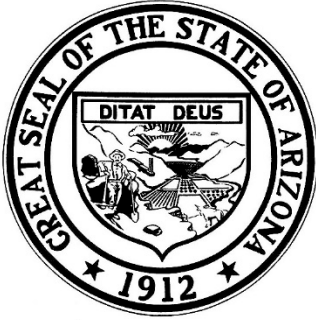


HOUSE FLOOR AMENDMENT EXPLANATION



Bill Number: **HB 2906**

Weninger Floor Amendment

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- 1) Adds that an *innovation* includes a *digit asset*.
 - 2) Modifies the definition for *digital asset*.
 - 3) Makes clarifying changes.

Amendment explanation prepared by Paul Benny

Phone Number 3848

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2/24/2025

WENINGER FLOOR AMENDMENT
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2906
(Reference to printed bill)

Amendment instruction key:

[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.

[Green underlining in brackets] indicates text added to new session law or text restoring existing law.

[~~GREEN STRIKEOUT IN BRACKETS~~] indicates new text removed from statute or previously enacted session law.

[~~Green strikeout in brackets~~] indicates text removed from existing statute, previously enacted session law or new session law.

<<Green carets>> indicate a section added to the bill.

<<~~Green strikeout in carets~~>> indicates a section removed from the bill.

1 The bill as proposed to be amended is reprinted as follows:

2 Section 1. Heading change

3 The chapter heading in title 41, chapter 55, Arizona Revised
4 Statutes, is changed from "REGULATORY SANDBOX PROGRAM" to "FINANCIAL
5 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN SANDBOX PROGRAM".

6 Sec. 2. Section 41-1491.10, Arizona Revised Statutes, is amended to
7 read:

8 41-1491.10. Reports: studies

9 A. The attorney general shall publish annually a written report
10 recommending legislative or other action to carry out the purposes of this
11 article. This report shall contain, for the preceding fiscal year, the
12 following information:

13 1. The number of complaints initiated by the attorney general.

14 2. The number of complaints filed with the attorney general by
15 aggrieved persons.

16 3. The number of complaints dismissed by the attorney general.

17 4. The number of complaints that resulted in conciliation
18 agreements.

19 5. The number of complaints for which the attorney general found
20 reasonable cause that a discriminatory housing practice occurred or was
21 about to occur.

22 6. The number of civil actions filed by the attorney general
23 pursuant to section 41-1491.34.

24 7. A description of the results of the ~~regulatory~~ FINANCIAL
25 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox program established
26 pursuant to chapter 55 of this title.

27 B. The report shall include a description of the relief awarded in
28 civil actions and, without attribution, benefits to complainants agreed to

1 in conciliation agreements. The report shall also include the number of
2 instances in the preceding fiscal year, and the reasons therefor, but
3 without attribution to parties, the number of investigations that were not
4 completed within the time periods provided by section 41-1491.24,
5 subsection B or a determination made pursuant to section 41-1491.29,
6 subsection B.

7 C. The attorney general may make studies relating to the nature and
8 extent of discriminatory housing practices in this state.

9 Sec. 3. Section 41-5601, Arizona Revised Statutes, is amended to
10 read:

11 41-5601. Definitions

12 In this chapter, unless the context otherwise requires:

13 1. "Applicable agency" means a department or agency of this state
14 established by law to regulate certain types of business activity in this
15 state and persons engaged in such business, including the issuance of
16 licenses or other types of authorization, that the attorney general
17 determines would or may regulate a sandbox participant if the person was
18 not a ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN
19 sandbox participant.

20 2. "Consumer":

21 (a) Means a person that purchases or enters into a transaction for
22 an innovation that is being tested by a sandbox participant.

23 (b) Does not include an agent or business partner of or an investor
24 in a sandbox participant.

25 ~~[3. "DIGITAL ASSET":~~

26 ~~(a) MEANS A DIGITAL REPRESENTATION OF VALUE, RIGHTS OR OWNERSHIP~~
27 ~~THAT IS RECORDED AND TRANSFERRED ELECTRONICALLY USING BLOCKCHAIN~~
28 ~~TECHNOLOGY OR OTHER DISTRIBUTED LEDGER SYSTEMS.~~

29 ~~(b) INCLUDES CRYPTOCURRENCIES, NONFUNGIBLE TOKENS, TOKENIZED~~
30 ~~REAL-WORLD ASSETS, AIRDROPS, FORKED TOKENS, DECENTRALIZED FINANCE REWARDS~~
31 ~~OR TOKENS OR OTHER DIGITAL REPRESENTATIONS OR ATTRIBUTES THAT MAY HOLD~~
32 ~~ECONOMIC, UTILITY OR OWNERSHIP VALUE.]~~

