

REFERENCE TITLE: financial products; regulatory exemption program

State of Arizona  
House of Representatives  
Fifty-third Legislature  
Second Regular Session  
2018

## **HB 2434**

Introduced by  
Representative Weninger

AN ACT

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)

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

2 Section 1. Title 41, Arizona Revised Statutes, is amended by adding  
3 chapter 55, to read:

4 CHAPTER 55

5 REGULATORY SANDBOX PROGRAM

6 ARTICLE 1. GENERAL PROVISIONS

7 41-5601. Definitions

8 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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

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

18 3. "FINANCIAL PRODUCT OR SERVICE" MEANS A PRODUCT OR SERVICE THAT  
19 REQUIRES LICENSURE UNDER TITLE 6 OR 20 OR TITLE 44, CHAPTER 13 OR A  
20 PRODUCT OR SERVICE THAT INCLUDES A BUSINESS MODEL, DELIVERY MECHANISM OR  
21 ELEMENT THAT MAY OTHERWISE REQUIRE A LICENSE OR OTHER AUTHORIZATION TO ACT  
22 AS A FINANCIAL INSTITUTION OR ENTERPRISE OR OTHER ENTITY THAT IS REGULATED  
23 BY TITLE 6 OR 20 OR TITLE 44, CHAPTER 13.

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

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

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

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

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

40 41-5602. Program purpose

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

1           41-5603. Application process and requirements; fee

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

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

6           C. APPLICATIONS MUST DEMONSTRATE THAT APPLICANTS HAVE ESTABLISHED  
7 BOTH OF THE FOLLOWING:

8           1. A BUSINESS ENTITY IN THIS STATE OR, IF THE APPLICANT IS AN  
9 INDIVIDUAL, A RESIDENCE IN THIS STATE.

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

14           D. PERSONS THAT ALREADY POSSESS A LICENSE OR OTHER AUTHORIZATION  
15 UNDER TITLE 6 OR 20 OR TITLE 44, CHAPTER 13 MUST FILE AN APPLICATION WITH  
16 THE ATTORNEY GENERAL TO TEST INNOVATIVE FINANCIAL PRODUCTS OR SERVICES  
17 WITHIN THE REGULATORY SANDBOX.

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

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

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

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

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

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

35           (b) HOW THE INNOVATION WOULD BENEFIT CONSUMERS.

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

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

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

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

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

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

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

8 I. AFTER THE INFORMATION REQUIRED BY SUBSECTION F OF THIS SECTION  
9 IS SUBMITTED, THE ATTORNEY GENERAL MAY SEEK ADDITIONAL INFORMATION THAT IT  
10 DEEMS NECESSARY. NOT LATER THAN NINETY DAYS AFTER AN APPLICATION IS  
11 INITIALLY SUBMITTED, THE ATTORNEY GENERAL SHALL NOTIFY THE APPLICANT AS TO  
12 WHETHER THE APPLICATION IS APPROVED FOR ENTRY INTO THE REGULATORY  
13 SANDBOX. THE ATTORNEY GENERAL AND AN APPLICANT MAY MUTUALLY AGREE TO  
14 EXTEND THE TIME PERIOD FOR THE ATTORNEY GENERAL TO DETERMINE WHETHER AN  
15 APPLICATION IS APPROVED FOR ENTRY INTO THE REGULATORY SANDBOX.

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

19 41-5604. Consultation with applicable agencies; admission  
20 authority; insurance products; investment  
21 management

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

25 1. WHETHER THE APPLICABLE AGENCY PREVIOUSLY HAS EITHER:

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

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

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

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

35 41-5605. Scope

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

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

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

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

46 1. CONSUMERS MUST BE RESIDENTS OF THIS STATE.

1           2. NOT MORE THAN TEN THOUSAND CONSUMERS MAY TRANSACT THROUGH OR  
2 ENTER INTO AN AGREEMENT TO USE THE INNOVATION.

3           3. FOR A CONSUMER LENDER AS DEFINED IN SECTION 6-601, INDIVIDUAL  
4 TRANSACTIONS PER CONSUMER MAY NOT EXCEED FIFTEEN THOUSAND DOLLARS AND  
5 AGGREGATE TRANSACTIONS PER CONSUMER MAY NOT EXCEED FIFTY THOUSAND DOLLARS.  
6 SUCH LOANS ARE SUBJECT TO SECTION 6-632.

