JCOTS
JOINT COMMISSION ON
TECHNOLOGY & SCIENCE

Brief: Regulatory Sandbox Programs

Origination
The term "sandbox" originated in the IT industry to refer to a "segregated, isolated environment for testing products or software, thus mitigating risks before products were brought to market" [1]. The first regulatory sandbox program was established in the United Kingdom in 2015 as a way for the Financial Conduct Authority to "disrupt innovation" and was considered a "safe space" in which businesses can test innovative products, services, business models and delivery mechanisms without immediately incurring all the normal regulatory consequences of engaging in the activity in question[2]. Sandboxes are now well established in the UK[3] and have been established throughout the world and in several states throughout the US.

Risks
Although the purpose of regulatory sandboxes is to minimize risks, they are not completely eliminated. Regulatory Sandboxes can be burdensome on scarce regulatory resources, negatively impact consumer protection and create a risk of economic privilege[4]. Tactics used to mitigate these risks should be considered when implementing a sandbox by the agency responsible for administering the sandbox.

Policy Considerations
Type of Sandbox: Thematic sandboxes have been effective at encouraging a specific technology or product to come to market[5]. For example, a focus on using blockchain technology for real estate transactions. This leads to a separate question of whether one all-encompassing or several different types of sandboxes are appropriate in a single state.

Testing Duration: How long will testing, for each individual case, be conducted? This is a balance to ensure that unviable business models are not permitted to operate indefinitely.

Eligibility Criteria: Against what type of criteria will proposals to the sandbox be assessed?

Organizational Structure: What does the administration of the sandbox look like? (e.g. Executive Director/CEO/COO vs Committee/Panel). Where is the sandbox housed? (e.g. Office of Regulatory Relief, Innovation Center, Attorney General)

Disclosure: Are companies required to disclose to customers that they are operating in a sandbox?

Demonstration Period: What is the duration of the demonstration period? Can it be extended?

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[1] Sharmista Appaya, Helen Grandstein, and Mahjabeen Haji, "Global-Experiences-from-Regulatory-Sandboxes" (World Bank Group, 2020).
[2] Financial Conduct Authority, "Regulatory Sandbox" (Financial Conduct Authority, November 2015), https://www.fca.org.uk/publication/research/regulatory-sandbox.pdf.
[3] "Regulatory Sandbox," FCA, March 1, 2022, https://www.fca.org.uk/firms/innovation/regulatory-sandbox.
[4] Luke Kirrane, "The Sandbox Solution: Balancing Blockchain Innovation and Risk," *2025* 5 (n.d.): 34–36.
[5] Appaya, Grandstein, and Haji, "Global-Experiences-from-Regulatory-Sandboxes."

Follow-up and Evaluation: What does the regulatory process review look like when the demonstration period is complete?

Policy Landscape - Virginia

2022 General Assembly Session

Delegate Michael Webert patroned HB922 for a "Virginia FinTech Regulatory Sandbox Program". The sandbox would be limited to the testing of a financial product or service without otherwise being licensed or authorized. The sandbox would be administered by the State Corporation Commission with a timeframe of 24 months of testing with the possibility of an additional 12 months. This bill was stricken from the docket at the Patron's request and not heard in Committee.

Delegate Glenn Davis patroned HB80 for a Healthcare Regulatory Sandbox administered by the Virginia Department of Health. The testing period would be limited to 24 months with the possibility of an additional six months.

Senator William Stanley patroned SB712 (Webert HB208) for a Virginia Regulatory Sandbox Program, an all-inclusive sandbox. The bill also creates the Department of Regulatory Innovation which would oversee the program and report directly to the Governor. This bill died in appropriations.

2025 General Assembly Session

Delegate Wren Williams patroned HB1555 for a Healthcare Regulatory Sandbox administered by the Virginia Department of Health. The testing period would be limited to 24 months with the possibility of an additional six months. This is similar to the bill introduced in 2022.

