

# SB3133



## 100TH GENERAL ASSEMBLY

### State of Illinois

2017 and 2018

SB3133

Introduced 2/15/2018, by Sen. Dan McConchie

#### SYNOPSIS AS INTRODUCED:

New Act  
30 ILCS 105/6z-26

Creates the Regulatory Sandbox Act. Creates the regulatory sandbox to enable persons to obtain limited access to the Illinois marketplace in order to test innovations in financial products or services. Provides requirements for approval to enter the regulatory sandbox, the application fee, and approval or denial time. Provides requirements for operating an innovation in the regulatory sandbox and extending a test period. Contains provisions regarding rules and judicial review of the administration of this Act. Makes conforming changes in the State Finance Act. Effective January 1, 2019.

LRB100 18452 XWW 33667 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the  
5 Regulatory Sandbox Act.

6 Section 5. Definitions. As used in this Act:

7 "Consumer" means a person who purchases or otherwise enters  
8 into a transaction or agreement to receive an innovative  
9 financial product or service tested by a person participating  
10 in the regulatory sandbox.

11 "Department" means the Department of Financial and  
12 Professional Regulation.

13 "Division of Financial Institutions" means the Division of  
14 Financial Institutions of the Department of Financial and  
15 Professional Regulation.

16 "Financial institutions" means ambulatory and community  
17 currency exchanges, credit unions, guaranteed credit unions,  
18 persons engaged in the business of transmitting money to  
19 foreign countries or buying and selling foreign money, pawners'  
20 societies, title insuring or guaranteeing companies, and  
21 persons engaged in the business of making loans of \$800 or  
22 less.

23 "Financial product or service" means a product or service

1 regulated by the Department's Division of Financial  
2 Institutions or a product or service that includes elements  
3 that may otherwise require a license, certification, or  
4 recognition as a financial institution or enterprise regulated  
5 by the Department's Division of Financial Institutions.

6 "Innovation" means, with respect to a product or service,  
7 that which uses or incorporates new or emerging technology, or  
8 new uses for existing technology, to address a problem, provide  
9 a benefit, or otherwise offer a product, service, business  
10 model, or delivery mechanism that has no comparable widespread  
11 offering in the marketplace regulated by the Department's  
12 Division of Financial Institutions.

13 "Person" means an individual, partnership, joint venture,  
14 trust, estate, firm, corporation, association, or cooperative  
15 society or association.

16 "Regulatory sandbox" means the program established by this  
17 Act that allows a person to temporarily test innovative  
18 financial products, services, business models, or delivery  
19 mechanisms on a limited basis without being required to first  
20 obtain a license, certification, or recognition as a regulated  
21 financial institution or enterprise.

22 "Secretary" means the Secretary of Financial and  
23 Professional Regulation.

24 Section 10. Purpose. The purpose of the regulatory sandbox  
25 is to enable a person to obtain limited access to the Illinois

1 marketplace in order to temporarily test innovations through  
2 the regulatory sandbox, including allowing the person to test  
3 innovations without first having to obtain licensure with the  
4 Department.

5 Section 15. Applications; review.

6 (a) A person may apply to the Department to enter the  
7 regulatory sandbox to temporarily test innovations before  
8 releasing the innovation to Illinois consumers.

9 (b) An application to enter the regulatory sandbox shall be  
10 in a form prescribed by the Secretary.

11 (c) At the time of application, an applicant shall provide  
12 the Department with an accurate and up-to-date email address.

13 (d) If an applicant is a corporation, the applicant must be  
14 in good standing and in statutory compliance with the state or  
15 country of its incorporation. If an applicant is an entity  
16 other than a corporation, the applicant must be properly  
17 registered under the laws of this State or another state or  
18 country. If required by the Department, the applicant must be  
19 authorized to do business in the State of Illinois.

20 (e) A financial institution already regulated by the  
21 Department's Division of Financial Institutions must file an  
22 application to test products or services that are outside the  
23 scope of its current license.

24 (f) The fee for an application to enter the regulatory  
25 sandbox is \$500 per innovation.

1 (g) All moneys received by the Department under this Act  
2 shall be deposited in the Financial Institution Fund created  
3 under Section 6z-26 of the State Finance Act.

4 (h) The Department shall approve or deny an application  
5 within 90 days after the date of receipt of the application.  
6 The Department and the applicant may agree to extend the time  
7 beyond 90 days.

8 Section 20. Operation.

9 (a) An applicant approved for the regulatory sandbox has 12  
10 months from the date of approval to test the innovation.

11 (b) Consumers upon whom innovations are tested must be  
12 Illinois residents.

13 (c) No more than 5,000 Illinois consumers may transact  
14 through or enter into an agreement to use the innovation.

15 (d) At the end of the innovation's 12-month test period, a  
16 person testing an innovation must exit the regulatory sandbox  
17 and wind down the operation of the innovation within 60 days,  
18 except as otherwise provided in Section 25.

19 (e) Before temporarily testing an innovation, a person  
20 approved for the regulatory sandbox must disclose, in a clear  
21 and conspicuous form, to Illinois consumers:

22 (1) the name and contact information of the person  
23 providing the innovation;

24 (2) that the innovation is authorized pursuant to the  
25 regulatory sandbox and not pursuant to any license issued

1 by the Department;

2 (3) that the State of Illinois does not endorse or  
3 recommend the innovation;

4 (4) that the innovation is a temporary test that may be  
5 discontinued at the end of the test period, including the  
6 expected end date of the test period; and

7 (5) the name and contact information for the  
8 Department, including where a consumer may file a complaint  
9 regarding the innovation.