7           4. FOR A MONEY TRANSMITTER AS DEFINED IN SECTION 6-1201, INDIVIDUAL  
8 TRANSACTIONS PER CONSUMER MAY NOT EXCEED TWO THOUSAND FIVE HUNDRED DOLLARS  
9 AND AGGREGATE TRANSACTIONS PER CONSUMER MAY NOT EXCEED TWENTY-FIVE  
10 THOUSAND DOLLARS.

11          5. FOR SANDBOX PARTICIPANTS TESTING PRODUCTS OR SERVICES THAT  
12 PROVIDE INSURANCE:

13           (a) ALL OF THE FOLLOWING APPLY:

14           (i) SECTION 20-443.

15           (ii) SECTION 20-443.01, SUBSECTION A.

16           (iii) SECTION 20-447.

17           (iv) SECTION 20-448.01.

18           (v) SECTION 20-448.02.

19           (vi) SECTION 20-452.

20           (vii) SECTION 20-457.

21           (viii) SECTION 20-460.

22           (ix) SECTION 20-462.

23           (x) SECTION 20-463.

24           (xi) SECTION 20-463.01.

25           (xii) SECTION 20-464.

26           (xiii) SECTION 20-465, SUBSECTION A.

27           (xiv) SECTION 20-468.

28           (xv) SECTION 20-469.

29           (xvi) SECTION 20-469.01.

30           (b) SECTION 20-444, SUBSECTION B AND SECTION 20-445 DO NOT APPLY.

31           (c) THE INSURANCE TERM MUST NOT EXCEED THE TESTING PERIOD.

32           (d) THE SANDBOX PARTICIPANT MUST DEMONSTRATE THE ABILITY TO  
33 MAINTAIN CAPITAL NECESSARY TO PROVIDE AN INSURANCE PRODUCT OR SERVICE FOR  
34 THE DURATION OF THE TEST.

35          6. FOR SANDBOX PARTICIPANTS TESTING PRODUCTS OR SERVICES THAT  
36 PROVIDE INVESTMENT MANAGEMENT THAT IS REGULATED PURSUANT TO TITLE 44,  
37 CHAPTER 13:

38           (a) SECTION 44-3241 APPLIES.

39           (b) EACH SANDBOX PARTICIPANT MUST MAKE, MAINTAIN AND PRESERVE BOOKS  
40 AND RECORDS IN ACCORDANCE WITH THE REQUIREMENTS IMPOSED ON FEDERAL COVERED  
41 ADVISERS UNDER 17 CODE OF FEDERAL REGULATIONS SECTION 275.204-2. THE  
42 SANDBOX PARTICIPANT SHALL FILE WITH THE CORPORATION COMMISSION A COPY OF  
43 ANY NOTICES OR WRITTEN UNDERTAKINGS REQUIRED TO BE FILED BY FEDERAL  
44 COVERED ADVISERS WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER 17 CODE  
45 OF FEDERAL REGULATIONS SECTION 275.204-2.

1 (c) THE CORPORATION COMMISSION RULES ADOPTED PURSUANT TO TITLE 44,  
2 CHAPTER 13 APPLY AS THEY RELATE TO THE FOLLOWING:

- 3 (i) DISHONEST AND UNETHICAL PRACTICES.  
4 (ii) INFORMATION REQUIRED TO BE FURNISHED TO CLIENTS.  
5 (iii) CUSTODY OF CLIENT FUNDS OR SECURITIES.  
6 (iv) DISCLOSURE OF FINANCIAL AND DISCIPLINARY INFORMATION TO  
7 CLIENTS.

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

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

14 41-5606. Consumer protection

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

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

21 2. THAT THE INNOVATIVE PRODUCT OR SERVICE IS AUTHORIZED PURSUANT TO  
22 THE REGULATORY SANDBOX AND, IF APPLICABLE, THAT THE SANDBOX PARTICIPANT  
23 DOES NOT HAVE A LICENSE OR OTHER AUTHORIZATION TO GENERALLY PROVIDE  
24 PRODUCTS OR SERVICES THAT ARE REGULATED UNDER TITLE 6 OR 20 OR TITLE 44,  
25 CHAPTER 13 OUTSIDE THE REGULATORY SANDBOX.

