

State of Arizona
House of Representatives
Fifty-third Legislature
Second Regular Session
2018

CHAPTER 44
HOUSE BILL 2434

AN ACT

AMENDING SECTION 41-1491.10, ARIZONA REVISED STATUTES; AMENDING TITLE 41, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 55; AMENDING SECTION 44-1531.01, ARIZONA REVISED STATUTES; RELATING TO FINANCIAL PRODUCTS AND SERVICES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 41-1491.10, Arizona Revised Statutes, is amended
3 to read:

4 41-1491.10. Reports; studies

5 A. The attorney general shall publish annually a written report
6 recommending legislative or other action to carry out the purposes of this
7 article. This report shall contain, for the preceding fiscal year, the
8 following information:

9 1. The number of complaints initiated by the attorney general.

10 2. The number of complaints filed with the attorney general by
11 aggrieved persons.

12 3. The number of complaints dismissed by the attorney general.

13 4. The number of complaints that resulted in conciliation
14 agreements.

15 5. The number of complaints for which the attorney general found
16 reasonable cause that a discriminatory housing practice occurred or was
17 about to occur.

18 6. The number of civil actions filed by the attorney general
19 pursuant to section 41-1491.34.

20 7. A DESCRIPTION OF THE RESULTS OF THE REGULATORY SANDBOX PROGRAM
21 ESTABLISHED PURSUANT TO CHAPTER 55 OF THIS TITLE.

22 B. The report shall include a description of the relief awarded in
23 civil actions and, without attribution, benefits to complainants agreed to
24 in conciliation agreements. The report shall also include the number of
25 instances in the preceding fiscal year, and the reasons therefor, but
26 without attribution to parties, the number of investigations that were not
27 completed within the time periods provided by section 41-1491.24,
28 subsection B or a determination made pursuant to section 41-1491.29,
29 subsection B.

30 C. The attorney general may make studies relating to the nature and
31 extent of discriminatory housing practices in this state.

32 Sec. 2. Title 41, Arizona Revised Statutes, is amended by adding
33 chapter 55, to read:

34 CHAPTER 55

35 REGULATORY SANDBOX PROGRAM

36 ARTICLE 1. GENERAL PROVISIONS

37 41-5601. Definitions

38 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

39 1. "APPLICABLE AGENCY" MEANS A DEPARTMENT OR AGENCY OF THIS STATE
40 ESTABLISHED BY LAW TO REGULATE CERTAIN TYPES OF BUSINESS ACTIVITY IN THIS
41 STATE AND PERSONS ENGAGED IN SUCH BUSINESS, INCLUDING THE ISSUANCE OF
42 LICENSES OR OTHER TYPES OF AUTHORIZATION, THAT THE ATTORNEY GENERAL
43 DETERMINES WOULD REGULATE A SANDBOX PARTICIPANT IF THE PERSON WAS NOT A
44 REGULATORY SANDBOX PARTICIPANT.

1 2. "CONSUMER" MEANS A PERSON THAT PURCHASES OR OTHERWISE ENTERS
2 INTO A TRANSACTION OR AGREEMENT TO RECEIVE AN INNOVATIVE FINANCIAL PRODUCT
3 OR SERVICE THAT IS BEING TESTED BY A SANDBOX PARTICIPANT.

4 3. "FINANCIAL PRODUCT OR SERVICE" MEANS A PRODUCT OR SERVICE THAT
5 REQUIRES LICENSURE UNDER TITLE 6 OR TITLE 44, CHAPTER 2.1 OR 13 OR A
6 PRODUCT OR SERVICE THAT INCLUDES A BUSINESS MODEL, DELIVERY MECHANISM OR
7 ELEMENT THAT MAY OTHERWISE REQUIRE A LICENSE OR OTHER AUTHORIZATION TO ACT
8 AS A FINANCIAL INSTITUTION OR ENTERPRISE OR OTHER ENTITY THAT IS REGULATED
9 BY TITLE 6 OR TITLE 44, CHAPTER 2.1 OR 13.

10 4. "INNOVATION" MEANS THE USE OR INCORPORATION OF NEW OR EMERGING
11 TECHNOLOGY OR THE REIMAGINATION OF USES FOR EXISTING TECHNOLOGY TO ADDRESS
12 A PROBLEM, PROVIDE A BENEFIT OR OTHERWISE OFFER A PRODUCT, SERVICE,
13 BUSINESS MODEL OR DELIVERY MECHANISM THAT IS NOT KNOWN BY THE ATTORNEY
14 GENERAL TO HAVE A COMPARABLE WIDESPREAD OFFERING IN THIS STATE.

15 5. "INNOVATIVE FINANCIAL PRODUCT OR SERVICE" MEANS A FINANCIAL
16 PRODUCT OR SERVICE THAT INCLUDES AN INNOVATION.

