

§ 169-7. Regulatory sandbox requirements; procedures.

(a) Upon approval of an applicant's application for entry into the regulatory sandbox, the applicant will have a period of 24 months to test the innovative product or service. The Council may revoke the waiver if the applicant fails to meet any of the conditions of the waiver. Innovations tested within the regulatory sandbox must be offered only to consumers who are residents of the State, except for any innovative products or services associated with a money transmitter, in which case only the physical presence of the consumer in the State at the time of the transaction may be required. The Council, in coordination with the applicable State agency, may, on a case by case basis, specify reporting requirements and limits or restrictions on the innovative product or service. The sandbox participant, the Council, and the applicable State agency may agree, by mutual agreement, to extend the 24-month sandbox period or to increase the specified limits, if applicable. The Innovation Council or applicable State agency has discretion to publish a list of sandbox participants or a public notice of the existence of any innovation waivers. Consumer contracts shall not bind sandbox participants to provide service more than 90 days past the sandbox period, provided that the applicable State agency may require the sandbox participant to provide the services beyond the 90-day period as may be necessary to prevent consumer harm, as set forth in subsections (d) and (e) of this section. Sandbox participants shall include in all consumer contracts and renewals that all services may be terminated according to this Chapter and waiver.

(b) A sandbox participant may be required to post a consumer protection bond, or alternatively, a deposit of cash or readily marketable securities, with the applicable State agency in an amount determined by the applicable State agency, as security for potential losses suffered by consumers. This security may be cancelled or refunded when the applicable State agency has determined that all consumer claims have been satisfied, or four years after the waiver expires, whichever is sooner.

(c) Not later than 30 days before the end of the sandbox period, a sandbox participant may request an extension of not more than 12 months for the purpose of obtaining a license or other authorization required by law. The applicable State agency shall grant or deny a request for an extension by the end of the sandbox period. The Innovation Council and the applicable State agency shall provide for an expedited process for an innovative product or service that is substantially similar to a product or service for which a waiver has previously been granted.

(d) At the end of the sandbox period, the sandbox participant shall submit a final report in a manner and format prescribed by the applicable State agency. If the sandbox participant cannot obtain regulatory compliance within 90 days following the expiration of the sandbox period, the participant shall wind down operations with existing consumers within 90 days after the conclusion of the sandbox period, as directed by the applicable State agency. If a sandbox participant has ongoing duties after the expiration date of the sandbox regulatory waiver, the sandbox participant shall continue to fulfill only those duties or arrange for a third party, acceptable to the applicable State agency, to fulfill those duties after the date the waiver terminates, provided that the sandbox participant shall remain liable for any consumer harm resulting from its sandbox participation or winding down regardless of whether a third party assists in the winding down.

(e) If a sandbox participant's business objectives fail before the end of the testing period, the sandbox participant must notify the applicable State agency and take such actions as directed by the applicable State agency to ensure consumers have not been harmed as a result of the sandbox participant's participation in the sandbox or its innovative product or service.

(f) Each instance where a sandbox participant fails to comply with any requirement of subsections (d) and (e) of this section is a separate violation of G.S. 75-1.1. This provision is in addition to, and not in lieu of, any other causes of action or relief available to consumers, the

applicable State agency, the Innovation Council, or the Attorney General for violation of this section. (2021-166, s. 1; 2023-134, s. 11.14(f).)