and 1355.11 of the Revised 3
Code to create a regulatory sandbox program for 4
novel financial products and services. 5

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 1355.01, 1355.02, 1355.03, 6
1355.04, 1355.05, 1355.06, 1355.07, 1355.08, 1355.09, 1355.10, 7
and 1355.11 of the Revised Code be enacted to read as follows: 8

Sec. 1355.01. As used in this chapter: 9

(A) "Applicable agency" means a department or agency of 10
the state to which both of the following apply: 11

(1) It is authorized to regulate certain types of business 12
activity in this state and persons engaged in such business, 13
including the issuance of licenses or other types of 14
authorization. 15

(2) The superintendent of financial institutions 16
determines the department or agency would regulate a sandbox 17

participant if the person were not a sandbox participant. 18

(B) "Consumer" means a person that obtains, from a sandbox participant, a novel financial product or service that is to be used primarily for personal, family, household, or business purposes. "Consumer" includes a legal representative of the person. 19
20
21
22
23

(C) "Financial product or service" means a product or service that requires licensure or other authorization under, or that includes a business model, delivery mechanism, or element that requires a license or other authorization to act as a financial institution or other person that is regulated by, Title XI or Chapter 1315., 1321., 1322., 1733., 4712., 4727., or 4728. of the Revised Code. "Financial product or service" does not include a product or service that requires licensure under, or that includes a business model, delivery mechanism, or element that requires a license to act as a person regulated by, Chapter 1707. of the Revised Code. 24
25
26
27
28
29
30
31
32
33
34

(D) "Novel financial product or service" means a financial product or service that makes use of or incorporates new or emerging technology, or reimagines uses of existing technologies, to address a problem, provide a benefit, or otherwise offer a product, service, business model, or delivery mechanism that is not known by the superintendent of financial institutions to have a comparable widespread offering in this state. 35
36
37
38
39
40
41
42

(E) "Person" has the same meaning as in section 1.59 of the Revised Code. 43
44

(F) "Regulatory sandbox" means the program established by this chapter under which a person is licensed to temporarily 45
46

test a novel financial product or service on a limited basis 47
without otherwise being licensed or authorized to act under the 48
laws of this state. 49

(G) "Sandbox participant" means a person that has been 50
granted a license to test a novel financial product or service 51
in the regulatory sandbox. 52

(H) "Test" means to provide products and services as 53
allowed by this chapter. 54

Sec. 1355.02. The superintendent of financial institutions 55
shall establish a regulatory sandbox program in consultation 56
with applicable agencies to enable a person to obtain limited 57
access to the market in this state to test novel financial 58
products or services without obtaining any other license or 59
authorization that otherwise would be required. 60

Sec. 1355.03. (A) (1) Any person may apply to enter the 61
regulatory sandbox to test a novel financial product or service. 62

(2) A person shall file an application with the 63
superintendent of financial institutions in order to test a 64
novel financial product or service if either of the following 65
applies: 66

(a) The person does not hold a license or other 67
authorization under Title XI or Chapter 1315., 1321., 1322., 68
1733., 4712., 4727., or 4728. of the Revised Code. 69

(b) The person holds a license or other authorization 70
under Title XI or Chapter 1315., 1321., 1322., 1733., 4712., 71
4727., or 4728. of the Revised Code, and the novel financial 72
product falls outside the scope of that license or 73
authorization. 74

(3) A person shall file a separate application for each novel financial product or service sought to be tested. 75
76

(B) The superintendent shall develop and make publicly available an application form. 77
78

(1) The application form shall require the applicant to provide all of the following: 79
80

(a) Evidence that the applicant is subject to the jurisdiction of the superintendent, which may be demonstrated through incorporation, residency, an agreement with the superintendent by which the sandbox participant agrees to be subject to the laws and courts of this state relating to any action arising out of the applicant's testing a novel financial product or service in the regulatory sandbox, or otherwise; 81
82
83
84
85
86
87

