1	UTAH OFFICE OF REGULATORY RELIEF REVISIONS
2	2024 GENERAL SESSION
3	STATE OF UTAH
4	
5	LONG TITLE
6	General Description:
7	This bill modifies the Utah Office of Regulatory Relief and the General Regulatory
8	Sandbox Program (regulatory sandbox).
9	Highlighted Provisions:
10	This bill:
11	<ul><li>defines terms;</li></ul>
12	<ul> <li>clarifies responsibilities of the Utah Office of Regulatory Relief (office);</li> </ul>
13	<ul> <li>reduces the membership of the General Regulatory Sandbox Program Advisory</li> </ul>
14	Committee (advisory committee);
15	• under certain circumstances, permits the director to temporarily appoint additional
16	advisory committee members;
17	requires the advisory committee to:
18	<ul> <li>approve or reject an application into the regulatory sandbox; and</li> </ul>
19	<ul> <li>annually select a chair of the advisory committee;</li> </ul>
20	<ul><li>amends the application requirements of the regulatory sandbox;</li></ul>
21	removes a regulatory government agency's ability to reject an application into the
22	regulatory sandbox;
23	<ul> <li>modifies a regulatory government agency's reporting requirements; and</li> </ul>
24	<ul> <li>makes technical and conforming changes.</li> </ul>
25	Money Appropriated in this Bill:
26	None
27	Other Special Clauses:
28	None
29	<b>Utah Code Sections Affected:</b>
30	AMENDS:
31	<b>63N-16-102</b> , as last amended by Laws of Utah 2022, Chapter 332
32	<b>63N-16-103</b> , as last amended by Laws of Utah 2022, Chapter 332

3	<b>63N-16-104</b> , as last amended by Laws of Utah 2022, Chapter 332
1	<b>63N-16-201</b> , as last amended by Laws of Utah 2022, Chapter 332
5	63N-16-205, as enacted by Laws of Utah 2021, Chapter 373
5	<b>63N-16-206</b> , as last amended by Laws of Utah 2022, Chapter 332
7	Be it enacted by the Legislature of the state of Utah:
)	Section 1. Section 63N-16-102 is amended to read:
)	63N-16-102. Definitions.
l	As used in this chapter:
2	(1) "Advisory committee" means the General Regulatory Sandbox Program Advisory
3	Committee created in Section 63N-16-104.
1	(2) "Applicable agency" means a department or agency of the state that by law
5	regulates a business activity and persons engaged in such business activity, including the
6	issuance of licenses or other types of authorization, which the office determines would
7	otherwise regulate a sandbox participant.
3	(3) "Applicant" means a person that applies to participate in the regulatory sandbox.
)	(4) "Blockchain technology" means the use of a digital database containing records of
)	financial transactions, which can be simultaneously used and shared within a decentralized,
L	publicly accessible network and can record transactions between two parties in a verifiable and
2	permanent way.
3	(5) "Consumer" means a person that purchases or otherwise enters into a transaction or
1	agreement to receive an offering pursuant to a demonstration by a sandbox participant.
5	(6) "Demonstrate" or "demonstration" means to temporarily provide an offering in
Ó	accordance with the provisions of the regulatory sandbox program described in this chapter.
7	(7) "Director" means the director of the Utah Office of Regulatory Relief created in
3	Section 63N-16-103.
)	(8) "Executive director" means the executive director of the Governor's Office of
)	Economic Opportunity.
	(9) "Financial product or service" means:
2	(a) a financial product or financial service that requires state licensure or registration;
3	or

(b) a financial product, financial service, or banking business that includes a business

