STATE OF ARIZONA
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY
GOVERNOR

EXECUTIVE OFFICE

March 22, 2018

The Honorable Michele Reagan
Secretary of State
1700 W. Washington, 7th Floor
Phoenix, AZ 85007

Dear Secretary Reagan:

I am transmitting to you the following bills from the Fifty-third Legislature, 2nd Regular Session, which I signed on March 22, 2018:

HB 2060 aggregate mined land reclamation; variances (Bowers)
HB 2434 financial products; regulatory exemption program (Weninger)

Sincerely,

Douglas A. Ducey
Governor
State of Arizona

cc: Senate Secretary
Chief Clerk of the House of Representatives
Arizona News Service

House Engrossed

FILED

MICHELE REAGAN

SECRETARY OF STATE

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)

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

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

41-1491.10. Reports; studies

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

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

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

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

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

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

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

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

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

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

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

CHAPTER 55

REGULATORY SANDBOX PROGRAM

ARTICLE 1. GENERAL PROVISIONS

41-5601. Definitions

IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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

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

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

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

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

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

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

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

41-5602. Program purpose

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

41-5603. Application process and requirements; fee

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

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

C. AN APPLICATION MUST DEMONSTRATE THAT AN APPLICANT BOTH:

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

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

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

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

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

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

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

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

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

(b) HOW THE INNOVATION WOULD BENEFIT CONSUMERS.

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

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

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

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

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

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

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

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

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

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

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

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

1. WHETHER THE APPLICABLE AGENCY PREVIOUSLY HAS EITHER:

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

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

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

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

41-5605. Scope

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

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

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

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

1. CONSUMERS MUST BE RESIDENTS OF THIS STATE.

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

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

(a) SECTION 6-114.

(b) SECTION 6-632.

(c) SECTION 6-635, SUBSECTIONS A, B AND C.
(d) SECTION 6-637.
4. EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION, FOR A SANDBOX PARTICIPANT TESTING PRODUCTS OR SERVICES AS A MONEY TRANSMITTER AS DEFINED IN SECTION 6-1201, INDIVIDUAL TRANSACTIONS PER CONSUMER MAY NOT EXCEED TWO THOUSAND FIVE HUNDRED DOLLARS AND AGGREGATE TRANSACTIONS PER CONSUMER MAY NOT EXCEED TWENTY-FIVE THOUSAND DOLLARS.
5. FOR SANDBOX PARTICIPANTS TESTING PRODUCTS OR SERVICES AS A SALES FINANCE COMPANY AS DEFINED IN SECTION 44-281, ALL OF THE FOLLOWING APPLY:
(a) SECTION 44-286.
(b) SECTION 44-287, EXCEPT NOT SECTION 44-287, SUBSECTION B, PARAGRAPH 8.
(c) SECTION 44-288.
(d) SECTION 44-289.
(e) SECTION 44-290.
(f) SECTION 44-291.
(g) SECTION 44-293.
(h) SECTION 47-9601.
6. FOR SANDBOX PARTICIPANTS TESTING PRODUCTS OR SERVICES THAT PROVIDE INVESTMENT MANAGEMENT THAT IS REGULATED PURSUANT TO TITLE 44, CHAPTER 13:
(a) SECTION 44-3241 APPLIES.
(b) EACH SANDBOX PARTICIPANT MUST MAKE, MAINTAIN AND PRESERVE BOOKS AND RECORDS IN ACCORDANCE WITH THE REQUIREMENTS IMPOSED ON FEDERAL COVERED ADVISERS UNDER 17 CODE OF FEDERAL REGULATIONS SECTION 275.204-2. THE SANDBOX PARTICIPANT SHALL FILE WITH THE CORPORATION COMMISSION A COPY OF ANY NOTICES OR WRITTEN UNDERTAKINGS REQUIRED TO BE FILED BY FEDERAL COVERED ADVISERS WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER 17 CODE OF FEDERAL REGULATIONS SECTION 275.204-2.
(c) THE CORPORATION COMMISSION RULES ADOPTED PURSUANT TO TITLE 44, CHAPTER 13 APPLY AS THEY RELATE TO THE FOLLOWING:
(i) DISHONEST AND UNETHICAL PRACTICES.
(ii) INFORMATION REQUIRED TO BE FURNISHED TO CLIENTS.
(iii) CUSTODY OF CLIENT FUNDS OR SECURITIES.
(iv) DISCLOSURE OF FINANCIAL AND DISCIPLINARY INFORMATION TO CLIENTS.
C. IF A SANDBOX PARTICIPANT DEMONSTRATES ADEQUATE FINANCIAL CAPITALIZATION, RISK MANAGEMENT PROCESS AND MANAGEMENT OVERSIGHT, THE ATTORNEY GENERAL MAY ALLOW EITHER OR BOTH OF THE FOLLOWING:
1. NOT MORE THAN SEVENTEEN THOUSAND FIVE HUNDRED CONSUMERS TO TRANSACT THROUGH OR ENTER INTO AN AGREEMENT TO USE THE INNOVATION.
2. FOR A SANDBOX PARTICIPANT TESTING PRODUCTS OR SERVICES AS A MONEY TRANSMITTER AS DEFINED IN SECTION 6-1201, INDIVIDUAL TRANSACTIONS PER CONSUMER THAT DO NOT EXCEED FIFTEEN THOUSAND DOLLARS AND AGGREGATE TRANSACTIONS PER CONSUMER THAT DO NOT EXCEED FIFTY THOUSAND DOLLARS.