17 6. "REGULATORY SANDBOX" MEANS THE PROGRAM ESTABLISHED BY THIS
18 CHAPTER THAT ALLOWS A PERSON TO TEMPORARILY TEST INNOVATIVE FINANCIAL
19 PRODUCTS OR SERVICES ON A LIMITED BASIS WITHOUT OTHERWISE BEING LICENSED
20 OR AUTHORIZED TO ACT UNDER THE LAWS OF THIS STATE.

21 7. "SANDBOX PARTICIPANT" MEANS A PERSON WHOSE APPLICATION TO
22 PARTICIPATE IN THE REGULATORY SANDBOX IS APPROVED PURSUANT TO THIS
23 CHAPTER.

24 8. "TEST" MEANS TO PROVIDE PRODUCTS AND SERVICES AS ALLOWED BY THIS
25 CHAPTER.

26 41-5602. Program purpose

27 THE ATTORNEY GENERAL SHALL ESTABLISH A REGULATORY SANDBOX PROGRAM IN
28 CONSULTATION WITH APPLICABLE AGENCIES OF THIS STATE TO ENABLE A PERSON TO
29 OBTAIN LIMITED ACCESS TO THE MARKET IN THIS STATE TO TEST INNOVATIVE
30 FINANCIAL PRODUCTS OR SERVICES WITHOUT OBTAINING A LICENSE OR OTHER
31 AUTHORIZATION THAT OTHERWISE MIGHT BE REQUIRED.

32 41-5603. Application process and requirements; fee

33 A. ANY PERSON MAY APPLY TO ENTER THE REGULATORY SANDBOX TO TEST AN
34 INNOVATION.

35 B. THE ATTORNEY GENERAL MUST ACCEPT AND REVIEW EACH APPLICATION FOR
36 ENTRY INTO THE REGULATORY SANDBOX ON A ROLLING BASIS.

37 C. AN APPLICATION MUST DEMONSTRATE THAT AN APPLICANT BOTH:

38 1. IS AN ENTITY OR INDIVIDUAL THAT IS SUBJECT TO THE JURISDICTION
39 OF THE ATTORNEY GENERAL THROUGH INCORPORATION, RESIDENCY, PRESENCE
40 AGREEMENT OR OTHERWISE.

41 2. HAS ESTABLISHED A LOCATION, WHETHER PHYSICAL OR VIRTUAL, THAT IS
42 ADEQUATELY ACCESSIBLE TO THE ATTORNEY GENERAL, FROM WHICH TESTING WILL BE
43 DEVELOPED AND PERFORMED AND WHERE ALL REQUIRED RECORDS, DOCUMENTS AND DATA
44 WILL BE MAINTAINED.

1 D. PERSONS THAT ALREADY POSSESS A LICENSE OR OTHER AUTHORIZATION
2 UNDER STATE LAWS THAT REGULATE A FINANCIAL PRODUCT OR SERVICE MUST FILE AN
3 APPLICATION WITH THE ATTORNEY GENERAL TO TEST INNOVATIVE FINANCIAL
4 PRODUCTS OR SERVICES WITHIN THE REGULATORY SANDBOX.

5 E. APPLICATIONS MUST CONTAIN SUFFICIENT INFORMATION TO DEMONSTRATE
6 THAT AN APPLICANT HAS AN ADEQUATE UNDERSTANDING OF THE INNOVATION AND A
7 SUFFICIENT PLAN TO TEST, MONITOR AND ASSESS THE INNOVATION WHILE ENSURING
8 CONSUMERS ARE PROTECTED FROM A TEST'S FAILURE.

9 F. APPLICATIONS MUST CONTAIN THE INFORMATION REQUIRED BY A FORM
10 THAT IS DEVELOPED AND MADE PUBLICLY AVAILABLE BY THE ATTORNEY GENERAL.
11 THE INFORMATION REQUIRED BY THE FORM MAY INCLUDE:

12 1. RELEVANT PERSONAL AND CONTACT INFORMATION FOR THE APPLICANT,
13 INCLUDING FULL LEGAL NAMES, ADDRESSES, TELEPHONE NUMBERS, E-MAIL
14 ADDRESSES, WEBSITE ADDRESSES AND OTHER INFORMATION THAT THE ATTORNEY
15 GENERAL DEEMS NECESSARY.

16 2. DISCLOSURE OF ANY CRIMINAL CONVICTIONS OF THE APPLICANT OR KEY
17 PERSONNEL, IF ANY.

18 3. A DESCRIPTION OF THE INNOVATION DESIRED TO BE TESTED, INCLUDING
19 STATEMENTS REGARDING ALL OF THE FOLLOWING:

20 (a) HOW AN INNOVATION IS SUBJECT TO REGULATION OUTSIDE OF THE
21 REGULATORY SANDBOX.

