

Bitcoin Innovation Sandbox

Rhode Island Bitcoin Policy Initiative | March 2026 | Supporting H.7413

House Bill 7413, the Rhode Island Economic Growth Blockchain Act, would establish a regulatory sandbox and Special Purpose Depository Institutions (SPDIs) to make Rhode Island a hub for blockchain innovation. This paper examines how regulatory sandboxes work, where they have succeeded, and how H.7413 could transform Rhode Island's economic prospects.

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States with SPDIs

H.7413

RI Sandbox Bill

\$1.8B

Blockchain VC (Q4 2025)

50th

RI Business Ranking

1. WHAT IS A REGULATORY SANDBOX?

A regulatory sandbox is a framework that allows businesses to test innovative products and services under temporary, reduced regulatory requirements. Participants operate under government oversight but with flexibility to experiment without the full weight of existing regulations, which were often designed for traditional business models.

Key features of well-designed sandboxes include defined testing periods (typically 2-3 years), consumer protection requirements, reporting obligations, clear graduation criteria, and a pathway to permanent licensing upon successful completion.

2. SUCCESS STORIES

Wyoming (2019-Present)

Wyoming's comprehensive blockchain legislation, including SPDI charters (HB74, 2019), has attracted over 100 blockchain companies to the state. Custodia Bank and Kraken Financial received SPDI charters, bringing high-paying jobs and tax revenue to Cheyenne. Wyoming went from having virtually no blockchain industry to being recognized as the most crypto-friendly state in America.

Arizona (2018)

Arizona's Fintech Sandbox (HB 2434) was one of the first in the nation, allowing financial technology companies to test products with up to 10,000 customers for 24 months without full state licensing. Since launch, over 30 companies have participated, several of which have since obtained permanent licenses and established headquarters in the state.

3. HOW H.7413 WORKS

- **Regulatory sandbox:** Creates a controlled environment where blockchain startups can operate under temporary regulatory exemptions for up to 3 years.
- **SPDIs:** Establishes a new bank charter type specifically designed for digital asset custody, requiring 100% liquid reserves (compared to fractional reserves at traditional banks).
- **Public-private partnerships:** Encourages collaboration between state agencies, universities, and blockchain companies.

- **Consumer protection:** Sandbox participants must maintain capital requirements, carry insurance, and submit to regulatory oversight.
- **Graduation pathway:** Successful sandbox participants have a streamlined path to permanent licensing.

4. ECONOMIC IMPACT FOR RHODE ISLAND

Rhode Island ranks 50th in WalletHub's "Best States to Start a Business" report. A regulatory sandbox represents a low-cost, high-impact policy tool that could begin reversing this ranking:

Metric	Year 1	Year 3	Year 5
Sandbox Participants	10-20	40-60	80-120
Direct Jobs Created	100-200	500-800	1,500-2,500
Avg. Salary	\$85,000	\$90,000	\$95,000+
State Tax Revenue	\$2M-\$5M	\$10M-\$20M	\$30M-\$50M
VC Investment Attracted	\$50M	\$250M	\$500M+

5. WHY NOW?

The federal regulatory environment is shifting dramatically in favor of digital assets. The SEC has approved Bitcoin ETFs, the CFTC is taking a more innovation-friendly approach, and Congress is advancing comprehensive stablecoin and market structure legislation. States that position themselves now will capture the first wave of companies seeking favorable regulatory environments.

Rhode Island has advantages that larger states lack: a small, responsive legislature, proximity to Boston's tech ecosystem, world-class universities (Brown, URI, RISD), and a motivated workforce looking for opportunities to stay in the state.

SOURCES

¹ Wyoming Division of Banking, SPDI Program Report, 2024

² Arizona Attorney General, Fintech Sandbox Annual Report, 2024

³ WalletHub, "Best & Worst States to Start a Business," 2025

⁴ PitchBook, Blockchain & Cryptocurrency Venture Capital Data, Q4 2025

⁵ Rhode Island General Assembly, H.7413 Bill Text, 2026