

House Engrossed

financial technology; digital assets program

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HOUSE BILL 2906

AN ACT

AMENDING SECTIONS 41-1491.10, 41-5601, 41-5602, 41-5603, 41-5604, 41-5605, 41-5606, 41-5607, 41-5608, 41-5609 AND 41-5611, ARIZONA REVISED STATUTES; RELATING TO THE REGULATORY SANDBOX PROGRAM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Heading change

3 The chapter heading in title 41, chapter 55, Arizona Revised
4 Statutes, is changed from "REGULATORY SANDBOX PROGRAM" to "FINANCIAL
5 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN SANDBOX PROGRAM".

6 Sec. 2. Section 41-1491.10, Arizona Revised Statutes, is amended to
7 read:

8 41-1491.10. Reports; studies

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

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

14 2. The number of complaints filed with the attorney general by
15 aggrieved persons.

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

17 4. The number of complaints that resulted in conciliation
18 agreements.

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

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

24 7. A description of the results of the ~~regulatory~~ FINANCIAL
25 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox program established
26 pursuant to chapter 55 of this title.

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

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

37 Sec. 3. Section 41-5601, Arizona Revised Statutes, is amended to
38 read:

39 41-5601. Definitions

40 In this chapter, unless the context otherwise requires:

41 1. "Applicable agency" means a department or agency of this state
42 established by law to regulate certain types of business activity in this
43 state and persons engaged in such business, including the issuance of
44 licenses or other types of authorization, that the attorney general
45 determines would or may regulate a sandbox participant if the person was

1 not a ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN
2 sandbox participant.

3 2. "Consumer":

4 (a) Means a person that purchases or enters into a transaction for
5 an innovation that is being tested by a sandbox participant.

6 (b) Does not include an agent or business partner of or an investor
7 in a sandbox participant.

8 3. "DIGITAL ASSETS" MEANS VIRTUAL CURRENCIES, CRYPTOCURRENCIES AND
9 OTHER DIGITAL-ONLY ASSETS THAT CONFER ECONOMIC, PROPRIETARY OR ACCESS
10 RIGHTS OR POWERS.

11 ~~3-~~ 4. "Financial product or service" means a product or service
12 that requires licensure under title 6 or title 44, chapter 2.1 or 13 or a
13 product or service that includes a business model, delivery mechanism or
14 element that may otherwise be regulated under title 6 or title 44, chapter
15 2.1 or 13.

16 5. "FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN SANDBOX"
17 MEANS THE PROGRAM ESTABLISHED BY THIS CHAPTER THAT ALLOWS A PERSON TO
18 TEMPORARILY TEST AN INNOVATION ON A LIMITED BASIS WITHOUT OTHERWISE BEING
19 LICENSED OR AUTHORIZED TO ACT UNDER THE LAWS OF THIS STATE.

20 ~~4-~~ 6. "Innovation" means the use or incorporation of new or
21 emerging technology, INCLUDING DIGITAL ASSETS, or the reimagination of
22 uses for existing technology to address a problem, provide a benefit or
23 otherwise offer a product, service, business model or delivery mechanism
24 that is not known by the attorney general to have a comparable widespread
25 offering in this state.

26 ~~5-~~ 7. "Innovative financial product or service" means a financial
27 product or service that includes an innovation.

28 ~~6. "Regulatory sandbox" means the program established by this~~
29 ~~chapter that allows a person to temporarily test an innovation on a~~
30 ~~limited basis without otherwise being licensed or authorized to act under~~
31 ~~the laws of this state.~~

32 ~~7-~~ 8. "Sandbox participant" means any person whose application to
33 participate in the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
34 BLOCKCHAIN sandbox is approved pursuant to this chapter.

35 ~~8-~~ 9. "Test" means to provide products and services as allowed by
36 this chapter.

