

**As Passed by the Senate**

**134th General Assembly**

**Regular Session**

**2021-2022**

**Sub. S. B. No. 249**

**Senator Wilson**

**Cosponsors: Senators Cirino, Romanchuk, Maharath, Hackett, Blessing, Craig,  
Dolan, Hottinger, Johnson, Lang, McColley, Reineke, Rulli, Schuring, Sykes,  
Thomas, Yuko**

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

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

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

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

(F) "Regulatory sandbox" means the program established by 45

this chapter under which a person is licensed to temporarily 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  
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(B) The superintendent shall develop and make publicly available an application form. 77  
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(1) The application form shall require the applicant to provide all of the following: 79  
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(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  
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(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  
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(c) Payment of an application fee established by the superintendent. 93  
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(2) The application form may require the applicant to provide the following information: 95  
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(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  
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(b) Disclosure of any criminal convictions or pleas of guilty of the applicant and key personnel; 101  
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<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

loan that would otherwise be subject to Chapter 1321. of the 159  
Revised Code, the applicant has proven that the consumer will 160  
not be charged interest and fees in connection with the loan 161  
that exceed the maximum otherwise permitted for that type of 162  
loan under Chapter 1321. of the Revised Code. 163

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

(3) The superintendent may consider the number of an 166  
applicant's competitors already in the sandbox as a factor in 167  
approving the application for the purpose of maintaining an 168  
appropriate level of competition within the sandbox. 169

(4) The superintendent may deny an application in the 170  
superintendent's discretion but shall inform the applicant of 171  
all reasons for the denial. A denial is not an appealable action 172  
for the purposes of section 119.12 of the Revised Code. 173

(D) The superintendent has sole authority to make the 174  
final decision whether to admit a person into the regulatory 175  
sandbox. 176

**Sec. 1355.04.** The superintendent of financial institutions 177  
shall consult with all applicable agencies before admitting a 178  
person into the regulatory sandbox. This consultation may 179  
include seeking information about any of the following: 180

(A) Whether the applicable agency previously has either: 181

(1) Issued a license or other authorization to the 182  
applicant; 183

(2) Investigated, sanctioned, or pursued legal action 184  
against the applicant. 185

(B) Whether the applicant could obtain a license or other 186

authorization from an applicable agency after exiting the 187  
regulatory sandbox. 188

Sec. 1355.05. (A) If the superintendent of financial 189  
institutions approves an application for entry into the 190  
regulatory sandbox, the applicant is considered a sandbox 191  
participant and the superintendent shall issue the sandbox 192  
participant a license number. 193

(B) The superintendent and sandbox participant shall enter 194  
into an agreement regarding the scope of the sandbox 195  
participant's test including any restrictions or limits on 196  
testing such as the number of consumers permitted to use the 197  
novel financial product or service and any dollar limits. 198

(C) The sandbox participant may test the novel financial 199  
product or service for a period of twenty-four months following 200  
the date of approval, unless the sandbox participant and 201  
superintendent agree to a shorter period of time. A sandbox 202  
participant may opt out of the sandbox prior to the expiration 203  
of the testing period. If a sandbox participant opts out early, 204  
it must comply with the requirements of section 1355.07 of the 205  
Revised Code. 206

(D) This section does not restrict a sandbox participant 207  
that holds another license or authorization from acting pursuant 208  
to and in accordance with that other license or authorization. A 209  
sandbox participant that holds another license or authorization 210  
may continue to operate in accordance with that license or 211  
authorization with regard to financial products or services that 212  
are not the novel financial product or service being tested in 213  
the regulatory sandbox. 214

(E) Except as otherwise provided in this chapter, a 215



sandbox participant is not subject to state laws that establish 216  
requirements pursuant to a license or authorization issued by an 217  
applicable agency that otherwise would or may regulate a novel 218  
financial product or service. 219

(F) The superintendent may determine that certain state 220  
laws that regulate a financial product or service apply to a 221  
sandbox participant. If the superintendent makes this 222  
determination and approves an application for entry into the 223  
regulatory sandbox, the superintendent shall notify the sandbox 224  
participant of the specific state regulatory laws that will 225  
apply to the sandbox participant. 226

(G) The superintendent may require applicants and sandbox 227  
participants to utilize a multistate licensing system in 228  
accordance with section 1181.23 of the Revised Code in complying 229  
with this chapter. 230

(H) It is the intent of the general assembly that a 231  
sandbox participant is deemed to possess an appropriate license 232  
under the laws of this state for purposes of any provision of 233  
federal law requiring state licensure or authorization. 234

**Sec. 1355.06.** (A) Before providing a novel financial 235  
product or service to a consumer, a sandbox participant shall 236  
disclose to the consumer all of the following: 237

