



Arizona Becomes First U.S. State To Launch Regulatory Sandbox For Fintech

Arizona State University claims to be the national leader in promoting Sustainable Development; in spite of Arizona's conservative reputation, it is saturated with U.N. policies and developing Fintech is only the latest manifestation. □ TN Editor

Arizona has become the first state in the U.S. to adopt a "regulatory sandbox" to shepherd the development of new emerging industries like fintech, blockchain and cryptocurrencies within its borders.

The law will grant regulatory relief for innovators in these sectors who desire to bring new products to market within the state.

Under the program, which will take effect later this year, companies will be able to test their products for up to two years and serve as many as

10,000 customers before needing to apply for formal licensure.

“With the signing of H.B 2434, Arizona will become the ultimate sandbox for the development of Fintech,” Ducey [wrote](#) on Twitter once it became official.

“FinTech is going to fundamentally transform banking, finance & technology. We’re going to be the first in the state to embrace it,” he [said](#) at an event hosted by the Arizona Commerce Authority, a business group.

As the pace of technological change in financial services continues to forge ahead at a sizzling rates that legacy regulatory systems are struggling to keep up with, jurisdictions around the world have moved to establish sandboxes that allow for new products to be deployed on a trial basis in a manner that loosens certain licensing restrictions while still affording consumer protections.

Countries including the [United Kingdom](#), United Arab Emirates, Singapore, Australia, Canada and others have implemented sandboxes of their own in an attempt to attract entrepreneurs build local fintech ecosystems.

Arizona Attorney General Mark Brnovich, whose agency will oversee the sandbox, has been touting the idea of an Arizona sandbox for over a year, noted that the impetus for the new program was, in part, due to slow movement in Congress and a stalemate among the multiplicity of agencies involved in overseeing the fintech and blockchain industries.

This logjam at the federal level has left entrepreneurs and innovators unsure of which rules they are supposed to abide by and to whom they must report.

“The idea of a regulatory fintech sandbox is not new, and while it’s being discussed at the federal level, Congress is moving at a glacial pace,” Brnovich [said](#) in a statement.

He continued:

“Arizona has always been a state for big ideas and this is just one

more place where we are trailblazing in entrepreneurship and innovation. I hope to see the sandbox serve as a catalyst for capital investment in Arizona and provide opportunities for Arizona businesses and consumers to thrive.”

The sandbox will be administered by the AG’s office and be open to businesses bringing new products to market for activities that would normally require licenses issued by Arizona’s Department of Financial Institutions, such as mortgage lending, consumer lending and money transmission.

While blockchain and cryptocurrencies aren’t specifically mentioned in the bill text, these emerging areas are high on the radar of its lead sponsor, Rep. Jeff Weninger, who has introduced numerous other pieces of legislation intended to advance the local blockchain ecosystem.

Among these are bills that would differentiate between security and utility tokens (along the lines of the [law](#) enacted by Wyoming earlier this month) and preemptively restrict regulation of residential blockchain mining activities.

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