33 ~~[3. "DIGITAL ASSETS" MEANS VIRTUAL CURRENCIES, CRYPTOCURRENCIES AND~~
34 ~~OTHER DIGITAL-ONLY ASSETS THAT CONFER ECONOMIC, PROPRIETARY OR ACCESS~~
35 ~~RIGHTS OR POWERS]~~

36 ~~3.~~ 4. "Financial product or service" means a product or service
37 that requires licensure under title 6 or title 44, chapter 2.1 or 13 or a
38 product or service that includes a business model, delivery mechanism or
39 element that may otherwise be regulated under title 6 or title 44, chapter
40 2.1 or 13.

41 5. "FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN SANDBOX"
42 MEANS THE PROGRAM ESTABLISHED BY THIS CHAPTER THAT ALLOWS A PERSON TO
43 TEMPORARILY TEST AN INNOVATION ON A LIMITED BASIS WITHOUT OTHERWISE BEING
44 LICENSED OR AUTHORIZED TO ACT UNDER THE LAWS OF THIS STATE.

45 ~~4.~~ 6. "Innovation" means the use or incorporation of new or
46 emerging technology[, INCLUDING DIGITAL ASSETS.] or the reimagination of
47 uses for existing technology to address a problem, provide a benefit or

1 otherwise offer a product, service, business model or delivery mechanism
2 that is not known by the attorney general to have a comparable widespread
3 offering in this state.

4 ~~5-~~ 7. "Innovative financial product or service" means a financial
5 product or service that includes an innovation.

6 ~~6. "Regulatory sandbox" means the program established by this~~
7 ~~chapter that allows a person to temporarily test an innovation on a~~
8 ~~limited basis without otherwise being licensed or authorized to act under~~
9 ~~the laws of this state.~~

10 ~~7-~~ 8. "Sandbox participant" means any person whose application to
11 participate in the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
12 BLOCKCHAIN sandbox is approved pursuant to this chapter.

13 ~~8-~~ 9. "Test" means to provide products and services as allowed by
14 this chapter.

15 Sec. 4. Section 41-5602, Arizona Revised Statutes, is amended to
16 read:

17 41-5602. Program purpose

18 The attorney general shall establish a ~~regulatory~~ FINANCIAL
19 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox program in consultation
20 with applicable agencies of this state to enable a person to obtain
21 limited access to the market in this state to test innovative financial
22 products or services or other innovations without obtaining a license or
23 other authorization that otherwise might be required.

24 Sec. 5. Section 41-5603, Arizona Revised Statutes, is amended to
25 read:

26 41-5603. Application process and requirements; fee

27 A. Any person may apply to enter the ~~regulatory~~ FINANCIAL
28 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox to test an innovation.

29 B. The attorney general must accept and review each application for
30 entry into the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
31 BLOCKCHAIN sandbox on a rolling basis.

32 C. An application must demonstrate that an applicant both:

33 1. Is an entity or individual that is subject to the jurisdiction
34 of the attorney general through incorporation, residency, presence
35 agreement or otherwise.

36 2. Has established a location, whether physical or virtual, that is
37 adequately accessible to the attorney general, from which testing will be
38 developed and performed and where all required records, documents and data
39 will be maintained.

40 D. Persons that already possess a license or other authorization
41 under state laws that regulate a financial product or service or other
42 innovation must file an application with the attorney general to test an
43 innovation within the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
44 BLOCKCHAIN sandbox for a product or service or other innovation outside
45 the scope of the license or authorization.

46 E. Applications must contain sufficient information to demonstrate
47 that an applicant has an adequate understanding of the innovation and a

1 sufficient plan to test, monitor and assess the innovation while ensuring
2 consumers are protected from a test's failure.

3 F. Applications must contain the information required by a form
4 that is developed and made publicly available by the attorney general.
5 The information required by the form may include:

6 1. Relevant personal and contact information for the applicant,
7 including full legal names, addresses, telephone numbers, email addresses,
8 website addresses and other information that the attorney general deems
9 necessary.

10 2. Disclosure of any criminal convictions of the applicant or key
11 personnel, if any.

12 3. A description of the innovation desired to be tested, including
13 statements regarding all of the following:

14 (a) How an innovation is subject to regulation outside of the
15 ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox.

16 (b) How the innovation would benefit consumers.

17 (c) How the innovation is different from other financial products
18 or services or other innovations available in this state.