22 (b) HOW THE INNOVATION WOULD BENEFIT CONSUMERS.

23 (c) HOW THE INNOVATION IS DIFFERENT FROM OTHER PRODUCTS OR SERVICES
24 AVAILABLE IN THIS STATE.

25 (d) WHAT RISKS WILL CONFRONT CONSUMERS THAT USE OR PURCHASE THE
26 INNOVATIVE FINANCIAL PRODUCT OR SERVICE.

27 (e) HOW ENTERING THE REGULATORY SANDBOX WOULD ENABLE A SUCCESSFUL
28 TEST OF THE INNOVATION.

29 (f) A DESCRIPTION OF THE PROPOSED TESTING PLAN, INCLUDING ESTIMATED
30 TIME PERIODS FOR MARKET ENTRY, MARKET EXIT AND THE PURSUIT OF NECESSARY
31 LICENSURE OR AUTHORIZATION.

32 (g) HOW THE APPLICANT WILL WIND DOWN THE TEST AND PROTECT CONSUMERS
33 IF THE TEST FAILS.

34 G. THE ATTORNEY GENERAL SHALL COLLECT AN APPLICATION FEE IN AN
35 AMOUNT TO BE DETERMINED BY THE ATTORNEY GENERAL. THE ATTORNEY GENERAL
36 SHALL DEPOSIT, PURSUANT TO SECTIONS 35-146 AND 35-147, ALL FEES COLLECTED
37 PURSUANT TO THIS SUBSECTION IN THE CONSUMER PROTECTION-CONSUMER FRAUD
38 REVOLVING FUND ESTABLISHED BY SECTION 44-1531.01.

39 H. A PERSON SHALL FILE A SEPARATE APPLICATION FOR EACH INNOVATION
40 SOUGHT TO BE TESTED.

41 I. AFTER THE INFORMATION REQUIRED BY SUBSECTION F OF THIS SECTION
42 IS SUBMITTED, THE ATTORNEY GENERAL MAY SEEK ADDITIONAL INFORMATION THAT IT
43 DEEMS NECESSARY. NOT LATER THAN NINETY DAYS AFTER AN APPLICATION IS
44 INITIALLY SUBMITTED, THE ATTORNEY GENERAL SHALL NOTIFY THE APPLICANT AS TO
45 WHETHER THE APPLICATION IS APPROVED FOR ENTRY INTO THE REGULATORY SANDBOX.

1 THE ATTORNEY GENERAL AND AN APPLICANT MAY MUTUALLY AGREE TO EXTEND THE
2 TIME PERIOD FOR THE ATTORNEY GENERAL TO DETERMINE WHETHER AN APPLICATION
3 IS APPROVED FOR ENTRY INTO THE REGULATORY SANDBOX.

4 J. THE ATTORNEY GENERAL MAY DENY APPLICATIONS IN ITS DISCRETION AND
5 A DENIAL IS NOT AN APPEALABLE AGENCY ACTION FOR THE PURPOSES OF CHAPTER 6,
6 ARTICLE 10 OF THIS TITLE.

7 41-5604. Consultation with applicable agencies; admission
8 authority; insurance products; investment
9 management

10 A. THE ATTORNEY GENERAL MUST CONSULT WITH AN APPLICABLE AGENCY
11 BEFORE ADMITTING A PERSON INTO THE REGULATORY SANDBOX. THIS CONSULTATION
12 MAY INCLUDE SEEKING INFORMATION ABOUT:

13 1. WHETHER THE APPLICABLE AGENCY PREVIOUSLY HAS EITHER:

14 (a) ISSUED A LICENSE OR OTHER AUTHORIZATION TO THE APPLICANT.

15 (b) INVESTIGATED, SANCTIONED OR PURSUED LEGAL ACTION AGAINST THE
16 APPLICANT.

17 2. WHETHER THE APPLICANT COULD OBTAIN A LICENSE OR OTHER
18 AUTHORIZATION FROM AN APPLICABLE AGENCY AFTER EXITING THE REGULATORY
19 SANDBOX.

20 B. NOTWITHSTANDING SUBSECTION A OF THIS SECTION, THE ATTORNEY
21 GENERAL HAS SOLE AUTHORITY TO MAKE THE FINAL DECISION WHETHER TO ADMIT A
22 PERSON INTO THE REGULATORY SANDBOX.

23 41-5605. Scope

24 A. IF THE ATTORNEY GENERAL APPROVES AN APPLICATION FOR ENTRY INTO
25 THE REGULATORY SANDBOX, THE APPLICANT IS DEEMED A SANDBOX PARTICIPANT AND
26 BOTH OF THE FOLLOWING APPLY:

27 1. THE SANDBOX PARTICIPANT HAS TWENTY-FOUR MONTHS AFTER THE DATE OF
28 APPROVAL TO TEST THE INNOVATIVE FINANCIAL PRODUCT OR SERVICE DESCRIBED IN
29 THE SANDBOX PARTICIPANT'S APPLICATION.

