

Arizona Fintech Sandbox Begins Accepting Applications

Article By:

Luis Urbina

Arizona recently [became](#) the first state in the U.S. to create a “regulatory sandbox” program to facilitate the development of innovative financial products and services. Such products would either incorporate new or emerging technology or reimagine uses of existing technology. The program would exempt participants from certain state financial regulations, but not federal requirements.

On August 3, 2018, the Arizona sandbox went live and began accepting applications.

The sandbox is the result of legislation signed into law in March 2018 that authorizes the state’s attorney general to create and administer the program. The Arizona Attorney General will allow approved fintech companies to engage in the testing of products and services on up to 10,000 state residents (and as many as 17,500 residents in some instances) and for up to two years (with the possibility of an additional one-year extension) without additional licensing.

According to the attorney general, eligible products or services may [include](#) “most types of credit extending services, such as peer-to-peer lending and online marketplace lending,” “innovative products and services for money transmission and investment management,” and certain blockchain or cryptocurrency products or services. Ineligible products or services include securities trading, insurance products, and services that provide “solely deposit-taking functions.” Applicants must submit to Arizona jurisdiction but are not required to be Arizona residents or businesses.

The state’s enabling [statute](#) includes trade secret protection for participants, including a provision stating that records obtained by the attorney general’s office as part of administering the sandbox are not public records nor open for inspection by the public.

Although the sandbox is a first among U.S. states, the Arizona statute notably includes a reciprocity feature that would allow sandbox participants to participate simultaneously in similar programs in other jurisdictions, with the Arizona Attorney General’s permission.

Several foreign jurisdictions have begun experimenting with regulatory sandboxes for fintech innovation, including the United Kingdom, Canada, and Singapore. Bureau of Consumer Financial Protection Acting Director Mulvaney [announced](#) in May 2018 that the Bureau is developing its fintech regulatory sandbox in coordination with the U.S. Commodity Futures Trading Commission. On July 18, 2018, Acting Director Mulvaney announced his selection of Paul Watkins to lead the Bureau’s Office of Innovation. Watkins previously served in the Office of the Arizona Attorney General, where

he led the office's fintech initiatives, including the creation of the state's fintech regulatory sandbox.

© 2025 Covington & Burling LLP

National Law Review, Volume VIII, Number 228

Source URL: <https://natlawreview.com/article/arizona-fintech-sandbox-begins-accepting-applications>