

Arizona AG Announces More Fintech Sandbox Participants

Monday, November 12, 2018

In August 2018, [Arizona began accepting applications for its regulatory sandbox](#) that “enables a participant to obtain limited access to Arizona’s market to test innovative financial products or services without first obtaining full state licensure or other authorization that otherwise may be required.” The state’s Attorney General is responsible for the application process and oversight of the sandbox. At the end of last week, [the Arizona AG announced](#) that two more participants, Grain Technology, Inc. and Sweetbridge NFP, Ltd., had been added to the state’s sandbox.

In October 2018, [there was an announcement by the AG](#) that Omni Mobile Inc. had become the first sandbox participant. The AG’s press release described Omni as “a mobile payment platform aiming to test cheaper and faster payment transfers through its centralized wallet infrastructure.” It indicated that the product would be tested by processing guest payments at an Arizona resort, with Arizona-resident guests to receive a disclosure agreement (regarding the company’s participation in the sandbox), an explanation of the test nature of the product, a privacy notice, and the ability to opt out of any information sharing with the resort.

The AG’s announcement regarding Omni was accompanied by an announcement that the AG’s Office had signed a cooperation agreement with Taiwan’s financial regulator, the Financial Supervisory Commission, with the goal of creating an information-sharing arrangement that might create opportunities for businesses to develop and test fintech products in both markets.

The two additional sandbox participants announced last week are described in the AG’s press release as follows:

- Grain Technology, Inc., based in New York, will test a savings and credit product in Arizona using proprietary technology to offer consumers customized savings plans and credit opportunities. Arizona consumers participating in the program will obtain access to a small line of credit aimed primarily at providing overdraft protection for bank accounts. APRs for loans obtained through this line of credit may be as low as 12% for consumers who agree to follow a recommended repayment plan calculated using Grain’s technology (a standard APR of 15.99% will apply for those who adopt a different repayment plan). Grain intends for loans and payments occurring through this line of credit to be reported to major credit-reporting agencies to enable consumers to build their credit profiles.
- Sweetbridge NFP, Ltd., a Scottsdale-based international nonprofit building blockchain protocols for supply chains and commerce, will test a lending product using proprietary blockchain technology with an APR cap of 20%. At these rates, Sweetbridge’s product will allow consumers to obtain credit at up to 1/10th the cost allowed under Arizona law.

In September 2018, [the CFPB proposed significant revisions](#) to its “Policy to Encourage Trial Disclosure Programs,” which sets forth the Bureau’s standards and procedures for exempting individual companies, on a case-by-case basis, from applicable federal disclosure requirements to allow those companies to test trial disclosures. The proposal followed Acting Director Mulvaney’s July 2018 appointment of Paul Watkins to serve as Director of the Bureau’s Office of Innovation. Before joining the CFPB, Mr. Watkins was in charge of fintech initiatives in the Arizona AG’s Office and led the state’s efforts to create its regulatory sandbox. The CFPB’s proposal includes a process for the CFPB to coordinate with sandbox programs offered by other regulators.

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