37 Sec. 4. Section 41-5602, Arizona Revised Statutes, is amended to
38 read:

39 41-5602. Program purpose

40 The attorney general shall establish a ~~regulatory~~ FINANCIAL
41 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox program in consultation
42 with applicable agencies of this state to enable a person to obtain
43 limited access to the market in this state to test innovative financial
44 products or services or other innovations without obtaining a license or
45 other authorization that otherwise might be required.

1 Sec. 5. Section 41-5603, Arizona Revised Statutes, is amended to
2 read:

3 41-5603. Application process and requirements; fee

4 A. Any person may apply to enter the ~~regulatory~~ FINANCIAL
5 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox to test an innovation.

6 B. The attorney general must accept and review each application for
7 entry into the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
8 BLOCKCHAIN sandbox on a rolling basis.

9 C. An application must demonstrate that an applicant both:

10 1. Is an entity or individual that is subject to the jurisdiction
11 of the attorney general through incorporation, residency, presence
12 agreement or otherwise.

13 2. Has established a location, whether physical or virtual, that is
14 adequately accessible to the attorney general, from which testing will be
15 developed and performed and where all required records, documents and data
16 will be maintained.

17 D. Persons that already possess a license or other authorization
18 under state laws that regulate a financial product or service or other
19 innovation must file an application with the attorney general to test an
20 innovation within the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
21 BLOCKCHAIN sandbox for a product or service or other innovation outside
22 the scope of the license or authorization.

23 E. Applications must contain sufficient information to demonstrate
24 that an applicant has an adequate understanding of the innovation and a
25 sufficient plan to test, monitor and assess the innovation while ensuring
26 consumers are protected from a test's failure.

27 F. Applications must contain the information required by a form
28 that is developed and made publicly available by the attorney general.
29 The information required by the form may include:

30 1. Relevant personal and contact information for the applicant,
31 including full legal names, addresses, telephone numbers, email addresses,
32 website addresses and other information that the attorney general deems
33 necessary.

34 2. Disclosure of any criminal convictions of the applicant or key
35 personnel, if any.

36 3. A description of the innovation desired to be tested, including
37 statements regarding all of the following:

38 (a) How an innovation is subject to regulation outside of the
39 ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox.

40 (b) How the innovation would benefit consumers.

41 (c) How the innovation is different from other financial products
42 or services or other innovations available in this state.

43 (d) What risks will confront consumers.

44 (e) How entering the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL
45 ASSETS AND BLOCKCHAIN sandbox would enable a successful test of the
46 innovation.

1 (f) A description of the proposed testing plan, including estimated
2 time periods for market entry, market exit and the pursuit of necessary
3 licensure or authorization.

4 (g) How the applicant will wind down the test and protect consumers
5 if the test fails.

6 (h) How the applicant will employ cybersecurity measures to avoid
7 breaches and protect consumer and transaction data.

8 G. The attorney general shall collect an application fee in an
9 amount to be determined by the attorney general. The attorney general
10 shall deposit, pursuant to sections 35-146 and 35-147, all fees collected
11 pursuant to this subsection in the consumer protection-consumer fraud
12 revolving fund established by section 44-1531.01.

13 H. A person shall file a separate application for each innovation
14 sought to be tested.

15 I. After the information required by subsection F of this section
16 is submitted, the attorney general may seek additional information that it
17 deems necessary. Not later than ninety days after an application is
18 initially submitted, the attorney general shall notify the applicant as to
19 whether the application is approved for entry into the ~~regulatory~~
20 FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox. The attorney
21 general and an applicant may mutually agree to extend the time period for
22 the attorney general to determine whether an application is approved for
23 entry into the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
24 BLOCKCHAIN sandbox.

25 J. The attorney general may deny applications in its discretion and
26 a denial is not an appealable agency action for the purposes of chapter 6,
27 article 10 of this title.

