



General Assembly

Substitute Bill No. 482

February Session, 2022



AN ACT ESTABLISHING THE FINTECH REGULATORY SANDBOX PROGRAM AND THE INSURTECH REGULATORY SANDBOX INITIATIVE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2022*) (a) For the purposes of this
2 section:

3 (1) "Applicable agency" means a department or agency of the state
4 that may regulate the type of financial product or service in the state that
5 comprises an innovative product or service and individuals or
6 companies that provide such financial product or service;

7 (2) "Blockchain technology" means an electronic method for storing
8 data in a decentralized system that (A) uses cryptography to secure such
9 data, (B) is consensus-based, (C) is mathematically verified, and (D) is
10 distributed across multiple locations;

11 (3) "Company" means a corporation or other organized entity with a
12 physical location in the state;

13 (4) "Consumer" means an individual or a company that purchases or
14 otherwise enters into a transaction or agreement to receive a financial
15 product or service;

16 (5) "Cryptocurrency" means a digital currency in which transactions

17 are verified and records are maintained through blockchain technology;

18 (6) "Financial product or service" means (A) a financial product or
19 service that requires licensure or registration under the provisions of the
20 general statutes, or (B) a financial product or service that includes a
21 business model, a delivery mechanism or an element that may require
22 licensure or registration to act as a financial institution, an enterprise or
23 other entity that is regulated under the provisions of title 36a of the
24 general statutes or other related provisions. "Financial product or
25 service" does not include a product or service that is regulated under the
26 provisions of title 38a of the general statutes or chapter 672a of the
27 general statutes;

28 (7) "Innovation" means the use or incorporation of a new or emerging
29 technology or a new use of existing technology, including, but not
30 limited to, blockchain technology, to address a problem, provide a
31 benefit or offer a product, service, business model or delivery
32 mechanism, where such product, service, model or mechanism is not
33 known by the applicable agency to have a widespread offering in the
34 state; and

35 (8) "Innovative product or service" means a financial product or
36 service that includes an innovation.

37 (b) (1) (A) There is established a Fintech Regulatory Sandbox
38 program to allow companies to make an innovative product or service,
39 including products or services related to cryptocurrency, available to
40 consumers temporarily without such companies obtaining a license or
41 other authorization that may otherwise be required. The program shall
42 be overseen by the Innovation Council established under subsection (j)
43 of this section.

44 (B) (i) Notwithstanding any provision of the general statutes, any
45 company that is approved to participate in the program (I) shall be
46 granted a waiver by the applicable agency of any license or other
47 authorization required under the general statutes or regulations

48 adopted thereafter, unless the applicable agency determines that waiver
49 of such licensure or other authorization should not be waived and
50 provides its reasons substantiating such determination to the
51 Innovation Council, and (II) may be granted a waiver by the applicable
52 agency of specified requirements imposed by the general statutes or
53 regulations adopted thereunder that do not currently permit the
54 innovative product or service to be made available to consumers in the
55 state.

56 (ii) Any waiver granted pursuant to subparagraph (B)(i)(II) of this
57 subdivision shall (I) be no more extensive than what is necessary, as
58 determined by the applicable agency, to accomplish the purposes of this
59 section, and (II) be valid for the duration of the program period set forth
60 in subdivision (2) of this subsection and, if applicable, for the period
61 extended pursuant to subdivision (2) of subsection (d) of this section.

62 (iii) Each applicable agency shall provide a list to the Innovation
63 Council of the waivers granted by such agency to each such company.

64 (2) (A) Any company may apply to the Innovation Council to
65 participate in the Fintech Regulatory Sandbox program for a thirty-six-
66 month period. A company that is licensed or otherwise authorized in
67 another jurisdiction shall be eligible to apply, provided such company
68 has a physical location in the state. The council shall prescribe the form
69 and manner of the application and the amount of the application fee to
70 be submitted with each application. An applicant shall submit a
71 separate application for each innovative product or service for which
72 the applicant is seeking participation in the program.

73 (B) Each application shall include, but not be limited to, (i) contact
74 information of the applicant, including the legal name, address,
75 telephone number, electronic mail address and Internet web site
76 address, (ii) disclosure of any criminal convictions of the applicant or
77 any employee of the applicant who is substantially involved in the
78 development, operation or management of the innovative product or
79 service, (iii) the information to be considered by the Innovation Council

80 under subdivision (3) of this subsection, and (iv) any other information
81 reasonably necessary for the council to determine an applicant's
82 eligibility for the program. The council shall forward a copy of each
83 application to the applicable agency for such agency's review and
84 recommendation.