19 (d) What risks will confront consumers.

20 (e) How entering the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL
21 ASSETS AND BLOCKCHAIN sandbox would enable a successful test of the
22 innovation.

23 (f) A description of the proposed testing plan, including estimated
24 time periods for market entry, market exit and the pursuit of necessary
25 licensure or authorization.

26 (g) How the applicant will wind down the test and protect consumers
27 if the test fails.

28 (h) How the applicant will employ cybersecurity measures to avoid
29 breaches and protect consumer and transaction data.

30 G. The attorney general shall collect an application fee in an
31 amount to be determined by the attorney general. The attorney general
32 shall deposit, pursuant to sections 35-146 and 35-147, all fees collected
33 pursuant to this subsection in the consumer protection-consumer fraud
34 revolving fund established by section 44-1531.01.

35 H. A person shall file a separate application for each innovation
36 sought to be tested.

37 I. After the information required by subsection F of this section
38 is submitted, the attorney general may seek additional information that it
39 deems necessary. Not later than ninety days after an application is
40 initially submitted, the attorney general shall notify the applicant as to
41 whether the application is approved for entry into the ~~regulatory~~
42 FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox. The attorney
43 general and an applicant may mutually agree to extend the time period for
44 the attorney general to determine whether an application is approved for
45 entry into the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
46 BLOCKCHAIN sandbox.

1 J. The attorney general may deny applications in its discretion and
2 a denial is not an appealable agency action for the purposes of chapter 6,
3 article 10 of this title.

4 Sec. 6. Section 41-5604, Arizona Revised Statutes, is amended to
5 read:

6 41-5604. Consultation with applicable agencies; admission
7 authority

8 A. The attorney general must consult with an applicable agency
9 before admitting a person into the ~~regulatory~~ FINANCIAL TECHNOLOGY,
10 DIGITAL ASSETS AND BLOCKCHAIN sandbox. This consultation may include
11 seeking information about:

12 1. Whether the applicable agency previously has either:

13 (a) Issued a license or other authorization to the applicant.

14 (b) Investigated, sanctioned or pursued legal action against the
15 applicant.

16 2. Whether the applicant could obtain a license or other
17 authorization from an applicable agency after exiting the ~~regulatory~~
18 FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox.

19 B. Notwithstanding subsection A of this section, the attorney
20 general has sole authority to make the final decision whether to admit a
21 person into the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
22 BLOCKCHAIN sandbox.

23 Sec. 7. Section 41-5605, Arizona Revised Statutes, is amended to
24 read:

25 41-5605. Scope

26 A. If the attorney general approves an application for entry into
27 the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN
28 sandbox, the applicant is deemed a sandbox participant and both of the
29 following apply:

30 1. The sandbox participant has twenty-four months after the date of
31 approval to test the innovation described in the sandbox participant's
32 application.

33 2. The attorney general must issue the sandbox participant a
34 registration number.

35 B. Innovations tested within the ~~regulatory~~ FINANCIAL TECHNOLOGY,
36 DIGITAL ASSETS AND BLOCKCHAIN sandbox are subject to the following
37 restrictions:

38 1. Consumers must be residents of this state, except for
39 transactions that involve an innovation provided by a sandbox participant
40 testing financial products or services as a money transmitter as defined
41 in section 6-1241 or a related innovation, in which case only physical
42 presence of the consumer in this state at the time of the transaction may
43 be required.

44 2. Except as provided in subsection C of this section or section
45 41-5608, an innovation may not be tested with more than ten thousand
46 consumers.

1 3. For a sandbox participant testing consumer lender loans as
2 defined in section 6-601, an individual consumer lender loan may be issued
3 for up to \$15,000, except that aggregate loans per consumer may not exceed
4 \$50,000. All consumer lender loans issued in the ~~regulatory~~ FINANCIAL
5 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox, including loans in
6 excess of \$10,000, are subject to all of the following:

7 (a) Section 6-114.
8 (b) Section 6-632.
9 (c) Section 6-635, subsections A, B and C.
10 (d) Section 6-637.

11 4. Except as provided in subsection C of this section, for a
12 sandbox participant testing financial products or services as a money
13 transmitter as defined in section 6-1241, individual transactions per
14 consumer may not exceed \$2,500 and aggregate transactions per consumer may
15 not exceed \$25,000.