Policy Landscape - Other States
The following are states with an active regulatory sandbox program.
⬡ *indicates that blockchain technology is explicitly mentioned.*

⬡ Arizona - All inclusive
Arizona has a Regulatory Sandbox run by the Office of the Attorney General.
"Sandbox" means the Regulatory Sandbox Program established by Chapter 55 of Title 41 of the Arizona Revised Statutes. (41-5601-41-5611) (use "next section" to navigate). Arizona's sandbox "must be for an innovative financial product or service or other innovations".

Florida - Financial
Florida has a regulatory sandbox run by the Office of Financial Regulation.
"Financial Technology Sandbox" means the sandbox program established in Chapter 559.952 Florida Statute. There were two bills introduced in 2023 for universal sandboxes which did not pass.
Press Release

Kansas - All inclusive
In April 2025, the Kansas legislature overrode the Governor's veto of the establishment of a regulatory sandbox. The legislation creates a universal sandbox to be managed by the newly established Division of Regulatory Relief, within the Office of the Attorney General.

Kentucky - All inclusive
The Kentucky Office of Regulatory Relief, under the Office of the Attorney General, administers the General Regulatory Sandbox Program after the passing of HB264. KRS 15.268. Prior to this, but still in existence, is an insurance regulatory sandbox.

Louisiana - Insurance
HB701 was passed in 2024 to implement an insurance regulatory sandbox. This gives power to the Commissioner of Insurance to grant waivers for innovative insurance products or services.

Missouri - All inclusive
Missouri has a universal regulatory sandbox implemented in 2024, part of a larger bill to promote business development. It creates the Regulatory Relief Office within the Department of Economic Development which oversees the sandbox program. The bill was introduced in 2022, 2023, and passed in 2024.

Montana - Insurance
In 2023, the Montana Legislature passed innovation regulatory waiver legislation (HB 836), commonly referred to as "sandbox waiver." This is run by the Commissioner of Securities and Insurance and is applicable to property and casualty insurers.

⬢ North Carolina - Insurance and Fintech
North Carolina has a regulatory sandbox for insurance and fintech, specifically. HB 624 was the passed which also included the establishment of the North Carolina Innovation Council which oversees the program.

⬢ Nebraska - Insurance
Nebraska has a regulatory sandbox for insurance under 44-904, run by the Department of Insurance.

Ohio - All inclusive
Ohio passed SB249 to establish a regulatory sandbox for "novel financial products and services". It is codified in section 1355. It is part of the Dept. of Commerce, Division of Financial Institutions.

⬢ Utah - All inclusive
Utah was an early adopter of a regulatory sandbox, starting in 2019 with Fintech. In 2021 it created a general regulatory sandbox. The program is run through the Office of Regulatory Relief, under the Governor's Office of Economic Opportunity. In 2022, several sandboxes were consolidated into one universal sandbox. Also has a non-custodial blockchain registry.

⬢ West Virginia - Fintech and Insurance
West Virginia has a sandbox for fintech (2020) through the Division of Financial Institutions and insurance (2021) through the Office of the Insurance Commissioner.

⬢ Wyoming - Fintech and Medical
Fintech Sandbox was created in 2019 through HB0057. The Medical Digital Innovation Sandbox is run through the Wyoming Dept. of Health, Unit for Policy, Research, and Evaluation.

Note: Hawaii, Nevada, and Vermont had regulatory sandboxes at one time that have since been decommissioned.

How this brief was developed

1. Conduct a search using Bill Track 50.
   - Search parameters: "regulatory sandbox", passed legislation.
2. Web search on each state listed.
   - Compile the information listed in the brief.
     - Questions to be answered for each state:
       - Website
       - What is it used for? (e.g. Healthcare/Insurance/Finance)
       - Does it mention blockchain/distributed ledger specifically?
3. General web search on "regulatory sandbox".
   - Compare non-peer reviewed reports to output from #1.
   - Add any states missed in #1 and go through process for that state.
4. Literature review on "regulatory Sandbox"

Limitations

- States may use other terminology such as "innovation waivers" which would not be included in this list.
- Only programs that came as a result of state legislation are included.
  - Does not include programs that municipalities may be running nor statewide programs that did not originate through legislation.