30 2. THE ATTORNEY GENERAL MUST ISSUE THE SANDBOX PARTICIPANT A
31 REGISTRATION NUMBER.

32 B. INNOVATIVE FINANCIAL PRODUCTS OR SERVICES THAT ARE PROVIDED
33 WITHIN THE REGULATORY SANDBOX ARE SUBJECT TO THE FOLLOWING RESTRICTIONS:

34 1. CONSUMERS MUST BE RESIDENTS OF THIS STATE.

35 2. EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION, NOT MORE
36 THAN TEN THOUSAND CONSUMERS MAY TRANSACT THROUGH OR ENTER INTO AN
37 AGREEMENT TO USE THE INNOVATION.

38 3. FOR A SANDBOX PARTICIPANT TESTING CONSUMER LENDER LOANS AS
39 DEFINED IN SECTION 6-601, AN INDIVIDUAL CONSUMER LENDER LOAN MAY BE ISSUED
40 FOR UP TO FIFTEEN THOUSAND DOLLARS, EXCEPT THAT AGGREGATE LOANS PER
41 CONSUMER MAY NOT EXCEED FIFTY THOUSAND DOLLARS. ALL CONSUMER LENDER LOANS
42 ISSUED IN THE REGULATORY SANDBOX, INCLUDING LOANS IN EXCESS OF TEN
43 THOUSAND DOLLARS, ARE SUBJECT TO ALL OF THE FOLLOWING:

44 (a) SECTION 6-114.

45 (b) SECTION 6-632.

1 (c) SECTION 6-635, SUBSECTIONS A, B AND C.

2 (d) SECTION 6-637.

3 4. EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION, FOR A
4 SANDBOX PARTICIPANT TESTING PRODUCTS OR SERVICES AS A MONEY TRANSMITTER AS
5 DEFINED IN SECTION 6-1201, INDIVIDUAL TRANSACTIONS PER CONSUMER MAY NOT
6 EXCEED TWO THOUSAND FIVE HUNDRED DOLLARS AND AGGREGATE TRANSACTIONS PER
7 CONSUMER MAY NOT EXCEED TWENTY-FIVE THOUSAND DOLLARS.

8 5. FOR SANDBOX PARTICIPANTS TESTING PRODUCTS OR SERVICES AS A SALES
9 FINANCE COMPANY AS DEFINED IN SECTION 44-281, ALL OF THE FOLLOWING APPLY:

10 (a) SECTION 44-286.

11 (b) SECTION 44-287, EXCEPT NOT SECTION 44-287, SUBSECTION B,
12 PARAGRAPH 8.

13 (c) SECTION 44-288.

14 (d) SECTION 44-289.

15 (e) SECTION 44-290.

16 (f) SECTION 44-291.

17 (g) SECTION 44-293.

18 (h) SECTION 47-9601.

19 6. FOR SANDBOX PARTICIPANTS TESTING PRODUCTS OR SERVICES THAT
20 PROVIDE INVESTMENT MANAGEMENT THAT IS REGULATED PURSUANT TO TITLE 44,
21 CHAPTER 13:

22 (a) SECTION 44-3241 APPLIES.

23 (b) EACH SANDBOX PARTICIPANT MUST MAKE, MAINTAIN AND PRESERVE BOOKS
24 AND RECORDS IN ACCORDANCE WITH THE REQUIREMENTS IMPOSED ON FEDERAL COVERED
25 ADVISERS UNDER 17 CODE OF FEDERAL REGULATIONS SECTION 275.204-2. THE
26 SANDBOX PARTICIPANT SHALL FILE WITH THE CORPORATION COMMISSION A COPY OF
27 ANY NOTICES OR WRITTEN UNDERTAKINGS REQUIRED TO BE FILED BY FEDERAL
28 COVERED ADVISERS WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER 17 CODE
29 OF FEDERAL REGULATIONS SECTION 275.204-2.

30 (c) THE CORPORATION COMMISSION RULES ADOPTED PURSUANT TO TITLE 44,
31 CHAPTER 13 APPLY AS THEY RELATE TO THE FOLLOWING:

32 (i) DISHONEST AND UNETHICAL PRACTICES.

33 (ii) INFORMATION REQUIRED TO BE FURNISHED TO CLIENTS.

34 (iii) CUSTODY OF CLIENT FUNDS OR SECURITIES.

35 (iv) DISCLOSURE OF FINANCIAL AND DISCIPLINARY INFORMATION TO
36 CLIENTS.