16 5. For sandbox participants testing financial products or services
17 as a sales finance company as defined in section 44-281, all of the
18 following apply:

19 (a) Section 44-286.
20 (b) Section 44-287, except subsection B, paragraph 8.
21 (c) Section 44-288.
22 (d) Section 44-289.
23 (e) Section 44-290.
24 (f) Section 44-291.
25 (g) Section 44-293.
26 (h) Section 47-9601.

27 6. For sandbox participants testing financial products or services
28 that provide investment management that is regulated pursuant to title 44,
29 chapter 13:

30 (a) Section 44-3241 applies.
31 (b) The corporation commission rules adopted pursuant to title 44,
32 chapter 13 apply as they relate to dishonest and unethical practices.

33 C. If a sandbox participant demonstrates adequate financial
34 capitalization, risk management process and management oversight, the
35 attorney general may allow either or both of the following:

36 1. Except as provided in section 41-5608, an innovation to not be
37 tested with more than seventeen thousand five hundred consumers.

38 2. For a sandbox participant testing products or services as a
39 money transmitter as defined in section 6-1241, individual transactions
40 per consumer that do not exceed \$15,000 and aggregate transactions per
41 consumer that do not exceed \$50,000.

42 D. This section does not restrict a sandbox participant who holds a
43 license or other authorization in another jurisdiction from acting
44 pursuant to and in accordance with that license or other authorization.

45 E. A sandbox participant is deemed to possess an appropriate
46 license under the laws of this state for purposes of any provision of
47 federal law requiring state licensure or authorization.

1 F. Except as otherwise provided in this chapter, a sandbox
2 participant is not subject to state laws that establish requirements
3 pursuant to a license or authorization issued by an applicable agency that
4 otherwise would or may regulate an innovative financial product or service
5 [OR OTHER INNOVATION].

6 G. The attorney general may determine that certain state laws that
7 regulate a financial product or service or innovation apply to a sandbox
8 participant. If the attorney general makes this determination and
9 approves an application for entry into the ~~regulatory~~ FINANCIAL
10 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox, the attorney general
11 must notify the sandbox participant of the specific state regulatory laws
12 that will apply to the sandbox participant. Pursuant to section 41-5611,
13 the attorney general alone shall enforce the state regulatory laws
14 applicable to sandbox participants, including the restrictions established
15 by this section.

16 H. To the extent that a sandbox participant is required by this
17 chapter to obtain, record, provide or maintain any information, writing,
18 signature, record or disclosure, the sandbox participant may do so in
19 electronic form, including as provided in section 44-7601, or may
20 substitute any substantially similar equivalent information, writing,
21 signature, record or disclosure that is approved by the attorney general.

22 Sec. 8. Section 41-5606, Arizona Revised Statutes, is amended to
23 read:

24 41-5606. Consumer protection

25 A. Before providing an innovation to consumers, a sandbox
26 participant must disclose to consumers all of the following:

27 1. The name and contact information of the sandbox participant,
28 including the registration number provided by the attorney general
29 pursuant to section 41-5605.

30 2. That the innovation is authorized pursuant to the ~~regulatory~~
31 FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox and, if
32 applicable, that the sandbox participant does not have a license or other
33 authorization to generally provide financial products or services or
34 innovations under state laws that regulate a financial product or service
35 or innovation that is outside the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL
36 ASSETS AND BLOCKCHAIN sandbox.

37 3. That this state does not endorse or recommend the innovation.

38 4. That the innovation is a temporary test that may be discontinued
39 at the end of the testing period, including the expected end date of the
40 testing period.

41 5. That consumers may contact the attorney general to file
42 complaints regarding the innovation being tested and provide the attorney
43 general's telephone number and website address where complaints may be
44 filed.

1 B. The notifications prescribed by subsection A of this section
2 must be provided to consumers in a clear and conspicuous form in both
3 English and Spanish. For an internet or application-based innovation,
4 consumers must acknowledge receipt of these notifications before
5 completion of a transaction.

6 C. The attorney general may require that a sandbox participant make
7 additional disclosures to consumers. When the attorney general approves
8 an application for entry into the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL
9 ASSETS AND BLOCKCHAIN sandbox, the attorney general shall notify the
10 sandbox participant of the additional disclosures.

11 Sec. 9. Section 41-5607, Arizona Revised Statutes, is amended to
12 read:

13 ~~41-5607.~~ Exit requirements

14 A. At least thirty days before the end of the twenty-four-month
15 ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox
16 testing period, a sandbox participant must either:

17 1. Notify the attorney general that the sandbox participant will
18 exit the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN
19 sandbox, wind down its test and cease offering any innovative FINANCIAL
20 products or services [OR OTHER INNOVATIONS] in the ~~regulatory~~ FINANCIAL
21 TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox within sixty days after
22 the twenty-four-month testing period ends.

