



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB2825

by Rep. Michael J. Zalewski

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 immediately.

LRB101 00372 XWW 45378 b

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, persons engaged in the business of
18 transmitting money to foreign countries or buying and selling
19 foreign money, pawnshops, societies, title insuring or
20 guaranteeing companies, and persons engaged in the business of
21 making loans of \$800 or less.

22 "Financial product or service" means a product or service
23 regulated by the Department's Division of Financial

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

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

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

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

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

23 Section 10. Purpose. The purpose of the regulatory sandbox
24 is to enable a person to obtain limited access to the Illinois
25 marketplace in order to temporarily test innovations through

1 the regulatory sandbox, including allowing the person to test
2 innovations without first having to obtain licensure with the
3 Department.

4 Section 15. Applications; review.

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

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

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

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

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

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

25 (g) All moneys received by the Department under this Act

1 shall be deposited in the Financial Institution Fund created
2 under Section 6z-26 of the State Finance Act.

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

7 Section 20. Operation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 accounts, records, or other relevant material.

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

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

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

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

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

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

23 Section 25. Extension.

24 (a) A person in the regulatory sandbox may request a
25 one-time extension of the regulatory sandbox test period. The

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

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

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

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

21 Section 40. Remedies. Nothing in this Act shall be
22 construed to limit the remedies provided under the Code of
23 Civil Procedure.

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

3 (30 ILCS 105/6z-26)

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

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

23 The Comptroller and the State Treasurer shall transfer from
24 the General Revenue Fund to the Fund any monies received by the

1 Department after June 30, 1993, under any of the above named
2 and referenced Acts that have been deposited in the General
3 Revenue Fund.

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

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

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

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

22 Section 999. Effective date. This Act takes effect upon
23 becoming law.