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65 model, delivery mechanism, offering of deposit accounts, or element that may require a license 66 or other authorization to act as a financial institution, enterprise, or other entity that is regulated 67 by Title 7, Financial Institutions Act, or other related provisions. 68 (10) "Health, safety, and financial well-being" includes protecting against physical injury, property damage, or financial harm. 69 70 (11) "Innovation" means the use or incorporation of a new or existing idea, a new or 71 emerging technology, or a new use of existing technology, including blockchain technology, to 72 address a problem, provide a benefit, or otherwise offer a product, production method, or 73 service. 74 [(11)] (12) "Insurance product or service" means an insurance product or insurance 75 service that requires state licensure, registration, or other authorization as regulated by Title 76 31A, Insurance Code, including an insurance product or insurance service that includes a 77 business model, delivery mechanism, or element that requires a license, registration, or other 78 authorization to do an insurance business, act as an insurance producer or consultant, or engage 79 in insurance adjusting as regulated by Title 31A, Insurance Code. 80 [(12)] (13) (a) "Offering" means a product, production method, or service, including a 81 financial product or service or an insurance product or service, that includes an innovation. 82 (b) "Offering" does not include a product, production method, or service that is 83 governed by Title 61, Chapter 1, Utah Uniform Securities Act. 84 [<del>(13)</del>] (14) "Product" means a commercially distributed good that is: 85 (a) tangible personal property; 86 (b) the result of a production process; and 87 (c) passed through the distribution channel before consumption. 88 [(14)] (15) "Production" means the method or process of creating or obtaining a good, 89 which may include assembling, breeding, capturing, collecting, extracting, fabricating, farming, 90 fishing, gathering, growing, harvesting, hunting, manufacturing, mining, processing, raising, or 91 trapping a good. 92 [(15)] (16) "Regulatory relief office" means the Utah Office of Regulatory Relief 93 created in Section 63N-16-103. 94 [(16)] (17) "Regulatory sandbox" means the General Regulatory Sandbox Program

95 created in Section 63N-16-201, which allows a person to temporarily demonstrate an offering 96 under a waiver or suspension of one or more state laws or regulations. 97 [(17)] (18) "Sandbox participant" means a person whose application to participate in 98 the regulatory sandbox is approved in accordance with the provisions of this chapter. 99 [(18)] (19) "Service" means any commercial activity, duty, or labor performed for 100 another person. 101 Section 2. Section 63N-16-103 is amended to read: 102 63N-16-103. Creation of regulatory relief office and appointment of director --103 Responsibilities of regulatory relief office. 104 (1) There is created within the Governor's Office of Economic Opportunity the Utah 105 Office of Regulatory Relief. 106 (2) (a) The regulatory relief office shall be administered by a director. 107 (b) The director shall report to the executive director or the executive director's 108 designee and may appoint staff subject to the approval of the executive director. 109 (3) The regulatory relief office shall: 110 (a) administer the provisions of this chapter; 111 (b) administer the regulatory sandbox program; and 112 (c) act as a liaison between private businesses and applicable agencies to identify state 113 laws or regulations that could potentially be waived or suspended under the regulatory sandbox 114 program, or amended. 115 (4) The regulatory relief office may: 116 (a) review state laws and regulations that may unnecessarily inhibit the creation and 117 success of [new] companies or industries and provide recommendations to the governor and 118 the Legislature on modifying such state laws and regulations; 119 (b) create a framework for analyzing the risk level to the health, safety, and financial 120 well-being of consumers related to permanently removing or temporarily waiving laws and 121 regulations inhibiting the creation or success of new and existing companies or industries; 122 (c) propose potential reciprocity agreements between states that use or are proposing to 123 use similar regulatory sandbox programs as described in this chapter; and 124 (d) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, and the provisions of this chapter, make rules regarding: 125