(b) Evidence that the applicant has established a location in the United States, whether physical or virtual, that is adequately accessible to the superintendent from which testing will be developed and performed and where all required records, documents, and data will be maintained; 88
89
90
91
92

(c) Payment of an application fee established by the superintendent. 93
94

(2) The application form may require the applicant to provide the following information: 95
96

(a) Relevant personal and contact information for the applicant, including full legal names, addresses, telephone numbers, electronic mail addresses, web site addresses, and other information that the superintendent considers necessary; 97
98
99
100

(b) Disclosure of any criminal convictions or pleas of guilty of the applicant and key personnel; 101
102

<u>(c) A description of the novel financial product or</u>	103
<u>service desired to be tested, including statements regarding all</u>	104
<u>of the following:</u>	105
<u>(i) How a novel financial product or service is subject to</u>	106
<u>regulation outside of the regulatory sandbox;</u>	107
<u>(ii) How the novel financial product or service would</u>	108
<u>benefit consumers;</u>	109
<u>(iii) How the novel financial product or service is</u>	110
<u>different from other products or services available in this</u>	111
<u>state;</u>	112
<u>(iv) What risks will confront consumers that use or</u>	113
<u>purchase the novel financial product or service;</u>	114
<u>(v) How entering the regulatory sandbox would enable a</u>	115
<u>successful test of the novel financial product or service;</u>	116
<u>(vi) A description of the proposed testing plan, including</u>	117
<u>estimated time periods for market entry, market exit, and the</u>	118
<u>pursuit of necessary licensure or authorization;</u>	119
<u>(vii) How the applicant would wind down the test and</u>	120
<u>protect consumers if the test fails.</u>	121
<u>(3) As part of its application, an applicant may request</u>	122
<u>that in testing a novel financial product or service, the</u>	123
<u>applicant be exempt from the operation of any state law other</u>	124
<u>than this chapter, including sections 1345.01 to 1345.13 of the</u>	125
<u>Revised Code. In requesting an exemption, an applicant shall</u>	126
<u>demonstrate why compliance would burden the applicant or hinder</u>	127
<u>the test. The superintendent may grant or deny the request at</u>	128
<u>the superintendent's discretion.</u>	129
<u>(C) (1) After the applicant submits the application with</u>	130

the information required by division (B) of this section, the 131
superintendent shall review the application. 132

Not later than ninety days after an application is 133
initially submitted, the superintendent shall approve or deny 134
the application and notify the applicant of the decision unless 135
the superintendent notifies the applicant within this time 136
period that additional information is required. If additional 137
information is required, the applicant shall have thirty days to 138
file the additional information with the superintendent, and the 139
superintendent shall have an additional ninety days from receipt 140
of the additional information to approve or deny the 141
application. 142

The superintendent shall accept and review applications 143
for entry into the regulatory sandbox on a rolling basis. 144

(2) The superintendent may only approve an application if 145
all of the following conditions are met: 146

(a) The applicant has provided to the superintendent all 147
of the information required by the application form and any 148
additional information requested by the superintendent. 149

(b) The applicant has paid the application fee. 150

(c) The superintendent has consulted with all applicable 151
agencies as described in section 1355.04 of the Revised Code. 152

(d) The application contains sufficient information to 153
demonstrate that the applicant has an adequate understanding of 154
the novel financial product or service and a sufficient plan to 155
test, monitor, and assess the novel financial product or service 156
while ensuring consumers are protected from a test's failure. 157

(e) If the novel financial product or service is a type of 158

short-term consumer loan, the applicant has proven that the 159
consumer will not be charged interest and fees in connection 160
with the loan that are higher than what are otherwise permitted 161
under the laws of this state for a substantially similar loan 162
product. 163

(f) The applicant has met any other condition imposed by 164
the superintendent. 165

(3) The superintendent may deny an application in the 166
superintendent's discretion. If the superintendent does not 167
approve the application within the timeframe described in 168
division (C) (1) of this section, the application is deemed 169
denied. A denial is not an appealable action for the purposes of 170
section 119.12 of the Revised Code. 171

