



December 8, 2022

## OHIO GENERAL ASSEMBLY PASSES REGULATORY SANDBOX BILL

The Ohio General Assembly passed S.B. No. 249 to create a regulatory sandbox program for novel financing products and services. The bill requires the Ohio Superintendent of Financial Institutions to establish a regulatory sandbox program to enable a person to test novel financial products and services in Ohio on a temporary basis without obtaining a license or authorization that would otherwise be required. Under the new law novel financial products and services are permitted to be tested in the regulatory sandbox for up to two years, with a possible one year extension if the sandbox participant is seeking licensure.

A “novel financial product or service” is defined in the bill as a financial product or service that would otherwise be regulated under various specified financial laws in Ohio and that make use of or incorporates new or emerging technology, or reimagines uses of existing technologies, to address a problem, provide a benefit, or otherwise offer a product, service, business model or delivery mechanism that is not known by the Superintendent to have a comparable widespread offering in Ohio.

A person must file an application with the superintendent to test a novel financial product. The superintendent may grant or deny the request at the superintendent’s discretion.

As part of its application, an applicant may request that in testing a novel financial product or service, the applicant be exempt from the operation of any state law other than the bill’s Regulatory Sandbox Law, including the Consumer Sales Practices Act.

The superintendent and the sandbox participant must enter into an agreement regarding the scope of the participant’s test including any restrictions or limits on testing such as the number of consumers permitted to use the novel financial product or service and any dollar limits.

Except for the name of a sandbox participant and overview of a participant’s novel financial product or service, records that are submitted to or obtained by the superintendent pursuant to the Sandbox Law are not public records for the purposes of the Ohio Public Records Act.

Among other requirements, the Sandbox Law prohibits a sandbox participant from charging an interest rate on a loan that is

greater than what is currently permitted under applicable Ohio law.

Testimony in the Ohio General Assembly stated that at least 11 other states have regulatory sandboxes, but participation varies based on the level of flexibility in the state law.

S.B. No. 249 will go to the governor for his signature and will take effect 90 days after being filed with the Ohio Secretary of State. It remains to be seen whether the law encourages testing of novel financial products in Ohio, or if the law is too restrictive to make it attractive to those trying to develop these new products.

Please let us know if you have questions regarding the Sandbox Law or other Ohio laws.

✧ *Elizabeth Anstaett and Mercedes Ramsey*

Darrell L. Dreher  
[ddreher@dtlaw.com](mailto:ddreher@dtlaw.com)

Elizabeth L. Anstaett  
[eanstaett@dtlaw.com](mailto:eanstaett@dtlaw.com)

Nathan D. Copeland  
[ncopeland@dtlaw.com](mailto:ncopeland@dtlaw.com)

Susan L. Ostrander  
[sostrander@dtlaw.com](mailto:sostrander@dtlaw.com)

2750 HUNTINGTON CENTER  
41 S. HIGH STREET  
COLUMBUS, OHIO 43215  
TELEPHONE: (614) 628-8000 FACSIMILE: (614) 628-1600  
[WWW.DTLAW.COM](http://WWW.DTLAW.COM)

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Michael C. Tomkies  
[mtomkies@dtlaw.com](mailto:mtomkies@dtlaw.com)

Benjamin J. Hurford  
[bhurford@dtlaw.com](mailto:bhurford@dtlaw.com)

Mercedes C. Ramsey  
[mramsey@dtlaw.com](mailto:mramsey@dtlaw.com)

Judith M. Scheiderer  
[jscheiderer@dtlaw.com](mailto:jscheiderer@dtlaw.com)

Robin R. De Leo  
[robin@deher-la.com](mailto:robin@deher-la.com)