



MISSOURI HOUSE OF REPRESENTATIVES
WITNESS APPEARANCE FORM

BILL NUMBER: HB 2587		DATE: 2/24/2022	
COMMITTEE: Economic Development			
TESTIFYING: <input checked="" type="checkbox"/> IN SUPPORT OF <input type="checkbox"/> IN OPPOSITION TO <input type="checkbox"/> FOR INFORMATIONAL PURPOSES			
WITNESS NAME			
BUSINESS/ORGANIZATION:			
WITNESS NAME: JARED MEYER		PHONE NUMBER: 630-329-5600	
BUSINESS/ORGANIZATION NAME: CICERO ACTION		TITLE: EXECUTIVE DIRECTOR	
ADDRESS: 2112 RIO GRANDE STREET			
CITY: AUSTIN		STATE: TX	ZIP: 78705
EMAIL:	ATTENDANCE:	SUBMIT DATE: 2/24/2022 12:00 AM	

THE INFORMATION ON THIS FORM IS PUBLIC RECORD UNDER CHAPTER 610, RSMo.



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WITNESS NAME			
BUSINESS/ORGANIZATION:			
WITNESS NAME: JEREMY CADY		PHONE NUMBER:	
BUSINESS/ORGANIZATION NAME: AMERICANS FOR PROSPERITY		TITLE: STATE DIRECTOR	
ADDRESS:			
CITY: JEFFERSON CITY		STATE: MO	ZIP: 65102
EMAIL: jcady@afphq.org	ATTENDANCE: In-Person		SUBMIT DATE: 2/16/2022 10:29 AM
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WITNESS NAME			
REGISTERED LOBBYIST:			
WITNESS NAME: KARA CORCHES		PHONE NUMBER: 573-634-3511	
REPRESENTING: MISSOURI CHAMBER OF COMMERCE AND INDUSTRY		TITLE:	
ADDRESS: 428 EAST CAPITOL			
CITY: JEFFERSON CITY		STATE: MO	ZIP: 65101
EMAIL:	ATTENDANCE:	SUBMIT DATE: 2/24/2022 12:00 AM	
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WITNESS NAME			
INDIVIDUAL:			
WITNESS NAME: ARNIE C. AC DIENOFF-STATE PUBLIC ADVOCATE		PHONE NUMBER:	
BUSINESS/ORGANIZATION NAME:		TITLE:	
ADDRESS:			
CITY:		STATE:	ZIP:
EMAIL: arniedienoff@yahoo.com		ATTENDANCE: Written	SUBMIT DATE: 2/24/2022 7:44 AM

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I am Opposed to this Bill. This is Unfair to All of the Other Missouri Businesses Following Our Laws and Regulations.



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WITNESS NAME			
REGISTERED LOBBYIST:			
WITNESS NAME: MICHAEL BERG		PHONE NUMBER: 314-644-1011	
REPRESENTING: SIERRA CLUB MISSOURI CHAPTER		TITLE:	
ADDRESS: 2818 SUTTON BOULEVARD			
CITY: SAINT LOUIS		STATE: MO	ZIP: 63143
EMAIL:	ATTENDANCE:	SUBMIT DATE: 2/24/2022 12:00 AM	

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WITNESS NAME			
INDIVIDUAL:			
WITNESS NAME: SCOTT MCKELLAR		PHONE NUMBER:	
BUSINESS/ORGANIZATION NAME:		TITLE:	
ADDRESS:			
CITY:		STATE:	ZIP:
EMAIL: mck9@swbell.net	ATTENDANCE: Written		SUBMIT DATE: 2/23/2022 2:31 PM
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This bill looks and smells like a way for people and businesses with money to buy their way out of regulation, for the low, low, price of \$5000. Call yourself an innovator, fill out a form, send in a check, and bingo! You don't have to follow the rules any more. Some years back, the Roman Catholic Church got into trouble for selling indulgences. This is the same deal.