126	(i) administering the regulatory sandbox, including making rules regarding the
127	application process and the reporting requirements of sandbox participants; and
128	(ii) cooperating and consulting with other agencies in the state that administer sandbox
129	programs.
130	Section 3. Section 63N-16-104 is amended to read:
131	63N-16-104. Creation and duties of advisory committee.
132	(1) There is created the General Regulatory Sandbox Program Advisory Committee.
133	(2) The advisory committee shall have [11] 9 members as follows:
134	(a) [six] four members appointed by the director who represent [businesses] business
135	interests and are selected from a variety of industry clusters;
136	(b) three members appointed by the director who represent state agencies that regulate
137	businesses;
138	(c) one member of the Senate, appointed by the president of the Senate; and
139	(d) one member of the House of Representatives, appointed by the speaker of the
140	House of Representatives.
141	(3) (a) Subject to Subsection (3)(b), members of the advisory committee who are not
142	legislators shall be appointed to a four-year term.
143	(b) Notwithstanding the requirements of Subsection (3)(a), the director may adjust the
144	length of terms of appointments and reappointments to the advisory committee so that
145	approximately half of the advisory committee is appointed every two years.
146	[(4) The director shall select a chair of the advisory committee on an annual basis.]
147	(4) Notwithstanding the requirements in Subsection (2), the director may temporarily
148	appoint up to three additional members to the advisory committee who represent business
149	interests, industry, or regulatory or compliance interests to which an application for
150	participation in the regulatory sandbox relates.
151	(5) A majority of the advisory committee constitutes a quorum for the purpose of
152	conducting advisory committee business, and the action of the majority of a quorum constitutes
153	the action of the advisory committee.
154	(6) The advisory committee shall:
155	(a) advise and make recommendations to the regulatory relief office as described in this
156	chapter[-];

157	(b) approve or reject an application for participation in the regulatory sandbox; and
158	(c) annually select a chair of the advisory committee.
159	(7) The regulatory relief office shall provide administrative staff support for the
160	advisory committee.
161	(8) (a) A member may not receive compensation or benefits for the member's service,
162	but a member appointed under Subsection (2)(a) may receive per diem and travel expenses in
163	accordance with:
164	(i) Sections 63A-3-106 and 63A-3-107; and
165	(ii) rules made by the Division of Finance pursuant to Sections 63A-3-106 and
166	63A-3-107.
167	(b) Compensation and expenses of a member who is a legislator are governed by
168	Section 36-2-2 and Legislative Joint Rules, Title 5, Legislative Compensation and Expenses.
169	Section 4. Section 63N-16-201 is amended to read:
170	63N-16-201. General Regulatory Sandbox Program Application requirements.
171	(1) There is created in the regulatory relief office the General Regulatory Sandbox
172	Program.
173	(2) In administering the regulatory sandbox, the regulatory relief office:
174	(a) shall consult with each applicable agency;
175	(b) shall establish a program to enable a person to obtain legal protections and limited
176	access to the market in the state to demonstrate an offering without obtaining a license or other
177	authorization that might otherwise be required;
178	(c) may enter into agreements with or adopt the best practices of corresponding federal
179	regulatory agencies or other states that are administering similar programs; and
180	(d) may consult with businesses in the state about existing or potential proposals for
181	the regulatory sandbox.
182	(3) (a) An applicant for the regulatory sandbox may contact the regulatory relief office
183	to request a consultation regarding the regulatory sandbox before submitting an application.
184	(b) The regulatory relief office shall provide relevant information regarding the
185	regulatory sandbox program.
186	(c) The regulatory relief office may provide assistance to an applicant in preparing an
187	application for submission.

188	(4) An applicant for the regulatory sandbox shall provide to the regulatory relief office
189	an application in a form prescribed by the regulatory relief office that:
190	(a) confirms the applicant is subject to the jurisdiction of the state;
191	(b) confirms the applicant has established a physical or virtual location in the state,
192	from which the demonstration of an offering will be developed and performed and where all
193	required records, documents, and data will be maintained;
194	(c) contains relevant personal and contact information for the applicant, including legal
195	names, addresses, telephone numbers, email addresses, website addresses, and other
196	information required by the regulatory relief office;
197	(d) discloses criminal convictions of the applicant or other participating personnel, if
198	any;
199	(e) contains a description of the offering to be demonstrated, including statements
200	regarding:
201	(i) how the offering is subject to licensing, legal prohibition, or other authorization
202	requirements outside of the regulatory sandbox;
203	(ii) each law or regulation, accompanied by their statutory reference or citation, that the
204	applicant seeks to have waived or suspended while participating in the regulatory sandbox
205	program;
206	(iii) how the offering would benefit consumers;
207	(iv) how the offering is different from other offerings available in the state;
208	(v) any identifiable, likely, and significant harm to the health, safety, or financial
209	well-being of consumers that each law or regulation described in Subsection (4)(e)(ii) protects
210	against;
211	[(v)] (vi) what risks might exist for consumers who use or purchase the offering;
212	[(vi)] (vii) how participating in the regulatory sandbox would enable a successful
213	demonstration of the offering;
214	[(vii)] (viii) a description of the proposed demonstration plan, including estimated time
215	periods for beginning and ending the demonstration;
216	[(viii)] (ix) recognition that the applicant will be subject to all laws and regulations
217	pertaining to the applicant's offering after conclusion of the demonstration; and
218	$\left[\frac{(ix)}{x}\right]$ how the applicant will end the demonstration and protect consumers if the