Sec. 1355.04. (A) The superintendent of financial 172
institutions shall consult with all applicable agencies before 173
admitting a person into the regulatory sandbox. This 174
consultation may include seeking information about any of the 175
following: 176

(1) Whether the applicable agency previously has either: 177

(a) Issued a license or other authorization to the 178
applicant; 179

(b) Investigated, sanctioned, or pursued legal action 180
against the applicant. 181

(2) Whether the applicant could obtain a license or other 182
authorization from an applicable agency after exiting the 183
regulatory sandbox. 184

(B) The superintendent has sole authority to make the 185
final decision whether to admit a person into the regulatory 186

<u>sandbox.</u>	187
<u>Sec. 1355.05. (A) If the superintendent of financial</u>	188
<u>institutions approves an application for entry into the</u>	189
<u>regulatory sandbox, the applicant is considered a sandbox</u>	190
<u>participant and the superintendent shall issue the sandbox</u>	191
<u>participant a license number.</u>	192
<u>(B) The superintendent and sandbox participant shall enter</u>	193
<u>into an agreement regarding the scope of the sandbox</u>	194
<u>participant's test including any restrictions or limits on</u>	195
<u>testing such as the number of consumers permitted to use the</u>	196
<u>novel financial product or service and any dollar limits.</u>	197
<u>(C) The sandbox participant may test the novel financial</u>	198
<u>product or service for a period of twenty-four months following</u>	199
<u>the date of approval, unless the sandbox participant and</u>	200
<u>superintendent agree to a shorter period of time. A sandbox</u>	201
<u>participant may opt out of the sandbox prior to the expiration</u>	202
<u>of the testing period. If a sandbox participant opts out early,</u>	203
<u>it must comply with the requirements of section 1355.07 of the</u>	204
<u>Revised Code.</u>	205
<u>(D) This section does not restrict a sandbox participant</u>	206
<u>that holds another license or authorization from acting pursuant</u>	207
<u>to and in accordance with that other license or authorization. A</u>	208
<u>sandbox participant that holds another license or authorization</u>	209
<u>may continue to operate in accordance with that license or</u>	210
<u>authorization with regard to financial products or services that</u>	211
<u>are not the novel financial product or service being tested in</u>	212
<u>the regulatory sandbox.</u>	213
<u>(E) Except as otherwise provided in this chapter, a</u>	214
<u>sandbox participant is not subject to state laws that establish</u>	215

requirements pursuant to a license or authorization issued by an 216
applicable agency that otherwise would or may regulate a novel 217
financial product or service. 218

(F) The superintendent may determine that certain state 219
laws that regulate a financial product or service apply to a 220
sandbox participant. If the superintendent makes this 221
determination and approves an application for entry into the 222
regulatory sandbox, the superintendent shall notify the sandbox 223
participant of the specific state regulatory laws that will 224
apply to the sandbox participant. 225

(G) The superintendent may require applicants and sandbox 226
participants to utilize a multistate licensing system in 227
accordance with section 1181.23 of the Revised Code in complying 228
with this chapter. 229

Sec. 1355.06. (A) Before providing a novel financial 230
product or service to a consumer, a sandbox participant shall 231
disclose to the consumer all of the following: 232

(1) The name and contact information of the sandbox 233
participant, including the license number provided by the 234
superintendent of financial institutions pursuant to division 235
(A) of section 1355.05 of the Revised Code; 236

(2) That the novel financial product or service is 237
authorized pursuant to the regulatory sandbox and, if 238
applicable, that the sandbox participant does not have a license 239
or other authorization to generally provide products or services 240
under state laws that regulate a financial product or service 241
that is outside the regulatory sandbox; 242

(3) That the state does not endorse or recommend the novel 243
financial product or service; 244

(4) That the novel financial product or service is a 245
temporary test that may be discontinued at the end of the 246
testing period, including the expected end date of the testing 247
period; 248

