

Regulatory Sandbox **FAQ**

The Problem

Outdated or irrelevant regulations are stifling innovation, hindering economic growth, and creating high barriers to entry for entrepreneurs, businesses of all sizes, and harming underserved communities.

The Solution

Establish a ‘Regulatory Sandbox’ that enables trial initiatives and fosters collaboration among businesses, entrepreneurs, legislators, and regulators.



What is a Sandbox?

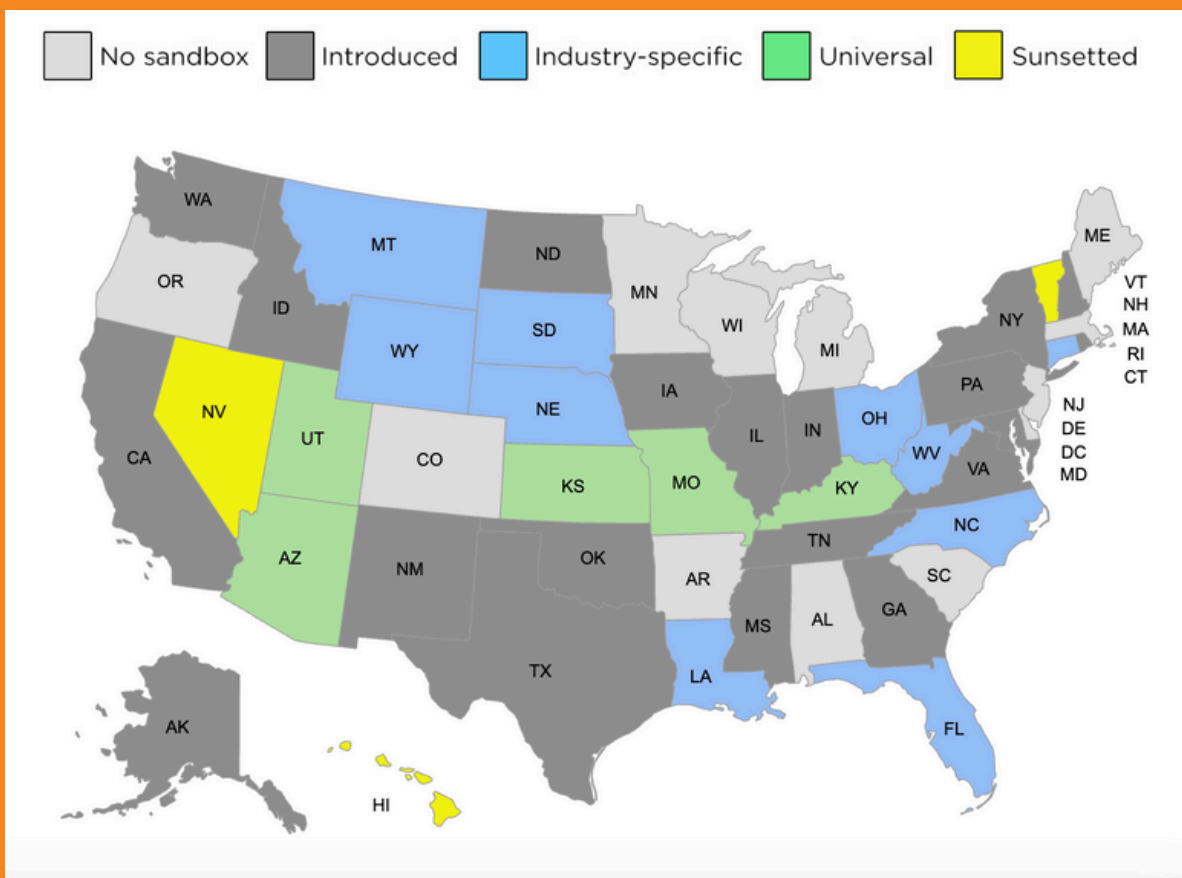
A regulatory sandbox allows innovators—from startups to established companies—to test new products, services, and business models under a temporary waiver from potentially outdated or irrelevant rules and regulations. Here’s how it works:

- **Application:** *Entrepreneurs submit proposals to the sandbox administrator, detailing their ideas and identifying the regulations they believe should be waived.*
- **Acceptance and Trial:** *Approved participants operate under a temporary exemption (often two or more years). They collaborate with regulators and legislators, who monitor progress and ensure consumer protections remain intact.*
- **Feedback & Reform:** *Data from these trials inform recommended regulatory reforms or repeals. When these reforms are adopted by relevant agencies or legislatures, participants can exit the sandbox into a modernized regulatory environment--ultimately benefiting everyone in the industry.*

In many cases, Sandboxes have served as a “regulatory liaison,” guiding companies to the right agencies and clarifying whether they can operate legally without the sandbox. This can save businesses from high attorney costs to navigate state regulations or hiring lobbyists to advocate for a more flexible regulatory environment.

Sandboxes Across States and Sectors

- **Financial Technologies (FinTech) and insurance remain the most common industries to focus on a sandbox, but sandboxes have also been proposed for housing (Hawaii), healthcare (Virginia), energy (Virginia), salmon recovery (Washington State), and agriculture (Mississippi).**
- **Because many industries are also regulated at the federal level, Congress has considered a dozen sandbox bills since 2016.**
- **Since the first U.S. regulatory sandbox launched in 2018 (Arizona), *fifteen states have implemented sandboxes and have hosted over 100 participants.**



*A total of eighteen sandboxes have been enacted across the United States, but three (NV, HI, and VT) have since been sunsetted