28 Sec. 6. Section 41-5604, Arizona Revised Statutes, is amended to
29 read:

30 41-5604. Consultation with applicable agencies; admission
31 authority

32 A. The attorney general must consult with an applicable agency
33 before admitting a person into the ~~regulatory~~ FINANCIAL TECHNOLOGY,
34 DIGITAL ASSETS AND BLOCKCHAIN sandbox. This consultation may include
35 seeking information about:

36 1. Whether the applicable agency previously has either:

37 (a) Issued a license or other authorization to the applicant.

38 (b) Investigated, sanctioned or pursued legal action against the
39 applicant.

40 2. Whether the applicant could obtain a license or other
41 authorization from an applicable agency after exiting the ~~regulatory~~
42 FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox.

43 B. Notwithstanding subsection A of this section, the attorney
44 general has sole authority to make the final decision whether to admit a
45 person into the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
46 BLOCKCHAIN sandbox.

1 Sec. 7. Section 41-5605, Arizona Revised Statutes, is amended to
2 read:

3 41-5605. Scope

4 A. If the attorney general approves an application for entry into
5 the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN
6 sandbox, the applicant is deemed a sandbox participant and both of the
7 following apply:

8 1. The sandbox participant has twenty-four months after the date of
9 approval to test the innovation described in the sandbox participant's
10 application.

11 2. The attorney general must issue the sandbox participant a
12 registration number.

13 B. Innovations tested within the ~~regulatory~~ FINANCIAL TECHNOLOGY,
14 DIGITAL ASSETS AND BLOCKCHAIN sandbox are subject to the following
15 restrictions:

16 1. Consumers must be residents of this state, except for
17 transactions that involve an innovation provided by a sandbox participant
18 testing financial products or services as a money transmitter as defined
19 in section 6-1241 or a related innovation, in which case only physical
20 presence of the consumer in this state at the time of the transaction may
21 be required.

22 2. Except as provided in subsection C of this section or section
23 41-5608, an innovation may not be tested with more than ten thousand
24 consumers.

25 3. For a sandbox participant testing consumer lender loans as
26 defined in section 6-601, an individual consumer lender loan may be issued
27 for up to \$15,000, except that aggregate loans per consumer may not exceed
28 \$50,000. All consumer lender loans issued in the ~~regulatory~~ FINANCIAL
29 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox, including loans in
30 excess of \$10,000, are subject to all of the following:

31 (a) Section 6-114.

32 (b) Section 6-632.

33 (c) Section 6-635, subsections A, B and C.

34 (d) Section 6-637.

35 4. Except as provided in subsection C of this section, for a
36 sandbox participant testing financial products or services as a money
37 transmitter as defined in section 6-1241, individual transactions per
38 consumer may not exceed \$2,500 and aggregate transactions per consumer may
39 not exceed \$25,000.

40 5. For sandbox participants testing financial products or services
41 as a sales finance company as defined in section 44-281, all of the
42 following apply:

43 (a) Section 44-286.

44 (b) Section 44-287, except subsection B, paragraph 8.

45 (c) Section 44-288.

46 (d) Section 44-289.

1 (e) Section 44-290.

2 (f) Section 44-291.

3 (g) Section 44-293.

4 (h) Section 47-9601.

5 6. For sandbox participants testing financial products or services
6 that provide investment management that is regulated pursuant to title 44,
7 chapter 13:

8 (a) Section 44-3241 applies.

9 (b) The corporation commission rules adopted pursuant to title 44,
10 chapter 13 apply as they relate to dishonest and unethical practices.

11 C. If a sandbox participant demonstrates adequate financial
12 capitalization, risk management process and management oversight, the
13 attorney general may allow either or both of the following:

14 1. Except as provided in section 41-5608, an innovation to not be
15 tested with more than seventeen thousand five hundred consumers.

16 2. For a sandbox participant testing products or services as a
17 money transmitter as defined in section 6-1241, individual transactions
18 per consumer that do not exceed \$15,000 and aggregate transactions per
19 consumer that do not exceed \$50,000.