(5) That consumers may contact the superintendent to file 249
complaints regarding the novel financial product or service 250
being tested and provide the superintendent's telephone number 251
and web site address where complaints may be filed. 252

(B) The notifications prescribed by division (A) of this 253
section shall be provided to consumers in a clear and 254
conspicuous form. For internet- or application-based novel 255
financial products or services, the sandbox participant shall 256
require consumers to acknowledge receipt of these notifications 257
before completion of a transaction. 258

(C) The superintendent may require a sandbox participant 259
to make additional disclosures to consumers. When the 260
superintendent approves an application for entry into the 261
regulatory sandbox, the superintendent shall notify the sandbox 262
participant of any additional required disclosures. 263

Sec. 1355.07. (A) Not less than thirty days before the end 264
of a sandbox participant's testing period, the sandbox 265
participant shall do either of the following: 266

(1) Notify the superintendent of financial institutions 267
that the sandbox participant will exit the regulatory sandbox, 268
wind down its test, and cease offering any novel financial 269
products or services in the regulatory sandbox within sixty days 270
of the end of the testing period; 271

(2) Seek an extension pursuant to section 1355.08 of the 272
Revised Code to pursue a license or other authorization required 273

<u>by law.</u>	274
<u>(B) If the superintendent does not receive notification</u>	275
<u>pursuant to division (A) of this section, the regulatory sandbox</u>	276
<u>testing period ends at the expiration of the time period</u>	277
<u>designated by the superintendent pursuant to division (C) of</u>	278
<u>section 1355.05 of the Revised Code, and the sandbox participant</u>	279
<u>shall immediately cease offering novel financial products or</u>	280
<u>services.</u>	281
<u>(C) If a test includes offering products or services that</u>	282
<u>require ongoing duties, such as servicing a loan, the sandbox</u>	283
<u>participant shall continue to fulfill those duties or arrange</u>	284
<u>for another person to fulfill those duties after the date the</u>	285
<u>sandbox participant exits the regulatory sandbox.</u>	286
Sec. 1355.08. <u>(A) A sandbox participant may request an</u>	287
<u>extension of the regulatory sandbox testing period for the</u>	288
<u>purpose of pursuing a license or other authorization required by</u>	289
<u>law.</u>	290
<u>(B) The superintendent of financial institutions may grant</u>	291
<u>or deny a request for an extension pursuant to division (A) of</u>	292
<u>this section by the end of the testing period. The</u>	293
<u>superintendent shall not grant an extension that is effective</u>	294
<u>for more than one year following the end of the initial</u>	295
<u>regulatory sandbox testing period.</u>	296
<u>(C) A sandbox participant that obtains an extension</u>	297
<u>pursuant to division (B) of this section shall provide the</u>	298
<u>superintendent with a written report every three months that</u>	299
<u>provides an update on the sandbox participant's efforts to</u>	300
<u>obtain a license or other authorization, including any submitted</u>	301
<u>applications for licensure or other authorization, rejected</u>	302

applications, or issued licenses or other authorizations. 303

Sec. 1355.09. (A) A sandbox participant shall retain 304
records, documents, and data produced in the ordinary course of 305
business regarding a novel financial product or service tested 306
in the regulatory sandbox. 307

(B) If a novel financial product or service fails before 308
the end of the testing period, the sandbox participant shall 309
notify the superintendent of financial institutions and report 310
on actions taken to ensure consumers have not been harmed as a 311
result of the failure of the novel financial product or service. 312

(C) A sandbox participant is subject to the requirements 313
of section 1349.19 of the Revised Code and shall notify the 314
superintendent of any breach of the security of the system as 315
defined in section 1349.19 of the Revised Code. 316

Sec. 1355.10. (A) Except for the name of a sandbox 317
participant and overview of a sandbox participant's novel 318
financial product or service, records that are submitted to or 319
obtained by the superintendent of financial institutions or an 320
applicable agency pursuant to this chapter are not public 321
records for the purposes of section 149.43 of the Revised Code 322
and shall not be disclosed except in accordance with this 323
section. The name of a sandbox participant and an overview of a 324
sandbox participant's novel financial product or service are 325
public records and may be disclosed. 326