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

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

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

34 B. THE NOTIFICATIONS PRESCRIBED BY SUBSECTION A OF THIS SECTION  
35 MUST BE PROVIDED TO CONSUMERS IN A CLEAR AND CONSPICUOUS FORM IN BOTH  
36 ENGLISH AND SPANISH. FOR INTERNET OR APPLICATION-BASED INNOVATIVE  
37 FINANCIAL PRODUCTS OR SERVICES, CONSUMERS MUST ACKNOWLEDGE RECEIPT OF  
38 THESE NOTIFICATIONS BEFORE COMPLETION OF A TRANSACTION.

39 41-5607. Exit requirements

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

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

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

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

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

13           41-5608. Extensions

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

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

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

28           41-5609. Recordkeeping and reporting requirements

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

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

36           C. A SANDBOX PARTICIPANT IS SUBJECT TO THE REQUIREMENTS OF SECTION  
37 18-545 AND MUST NOTIFY THE ATTORNEY GENERAL OF ANY BREACH AS DEFINED IN  
38 SECTION 18-545.

39           41-5610. Records; disclosure; evidentiary effect

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

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

- 45           1. STATE AND FEDERAL AGENCIES.

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

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

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

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

11           D. THE DISCLOSURE PURSUANT TO SUBSECTION B OF THIS SECTION OF A  
12 COMPLAINT OR THE RESULTS OF AN EXAMINATION, INQUIRY OR INVESTIGATION OF A  
13 SANDBOX PARTICIPANT DOES NOT MAKE THAT INFORMATION A PUBLIC RECORD AND THE  
14 SANDBOX PARTICIPANT OR THE SANDBOX PARTICIPANT'S HOLDING COMPANY MAY NOT  
15 DISCLOSE THAT INFORMATION TO THE GENERAL PUBLIC UNLESS THE DISCLOSURE IS  
16 REQUIRED BY LAW. A SANDBOX PARTICIPANT OR THE SANDBOX PARTICIPANT'S  
17 HOLDING COMPANY MAY NOT DISCLOSE, USE OR REFERENCE IN ANY FORM COMMENTS,  
18 CONCLUSIONS OR RESULTS OF AN EXAMINATION, INQUIRY OR INVESTIGATION IN ANY  
19 TYPE OF COMMUNICATION TO A CUSTOMER OR POTENTIAL CUSTOMER.

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

24           41-5611. Reporting requirements; monitoring; enforcement;  
25 agreements

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

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

32           C. IF THE ATTORNEY GENERAL HAS REASONABLE CAUSE TO BELIEVE THAT A  
33 SANDBOX PARTICIPANT HAS ENGAGED IN, IS ENGAGING IN OR IS ABOUT TO ENGAGE  
34 IN ANY PRACTICE OR TRANSACTION THAT IS IN VIOLATION OF THIS CHAPTER, THAT  
35 CONSTITUTES AN UNLAWFUL PRACTICE UNDER SECTION 44-1522 OR THAT CONSTITUTES  
36 A VIOLATION OF A STATE OR FEDERAL CRIMINAL LAW, THE ATTORNEY GENERAL MAY  
37 REMOVE A SANDBOX PARTICIPANT FROM THE REGULATORY SANDBOX OR ORDER A  
38 SANDBOX PARTICIPANT TO EXIT THE REGULATORY SANDBOX PURSUANT TO SECTION  
39 41-5607.

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

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

44           F. THE ATTORNEY GENERAL MAY ENTER INTO AGREEMENTS WITH STATE,  
45 FEDERAL OR FOREIGN REGULATORS THAT ALLOW SANDBOX PARTICIPANTS TO OPERATE



1 IN OTHER JURISDICTIONS AND ALLOW ENTITIES AUTHORIZED TO OPERATE IN OTHER  
2 JURISDICTIONS TO BE RECOGNIZED AS SANDBOX PARTICIPANTS IN THIS STATE.

3 41-5612. Program termination

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

6 Sec. 2. Section 44-1531.01, Arizona Revised Statutes, is amended to  
7 read:

8 44-1531.01. Consumer protection-consumer fraud revolving  
9 fund; use of fund

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

16 B. THE FUND CONSISTS OF THE FOLLOWING:

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

25 2. MONIES DEPOSITED PURSUANT TO SECTION 41-5603.

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

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

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