219	demonstration fails;
220	(f) lists each government agency, if any, that the applicant knows regulates the
221	applicant's business; and
222	(g) provides any other required information as determined by the regulatory relief
223	office.
224	(5) The regulatory relief office may collect an application fee from an applicant that is
225	set in accordance with Section 63J-1-504.
226	(6) An applicant shall file a separate application for each offering that the applicant
227	wishes to demonstrate.
228	(7) After an application is filed, the regulatory relief office shall:
229	(a) classify, as a protected record, any part of the application that the office determines
230	is nonpublic, confidential information that if disclosed would result in actual economic harm to
231	the applicant in accordance with Subsection 63G-2-305(83);
232	(b) consult with each applicable government agency that regulates the applicant's
233	business regarding whether more information is needed from the applicant; and
234	(c) seek additional information from the applicant that the regulatory relief office
235	determines is necessary.
236	(8) No later than five business days after the day on which a complete application is
237	received by the regulatory relief office, the regulatory relief office shall:
238	(a) review the application and refer the application to each applicable government
239	agency that regulates the applicant's business;
240	(b) provide to the applicant:
241	(i) an acknowledgment of receipt of the application; and
242	(ii) the identity and contact information of each regulatory agency to which the
243	application has been referred for review; and
244	(c) provide public notice, on the office's website and through other appropriate means,
245	of each law or regulation that the office is considering to suspend or waive under the
246	application.

(9) (a) Subject to Subsections (9)(c) and (9)(g), no later than 30 days after the day on which an applicable agency receives a complete application for review, the applicable agency shall provide a written report to the director of the applicable agency's findings.

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(b) The report shall:

(i) describe any identifiable, likely, and significant harm to the health, safety, or financial well-being of consumers that the relevant law or regulation protects against; and

- (ii) make a recommendation to the regulatory relief office that the applicant either be admitted or denied entrance into the regulatory sandbox.
- (c) (i) The applicable agency may request an additional five business days to deliver the written report by providing notice to the director, which request shall automatically be granted.
  - (ii) The applicable agency may only request one extension per application.
- (d) If the applicable agency recommends an applicant under this section be denied entrance into the regulatory sandbox, the written report shall include a description of the reasons for the recommendation, including why a temporary waiver or suspension of the relevant laws or regulations would potentially significantly harm the health, safety, or financial well-being of consumers or the public and the likelihood of such harm occurring.
- (e) If the agency determines that the consumer's or public's health, safety, [or] and financial well-being can be protected through less restrictive means than the existing relevant laws or regulations, then the applicable agency shall provide a recommendation of how that can be achieved.
- (f) If an applicable agency fails to deliver a written report as described in this Subsection (9), the director shall assume that the applicable agency does not object to the temporary waiver or suspension of the relevant laws or regulations for an applicant seeking to participate in the regulatory sandbox.
- (g) Notwithstanding any other provision of this section, an applicable agency may by written notice to the regulatory relief office:
- (i) within the 30 days after the day on which the applicable agency receives a complete application for review, or within 35 days if an extension has been requested by the applicable agency, [reject an application] recommend an application be rejected if the applicable agency determines, in the applicable agency's [sole] discretion, that the applicant's offering fails to comply with standards or specifications:
- 279 (A) required by federal law or regulation; or
  - (B) previously approved for use by a federal agency; or

(ii) [reject an application] recommend an application be rejected that is preliminarily approved by the regulatory relief office, if the applicable agency:

(A) recommended rejection of the application in accordance with Subsection (9)(d) in the agency's written report; and

(B) provides in the written notice under this Subsection (9)(g), a description of the

- (B) provides in the written notice under this Subsection (9)(g), a description of the applicable agency's reasons why approval of the application would create a substantial risk of harm to the [health or safety] health, safety, or financial well-being of the public, or create unreasonable expenses for taxpayers in the state.
- [(h) If an applicable agency rejects an application under Subsection (9)(g), the regulatory relief office may not approve the application.]