37 C. IF A SANDBOX PARTICIPANT DEMONSTRATES ADEQUATE FINANCIAL
38 CAPITALIZATION, RISK MANAGEMENT PROCESS AND MANAGEMENT OVERSIGHT, THE
39 ATTORNEY GENERAL MAY ALLOW EITHER OR BOTH OF THE FOLLOWING:

40 1. NOT MORE THAN SEVENTEEN THOUSAND FIVE HUNDRED CONSUMERS TO
41 TRANSACT THROUGH OR ENTER INTO AN AGREEMENT TO USE THE INNOVATION.

42 2. FOR A SANDBOX PARTICIPANT TESTING PRODUCTS OR SERVICES AS A
43 MONEY TRANSMITTER AS DEFINED IN SECTION 6-1201, INDIVIDUAL TRANSACTIONS
44 PER CONSUMER THAT DO NOT EXCEED FIFTEEN THOUSAND DOLLARS AND AGGREGATE
45 TRANSACTIONS PER CONSUMER THAT DO NOT EXCEED FIFTY THOUSAND DOLLARS.

1 D. THIS SECTION DOES NOT RESTRICT A SANDBOX PARTICIPANT WHO HOLDS A
2 LICENSE OR OTHER AUTHORIZATION IN ANOTHER JURISDICTION FROM ACTING
3 PURSUANT TO AND IN ACCORDANCE WITH THAT LICENSE OR OTHER AUTHORIZATION.

4 E. A SANDBOX PARTICIPANT IS DEEMED TO POSSESS AN APPROPRIATE
5 LICENSE UNDER THE LAWS OF THIS STATE FOR PURPOSES OF ANY PROVISION OF
6 FEDERAL LAW REQUIRING STATE LICENSURE OR AUTHORIZATION.

7 F. EXCEPT AS OTHERWISE PROVIDED IN THIS CHAPTER, A SANDBOX
8 PARTICIPANT IS NOT SUBJECT TO STATE LAWS THAT REGULATE A FINANCIAL PRODUCT
9 OR SERVICE.

10 G. THE ATTORNEY GENERAL MAY DETERMINE THAT CERTAIN STATE LAWS THAT
11 REGULATE A FINANCIAL PRODUCT OR SERVICE APPLY TO A SANDBOX PARTICIPANT.
12 IF THE ATTORNEY GENERAL MAKES THIS DETERMINATION AND APPROVES AN
13 APPLICATION FOR ENTRY INTO THE REGULATORY SANDBOX, THE ATTORNEY GENERAL
14 MUST NOTIFY THE SANDBOX PARTICIPANT OF THE SPECIFIC STATE REGULATORY LAWS
15 THAT WILL APPLY TO THE SANDBOX PARTICIPANT.

16 H. A SANDBOX PARTICIPANT MAY OBTAIN, RECORD, PROVIDE OR MAINTAIN IN
17 ELECTRONIC FORM, INCLUDING AS PROVIDED IN SECTION 44-7601, ANY
18 INFORMATION, WRITING, SIGNATURE, RECORD OR DISCLOSURE THAT IS REQUIRED BY
19 THIS CHAPTER OR MAY SUBSTITUTE ANY SUBSTANTIALLY SIMILAR EQUIVALENT
20 INFORMATION, WRITING, SIGNATURE, RECORD OR DISCLOSURE THAT IS APPROVED BY
21 THE ATTORNEY GENERAL.

22 41-5606. Consumer protection

23 A. BEFORE PROVIDING AN INNOVATIVE FINANCIAL PRODUCT OR SERVICE TO
24 CONSUMERS, A SANDBOX PARTICIPANT MUST DISCLOSE TO CONSUMERS ALL OF THE
25 FOLLOWING:

26 1. THE NAME AND CONTACT INFORMATION OF THE SANDBOX PARTICIPANT,
27 INCLUDING THE REGISTRATION NUMBER PROVIDED BY THE ATTORNEY GENERAL
28 PURSUANT TO SECTION 41-5605.

29 2. THAT THE INNOVATIVE FINANCIAL PRODUCT OR SERVICE IS AUTHORIZED
30 PURSUANT TO THE REGULATORY SANDBOX AND, IF APPLICABLE, THAT THE SANDBOX
31 PARTICIPANT DOES NOT HAVE A LICENSE OR OTHER AUTHORIZATION TO GENERALLY
32 PROVIDE PRODUCTS OR SERVICES UNDER STATE LAWS THAT REGULATE A FINANCIAL
33 PRODUCT OR SERVICE THAT IS OUTSIDE THE REGULATORY SANDBOX.

34 3. THAT THIS STATE DOES NOT ENDORSE OR RECOMMEND THE INNOVATION.

35 4. THAT THE INNOVATIVE FINANCIAL PRODUCT OR SERVICE IS A TEMPORARY
36 TEST THAT MAY BE DISCONTINUED AT THE END OF THE TESTING PERIOD, INCLUDING
37 THE EXPECTED END DATE OF THE TESTING PERIOD.