20 D. This section does not restrict a sandbox participant who holds a
21 license or other authorization in another jurisdiction from acting
22 pursuant to and in accordance with that license or other authorization.

23 E. A sandbox participant is deemed to possess an appropriate
24 license under the laws of this state for purposes of any provision of
25 federal law requiring state licensure or authorization.

26 F. Except as otherwise provided in this chapter, a sandbox
27 participant is not subject to state laws that establish requirements
28 pursuant to a license or authorization issued by an applicable agency that
29 otherwise would or may regulate an innovative financial product or service
30 OR OTHER INNOVATION.

31 G. The attorney general may determine that certain state laws that
32 regulate a financial product or service or innovation apply to a sandbox
33 participant. If the attorney general makes this determination and
34 approves an application for entry into the ~~regulatory~~ FINANCIAL
35 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox, the attorney general
36 must notify the sandbox participant of the specific state regulatory laws
37 that will apply to the sandbox participant. Pursuant to section 41-5611,
38 the attorney general alone shall enforce the state regulatory laws
39 applicable to sandbox participants, including the restrictions established
40 by this section.

41 H. To the extent that a sandbox participant is required by this
42 chapter to obtain, record, provide or maintain any information, writing,
43 signature, record or disclosure, the sandbox participant may do so in
44 electronic form, including as provided in section 44-7601, or may
45 substitute any substantially similar equivalent information, writing,
46 signature, record or disclosure that is approved by the attorney general.

1 Sec. 8. Section 41-5606, Arizona Revised Statutes, is amended to
2 read:

3 41-5606. Consumer protection

4 A. Before providing an innovation to consumers, a sandbox
5 participant must disclose to consumers all of the following:

6 1. The name and contact information of the sandbox participant,
7 including the registration number provided by the attorney general
8 pursuant to section 41-5605.

9 2. That the innovation is authorized pursuant to the ~~regulatory~~
10 FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox and, if
11 applicable, that the sandbox participant does not have a license or other
12 authorization to generally provide financial products or services or
13 innovations under state laws that regulate a financial product or service
14 or innovation that is outside the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL
15 ASSETS AND BLOCKCHAIN sandbox.

16 3. That this state does not endorse or recommend the innovation.

17 4. That the innovation is a temporary test that may be discontinued
18 at the end of the testing period, including the expected end date of the
19 testing period.

20 5. That consumers may contact the attorney general to file
21 complaints regarding the innovation being tested and provide the attorney
22 general's telephone number and website address where complaints may be
23 filed.

24 B. The notifications prescribed by subsection A of this section
25 must be provided to consumers in a clear and conspicuous form in both
26 English and Spanish. For an internet or application-based innovation,
27 consumers must acknowledge receipt of these notifications before
28 completion of a transaction.

29 C. The attorney general may require that a sandbox participant make
30 additional disclosures to consumers. When the attorney general approves
31 an application for entry into the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL
32 ASSETS AND BLOCKCHAIN sandbox, the attorney general shall notify the
33 sandbox participant of the additional disclosures.

34 Sec. 9. Section 41-5607, Arizona Revised Statutes, is amended to
35 read:

36 41-5607. Exit requirements

37 A. At least thirty days before the end of the twenty-four-month
38 ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox
39 testing period, a sandbox participant must either:

40 1. Notify the attorney general that the sandbox participant will
41 exit the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN
42 sandbox, wind down its test and cease offering any innovative FINANCIAL
43 products or services OR OTHER INNOVATIONS in the ~~regulatory~~ FINANCIAL
44 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox within sixty days after
45 the twenty-four-month testing period ends.

1 2. Seek an extension pursuant to section 41-5608 to pursue a
2 license or other authorization required by law.