- (10) (a) Upon receiving a written report described in Subsection (9), the director shall provide the application and the written report to the advisory committee.
- (b) The director may call the advisory committee to meet as needed, but not less than once per quarter if applications are available for review.
- (c) After receiving and reviewing the application and each written report, the advisory committee shall provide to the director the advisory committee's recommendation as to whether or not the applicant should be admitted as a sandbox participant under this chapter.
- (d) As part of the advisory committee's review of each written report, the advisory committee shall use the criteria required for an applicable agency as described in Subsection (9).
- (11) (a) In reviewing an application and each applicable agency's written report, the [regulatory relief office] advisory committee shall consult with each applicable agency [and the advisory committee] before admitting an applicant into the regulatory sandbox.
- (b) The consultation with each applicable agency [and the consultation with the advisory committee] may include seeking information about whether:
- (i) the applicable agency has previously issued a license or other authorization to the applicant; and
- 308 (ii) the applicable agency has previously investigated, sanctioned, or pursued legal action against the applicant.
  - (12) In reviewing an application under this section, the [regulatory relief office] advisory committee and each applicable agency shall consider whether a competitor to the

applicant is or has been a sandbox participant and, if so, weigh that as a factor in favor of allowing the applicant to also become a sandbox participant.

- (13) In reviewing an application under this section, the [regulatory relief office] advisory committee shall consider whether:
- (a) the applicant's plan will adequately protect consumers from potential harm identified by an applicable agency in the applicable agency's written report;
- (b) the risk of harm to consumers is outweighed by the potential benefits to consumers from the applicant's participation in the regulatory sandbox; and
- (c) certain state laws or regulations that regulate an offering should not be waived or suspended even if the applicant is approved as a sandbox participant, including applicable antifraud or disclosure provisions.
- (14) (a) An applicant becomes a sandbox participant if the [regulatory relief office] advisory committee approves the application for the regulatory sandbox and the regulatory relief office enters into a written agreement with the applicant describing the specific laws and regulations that are waived or suspended as part of participation in the regulatory sandbox.
- (b) Notwithstanding any other provision of this chapter, the regulatory relief office may not enter into a written agreement with an applicant <u>and related parties</u> that waives or suspends a tax, fee, or charge that is administered by the State Tax Commission or that is described in Title 59, Revenue and Taxation.
- (15) (a) The director may deny at the director's sole discretion any application submitted under this section for any reason, including if the director determines that the preponderance of evidence demonstrates that suspending or waiving enforcement of a law or regulation would cause a significant risk of harm to consumers or residents of the state.
- (b) If the director denies an application submitted under this section, the regulatory relief office shall provide to the applicant a written description of the reasons for not allowing the applicant to be a sandbox participant.
  - (c) The denial of an application submitted under this section is not subject to:
- (i) agency or judicial review; or

- (ii) the provisions of Title 63G, Chapter 4, Administrative Procedures Act.
- 341 (16) The director shall deny an application for participation in the regulatory sandbox 342 described by this section if the applicant or any person who seeks to participate with the