85 (3) The Innovation Council shall consider, for each application
86 submitted:

87 (A) The nature of the innovative product or service proposed to be
88 made available to consumers, including any potential risks to
89 consumers;

90 (B) The methods the applicant will use to protect consumers and
91 resolve complaints during the program period;

92 (C) A business plan submitted by the applicant and the availability of
93 capital;

94 (D) Whether the applicant's management has the necessary expertise
95 to conduct a pilot of the innovative product or service during the
96 program period;

97 (E) Whether any officer or director of the applicant who is
98 substantially involved in the development, operation or management of
99 the innovative product or service has been convicted of or is currently
100 under investigation for fraud or a violation of state or federal securities
101 law;

102 (F) Whether the applicable agency has investigated, sanctioned or
103 pursued legal action against the applicant; and

104 (G) Any other factor the council or applicable agency deems
105 necessary to determine whether the applicant or the innovative product
106 or service furthers the goals of the program.

107 (4) The Innovation Council may deny an application for any reason

108 and shall provide specific reasons for the denial to the applicant. Any
109 such applicant may reapply to participate in the Fintech Regulatory
110 Sandbox program, provided the applicant has taken action to address
111 the reasons provided for the denial. Any application approved by the
112 council shall not be against the public interest and shall not
113 unreasonably increase the risk to consumers.

114 (5) The Innovation Council may impose a participation fee on each
115 applicant approved for the Fintech Regulatory Sandbox program and
116 may impose additional fees based on factors such as the size of a
117 company or the number of consumers a company may have, provided
118 any fees imposed under this subdivision shall not be unreasonably high
119 or discourage participation. The council shall determine all applicable
120 fees and shall post such fees on each applicable agency's Internet web
121 site.

122 (c) (1) As a condition of participation in the Fintech Regulatory
123 Sandbox program, an applicant shall agree to submit any employee who
124 is substantially involved in the development, operation or management
125 of the innovative product or service to a criminal history records check.
126 Upon approval of an applicant's application, the company shall have a
127 period of thirty-six months after the date of approval to make the
128 innovative product or service available to consumers, subject to the
129 following conditions: (A) The applicable agency may specify, on a case-
130 by-case basis, a maximum number of consumers permitted to receive
131 the innovative product or service, a maximum value amount for a single
132 transaction to a consumer or a maximum aggregate value of
133 transactions to a consumer; and (B) the applicable agency may require
134 the company to execute a surety bond or to deposit cash or marketable
135 securities with such agency, in an amount determined by such agency,
136 as security for potential losses suffered by consumers. Such surety bond,
137 cash or marketable securities shall be cancelled or refunded, as
138 applicable, when any waiver granted to the company under this section
139 has expired or when the applicable agency determines that any
140 consumer claims have been satisfied, whichever is later.

141 (2) Each applicable agency shall establish reporting requirements for
142 program participants, including information about consumer
143 complaints, if any.

144 (3) The Innovation Council shall post on each applicable agency's
145 Internet web site a list of companies that have been approved to
146 participate in the program, the innovative product or service offered by
147 each such company and any waiver granted to such company.

148 (d) (1) Prior to providing an innovative product or service to a
149 consumer, the program participant shall disclose the following to the
150 consumer in a clear and conspicuous format in English and Spanish: (A)
151 The name and contact information of the participant; (B) that the
152 innovative product or service is authorized pursuant to the provisions
153 of this section for a temporary period; (C) that neither the state nor the
154 applicable agency endorses or recommends the innovative product or
155 service and that neither is subject to any liability for losses or damages
156 caused by such product or service; (D) that the consumer may contact
157 the applicable agency to file a complaint regarding the innovative
158 product or service and the contact information for the appropriate
159 applicable agency; and (E) any other statements or additional
160 disclosures that may be required by the applicable agency.

161 (2) Any program participant may request an extension of the
162 program period set forth in subparagraph (A) of subdivision (2) of
163 subsection (b) of this section for an innovative product or service. Any
164 such extension shall require the agreement of both the Innovation
165 Council and the applicable agency that such extension furthers the
166 purposes of this section and there are no unreasonable risks posed to
167 consumers by extending the program period for such product or service.

