AN ACT

1 Allowing for a waiver for innovative financial products or
2 services; providing for duties of the Secretary of the
3 Department of Banking and Securities and the Secretary of the
4 Commonwealth; and establishing the Pennsylvania Economic
5 Growth and State Utility Account.
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7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:
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10 Section 1. Short title.
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12 This act shall be known and may be cited as the Pennsylvania
13 Economic Growth and State Utility Act.
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15 Section 2. Findings.
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17 The General Assembly finds and declares:
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19 (1) It is declared to be the policy of the State to
20 promote a vigorous and growing economy, to prevent economic
21 stagnation, and to encourage the creation of new job
22 opportunities in order to ameliorate the hazards of
23 unemployment and underemployment, reduce the level of public
24 assistance, increase revenues to the State and its
25 municipalities and to achieve a stable diversified economy.
(2) The General Assembly understands that to compete in
the 21st century, the Commonwealth must offer one of the best
business environments in the United States for blockchain and
technology innovators and should offer a comprehensive
regulatory technology sandbox for these innovators to develop
the next generation of digital products and services in the
Commonwealth.

(3) Building a more robust public-private partnership
framework is mandatory for economic success.

(4) The Commonwealth understands that further developing
technology industries within a robust public-private
partnership brings better efficiency, trust and
accountability between the Commonwealth, businesses and
residents.

(5) The Commonwealth understands a public-private
partnership developing an immutable interagency-industry-
operability blockchain filing system is vital and
redevelopment investment in opportunity zones that shall
install, maintain and organize within the system of
blockchain records throughout the State is advantageous.

(6) Financial and health technology is undergoing a
transformational period in which new technologies are
providing greater automation, connectivity and transparency
for provenance of products and services. Additionally:

(i) Existing legal frameworks are restricting
technology innovation because these frameworks were
largely established at a time when technology was not a
fundamental component of products and services.

(ii) Technology innovators require a supervised,
flexible regulatory sandbox to test new products and
services using waivers of specified statutes and rules under defined conditions.

(iii) Jurisdictions which establish regulatory sandboxes are more likely to provide a welcoming business environment for technology innovators and may experience significant business growth.

(iv) Other jurisdictions have enacted, or are considering, regulatory sandboxes for financial technology innovators in their jurisdictions.

(v) Other jurisdictions have enacted, or are considering public-private partnerships for health technology innovators in their jurisdictions.

(vi) Other jurisdictions have enacted or are considering blockchain track and trace identifiers for highly regulated products and industry such as hemp while recognizing there are legitimate concerns on implementing a widespread hemp industry in the State, necessitating incremental rollout of newly licensed and credentialed entities to best ensure public health and safety.

(vii) The General Assembly seeks to establish a best in the nation blockchain technology hub for 21st century commerce that will increase economic opportunity, including highly regulated industries that otherwise left unchecked could cause continued harm to public health and safety.

(7) The rapid innovation of blockchain technology, including the growing use of virtual currency and other digital assets has resulted in many blockchain innovators being unable to access secure and reliable banking services
thereby hampering development of blockchain services and products in the marketplace.

(8) Federally insured financial institutions are not generally permitted to manage accounts in virtual currency or hold other digital assets.

(9) Blockchain innovators have greater compliance challenges with Federal customer identification, anti-money laundering and beneficial ownership requirements because of the complex nature of these obligations and the unfamiliarity of regulators with blockchain innovators' businesses.

(10) These intricate obligations have resulted in many financial institutions in this Commonwealth and across the United States refusing to provide banking services to blockchain innovators and also refusing to accept deposits in United States currency obtained from the sale of virtual currency or other digital assets.

(11) Compliance with applicable Federal and State laws is critical to ensuring the future growth and reputation of the blockchain and technology industries as a whole.

(12) Most financial institutions today do not have the requisite expertise or familiarity with the challenges facing blockchain innovators which is required to provide secure and reliable banking services to these innovators.

(13) A new type of financial payments and depository institution that has expertise with customer identification, anti-money laundering and beneficial ownership requirements could seamlessly integrate these requirements into its operating model in this Commonwealth.

(14) Authorizing special purpose depository institutions to be chartered in this Commonwealth will provide a necessary
and valuable service to blockchain innovators, emphasize the Commonwealth's partnership with the technology and financial industry and safely grow the State's developing financial sector.

Section 3. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Blockchain." A digital ledger or database which is chronological, consensus-based, decentralized and mathematically verified in nature.