343 applicant in demonstrating an offering has been convicted, entered a plea of nolo contendere, or 344 entered a plea of guilty or nolo contendere held in abeyance, for any crime involving significant 345 theft, fraud, or dishonesty if the crime bears a significant relationship to the applicant's or other 346 participant's ability to safely and competently participate in the regulatory sandbox program. 347 (17) (a) When an applicant is approved for participation in the regulatory sandbox, the 348 director shall provide public notice of the approval on the office's website and through other 349 appropriate means. 350 (b) The public notice described in Subsection (17)(a) shall state: 351 (i) the name of the sandbox participant; 352 (ii) the industries the sandbox participant represents; and 353 (iii) each law or regulation that is suspended or waived for the sandbox participant as 354 allowed by the regulatory sandbox. 355 (18) In addition to the information described in Subsection (17), the office shall make 356 the following information available on the office's website and through other appropriate 357 means: 358 (a) documentation regarding the office's determination and grounds for approving each sandbox participant; and 359 360 (b) public notice regarding any sandbox participant's revocation to participate in the 361 regulatory sandbox. 362 Section 5. Section 63N-16-205 is amended to read: 363 63N-16-205. Extensions. 364 (1) Not later than 30 days before the end of the 12-month regulatory sandbox 365 demonstration period, a sandbox participant may request an extension of the regulatory 366 sandbox demonstration period. 367 (2) The regulatory relief office shall grant or deny a request for an extension in 368 accordance with Subsection (1) by the end of the 12-month regulatory sandbox testing period. 369 (3) The regulatory relief office may grant an extension in accordance with this section 370 for not more than 12 months after the end of the initial regulatory sandbox demonstration 371 period. 372 Section 6. Section **63N-16-206** is amended to read: 373 63N-16-206. Record keeping and reporting requirements.

(1) A sandbox participant shall retain records, documents, and data produced in the ordinary course of business regarding an offering demonstrated in the regulatory sandbox.

- (2) If a sandbox participant ceases to provide an offering before the end of a demonstration period, the sandbox participant shall notify the regulatory relief office and each applicable agency and report on actions taken by the sandbox participant to ensure consumers have not been harmed as a result.
- (3) (a) The regulatory relief office shall establish quarterly reporting requirements for a sandbox participant, including information about any consumer complaints.
- (b) No later than 14 days after the day on which a sandbox participant submits the sandbox participant's second quarterly report to the regulatory relief office, the regulatory relief office shall provide the sandbox participant's first and second quarterly reports to each applicable agency.
- (c) No later than 30 days after the day on which an applicable agency receives the reports as described in Subsection (3)(b), the applicable agency shall provide a written report to the regulatory relief office on the demonstration that describes any statutory or regulatory reform the applicable agency recommends as a result of the demonstration.
- (4) The regulatory relief office may request records, documents, and data from a sandbox participant and, upon the regulatory relief office's request, the sandbox participant shall make such records, documents, and data available for inspection by the regulatory relief office.
- (5) (a) The sandbox participant shall notify the regulatory relief office and each applicable agency of any incidents that result in harm to the health, safety, or financial well-being of a consumer.
- (b) If a sandbox participant fails to notify the regulatory relief office and each applicable agency of any incidents as described in Subsection (5)(a), or the regulatory relief office or an applicable agency has evidence that significant harm to a consumer has occurred, the regulatory relief office may immediately remove the sandbox participant from the regulatory sandbox.
- (6) (a) No later than 30 days after the day on which a sandbox participant exits the regulatory sandbox, the sandbox participant shall submit a written report to the regulatory relief office and each applicable agency describing an overview of the sandbox participant's

405 demonstration, including any: 406 (i) incidents of harm to consumers; 407 (ii) legal action filed against the participant as a result of the participant's 408 demonstration; and 409 (iii) complaints filed with an applicable agency as a result of the participant's 410 demonstration. 411 (b) No later than 30 days after the day on which an applicable agency receives [the 412 quarterly reporting described in Subsection (3) or a written report from a sandbox participant 413 as described in Subsection (6)(a), the applicable agency shall provide a written report to the 414 regulatory relief office on the demonstration that describes any statutory or regulatory reform 415 the applicable agency recommends as a result of the demonstration. 416 (7) The regulatory relief office may remove a sandbox participant from the regulatory 417 sandbox at any time if the regulatory relief office determines that a sandbox participant has 418 engaged in, is engaging in, or is about to engage in any practice or transaction that is in 419 violation of this chapter or that constitutes a violation of a law or regulation for which 420 suspension or waiver has not been granted.

421 Section 7. Effective date.

422 <u>This bill takes effect on May 1, 2024.</u>

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