38 5. THAT CONSUMERS MAY CONTACT THE ATTORNEY GENERAL TO FILE
39 COMPLAINTS REGARDING THE INNOVATIVE FINANCIAL PRODUCT OR SERVICE BEING
40 TESTED AND PROVIDE THE ATTORNEY GENERAL'S TELEPHONE NUMBER AND WEBSITE
41 ADDRESS WHERE COMPLAINTS MAY BE FILED.

42 B. THE NOTIFICATIONS PRESCRIBED BY SUBSECTION A OF THIS SECTION
43 MUST BE PROVIDED TO CONSUMERS IN A CLEAR AND CONSPICUOUS FORM IN BOTH
44 ENGLISH AND SPANISH. FOR INTERNET OR APPLICATION-BASED INNOVATIVE

1 FINANCIAL PRODUCTS OR SERVICES, CONSUMERS MUST ACKNOWLEDGE RECEIPT OF
2 THESE NOTIFICATIONS BEFORE COMPLETION OF A TRANSACTION.

3 C. THE ATTORNEY GENERAL MAY REQUIRE THAT A SANDBOX PARTICIPANT MAKE
4 ADDITIONAL DISCLOSURES TO CONSUMERS. WHEN THE ATTORNEY GENERAL APPROVES
5 AN APPLICATION FOR ENTRY INTO THE REGULATORY SANDBOX, THE ATTORNEY GENERAL
6 SHALL NOTIFY THE SANDBOX PARTICIPANT OF THE ADDITIONAL DISCLOSURES.

7 41-5607. Exit requirements

8 A. AT LEAST THIRTY DAYS BEFORE THE END OF THE TWENTY-FOUR MONTH
9 REGULATORY SANDBOX TESTING PERIOD, A SANDBOX PARTICIPANT MUST EITHER:

10 1. NOTIFY THE ATTORNEY GENERAL THAT THE SANDBOX PARTICIPANT WILL
11 EXIT THE REGULATORY SANDBOX, WIND DOWN ITS TEST AND CEASE OFFERING ANY
12 INNOVATIVE PRODUCTS OR SERVICES IN THE REGULATORY SANDBOX WITHIN SIXTY
13 DAYS AFTER THE TWENTY-FOUR-MONTH TESTING PERIOD ENDS.

14 2. SEEK AN EXTENSION PURSUANT TO SECTION 41-5608 TO PURSUE A
15 LICENSE OR OTHER AUTHORIZATION REQUIRED BY LAW.

16 B. IF THE ATTORNEY GENERAL DOES NOT RECEIVE NOTIFICATION PURSUANT
17 TO SUBSECTION A OF THIS SECTION, THE REGULATORY SANDBOX TESTING PERIOD
18 ENDS AT THE END OF THE TWENTY-FOUR-MONTH TESTING PERIOD AND THE SANDBOX
19 PARTICIPANT MUST IMMEDIATELY CEASE OFFERING INNOVATIVE PRODUCTS OR
20 SERVICES.

21 C. IF A TEST INCLUDES OFFERING PRODUCTS OR SERVICES THAT REQUIRE
22 ONGOING DUTIES, SUCH AS SERVICING A LOAN, THE SANDBOX PARTICIPANT MUST
23 CONTINUE TO FULFILL THOSE DUTIES OR ARRANGE FOR ANOTHER PERSON TO FULFILL
24 THOSE DUTIES AFTER THE DATE THE SANDBOX PARTICIPANT EXITS THE REGULATORY
25 SANDBOX.

26 41-5608. Extensions

27 A. A SANDBOX PARTICIPANT MAY REQUEST AN EXTENSION OF THE REGULATORY
28 SANDBOX TESTING PERIOD FOR THE PURPOSE OF PURSUING A LICENSE OR OTHER
29 AUTHORIZATION REQUIRED BY LAW.

30 B. THE ATTORNEY GENERAL MAY GRANT OR DENY A REQUEST FOR AN
31 EXTENSION PURSUANT TO SUBSECTION A OF THIS SECTION BY THE END OF THE
32 TWENTY-FOUR-MONTH REGULATORY SANDBOX TESTING PERIOD. AN EXTENSION
33 PURSUANT TO THIS SUBSECTION IS NOT EFFECTIVE FOR MORE THAN ONE YEAR AFTER
34 THE END OF THE REGULATORY SANDBOX TESTING PERIOD.