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WITNESS NAME			
BUSINESS/ORGANIZATION:			
WITNESS NAME: BRIAN KNIGHT		PHONE NUMBER: 614-390-1669	
BUSINESS/ORGANIZATION NAME: THE MERCATUS CENTER AT GEORGE MASON UNIVERSITY		TITLE: SENIOR RESEARCH FELLOW	
ADDRESS: 3434 WASHINGTON BLVD.			
CITY: ARLINGTON		STATE: VA	ZIP: 22201
EMAIL: jferdelman@mercatus.gmu.edu		ATTENDANCE: Written	SUBMIT DATE: 2/23/2022 7:05 AM

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Chair Grief, Vice Chair Riggs, Ranking Member Barnes, and members of the House Economic Development Committee Thank you for the opportunity to testify. My name is Brian Knight and I am a Senior Research Fellow at the Mercatus Center at George Mason University. My expertise is in financial technology; in part, that includes research on regulatory sandboxes. I appreciate the opportunity to testify today. Today I would like to offer these takeaways for regulatory sandboxes: 1. Regulatory sandboxes offer potential benefits, including increased innovation and competition. 2. Regulatory sandboxes also have potential risks, including risks to competition and consumer protection. 3.

There are ways to mitigate against these risks, while securing the benefits of a regulatory sandbox. I have also attached a scholarly article I coauthored with Trace Mitchell discussing these issues in more detail. Defining Regulatory Sandboxes "Regulatory Sandboxes" are an increasingly common feature in global regulation. As a general rule, they can be defined as "a decreed state of exception within a regulatory regime that allows firms to offer products or services for a limited time to a limited number of customers in a modified regulatory environment for the purpose of allowing the firm to test a product or service before it is offered more broadly." Beginning with the United Kingdom's Financial Conduct Authority (FCA) in 2016 numerous national and state governments have launched regulatory sandboxes. While the majority of sandboxes deal with financial services, several countries, including Japan and Singapore have launched sandboxes for other industries or to serve multiple industries. The State of Utah was the first U.S. state to launch a general, industry agnostic regulatory sandbox. Benefits and Pitfalls Regulatory sandboxes were developed to achieve several important goals, including encouraging innovation, competition, and entry in highly regulated industries, providing regulators with greater insight and transparency into cutting edge products and services, and furthering consumer protection by both helping innovators design their products to be compliant with the law and encouraging the introduction of products and services that will better serve consumer needs. While regulatory sandboxes are new innovations, and their full effect remains to be determined, there is some evidence that regulatory sandboxes can help new firms enter the market. For example, they may help increase access to funding by reducing regulatory uncertainty and asymmetric information issues between firms and investors. While there are potentially significant benefits to regulatory sandboxes, there are also potential risks that must be guarded against. One area of obvious concern is consumer protection. One critique is that regulatory sandboxes will remove necessary consumer safeguards. These risks should be able to be guarded against in a well-executed sandbox which requires applicants to have a viable plan, and the ability to execute on the plan, and to make customers whole in the event of a failure. Likewise, the agency responsible for administering the sandbox must be able to conduct adequate vetting and supervision on participants and be able to force a participant to make customers whole if necessary and appropriate. Another, perhaps less

obvious concern, is the risk that a regulatory sandbox could grant an unfair regulatory advantage to those firms lucky enough to gain admission. This advantage could manifest itself as greater access to funding, greater exclusive access to the expertise provided by regulators, and the possibility that regulators develop a culture of being stricter on firms that do not participate in a sandbox even if that is not actually justified. These risks are real and should be taken seriously, but fortunately they can also be at least somewhat mitigated against. The risk that access to the sandbox becomes a “golden ticket” can be reduced by granting relatively broad access to the sandbox, making sandbox administrators justify decisions to reject applications, and providing maximal transparency with regard to any legal or regulatory guidance provided to sandbox participants. Sandboxes should be voluntary, and while participation in a sandbox may be evidence of good faith, a lack of participation should not be seen as evidence of bad faith on the part of a firm. The present bill contains several provisions that recognize the risks described above and seek to mitigate them. For example, requiring applicants to demonstrate a credible plan to protect consumers in the event of failure can help protect customers, while considering a competitor’s admission into the sandbox as a factor in favor of admission can help prevent the sandbox from providing an undue first mover advantage. However, the effectiveness of these protections will ultimately depend on the quality of execution on the part of the relevant agencies charged with administering the sandbox. One area where the Legislature may wish to consider a change is the cost of application. In the current legislation the application fee is five thousand dollars. This is a significant sum of money that may discourage firms from applying. While paying for the sandbox’s operation is an important consideration, an amendment that reduces the application fee, perhaps coupled with an administration fee for firms that are accepted may help serve the same need without discouraging applications. Conclusion The State of Missouri has expressed interest in changing their regulatory environment to encourage innovation. There is reason to believe that carefully designed sandboxes may be part of a policy effort to foster a more dynamic, competitive, and rich economy for this state.