"Consumer." A person in this Commonwealth that purchases or enters into an agreement to receive an innovative financial product or service made available through the financial technology sandbox.

"Financial product or service." A product or service related to finance, including banking, securities, consumer credit or money transmission, which is subject to statutory requirements and is under the jurisdiction of the secretary or the Secretary of the Commonwealth.

"Financial technology sandbox." The program created by this act which allows a person to make an innovative financial product or service available to consumers during a sandbox period through a waiver of statutory requirements.

"Innovative." The use or incorporation of a new idea, a new or emerging technology or a new use of existing technology, including blockchain technology, to address a problem, provide a benefit or otherwise offer a product, service, business model or delivery mechanism.

"PEGASUS Account." The Pennsylvania Economic Growth and
State Utility Systems Account.

"Sandbox period." The period of time, initially not longer than 24 months, in which the secretary or Secretary of the Commonwealth has authorized an innovative financial product or service to be made available to consumers, including an extension granted under section 9.

"Secretary." The Secretary of Banking and Securities of the Commonwealth.

"Statute." A statute or regulation of this Commonwealth.

Section 4. Financial technology sandbox waiver.

(a) Waiver.--Notwithstanding any other provision of law, a person that makes an innovative financial product or service available to consumers in the financial technology sandbox may be granted a waiver of specified requirements imposed by statute listed under this subsection, if the statute does not permit the product or service to be made available to consumers. A waiver under this subsection shall be no broader than necessary to accomplish the purposes and standards set forth in this act. The following may be waived under this subsection:

(1) A statute that regulates licensing of a product in order for the product to be offered to a consumer.

(2) A statute that regulates disclosures, except if the disclosure is required under Federal law.

(3) A statute that regulates interest rates.

(4) A statute that regulates the taking of a deposit.

(5) A statute that provides for anti-fraud regulations that require issuers of securities to be registered and to disclose details of the issuer's offerings.

(6) A statute that regulates cryptocurrency.

(b) Liability.--
Subject to paragraph (2), a person that makes an innovative financial product or service available to a consumer in the financial technology sandbox shall:

(i) not be immune from civil damages for acts and omissions relating to this act; and

(ii) be subject to criminal and consumer protection laws.

(2) A person that makes an innovative financial product or service available to a consumer in the financial technology sandbox shall not be subject to a higher level of liability than the person would be subject to if the innovative financial product or service was made available to a consumer outside of the financial technology sandbox.

(c) Enforcement.--The secretary or the Secretary of the Commonwealth may refer suspected violations of law relating to this act to appropriate Federal or State agencies for investigation, prosecution, civil penalties and other appropriate enforcement actions.

(d) Service of process.--If service of process on a person making an innovative financial product or service available to consumers in the financial technology sandbox is not feasible, service on the Secretary of the Commonwealth shall be deemed service on the person.

Section 5. Financial technology sandbox application and approval.

(a) Application.--The following apply:

(1) A person shall apply to the secretary or the Secretary of the Commonwealth to make an innovative financial product or service available to consumers in the financial technology sandbox, based on the agency that administers the...
statute for which a waiver is sought. If both the secretary and the Secretary of the Commonwealth jointly administer a statute, or if the appropriate office is not known, an application may be filed with either the secretary or the Secretary of the Commonwealth.

(2) If an application is filed with an office that does not administer the statute for which a waiver is sought, the receiving office shall forward the application to the correct office. The person shall specify in an application the statutory requirements for which a waiver is sought and the reasons why the requirements prohibit the innovative financial product or service from being made available to consumers. The application shall contain the elements required for authorization under subsection (f). The secretary and the Secretary of the Commonwealth shall each, by rule, prescribe a method of application.

(b) Business entities.--A business entity making an application under this section must be a domestic corporation or other organized domestic entity with a physical presence, other than that of a registered office or agent located in this Commonwealth.

(c) Consent required.--Before an employee applies on behalf of an institution, firm or other entity intending to make an innovative financial product or service available through the financial technology sandbox, the employee must obtain the consent of the institution, firm or entity before filing an application under this section.

(d) Background check.--

(1) The individual filing an application under this section and the individuals who are substantially involved in
the development, operation or management of the innovative financial product or service must submit the following information with an application filed under this section:

(i) Under 18 Pa.C.S. Ch. 91 (relating to criminal history record information), a report of criminal history record information from the Pennsylvania State Police or a statement from the Pennsylvania State Police that the Pennsylvania State Police central repository contains no criminal history record information relating to that individual. The criminal history record information shall be limited to that which is disseminated under 18 Pa.C.S. § 9121(b)(2) (relating to general regulations).