23 2. Seek an extension pursuant to section 41-5608 to pursue a
24 license or other authorization required by law.

25 B. If the attorney general does not receive notification pursuant
26 to subsection A of this section, the ~~regulatory~~ FINANCIAL TECHNOLOGY,
27 DIGITAL ASSETS AND BLOCKCHAIN sandbox testing period ends at the end of
28 the twenty-four-month testing period and the sandbox participant must
29 immediately cease offering innovative FINANCIAL products or services [OR
30 OTHER INNOVATIONS].

31 C. If a test includes offering FINANCIAL products or services [OR
32 OTHER INNOVATIONS] that require ongoing duties, such as servicing a loan,
33 the sandbox participant must continue to fulfill those duties or arrange
34 for another person to fulfill those duties after the date the sandbox
35 participant exits the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND
36 BLOCKCHAIN sandbox.

37 Sec. 10. Section 41-5608, Arizona Revised Statutes, is amended to
38 read:

39 ~~41-5608.~~ Discretionary allowances

40 A. A sandbox participant may request an extension of the ~~regulatory~~
41 FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox testing period
42 or an increase in the consumer cap established by section 41-5605 for the
43 purpose of pursuing a license or other authorization required by law.

44 B. The attorney general may grant or deny a request pursuant to
45 subsection A of this section within thirty days after the request. A
46 request granted pursuant to this subsection may not be effective for more
47 than one year after the approval date.

1 C. A sandbox participant that obtains an extension or increase
2 pursuant to subsection B of this section must provide the attorney general
3 with a written report every three months that provides an update on
4 efforts to obtain a license or other authorization, including any
5 submitted applications for licensure or other authorization, rejected
6 applications or issued licenses or other authorization.

7 D. The attorney general may deny requests made under subsection A
8 of this section, and a denial is not an appealable agency action for the
9 purposes of chapter 6, article 10 of this title.

10 Sec. 11. Section 41-5609, Arizona Revised Statutes, is amended to
11 read:

12 41-5609. Recordkeeping and reporting requirements

13 A. A sandbox participant must retain records, documents and data
14 produced in the ordinary course of business regarding an innovation tested
15 in the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN
16 sandbox.

17 B. If an innovation fails before the end of the testing period, the
18 sandbox participant must notify the attorney general and report on actions
19 taken to ensure consumers have not been harmed as a result of the
20 innovation's failure.

21 C. A sandbox participant is subject to the requirements of section
22 18-552 and must notify the attorney general of any breach as defined in
23 section 18-551.

24 Sec. 12. Section 41-5611, Arizona Revised Statutes, is amended to
25 read:

26 41-5611. Reporting requirements: monitoring: enforcement:
27 agreements

28 A. The attorney general may establish periodic reporting
29 requirements for sandbox participants.

30 B. The attorney general may seek records, documents and data from
31 sandbox participants. On the attorney general's request, sandbox
32 participants must make such records, documents and data available for
33 inspection by the attorney general.

34 C. If the attorney general has reasonable cause to believe that a
35 sandbox participant has engaged in, is engaging in or is about to engage
36 in any practice or transaction that is in violation of this chapter, that
37 constitutes an unlawful practice under section 44-1522 or that constitutes
38 a violation of a state or federal criminal law, the attorney general may
39 remove a sandbox participant from the ~~regulatory~~ FINANCIAL TECHNOLOGY,
40 DIGITAL ASSETS AND BLOCKCHAIN sandbox or order a sandbox participant to
41 exit the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN
42 sandbox pursuant to section 41-5607.

43 D. Removal from the ~~regulatory~~ FINANCIAL TECHNOLOGY, DIGITAL ASSETS
44 AND BLOCKCHAIN sandbox is not an appealable agency action for the purposes
45 of chapter 6, article 10 of this title.

46 E. Sandbox participants are subject to the consumer fraud
47 provisions under title 44, chapter 10, article 7.

1 F. The attorney general may enter into agreements with state,
2 federal or foreign regulators in advancing the purpose of ~~regulatory~~ THE
3 FINANCIAL TECHNOLOGY, DIGITAL ASSETS AND BLOCKCHAIN sandbox, which may
4 include allowing sandbox participants to operate in other jurisdictions
5 and allowing entities authorized to operate in other jurisdictions to be
6 recognized as sandbox participants in this state.

7 Enroll and engross to conform

8 Amend title to conform

JEFF WENINGER

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