



This Bill Analysis reflects the contents of the bill as it was presented in committee.

SENATE BILL 470: North Carolina Regulatory Sandbox Act.

2021-2022 General Assembly

Committee:	Senate Finance. If favorable, re-refer to Rules and Operations of the Senate	Date:	June 1, 2021
Introduced by:	Sens. Johnson, Hise	Prepared by:	Cindy Avrette
Analysis of:	Second Edition		Staff Attorney

OVERVIEW: Senate Bill 470¹ would establish the North Carolina Innovation Council, which would be authorized to select persons or entities applying to offer banking, financial, or insurance products or services to consumers utilizing new or emerging technology, that would participate in a "regulatory sandbox program" for an initial period of 24 months, under the oversight of either the Office of the Commissioner of Banks or the Department of Insurance.

The overseeing agency would have authority waive statutory or regulatory requirements that otherwise would not permit a participant to offer the product or service to consumers.

Applicants would pay a fee of \$50 and participants would pay a fee of \$450 to cover reasonable agency expenses. A participant and its assigned agency could agree to extend the initial 24-month period or to alter the parameters of the product or service being offered under the program.

Before offering innovative products or services to consumers during the program, participants would be required to provide them with specified disclosures.

AMENDMENT: The amendment sets the terms of the Council members and establishes the protocols for its meetings.

BILL ANALYSIS: Senate Bill 470 would enact the North Carolina Regulatory Sandbox Act of 2021 as new Chapter 169 of the General Statutes.

The new chapter would establish the North Carolina Innovation Council, consisting of 11 members as follows:

- The Commissioner of Banks or appointed designee.
- The Commissioner of Insurance and Fire Marshall or appointed designee.
- The Secretary of State or appointed designee.
- The Attorney General or appointed designee.
- Two public members appointed by the Governor.
- One public member appointed by the Lt. Governor.
- Two public members appointed from academia by the Senate President Pro Tempore.
- Two public members appointed from the North Carolina entrepreneurial or blockchain community by the House Speaker.

The Council would be charged with selecting persons or entities wishing to offer innovative product or service for participation in a 24 month program under the oversight of either the Office of the

¹ As introduced, this bill was identical to H624, as introduced by Reps. Saine, Turner, Lofton, Szoka, which is currently in House Insurance.

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Commissioner of Banks or the Department of Insurance, depending on the particular product or service being offered. In determining admission to the program, the Council would be required to consider:

- The nature of the innovation product or service and the potential risk to consumers.
- The methods for protecting consumers and resolving complaints during the sandbox period.
- The applicant's business plan.
- Whether the entity's management has sufficient expertise to conduct a pilot of the proposed product or service.
- Whether any person substantially involved in the development, operation or management of the innovative product or service has been convicted of or under investigation for fraud or State or federal securities law violations.
- Any other factor the Council or the applicable agency deems relevant.

Applicants that are entities would be required to have a physical presence in the State. The Council could deny an application in its discretion, if it gives defined reasons for the denial. Denied applicants would not be entitled to initiate a contested case or seek judicial review under the Administrative Procedure Act but could utilize the APA's informal dispute resolution procedures.

An "innovative product or service" would be defined as a financial or insurance product or service utilizing new or emerging technology, including blockchain technology, or involving a new use of existing technology, to address a problem, provide a benefit, or otherwise offer a product, service, business model or delivery mechanism to the public that is not known to have a comparable widespread offering in this State.

The assigned oversight agency would have authority to grant an "innovation waiver" of specified requirements imposed by statute or rule that would not currently permit the product or service to be offered to consumers. The agency would have the discretion to publish a list of sandbox participants or a public notice of the existence of any innovation waivers.

Participants would have to make the following disclosures to consumers before offering an innovative product or service to consumers:

- The participant's name and contact information.
- That the product or service is authorized pursuant to the sandbox program for a temporary testing period.
- That the product or service is not endorsed by the State or the applicable agency, which are not liable for any losses or damages caused by the product or service.
- That the consumer can file complaints with the applicable agency or the Attorney General, and provide contact information where complaints or other comments may be filed.

The Council would be authorized to study and make recommendations with respect to blockchain initiatives and the application of blockchain technology that would provide additional benefits to the State's consumers and industry.

EFFECTIVE DATE: This act would become effective October 1, 2021.