(ii) A report of Federal criminal history record information.

(2) An individual submitting information under paragraph (1)(ii) must submit a full set of fingerprints to the Pennsylvania State Police for the purpose of a record check and the Pennsylvania State Police or its authorized agent shall submit the fingerprints to the Federal Bureau of Investigation for the purpose of verifying the identity of the applicant and obtaining a current record of criminal arrests and convictions.

(e) Fee.--An application made under this section must be accompanied by a fee of $500. The fee shall be deposited into the PEGASUS Account as provided in section 6.

(f) Approvals and denials.--The secretary or the Secretary of the Commonwealth, as applicable, shall authorize or deny a financial technology sandbox application in writing within 90 days of receiving the application. The secretary or the Secretary of the Commonwealth and the person that made an
application may jointly agree to extend the time beyond 90 days. The secretary or the Secretary of the Commonwealth may impose conditions on an authorization, consistent with this act. In determining whether to authorize or deny an application under this subsection, the secretary or the Secretary of the Commonwealth shall consider each of the following:

(1) The nature of the innovative financial product or service proposed to be made available to consumers in the sandbox, including relevant technical details, which may include if the product or service utilizes blockchain technology.

(2) The potential risk to consumers and methods which will be used to protect consumers and resolve complaints during the sandbox period.

(3) A business plan proposed by the person applying, including a statement of arranged capital.

(4) If the person has the necessary personnel, adequate financial and technical expertise and a sufficient plan to test, monitor and assess the innovative financial product or service.

(5) If a person substantially involved in the development, operation or management of the innovative financial product or service has been convicted of, or is currently under investigation for, fraud, Federal or State securities violations or any property-based offense.

(6) A copy of the disclosures required under section 7(c) that will be provided to consumers.

(7) If a competitor to the applicant was recently granted access to the financial technology sandbox within three months of the date of the application, for the purpose
of mitigating competitive risk.

(8) Any other factor that the secretary or the Secretary of the Commonwealth determines to be relevant.

(g) Duties of secretary or Secretary of the Commonwealth.--

(1) The secretary or the Secretary of the Commonwealth shall, within 60 days of the effective date of this section, determine the factors that shall be considered as part of the application process. The factors shall be transmitted to the Legislative Reference Bureau for publication in the Pennsylvania Bulletin. Any change to the factors shall be submitted to the Legislative Reference Bureau for publication in the Pennsylvania Bulletin within 30 days of the change.

(2) If an application is authorized under subsection (f), the secretary or the Secretary of the Commonwealth shall specify the statutory requirements for which a waiver is granted and the length of the initial sandbox period. The secretary or the Secretary of the Commonwealth shall post notice of the approval of a sandbox application under this subsection, a summary of the innovative financial product or service and the contact information of the person making the product or service available through the sandbox on the publicly accessible Internet website of the secretary or the Secretary of the Commonwealth.

(3) If an application is denied under subsection (f), the secretary or the Secretary of the Commonwealth shall specify the reasons for denial.

(h) Consumer protection bond.--A person authorized under subsection (f) to enter into the financial technology sandbox shall post a consumer protection bond with the secretary or the Secretary of the Commonwealth as security for potential losses.
suffered by consumers. The bond amount shall be determined by the secretary or the Secretary of the Commonwealth in an amount not less than $10,000 and shall be commensurate with the risk profile of the innovative financial product or service. The secretary or the Secretary of the Commonwealth may require that a bond under this subsection be increased or decreased at any time based on risk profile. Unless a bond is enforced under section 10(b)(2), the secretary or the Secretary of the Commonwealth shall cancel or allow the bond to expire two years after the date of the conclusion of the sandbox period.

(i) State licensure.--A person authorized under subsection (f) to enter into the financial technology sandbox shall be deemed to possess an appropriate license for the purposes of Federal law requiring State licensure or authorization.

(j) Property right not created.--Authorization under subsection (f) shall not be construed to create a property right.