3 B. If the attorney general does not receive notification pursuant
4 to subsection A of this section, the ~~regulatory~~ FINANCIAL TECHNOLOGY,
5 DIGITAL ASSETS AND BLOCKCHAIN sandbox testing period ends at the end of
6 the twenty-four-month testing period and the sandbox participant must
7 immediately cease offering innovative FINANCIAL products or services OR
8 OTHER INNOVATIONS.

9 C. If a test includes offering FINANCIAL products or services OR
10 OTHER INNOVATIONS that require ongoing duties, such as servicing a loan,
11 the sandbox participant must continue to fulfill those duties or arrange
12 for another person to fulfill those duties after the date the sandbox
13 participant exits the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
14 BLOCKCHAIN sandbox.

15 Sec. 10. Section 41-5608, Arizona Revised Statutes, is amended to
16 read:

17 41-5608. Discretionary allowances

18 A. A sandbox participant may request an extension of the ~~regulatory~~
19 FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox testing period
20 or an increase in the consumer cap established by section 41-5605 for the
21 purpose of pursuing a license or other authorization required by law.

22 B. The attorney general may grant or deny a request pursuant to
23 subsection A of this section within thirty days after the request. A
24 request granted pursuant to this subsection may not be effective for more
25 than one year after the approval date.

26 C. A sandbox participant that obtains an extension or increase
27 pursuant to subsection B of this section must provide the attorney general
28 with a written report every three months that provides an update on
29 efforts to obtain a license or other authorization, including any
30 submitted applications for licensure or other authorization, rejected
31 applications or issued licenses or other authorization.

32 D. The attorney general may deny requests made under subsection A
33 of this section, and a denial is not an appealable agency action for the
34 purposes of chapter 6, article 10 of this title.

35 Sec. 11. Section 41-5609, Arizona Revised Statutes, is amended to
36 read:

37 41-5609. Recordkeeping and reporting requirements

38 A. A sandbox participant must retain records, documents and data
39 produced in the ordinary course of business regarding an innovation tested
40 in the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN
41 sandbox.

42 B. If an innovation fails before the end of the testing period, the
43 sandbox participant must notify the attorney general and report on actions
44 taken to ensure consumers have not been harmed as a result of the
45 innovation's failure.

1 C. A sandbox participant is subject to the requirements of section
2 18-552 and must notify the attorney general of any breach as defined in
3 section 18-551.

4 Sec. 12. Section 41-5611, Arizona Revised Statutes, is amended to
5 read:

6 41-5611. Reporting requirements; monitoring; enforcement;
7 agreements

8 A. The attorney general may establish periodic reporting
9 requirements for sandbox participants.

10 B. The attorney general may seek records, documents and data from
11 sandbox participants. On the attorney general's request, sandbox
12 participants must make such records, documents and data available for
13 inspection by the attorney general.

14 C. If the attorney general has reasonable cause to believe that a
15 sandbox participant has engaged in, is engaging in or is about to engage
16 in any practice or transaction that is in violation of this chapter, that
17 constitutes an unlawful practice under section 44-1522 or that constitutes
18 a violation of a state or federal criminal law, the attorney general may
19 remove a sandbox participant from the ~~regulatory~~ FINANCIAL TECHNOLOGY,
20 DIGITAL ASSETS AND BLOCKCHAIN sandbox or order a sandbox participant to
21 exit the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN
22 sandbox pursuant to section 41-5607.

23 D. Removal from the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS
24 AND BLOCKCHAIN sandbox is not an appealable agency action for the purposes
25 of chapter 6, article 10 of this title.

26 E. Sandbox participants are subject to the consumer fraud
27 provisions under title 44, chapter 10, article 7.

28 F. The attorney general may enter into agreements with state,
29 federal or foreign regulators in advancing the purpose of ~~regulatory~~ THE
30 FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox, which may
31 include allowing sandbox participants to operate in other jurisdictions
32 and allowing entities authorized to operate in other jurisdictions to be
33 recognized as sandbox participants in this state.