35 C. A SANDBOX PARTICIPANT THAT OBTAINS AN EXTENSION PURSUANT TO
36 SUBSECTION B OF THIS SECTION MUST PROVIDE THE ATTORNEY GENERAL WITH A
37 WRITTEN REPORT EVERY THREE MONTHS THAT PROVIDES AN UPDATE ON EFFORTS TO
38 OBTAIN A LICENSE OR OTHER AUTHORIZATION, INCLUDING ANY SUBMITTED
39 APPLICATIONS FOR LICENSURE OR OTHER AUTHORIZATION, REJECTED APPLICATIONS
40 OR ISSUED LICENSES OR OTHER AUTHORIZATION.

41 41-5609. Recordkeeping and reporting requirements

42 A. A SANDBOX PARTICIPANT MUST RETAIN RECORDS, DOCUMENTS AND DATA
43 PRODUCED IN THE ORDINARY COURSE OF BUSINESS REGARDING AN INNOVATIVE
44 FINANCIAL PRODUCT OR SERVICE TESTED IN THE REGULATORY SANDBOX.

1 B. IF AN INNOVATION FAILS BEFORE THE END OF THE TESTING PERIOD, THE
2 SANDBOX PARTICIPANT MUST NOTIFY THE ATTORNEY GENERAL AND REPORT ON ACTIONS
3 TAKEN TO ENSURE CONSUMERS HAVE NOT BEEN HARMED AS A RESULT OF THE
4 INNOVATION'S FAILURE.

5 C. A SANDBOX PARTICIPANT IS SUBJECT TO THE REQUIREMENTS OF SECTION
6 18-545 AND MUST NOTIFY THE ATTORNEY GENERAL OF ANY BREACH AS DEFINED IN
7 SECTION 18-545.

8 41-5610. Records; disclosure; evidentiary effect

9 A. RECORDS THAT ARE SUBMITTED TO OR OBTAINED BY THE ATTORNEY
10 GENERAL IN ADMINISTERING THIS CHAPTER ARE NOT PUBLIC RECORDS OR OPEN FOR
11 INSPECTION BY THE PUBLIC.

12 B. RECORDS AND INFORMATION THAT ARE SUBMITTED OR OBTAINED PURSUANT
13 TO THIS CHAPTER MAY BE DISCLOSED TO ANY OF THE FOLLOWING:

- 14 1. STATE AND FEDERAL AGENCIES.
- 15 2. REPRESENTATIVES OF FOREIGN COUNTRIES THAT HAVE REGULATORY OR
16 SUPERVISORY AUTHORITY OVER THE ACTIVITIES OF THE SANDBOX PARTICIPANT.
- 17 3. A FEDERAL, STATE OR COUNTY GRAND JURY IN RESPONSE TO A LAWFUL
18 SUBPOENA.
- 19 4. THE STATE AUDITOR GENERAL FOR THE PURPOSE OF CONDUCTING AUDITS
20 AUTHORIZED BY LAW.

21 C. THE ATTORNEY GENERAL AND ANY APPLICABLE AGENCY CONSULTED BY THE
22 ATTORNEY GENERAL PURSUANT TO SECTION 41-5604 ARE NOT LIABLE FOR THE
23 DISCLOSURE OF RECORDS, INFORMATION OR DATA RECEIVED OR OBTAINED PURSUANT
24 TO THIS CHAPTER.

25 D. THE DISCLOSURE PURSUANT TO SUBSECTION B OF THIS SECTION OF A
26 COMPLAINT OR THE RESULTS OF AN EXAMINATION, INQUIRY OR INVESTIGATION OF A
27 SANDBOX PARTICIPANT DOES NOT MAKE THAT INFORMATION A PUBLIC RECORD AND THE
28 SANDBOX PARTICIPANT OR THE SANDBOX PARTICIPANT'S HOLDING COMPANY MAY NOT
29 DISCLOSE THAT INFORMATION TO THE GENERAL PUBLIC UNLESS THE DISCLOSURE IS
30 REQUIRED BY LAW. A SANDBOX PARTICIPANT OR THE SANDBOX PARTICIPANT'S
31 HOLDING COMPANY MAY NOT DISCLOSE, USE OR REFERENCE IN ANY FORM COMMENTS,
32 CONCLUSIONS OR RESULTS OF AN EXAMINATION, INQUIRY OR INVESTIGATION IN ANY
33 TYPE OF COMMUNICATION TO A CUSTOMER OR POTENTIAL CUSTOMER.

34 E. THIS SECTION DOES NOT PREVENT THE DISCLOSURE OF INFORMATION THAT
35 IS ADMISSIBLE IN EVIDENCE IN A CIVIL OR CRIMINAL PROCEEDING BROUGHT BY A
36 STATE OR FEDERAL LAW ENFORCEMENT AGENCY TO ENFORCE OR PROSECUTE CIVIL OR
37 CRIMINAL VIOLATIONS OF THE LAW.