(a) Establishment.--The Pennsylvania Economic Growth and State Utility Systems Account is established in the State Treasury. Money within the PEGASUS Account shall only be expended by legislative appropriation. Money within the PEGASUS Account shall be invested by the State Treasurer and investment earnings from the PEGASUS Account shall be credited to the General Fund. The PEGASUS Account shall be divided into two subaccounts controlled by the secretary and the Secretary of the Commonwealth, respectively, for the purposes of administrative management. For the purposes of accounting and investing only, the subaccounts shall be treated as separate accounts.
(b) Deposits.--Subject to legislative appropriation, application fees remitted to the PEGASUS Account under section 5(e) shall be deposited into the subaccount controlled by the secretary or the Secretary of the Commonwealth, as applicable, based on the receiving official. The money, and any additional money appropriated by the General Assembly, shall be used only for the purposes of administering this act, including processing of sandbox applications and monitoring, examination and enforcement activities relating to this act. The General Assembly may appropriate Federal money received by the Commonwealth under the American Rescue Plan Act of 2021 (Public Law 117-2, 135 Stat. 4) to the PEGASUS Account.

Section 7. Operation of financial technology sandbox.

(a) Authorization.--Except as otherwise provided under section 9, a person authorized under section 5(f) to enter into the financial technology sandbox may make an innovative financial product or service available to consumers during the sandbox period.

(b) Limitation.--The secretary or the Secretary of the Commonwealth may, on a case by case basis, specify the maximum number of consumers permitted to receive an innovative financial product or service, after consultation with the person authorized under section 5(f) to make the product or service available in the financial technology sandbox.

(c) Written statement.--Before a consumer purchases or enters into an agreement to receive an innovative financial product or service through the financial technology sandbox, the person making the product or service available shall provide to the customer a written statement of the following:

(1) The name and contact information of the person
making the product or service available to consumers.

(2) That the product or service has been authorized to be made available to consumers for a temporary period by the secretary or the Secretary of the Commonwealth, as applicable.

(3) That the Commonwealth does not endorse the product or service and is not subject to liability for losses or damages caused by the product or service.

(4) That the product or service is undergoing testing, may not function as intended and may entail financial risk.

(5) That the person making the product or service available to consumers is not immune from civil liability for any losses or damages caused by the product or service.

(6) The expected end date of the sandbox period.

(7) The name and contact information of the secretary or the Secretary of the Commonwealth, as applicable, and notification that suspected legal violations, complaints or other comments related to the product or service may be submitted to the secretary or the Secretary of the Commonwealth.

(8) Any other statements or disclosures required by rule of the secretary or the Secretary of the Commonwealth which are necessary to further the purposes of this act.

(d) Recordkeeping.--A person authorized to make an innovative financial product or service available to consumers in the financial technology sandbox shall maintain comprehensive records relating to the innovative financial product or service. The person shall keep the records for not less than five years after the conclusion of the sandbox period. The secretary and the Secretary of the Commonwealth may specify further records.
requirements under this subsection by rule.

(e) Record examination.--The secretary or the Secretary of the Commonwealth, as applicable, may examine the records maintained under subsection (d) at any time, with or without notice. Direct and indirect costs of an examination conducted under this subsection shall be paid by the person making the innovative financial product or service available in the financial technology sandbox. Records made available to the secretary or the Secretary of the Commonwealth under this subsection shall be confidential and shall not be subject to disclosure under the act of February 14, 2008 (P.L.6, No.3), known as the Right-to-Know Law, but may be released to appropriate Federal or State agencies for the purposes of investigation.

(f) Written notice.--Unless granted an extension under section 9, not less than 30 days before the conclusion of the sandbox period, a person who makes an innovative financial product or service available in the financial technology sandbox shall provide written notification to consumers regarding the conclusion of the sandbox period and may not make the product or service available to a new consumer after the conclusion of the sandbox period until legal authority outside of the sandbox exists to make the product or service available to consumers. The person shall wind down operations with existing consumers within 60 days after the conclusion of the sandbox period, except that, after the 60th day, the person may:

(1) Collect and receive money owed to the person and service loans made by the person, based on agreements with consumers made before the conclusion of the sandbox period.

(2) Take necessary legal action.
(3) Take other actions authorized by the secretary or the Secretary of the Commonwealth by rule which are not inconsistent with this subsection.

(g) Multiple jurisdictions allowed.--The secretary and the Secretary of the Commonwealth may, jointly or separately, enter into agreements with Federal, State or foreign regulatory agencies to allow persons that make an innovative financial product or service available in this Commonwealth through the financial technology sandbox to make the products or services available in other jurisdictions and to allow a person operating in similar financial technology sandboxes in other jurisdictions to make innovative financial products and services available in this Commonwealth.