168 (e) (1) The Innovation Council or the applicable agency may collect
169 personal information that is relevant and necessary to accomplish the
170 purposes of this section, provided such personal information may not
171 be disclosed further without the written consent of the subject of the
172 information. Any documents, materials or other information in the

173 possession or control of the council or the applicable agency that are
174 obtained by, created by or disclosed to the council, the applicable agency
175 or any other person, in the course of review and approval of an
176 innovative product or service under this section shall be confidential by
177 law and privileged, shall not be subject to disclosure under section 1-210
178 of the general statutes, shall not be subject to subpoena and shall not be
179 subject to discovery or admissible in evidence in any civil action in the
180 state.

181 (2) The Innovation Council or the applicable agency may enter into
182 agreements with regulators in other jurisdictions to advance the
183 purposes of the Fintech Regulatory Sandbox program, which
184 agreements may include permission for any program participant to
185 operate in other jurisdictions.

186 (3) (A) The Innovation Council, in consultation with the applicable
187 agency, may terminate a participant's participation in the program at
188 any time and for any reason, provided the council shall provide not less
189 than ten days' notice of such termination to the participant. Any
190 participant whose participation has been terminated pursuant to this
191 subparagraph shall be afforded notice and hearing in accordance with
192 the provisions of chapter 54 of the general statutes, except that any
193 decision of the council after such hearing shall not be appealable under
194 section 4-183 of the general statutes.

195 (B) Any program participant may submit a written request to the
196 council and the applicable agency to exit the program at any time,
197 provided the participant has resolved any consumer complaints and has
198 notified the applicable agency that consumers have not been harmed as
199 a result of the innovative product or service.

200 (f) (1) At the end of the program period or any extension thereof, each
201 participant shall submit a report, in a form and manner prescribed by
202 the applicable agency, to the Innovation Council and the applicable
203 agency. Such report shall include a description of the innovative
204 product or service, the number of consumers to which such product or

205 service was provided and any other information required by the
206 applicable agency.

207 (2) If a program participant is unable to obtain a license or other
208 authorization for the innovative product or service from the applicable
209 agency within ninety days after the date of expiration of the program
210 period or any extension thereof, the participant shall wind down its
211 operations with its existing consumers, except that the participant may,
212 with respect to such product or service, (A) collect and receive money
213 owed by a consumer based on any agreement made before the
214 expiration of the program period or any extension thereof, (B) take any
215 necessary legal action, and (C) take such other action that is authorized
216 by the applicable agency. If a program participant has ongoing duties
217 after the expiration of the ninety-day period, the participant shall
218 continue to fulfill only those duties or arrange for another company to
219 fulfill such duties after such expiration date.

220 (3) A contract entered into by a program participant and another
221 party during the program period or any extension thereof, if applicable,
222 shall be governed by its terms and shall not expire or terminate solely
223 on the basis of the expiration or termination of the program participant's
224 participation in the program, unless such provision was included in
225 such contract. A self-executing contract that is entered into and stored
226 through blockchain technology is a valid and enforceable contract for
227 the purposes of this subdivision.

228 (4) Each program participant shall retain, for not less than three years
229 after the expiration of the program period or any extension thereof, all
230 records, documents and data produced in the ordinary course of
231 business regarding the innovative product or service for which
232 participation in the program was approved, and shall make such
233 records, documents and data available to the applicable agency upon
234 written request.

235 (g) Each applicable agency shall adopt regulations, in accordance
236 with the provisions of chapter 54 of the general statutes, to establish an

237 expedited process for program participants to receive a license or other
238 authorization after the completion of the program period or any
239 extension thereof, provided such program participants have resolved
240 any consumer complaints and are otherwise in good standing with the
241 Innovation Council and the applicable agency.

242 (h) (1) A program participant shall be deemed to possess an
243 appropriate license or other authorization under the laws of the state for
244 purposes of any provision of federal law that requires state licensure or
245 authorization.

246 (2) Notwithstanding any provision of this section, no program
247 participant shall be immune from liability for any criminal offense
248 committed during the participant's participation in the program.

249 (i) The Innovation Council may designate nonprofit organizations as
250 partners to assist Fintech Regulatory Sandbox program applicants with
251 the application process and program participants with the design or
252 implementation of innovative products or services during the program
253 period or any extension thereof. Such organizations may explore,
254 receive input on, analyze and make recommendations to the Innovation
255 Council and program applicants and participants, with respect to
256 innovations and applications of innovative technology that would
257 provide benefits to the state, the state's consumers and the state's
258 industries. Any nonprofit organization may apply to the council, in such
259 form and manner prescribed by the council, for approval to serve as a
260 partner.