38 41-5611. Reporting requirements; monitoring; enforcement;
39 agreements

40 A. THE ATTORNEY GENERAL MAY ESTABLISH PERIODIC REPORTING
41 REQUIREMENTS ON SANDBOX PARTICIPANTS.

42 B. THE ATTORNEY GENERAL MAY SEEK RECORDS, DOCUMENTS AND DATA FROM
43 SANDBOX PARTICIPANTS. ON THE ATTORNEY GENERAL'S REQUEST, SANDBOX
44 PARTICIPANTS MUST MAKE SUCH RECORDS, DOCUMENTS AND DATA AVAILABLE FOR
45 INSPECTION BY THE ATTORNEY GENERAL.

1 C. IF THE ATTORNEY GENERAL HAS REASONABLE CAUSE TO BELIEVE THAT A
2 SANDBOX PARTICIPANT HAS ENGAGED IN, IS ENGAGING IN OR IS ABOUT TO ENGAGE
3 IN ANY PRACTICE OR TRANSACTION THAT IS IN VIOLATION OF THIS CHAPTER, THAT
4 CONSTITUTES AN UNLAWFUL PRACTICE UNDER SECTION 44-1522 OR THAT CONSTITUTES
5 A VIOLATION OF A STATE OR FEDERAL CRIMINAL LAW, THE ATTORNEY GENERAL MAY
6 REMOVE A SANDBOX PARTICIPANT FROM THE REGULATORY SANDBOX OR ORDER A
7 SANDBOX PARTICIPANT TO EXIT THE REGULATORY SANDBOX PURSUANT TO SECTION
8 41-5607.

9 D. REMOVAL FROM THE REGULATORY SANDBOX IS NOT AN APPEALABLE AGENCY
10 ACTION FOR THE PURPOSES OF CHAPTER 6, ARTICLE 10 OF THIS TITLE.

11 E. SANDBOX PARTICIPANTS ARE SUBJECT TO THE CONSUMER FRAUD
12 PROVISIONS UNDER TITLE 44, CHAPTER 10, ARTICLE 7.

13 F. THE ATTORNEY GENERAL MAY ENTER INTO AGREEMENTS WITH STATE,
14 FEDERAL OR FOREIGN REGULATORS THAT ALLOW SANDBOX PARTICIPANTS TO OPERATE
15 IN OTHER JURISDICTIONS AND ALLOW ENTITIES AUTHORIZED TO OPERATE IN OTHER
16 JURISDICTIONS TO BE RECOGNIZED AS SANDBOX PARTICIPANTS IN THIS STATE.

17 41-5612. Program termination

18 THE PROGRAM ESTABLISHED BY THIS CHAPTER ENDS ON JULY 1, 2028
19 PURSUANT TO SECTION 41-3102.

20 Sec. 3. Section 44-1531.01, Arizona Revised Statutes, is amended to
21 read:

22 44-1531.01. Consumer protection-consumer fraud revolving
23 fund; use of fund

24 A. The consumer protection-consumer fraud revolving fund is
25 established to be administered by the attorney general under the
26 conditions and for the purposes provided by this section. Monies in the
27 fund are subject to legislative appropriation. Monies in the fund are
28 exempt from the provisions of section 35-190, relating to lapsing of
29 appropriations.

30 B. THE FUND CONSISTS OF THE FOLLOWING:

31 1. Any investigative or court costs, attorney fees or civil
32 penalties recovered for the state by the attorney general as a result of
33 enforcement of either state or federal statutes pertaining to consumer
34 protection or consumer fraud, whether by final judgment, settlement or
35 otherwise, ~~shall be deposited in the fund established by this section,~~
36 except that the costs, penalties or fees recovered by a county attorney
37 shall be retained in the county and ~~utilized~~ USED for investigative
38 operations for consumer protection in the county.

39 2. MONIES DEPOSITED PURSUANT TO SECTION 41-5603.

40 C. The ATTORNEY GENERAL SHALL USE THE monies in the fund ~~shall be~~
41 ~~used by the attorney general~~ for operating expenses, including any cost or
42 expense associated with the tobacco master settlement agreement
43 arbitration, consumer fraud education and investigative and enforcement
44 operations of the consumer protection division.

1 D. On or before January 15, April 15, July 15 and October 15, the
2 attorney general shall file with the governor, with copies to the director
3 of the department of administration, the president of the senate, the
4 speaker of the house of representatives, the secretary of state and the
5 staff director of the joint legislative budget committee, a full and
6 complete account of the receipts and disbursements from the fund in the
7 previous calendar quarter.

8 E. On or before January 15, April 15, July 15 and October 15, each
9 county attorney who retains monies pursuant to subsection B of this
10 section shall provide the county board of supervisors with a full and
11 complete account of the receipts and disbursements of the monies in the
12 previous calendar quarter.

APPROVED BY THE GOVERNOR MARCH 22, 2018.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 22, 2018.