10 These disclosures must be provided to the consumers before  
11 proceeding with the transaction.

12 (f) A person approved for the regulatory sandbox shall  
13 maintain books, accounts, and records for the innovation.

14 (g) The Department may inspect a person in the regulatory  
15 sandbox at any time. Unless it will interfere with the  
16 Department's duties under this Act, reasonable notice of the  
17 inspection shall be given to the person in the regulatory  
18 sandbox. The Secretary or appointed representative shall have  
19 full and free access to all the books, papers, and records that  
20 relate to the innovation.

21 (h) A person who winds down the operation of the innovation  
22 shall preserve books, accounts, and records, in any form, for  
23 the innovation for 5 years after the conclusion of the test  
24 period.

25 (i) The Department may suspend any person in the regulatory  
26 sandbox for failing to comply with this Act, including the

1 failure to comply with the Department's request for books,  
2 accounts, records, or other relevant material.

3 (j) The Secretary may revoke or suspend admission to or  
4 refuse to admit a person to the regulatory sandbox if the  
5 Secretary finds that:

6 (1) the person has failed to pay the application fee;

7 (2) the person has violated a provision of this Act or  
8 a rule adopted by the Secretary under the authority of this  
9 Act;

10 (3) a fact or condition exists which, if it had existed  
11 at the time of the original application for admission to  
12 the regulatory sandbox, would have warranted the Secretary  
13 in refusing initial admission to the regulatory sandbox; or

14 (4) the person has made a false statement or a false  
15 representation to the Secretary in application for  
16 admission to the regulatory sandbox.

17 When a person's admission to the regulatory sandbox is  
18 denied, suspended, or revoked, the Secretary shall serve the  
19 person with notice of his or her action, including a statement  
20 of the reasons for his or her action, personally, by electronic  
21 mail, or by regular mail. Service by mail is completed when the  
22 notice is deposited in the U.S. Mail. Service to the email  
23 address of record is completed when sent.

24 Section 25. Extension.

25 (a) A person in the regulatory sandbox may request a

1 one-time extension of the regulatory sandbox test period. The  
2 request must be made no later than the end of the 11th month of  
3 the initial 12-month test period. The request for an extension  
4 must specify how long the requester believes will be necessary  
5 to produce a conclusive test and state specific reasons why an  
6 extension is necessary.

7 (b) The Department may grant a one-time test period  
8 extension of up to 6 months. The Department must grant or deny  
9 a request for a one-time test period extension before the end  
10 of the initial 12-month test period. A denial of an extension  
11 request is within the Department's sole discretion and any such  
12 denial is not appealable.

13 Section 30. Rules. The Secretary may adopt and enforce all  
14 reasonable rules necessary or appropriate for the  
15 administration of this Act. The rulemaking shall be subject to  
16 the provisions of the Illinois Administrative Procedure Act.

17 Section 35. Judicial review. All final administrative  
18 decisions of the Department under this Act shall be subject to  
19 judicial review pursuant to the provisions of the  
20 Administrative Review Law and any rules adopted pursuant to the  
21 Administrative Review Law.

22 Section 905. The State Finance Act is amended by changing  
23 Section 6z-26 as follows:



1 (30 ILCS 105/6z-26)

2 Sec. 6z-26. The Financial Institution Fund. All moneys  
3 received by the Department of Financial and Professional  
4 Regulation under the Safety Deposit License Act, the Foreign  
5 Exchange License Act, the Pawnors Societies Act, the Sale of  
6 Exchange Act, the Currency Exchange Act, the Sales Finance  
7 Agency Act, the Debt Management Service Act, the Consumer  
8 Installment Loan Act, the Illinois Development Credit  
9 Corporation Act, the Title Insurance Act, the Debt Settlement  
10 Consumer Protection Act, the Debt Management Service Consumer  
11 Protection Fund, the Regulatory Sandbox Act, and any other Act  
12 administered by the Department of Financial and Professional  
13 Regulation as the successor of the Department of Financial  
14 Institutions now or in the future (unless an Act specifically  
15 provides otherwise) shall be deposited in the Financial  
16 Institution Fund (hereinafter "Fund"), a special fund that is  
17 hereby created in the State Treasury.

18 Moneys in the Fund shall be used by the Department, subject  
19 to appropriation, for expenses incurred in administering the  
20 above named and referenced Acts.

21 The Comptroller and the State Treasurer shall transfer from  
22 the General Revenue Fund to the Fund any monies received by the  
23 Department after June 30, 1993, under any of the above named  
24 and referenced Acts that have been deposited in the General  
25 Revenue Fund.

1           As soon as possible after the end of each calendar year,  
2 the Comptroller shall compare the balance in the Fund at the  
3 end of the calendar year with the amount appropriated from the  
4 Fund for the fiscal year beginning on July 1 of that calendar  
5 year. If the balance in the Fund exceeds the amount  
6 appropriated, the Comptroller and the State Treasurer shall  
7 transfer from the Fund to the General Revenue Fund an amount  
8 equal to the difference between the balance in the Fund and the  
9 amount appropriated.

10           Nothing in this Section shall be construed to prohibit  
11 appropriations from the General Revenue Fund for expenses  
12 incurred in the administration of the above named and  
13 referenced Acts.

14           Moneys in the Fund may be transferred to the Professions  
15 Indirect Cost Fund, as authorized under Section 2105-300 of the  
16 Department of Professional Regulation Law of the Civil  
17 Administrative Code of Illinois.

18           (Source: P.A. 96-1420, eff. 8-3-10.)

19           Section 999. Effective date. This Act takes effect January  
20 1, 2019.