261 (j) (1) There is established an Innovation Council to support
262 innovation, investment and job creation within the state by encouraging
263 and promoting participation in the Fintech Regulatory Sandbox
264 program. The Innovation Council shall be within the Department of
265 Banking for administrative purposes only and shall consist of the
266 following members:

267 (A) The Banking Commissioner, or the commissioner's designee;

268 (B) The Commissioner of Economic and Community Development,
269 or the commissioner's designee;

270 (C) The Attorney General, or the Attorney General's designee;

271 (D) One member of the public appointed by the speaker of the House
272 of Representatives and one member of the public appointed by the
273 president pro tempore of the Senate, each of whom has entrepreneurial
274 expertise or expertise in financial products or services, blockchain
275 technology or cryptocurrency;

276 (E) One member of the public appointed by the majority leader of the
277 House of Representatives and one member of the public appointed by
278 the majority leader of the Senate, each of whom is a member of
279 academia;

280 (F) One member of the public appointed by the minority leader of the
281 House of Representatives and one member of the public appointed by
282 the minority leader of the Senate, each of whom has a background in
283 entrepreneurship expertise or expertise in financial products or services,
284 blockchain technology or cryptocurrency; and

285 (G) Two members of the public appointed by the Governor, each of
286 whom has a background in entrepreneurship expertise or expertise in
287 financial products or services, blockchain technology or cryptocurrency.

288 (2) All initial appointments to the Innovation Council shall be made
289 not later than September 1, 2022, and shall terminate on August 31, 2024,
290 or August 31, 2026, as applicable, regardless of when the initial
291 appointment was made.

292 (3) Members first appointed shall have the following terms: (A) One
293 member appointed by the Governor, one member appointed by the
294 speaker of the House of Representatives and one member appointed by
295 the president pro tempore of the Senate shall initially serve a term of
296 two years; and (B) the remaining appointed members shall initially
297 serve a term of four years. Appointed members shall serve a term of four

298 years thereafter and may be reappointed but shall not serve more than
299 two consecutive terms. Any vacancy shall be filled by the appointing
300 authority. Any vacancy occurring other than by expiration of term shall
301 be filled for the balance of the unexpired term.

302 (4) Notwithstanding any provision of the general statutes, it shall not
303 constitute a conflict of interest for a trustee, director, partner, officer,
304 stockholder, proprietor, counsel or employee of any company, or any
305 individual having a financial interest in a company, to serve as a
306 member of the Innovation Council, provided all appointed members of
307 the Innovation Council shall be deemed public officials and shall adhere
308 to the code of ethics for public officials set forth in chapter 10 of the
309 general statutes, except that no appointed member shall be required to
310 file a statement of financial interest as described in section 1-83 of the
311 general statutes.

312 (5) The Governor shall appoint the chairperson of the Innovation
313 Council from among the members set forth in subparagraphs (A) to (C),
314 inclusive, of subdivision (1) of this subsection. The chairperson shall
315 schedule the first meeting of the Innovation Council, which shall be held
316 not later than October 1, 2022. At such meeting, the Innovation Council
317 shall elect a vice-chairperson from among the appointed members.

318 (6) A majority of the Innovation Council shall constitute a quorum for
319 the transaction of any business.

320 (7) The appointed members of the Innovation Council shall serve
321 without compensation, but shall, within the limits of available funds, be
322 reimbursed for expenses necessarily incurred in the performance of
323 their duties.

324 (8) The Department of Banking shall provide administrative support
325 to the Innovation Council.

326 (k) (1) The Innovation Council shall have the following powers and
327 duties:

328 (A) Set standards, principles, guidelines and policy priorities for the
329 types of innovations the Fintech Regulatory Sandbox program will
330 support;

331 (B) Help publicize and encourage participation in the Fintech
332 Regulatory Sandbox program;

333 (C) Obtain from any executive department, board, commission or
334 other agency of the state such assistance and data as necessary and
335 available to carry out the purposes of this section;

336 (D) Verify applicant eligibility for the program with applicable
337 agencies, review applications for participation in the program and work
338 collaboratively with applicable agencies to oversee the program and its
339 participants;

340 (E) Explore, receive input on, analyze and make recommendations
341 with respect to blockchain technology and cryptocurrency initiatives
342 and applications of blockchain technology that would provide benefits
343 to the state, the state's consumers and the state's industries;

344 (F) Limit, to the extent practicable, the amount of risk exposure from
345 the products and services offered under the program and establish
346 safeguards to protect consumers; and

347 (G) Perform such other acts as may be necessary and appropriate to
348 carry out the duties described in this section.