(1) The name and contact information of the sandbox 238  
participant, including the license number provided by the 239  
superintendent of financial institutions pursuant to division 240  
(A) of section 1355.05 of the Revised Code; 241

(2) That the novel financial product or service is 242  
authorized pursuant to the regulatory sandbox and, if 243  
applicable, that the sandbox participant does not have a license 244

or other authorization to generally provide products or services 245  
under state laws that regulate a financial product or service 246  
that is outside the regulatory sandbox; 247

(3) That the state does not endorse or recommend the novel 248  
financial product or service; 249

(4) That the novel financial product or service is a 250  
temporary test that may be discontinued at the end of the 251  
testing period, including the expected end date of the testing 252  
period; 253

(5) That consumers may contact the superintendent to file 254  
complaints regarding the novel financial product or service 255  
being tested and provide the superintendent's telephone number 256  
and web site address where complaints may be filed. 257

(B) The notifications prescribed by division (A) of this 258  
section shall be provided to consumers in a clear and 259  
conspicuous form. For internet- or application-based novel 260  
financial products or services, the sandbox participant shall 261  
require consumers to acknowledge receipt of these notifications 262  
before completion of a transaction. 263

(C) The superintendent may require a sandbox participant 264  
to make additional disclosures to consumers. When the 265  
superintendent approves an application for entry into the 266  
regulatory sandbox, the superintendent shall notify the sandbox 267  
participant of any additional required disclosures. 268

**Sec. 1355.07.** (A) Not less than thirty days before the end 269  
of a sandbox participant's testing period, the sandbox 270  
participant shall do either of the following: 271

(1) Notify the superintendent of financial institutions 272  
that the sandbox participant will exit the regulatory sandbox, 273

wind down its test, and cease offering the novel financial 274  
product or service in the regulatory sandbox within sixty days 275  
of the end of the testing period; 276

(2) Seek an extension pursuant to section 1355.08 of the 277  
Revised Code to pursue a license or other authorization required 278  
by law. 279

(B) If the superintendent does not receive notification 280  
pursuant to division (A) of this section, the regulatory sandbox 281  
testing period ends at the expiration of the time period 282  
designated by the superintendent pursuant to division (C) of 283  
section 1355.05 of the Revised Code, and the sandbox participant 284  
shall immediately cease offering novel financial products or 285  
services. 286

(C) If a test includes offering products or services that 287  
require ongoing duties, such as servicing a loan, the sandbox 288  
participant shall continue to fulfill those duties or arrange 289  
for another person to fulfill those duties after the date the 290  
sandbox participant exits the regulatory sandbox. 291

**Sec. 1355.08.** (A) A sandbox participant may request an 292  
extension of the regulatory sandbox testing period for the 293  
purpose of pursuing a license or other authorization required by 294  
law. 295

(B) The superintendent of financial institutions may grant 296  
or deny a request for an extension pursuant to division (A) of 297  
this section by the end of the testing period. The 298  
superintendent shall not grant an extension that is effective 299  
for more than one year following the end of the initial 300  
regulatory sandbox testing period. 301

(C) A sandbox participant that obtains an extension 302

pursuant to division (B) of this section shall provide the 303  
superintendent with a written report every three months that 304  
provides an update on the sandbox participant's efforts to 305  
obtain a license or other authorization, including any submitted 306  
applications for licensure or other authorization, rejected 307  
applications, or issued licenses or other authorizations. 308

**Sec. 1355.09.** (A) A sandbox participant shall retain 309  
records, documents, and data produced in the ordinary course of 310  
business regarding a novel financial product or service tested 311  
in the regulatory sandbox. 312

(B) If a novel financial product or service fails before 313  
the end of the testing period, the sandbox participant shall 314  
notify the superintendent of financial institutions and report 315  
on actions taken to ensure consumers have not been harmed as a 316  
result of the failure of the novel financial product or service. 317

(C) A sandbox participant is subject to the requirements 318  
of section 1349.19 of the Revised Code and shall notify the 319  
superintendent of any breach of the security of the system as 320  
defined in section 1349.19 of the Revised Code. 321

**Sec. 1355.10.** (A) Except for the name of a sandbox 322  
participant and overview of a sandbox participant's novel 323  
financial product or service, records that are submitted to or 324  
obtained by the superintendent of financial institutions or an 325  
applicable agency pursuant to this chapter are not public 326  
records for the purposes of section 149.43 of the Revised Code 327  
and shall not be disclosed except in accordance with this 328  
section. The name of a sandbox participant and an overview of a 329  
sandbox participant's novel financial product or service are 330  
public records and may be disclosed. 331

(B) The superintendent or applicable agency may disclose records and information that are submitted or obtained pursuant to this chapter to any of the following: 332  
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(1) State and federal agencies; 335

