

As Passed by the House

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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 Representatives Hillyer, Callender, Carruthers, Ferguson, Fraizer, Gross, Hall, Merrin, Rogers, Sheehy

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

<u>authorization.</u>	74
<u>(3) A person shall file a separate application for each novel financial product or service sought to be tested.</u>	75 76
<u>(B) The superintendent shall develop and make publicly available an application form.</u>	77 78
<u>(1) The application form shall require the applicant to provide all of the following:</u>	79 80
<u>(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;</u>	81 82 83 84 85 86 87
<u>(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;</u>	88 89 90 91 92
<u>(c) Payment of an application fee established by the superintendent.</u>	93 94
<u>(2) The application form may require the applicant to provide the following information:</u>	95 96
<u>(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;</u>	97 98 99 100
<u>(b) Disclosure of any criminal convictions or pleas of</u>	101

<u>guilty of the applicant and key personnel;</u>	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

(C) (1) After the applicant submits the application with 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 loan that would otherwise be subject to Chapter 1321. of the Revised Code, the applicant has proven that the consumer will not be charged interest and fees in connection with the loan that exceed the maximum otherwise permitted for that type of loan under Chapter 1321. of the Revised Code. 158
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(f) The applicant has met any other condition imposed by the superintendent. 164
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(3) The superintendent may consider the number of an applicant's competitors already in the sandbox as a factor in approving the application for the purpose of maintaining an appropriate level of competition within the sandbox. 166
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(4) The superintendent may deny an application in the superintendent's discretion but shall inform the applicant of all reasons for the denial. A denial is not an appealable action for the purposes of section 119.12 of the Revised Code. 170
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(D) The superintendent has sole authority to make the final decision whether to admit a person into the regulatory sandbox. 174
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Sec. 1355.04. The superintendent of financial institutions shall consult with all applicable agencies before admitting a person into the regulatory sandbox. This consultation may include seeking information about any of the following: 177
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(A) Whether the applicable agency previously has either: 181

(1) Issued a license or other authorization to the applicant; 182
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(2) Investigated, sanctioned, or pursued legal action against the applicant. 184
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(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