(h) Disclosure.--

(1) If an application was granted under subsection (f), each agency that administers the statute for which the waiver was sought in the application shall disclose non-proprietary information for each relevant innovative financial product or service:

(i) on the agency's publicly accessible Internet website; and

(ii) by sending the information to the Banking and Insurance Committee of the Senate and the Commerce Committee of the House of Representatives.

(2) The Banking and Insurance Committee of the Senate and the Commerce Committee of the House of Representatives shall schedule legislative hearings on the information provided under paragraph (1)(ii) at least once each year.
(a) Revocation or suspension.--The secretary or the Secretary of the Commonwealth may, by order, revoke or suspend authorization granted to a person under section 5(f) if:

(1) The person has violated or refused to comply with this act or a regulation, rule, order or decision promulgated or adopted by the secretary or the Secretary of the Commonwealth.

(2) A fact or condition exists that, if it had existed or become known at the time of the financial technology sandbox application, would have warranted denial of the application or the imposition of material conditions.

(3) A material error, false statement, misrepresentation or material omission was made in the financial technology sandbox application.

(4) After consultation with the person, continued testing of the innovative financial product or service would:

   (i) be likely to harm consumers; or

   (ii) no longer serve the purposes of this act because of the financial or operational failure of the product or service.

(b) Service.--Written notification of a revocation or suspension order made under subsection (a) shall be served using any means authorized by law and if the notice relates to a suspension, include any conditions or remedial action which shall be completed before the suspension will be lifted by the secretary or the Secretary of the Commonwealth.

Section 9. Extension of sandbox period.
A person granted authorization under section 5(f) may apply for an extension of the initial sandbox period for not more than 12 additional months. An application for an extension shall be
made not later than 60 days before the conclusion of the initial sandbox period specified by the secretary or the Secretary of the Commonwealth. The secretary or the Secretary of the Commonwealth shall approve or deny the application for extension in writing not later than 35 days before the conclusion of the initial sandbox period. An application for extension by a person shall cite one of the following reasons as the basis for the application and provide relevant supporting information that:

(1) A statutory amendment is necessary to conduct business in this Commonwealth on a permanent basis.

(2) An application for a license or other authorization required to conduct business in this Commonwealth on a permanent basis has been filed with the appropriate office and approval is currently pending.

(3) The person needs more data to complete testing, if the amount of data and the time frame for obtaining the data are reasonable.

Section 10. Rules and orders, enforcement of bond and restitution.

(a) Rules.--The secretary and the Secretary of the Commonwealth shall each adopt rules to implement this act within 90 days following the effective date of this subsection. The rules adopted by the secretary and the Secretary of the Commonwealth under this subsection shall be as consistent as reasonably possible, but shall account for differences in the statutes and programs administered by the secretary and the Secretary of the Commonwealth. Rules adopted under this subsection shall not take effect until January 1, 2022.

(b) Orders.--The secretary or the Secretary of the Commonwealth may issue:
(1) Necessary orders to enforce this act, including ordering the payment of restitution, and enforce the orders in any court of competent jurisdiction.

(2) An order under paragraph (1) to enforce the bond posted under section 5(h), or a portion of the bond, and use proceeds from the bond to offset losses suffered by consumers as a result of an innovative financial product or service.

Section 11. Access to and dissemination of criminal history information.

Criminal history record information shall only be disseminated by criminal justice agencies in this Commonwealth, whether directly or through any intermediary, to the secretary or the Secretary of the Commonwealth for purposes of obtaining background information under section 5(d) as part of a financial technology sandbox application.

Section 12. National or State criminal history record information.

A person specified in section 5(d) as part of a financial technology sandbox application shall submit to fingerprinting in order to obtain national and State criminal history record information required under this act.

Section 13. Electronic records and signatures.

This act shall modify, limit and supersede the Electronic Signatures in Global and National Commerce Act (Public Law 106-229, 15 U.S.C. § 7001 et seq.), but shall not modify, limit or supersede section 101(c) of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. § 7001(c)) or authorize electronic delivery of any of the notices described in section 103(b) of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. § 7003(b)). This act authorizes the
filing of records and signatures, if specified by provisions of this act or by a rule adopted or order issued under this act, in a manner consistent with section 104(a) of the Electronic Signatures in Global and National Commerce Act (15 U.S.C. § 7004(a)).

Section 14. Effective date.

This act shall take effect in 60 days.