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

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

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

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

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

41-5606. Consumer protection

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

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

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

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

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

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

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

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

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

41-5607. Exit requirements

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

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

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

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

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

41-5608. Extensions

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

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

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

41-5609. Recordkeeping and reporting requirements

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

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

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

41-5610. Records; disclosure; evidentiary effect

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

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

1. STATE AND FEDERAL AGENCIES.

2. REPRESENTATIVES OF FOREIGN COUNTRIES THAT HAVE REGULATORY OR SUPERVISORY AUTHORITY OVER THE ACTIVITIES OF THE SANDBOX PARTICIPANT.

3. A FEDERAL, STATE OR COUNTY GRAND JURY IN RESPONSE TO A LAWFUL SUBPOENA.

4. THE STATE AUDITOR GENERAL FOR THE PURPOSE OF CONDUCTING AUDITS AUTHORIZED BY LAW.

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

D. THE DISCLOSURE PURSUANT TO SUBSECTION 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 SANDBOX PARTICIPANT OR THE SANDBOX PARTICIPANT'S HOLDING COMPANY MAY 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 MAY NOT DISCLOSE, USE OR REFERENCE IN ANY FORM COMMENTS, CONCLUSIONS OR RESULTS OF AN EXAMINATION, INQUIRY OR INVESTIGATION IN ANY TYPE OF COMMUNICATION TO A CUSTOMER OR POTENTIAL CUSTOMER.

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

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

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

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

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

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

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

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

41-5612. Program termination

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

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

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

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

B. THE FUND CONSISTS OF THE FOLLOWING:

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

2. MONIES DEPOSITED PURSUANT TO SECTION 41-5603.

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

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

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

APPROVED BY THE GOVERNOR MARCH 22, 2018

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

Passed the House February 22, 20 18

by the following vote: 34 Ayes,

22 Nays, 4 Not Voting

Speaker of the House

☐ Pro Tempore

Chief Clerk of the House

Passed the Senate March 21, 20 18

by the following vote: 17 Ayes,

12 Nays, 1 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

21st day of March, 20 18

at 6:39 o'clock P. M.

Secretary to the Governor

Approved this 22nd day of

March 2018

at 1:50 o'clock P M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 22nd day of March, 20 18

at 4:26 o'clock P. M.

Secretary of State

H.B. 2434