349 (2) The Innovation Council may establish bylaws to govern its
350 procedures.

351 (l) Not later than January 1, 2024, and annually thereafter, the
352 Innovation Council shall submit a report, in accordance with the
353 provisions of section 11-4a of the general statutes, to the Governor and
354 the joint standing committees of the General Assembly having
355 cognizance of matters relating to banks, commerce and finance, revenue
356 and bonding on the Fintech Regulatory Sandbox program, which shall

357 include, but need not be limited to, (1) the number of applicants to the
358 program in the preceding calendar year, (2) the number of program
359 participants in the preceding calendar year, (3) a description of each
360 innovative product or service made available to consumers through the
361 program, and (4) any recommendations for policy or legislative changes
362 to improve or expand the program or to administer the program more
363 efficiently.

364 Sec. 2. (NEW) (*Effective July 1, 2022*) (a) Notwithstanding any
365 provision of the general statutes, the Insurance Commissioner, in
366 consultation with the CTNext board of directors, shall establish an
367 Insurtech Regulatory Sandbox initiative to facilitate the development of
368 new technologies and types of insurance for start-up insurance
369 companies that do not have the capital or labor resources to comply with
370 the insurance requirements of the state. Such initiative shall begin to be
371 implemented not later than January 1, 2023. Such initiative shall:

372 (1) Establish conditions for participating in the initiative and provide
373 for an application process for new companies to be accepted into the
374 initiative. The commissioner shall accept all applicants that meet such
375 conditions, except that the commissioner may limit in the first two years
376 of the initiative the number of companies allowed to participate in the
377 initiative;

378 (2) Provide that the commissioner shall waive the requirement to be
379 licensed in the state for participating companies;

380 (3) Establish a light regulatory framework of only the requirements
381 the commissioner deems crucial to impose on participating companies
382 to protect consumers;

383 (4) Designate an employee or employees to exclusively oversee and
384 manage the administration of the initiative;

385 (5) Permit consumers in the state to purchase products offered by
386 participating companies while ensuring that such consumers are aware
387 that such products are offered under reduced regulatory oversight;

388 (6) Establish the maximum number of policyholders or named
389 insured or customers and the maximum amount of risk exposure each
390 participating company may have. The commissioner may specify the
391 demographics that each such company may serve, so as to protect
392 consumers who are least able to make informed choices about insurance
393 products and understand the relevant risks of a product offered by such
394 company;

395 (7) Ensure the initiative is structured to match the pace of product
396 offerings and the growth of participating companies, including allowing
397 for more rapid product testing and product adjustments on a weekly or
398 more frequent basis;

399 (8) Allow participating companies to remain in the initiative for an
400 initial period of thirty-six months. The commissioner may establish
401 conditions to allow for an extension of such period;

402 (9) Establish clear steps participating companies shall meet to
403 demonstrate such company's product or service is viable and can be
404 made available to the wider market; and

405 (10) Establish reporting requirements for participating companies.

406 (b) The commissioner may remove a participating company from the
407 Insurtech Regulatory Sandbox initiative at any time if the commissioner
408 determines there is an unreasonable risk to policyholders or customers
409 of such company.

410 (c) Not later than January 1, 2024, and annually thereafter, the
411 commissioner shall submit a report, in accordance with the provisions
412 of section 11-4a of the general statutes, to the joint standing committees
413 of the General Assembly having cognizance of matters relating to
414 insurance, commerce and finance, revenue and bonding, summarizing
415 the number of participating companies in the Insurtech Regulatory
416 Sandbox initiative, any products or services such companies offer, any
417 products or services that have been deemed to be viable or offered to
418 the wider market, any participating companies that have established

419 themselves in the state and become licensed insurance companies, and
420 any other information the commissioner deems relevant.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2022</i>	New section
Sec. 2	<i>July 1, 2022</i>	New section

Statement of Legislative Commissioners:

In Section 1(c)(1), "twenty-four months" was changed to "thirty-six months" for consistency, and in Section 1(f)(2), the first sentence was rewritten for consistency.

FIN *Joint Favorable Subst. -LCO*