Ohio Revised Code

Section 1355.03 Application for entry into sandbox.

Effective: March 14, 2023

Legislation: Senate Bill 249 - 134th General Assembly

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

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

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

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

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

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

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

(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;

(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;

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

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

(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;

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

(c) A description of the novel financial product or service desired to be tested, including statements regarding all of the following:

(i) How a novel financial product or service is subject to regulation outside of the regulatory sandbox;

(ii) How the novel financial product or service would benefit consumers;

(iii) How the novel financial product or service is different from other products or services available in this state;

(iv) What risks will confront consumers that use or purchase the novel financial product or service;

(v) How entering the regulatory sandbox would enable a successful test of the novel financial product or service;

(vi) A description of the proposed testing plan, including estimated time periods for market entry, market exit, and the pursuit of necessary licensure or authorization;

(vii) How the applicant would wind down the test and protect consumers if the test fails.

(3) As part of its application, an applicant may request that in testing a novel financial product or service, the applicant be exempt from the operation of any state law other than this chapter, including sections 1345.01 to 1345.13 of the Revised Code. In requesting an exemption, an applicant shall demonstrate why compliance would burden the applicant or hinder the test. The superintendent may grant or deny the request at the superintendent's discretion.

(C)(1) After the applicant submits the application with the information required by division (B) of this section, the superintendent shall review the application.

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

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

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

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

(b) The applicant has paid the application fee.

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

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

(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.

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

(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.

(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.

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