

FinTech and PropTech

Arizona Pioneering in Domestic Emerging Technologies Market



Arizona's new property technology (PropTech) and financial technology (FinTech) laws have opened doors to new economic opportunities for entrepreneurs and state residents alike, transforming Arizona into a world leader in business technology innovation.

In a region saturated with states marketing themselves as "tech-friendly," Arizona has distinguished itself as the first state to allow companies to enter the market and test innovative products and services without the typical government red tape. Arizona recently passed the PropTech sandbox bill, which allows companies to test their products with very little government regulation for a limited period. The PropTech sandbox program is patterned after the successful FinTech sandbox program that was introduced last year.

The FinTech sandbox was developed to serve as a pathway for companies to access Arizona's markets to test innovative financial products without the typical licensing requirements. Generally, obtaining regulatory approval to offer new products and services requires companies to navigate a bureaucratic maze that costs thousands of dollars in fees and legal expenses. In a market as fast-paced and dynamic as FinTech, this type of regulation can be crippling. The sandbox allows companies offering promising financial technologies to operate with limited restriction for two years under the jurisdiction of the Attorney General. "We're attracting cutting-edge technologies looking for the right environment for a company to test a concept in the market with reduced barriers," said Attorney General Mark Brnovich.

Although Arizona is the first state to introduce this type of opportunity domestically, Arizona's sandbox law is not the first of its kind. Countries such as the UK, Singapore, Australia and the United Arab Emirates have implemented similar reduced regulatory models with great success. Tech companies are constantly expanding and looking for spaces to grow as they test new products and services. The sandbox program allows companies to grow faster without onerous restrictions, while simultaneously providing Arizonans new employment and consumption opportunities. According to Sandra Watson, the president and CEO of the Arizona Commerce Authority, which partners with the Attorney General on the FinTech sandbox program, "We've seen this dozens of times in Arizona as companies evolve through one of the state's incubators or accelerators. Companies that form within Arizona tend to stay and grow to scale in Arizona." At the time of this article, there are six companies participating in Arizona's FinTech sandbox, and that number is growing.

Though the goal of the sandbox program is to encourage innovation, the Arizona Attorney General's office remains focused on the protection of consumer rights as an essential part of the program. The sandbox is designed such that while companies are able to skip the restrictive bureaucracy involved in entering a new market space, they will still be under the jurisdiction of the Attorney General. This collaborative effort between the Attorney General's office and sandbox participants ensures that companies have the freedom and flexibility needed to grow and develop new economic opportunities, while also ensuring that consumer rights are protected.

Arizona's leadership in the development of both the PropTech and FinTech sandboxes have other states and counties taking note. Though this trend began with the FinTech sandbox, we are seeing it continue to grow with the new PropTech sandbox, and there is no sign of the trend slowing down. While traditional government regulatory systems hamstrung old school transactions, the modern tech industry requires innovation. Through its innovative sandbox programs, Arizona is now leading the domestic market in technology development.

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