(B) The superintendent or applicable agency may disclose 327
records and information that are submitted or obtained pursuant 328
to this chapter to any of the following: 329

(1) State and federal agencies; 330

(2) Representatives of foreign countries that have 331

regulatory or supervisory authority over the activities of the 332
sandbox participant; 333

(3) A federal, state, or county grand jury in response to 334
a lawful subpoena; 335

(4) The auditor of state for the purpose of conducting an 336
audit authorized by law. 337

(C) The superintendent and any applicable agency consulted 338
by the superintendent pursuant to section 1355.04 of the Revised 339
Code are not liable for the disclosure of records, information, 340
or data received or obtained pursuant to this chapter. 341

(D) (1) The disclosure pursuant to division (B) of this 342
section of a complaint or the results of an examination, 343
inquiry, or investigation of a sandbox participant does not make 344
that information a public record and the superintendent or 345
appropriate agency shall not disclose that information unless 346
otherwise permitted to do so by a provision of the Revised Code. 347

(2) If a sandbox participant or the sandbox participant's 348
holding company obtains information as a result of an 349
examination, inquiry, or investigation, the sandbox participant 350
or the sandbox participant's holding company shall not disclose 351
that information to the general public unless the disclosure is 352
required by law. A sandbox participant or the sandbox 353
participant's holding company shall not disclose, use, or 354
reference in any form comments, conclusions, or results of an 355
examination, inquiry, or investigation in any type of 356
communication to a consumer or potential consumer. A violation 357
of division (D) (2) of this section is an unconscionable act or 358
practice for the purposes of Chapter 1345. of the Revised Code. 359

(E) This section shall not be construed to prohibit the 360

disclosure of information that is admissible in evidence in a 361
civil or criminal proceeding brought by a state or federal law 362
enforcement agency to enforce or prosecute civil or criminal 363
violations of law. 364

Sec. 1355.11. (A) The superintendent of financial 365
institutions may establish periodic reporting requirements for 366
sandbox participants. 367

(B) The superintendent may seek records, documents, and 368
data from sandbox participants. Upon the superintendent's 369
request, a sandbox participant shall make such records, 370
documents, and data available for inspection by the 371
superintendent. 372

(C) If the superintendent has reasonable cause to believe 373
that a sandbox participant has engaged in, is engaging in, or is 374
about to engage in any practice or transaction that is in 375
violation of this chapter, that constitutes an unfair act or 376
practice or an unconscionable act or practice under Chapter 377
1345. of the Revised Code, or that constitutes a violation of a 378
state or federal criminal law, the superintendent may revoke the 379
person's license to test one or more novel financial products or 380
services or order the sandbox participant to immediately 381
discontinue a novel financial product or service in the 382
regulatory sandbox. If, following revocation of a license or 383
discontinuance of a novel financial product or service in 384
accordance with this division, the person has any ongoing duties 385
with respect to a novel financial product or service, the 386
superintendent shall, in the order, provide for the fulfillment 387
of those duties. 388

(D) The revocation of a license or discontinuance of a 389
novel financial product or service described in division (C) of 390

<u>this section is not an appealable action for the purposes of</u>	391
<u>section 119.12 of the Revised Code.</u>	392
<u>(E) Sandbox participants are subject to Chapter 1345. of</u>	393
<u>the Revised Code.</u>	394
<u>(F) The superintendent may enter into agreements with</u>	395
<u>state, federal, or foreign regulators that allow sandbox</u>	396
<u>participants to operate in other jurisdictions and allow</u>	397
<u>entities authorized to operate in other jurisdictions to be</u>	398
<u>recognized as sandbox participants in this state.</u>	399
<u>(G) The superintendent may work with any other state or</u>	400
<u>federal agency to implement the regulatory sandbox program,</u>	401
<u>including innovateohio and the office of the attorney general.</u>	402