(2) Representatives of foreign countries that have regulatory or supervisory authority over the activities of the sandbox participant; 336  
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(3) A federal, state, or county grand jury in response to a lawful subpoena; 339  
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(4) The auditor of state for the purpose of conducting an audit authorized by law. 341  
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(C) The superintendent and any applicable agency consulted by the superintendent pursuant to section 1355.04 of the Revised Code are not liable for the disclosure of records, information, or data received or obtained pursuant to this chapter. 343  
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(D) (1) The disclosure pursuant to division (B) of this section of a complaint or the results of an examination, inquiry, or investigation of a sandbox participant does not make that information a public record and the superintendent or appropriate agency shall not disclose that information unless otherwise permitted to do so by a provision of the Revised Code. 347  
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(2) If a sandbox participant or the sandbox participant's holding company obtains information as a result of an examination, inquiry, or investigation, the sandbox participant or the sandbox participant's holding company shall not disclose that information to the general public unless the disclosure is required by law. A sandbox participant or the sandbox participant's holding company shall not disclose, use, or reference in any form comments, conclusions, or results of an 353  
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examination, inquiry, or investigation in any type of 361  
communication to a consumer or potential consumer. A violation 362  
of division (D) (2) of this section is an unconscionable act or 363  
practice for the purposes of Chapter 1345. of the Revised Code. 364

(E) This section shall not be construed to prohibit the 365  
disclosure of information that is admissible in evidence in a 366  
civil or criminal proceeding brought by a state or federal law 367  
enforcement agency to enforce or prosecute civil or criminal 368  
violations of law. 369

**Sec. 1355.11.** (A) The superintendent of financial 370  
institutions may establish periodic reporting requirements for 371  
sandbox participants. 372

(B) The superintendent may seek records, documents, and 373  
data from sandbox participants. Upon the superintendent's 374  
request, a sandbox participant shall make such records, 375  
documents, and data available for inspection by the 376  
superintendent. 377

(C) If the superintendent has reasonable cause to believe 378  
that a sandbox participant has engaged in, is engaging in, or is 379  
about to engage in any practice or transaction that is in 380  
violation of this chapter, that constitutes an unfair act or 381  
practice or an unconscionable act or practice under Chapter 382  
1345. of the Revised Code, or that constitutes a violation of a 383  
state or federal criminal law, the superintendent may revoke the 384  
person's license to test one or more novel financial products or 385  
services or order the sandbox participant to immediately 386  
discontinue a novel financial product or service in the 387  
regulatory sandbox. If, following revocation of a license or 388  
discontinuance of a novel financial product or service in 389  
accordance with this division, the person has any ongoing duties 390

with respect to a novel financial product or service, the 391  
superintendent shall, in the order, provide for the fulfillment 392  
of those duties. 393

(D) The revocation of a license or discontinuance of a 394  
novel financial product or service described in division (C) of 395  
this section is not an appealable action for the purposes of 396  
section 119.12 of the Revised Code. 397

(E) If a novel financial product or service is a type of 398  
loan that would otherwise be subject to Chapter 1321. of the 399  
Revised Code, the sandbox participant offering that product or 400  
service shall not charge interest and fees in connection with 401  
the loan that exceed the maximum otherwise permitted for that 402  
type of loan under Chapter 1321. of the Revised Code. 403

(F) A sandbox participant is subject to sections 1345.01 404  
to 1345.13 of the Revised Code unless exempted pursuant to 405  
division (B) (3) of section 1355.03 of the Revised Code. A new 406  
motor vehicle dealer licensed under Chapter 4517. of the Revised 407  
Code or any other third party who assists a consumer in 408  
financing a good or service with a novel financial product or 409  
service offered by a sandbox participant is not subject to 410  
sections 1345.01 to 1345.13 of the Revised Code with respect to 411  
such assistance. 412

(G) The superintendent may enter into agreements with 413  
state, federal, or foreign regulators that allow sandbox 414  
participants to operate in other jurisdictions and allow 415  
entities authorized to operate in other jurisdictions to be 416  
recognized as sandbox participants in this state. 417

(H) The superintendent may work with any other state or 418  
federal agency to implement the regulatory sandbox program, 419

including innovateohio and the office of the attorney general. 420

(I) The superintendent shall publish and make publicly 421  
available a report every two years on the performance of sandbox 422  
participants and their novel financial products and services. 423  
The report shall include an assessment of how the ability of 424  
sandbox participants to operate without being subject to 425  
regulations to which the sandbox participants otherwise would 426  
have been subject affected the development and performance of 427  
the novel financial products and services. The report shall not 428  
disclose any proprietary information nor any information the 429  
disclosure of which is prohibited under section 1355.10 of the 430  
Revised Code. 431