

# Bitcoin Innovation Sandbox

*How regulatory sandboxes work, where they have succeeded, and how H.7413 could position Rhode Island for digital asset business growth*

Rhode Island Bitcoin Policy Initiative | June 2026

House Bill 7413, the Rhode Island Economic Growth Blockchain Act, would establish a regulatory sandbox and Special Purpose Depository Institution (SPDI) charter 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 shape Rhode Island's economic trajectory.

<b>2 states</b> Currently offer SPDI charters (WY, NE)	<b>H.7413</b> Would make RI the third	<b>46th</b> RI CNBC business climate (2025)	<b>100%</b> Liquid reserves required for SPDIs
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## 1. WHAT IS A REGULATORY SANDBOX?

A regulatory sandbox is a framework allowing businesses to test innovative financial products under temporary, reduced regulatory requirements. Participants operate under government oversight but with flexibility to experiment without the full weight of legacy regulations designed for traditional business models.

Well-designed sandboxes share five characteristics:

- **Defined testing period.** Typically 18–24 months.
- **Consumer protection floor.** Baseline anti-money-laundering, fraud, and disclosure requirements preserved regardless of other relief.
- **Reporting obligations.** Participants report outcomes and incidents to the regulator.
- **Clear graduation criteria.** A pathway to permanent licensing on successful completion.
- **Regulator capacity.** Dedicated staff with authority to grant relief and respond to incidents.

### What a sandbox is not

A sandbox is not deregulation. Baseline consumer protections remain in effect throughout. The relief is from product-specific regulations designed for legacy business models, not from the structural requirements of financial integrity.

## 2. COMPARABLE STATE PRECEDENTS

### 2.1 Wyoming SPDI program

Wyoming enacted the SPDI charter via HB74 in 2019 (Wyo. Stat. § 13-12-101 et seq.) as the cornerstone of its blockchain regulatory strategy. The Wyoming Banking Board has approved four SPDI charters: Kraken Financial (September 2020), Avanti Financial / Custodia Bank (October 2020), Wyoming Deposit & Transfer (June 2021), and Commercium Financial (August 2021). Kraken Bank and Custodia Bank actively file quarterly Call Reports.

Wyoming's broader blockchain framework — more than 30 digital-asset and blockchain-related laws since 2018 — has been associated with meaningful firm location decisions. Specific attribution of business relocation to specific legislation is inherently difficult; the Wyoming experience is informative as a directional signal rather than a precise predictor.

### 2.2 Nebraska Financial Innovation Act

Nebraska adopted the Nebraska Financial Innovation Act (LB649) in 2021, establishing a digital asset depository institution charter similar to Wyoming's SPDI. The first Nebraska charter was approved in November 2025 — Telcoin Digital Asset Bank, the first of its kind in the country under that statute. The four-year gap between statute and first charter is a relevant note for Rhode Island: regulatory framework alone does not generate applicants; ecosystem development and inbound applicant interest matter.

### 2.3 Utah Regulatory Sandbox Act

Utah's Regulatory Sandbox Act (HB378, signed March 25, 2019; Utah Code Title 13, Chapter 55) provides the closest precedent for H.7413's sandbox component. Utah operates the program through the Office of Regulatory Relief; participants have included blockchain, lending, and insurance products. Utah's structure illustrates that sandbox programs can operate with modest state cost while producing useful product testing data.

## 3. WHAT H.7413 WOULD DO

### 3.1 Regulatory sandbox

Allows blockchain and digital asset companies to test innovative financial products under temporary regulatory exemptions, with oversight from the Department of Business Regulation (DBR). Companies can operate for up to two years with reduced regulatory burden while DBR monitors for consumer protection concerns. Baseline AML, fraud, and disclosure protections remain in effect.

### 3.2 Special Purpose Depository Institution (SPDI) charter

Creates a new state-chartered bank category specifically designed for digital asset businesses, requiring 100% liquid reserves against deposits. SPDIs can hold digital assets in custody, process digital asset transactions, and provide banking services to blockchain companies that are currently underserved by traditional financial institutions.

## 4. FEDERAL CONTEXT

The federal regulatory landscape for digital asset banking shifted substantially in 2025. The GENIUS Act (P.L. 119-27), signed July 18, 2025, established the first federal framework for payment stablecoins. The CLARITY Act (H.R. 3633), passed by the House July 17, 2025 and reported out of Senate Banking June 1, 2026, would provide market-structure rules for digital assets more broadly.

State SPDI programs retain meaningful value under this framework as alternatives to federal trust charters, particularly for smaller firms that prefer state-level supervision. Federal Reserve master account access remains a constraint outside state control; the Custodia Bank litigation (10th Cir. affirmed Federal Reserve discretion on Oct 31, 2025; en banc rehearing denied March 13, 2026) is the leading precedent.

## 5. IMPLEMENTATION CONSIDERATIONS FOR RHODE ISLAND

### 5.1 Existing DBR infrastructure reduces ramp-up cost

Rhode Island DBR already licenses money transmitters under Chapter 19-14 and virtual currency kiosk operators under Chapter 19-14.3. This existing infrastructure substantially reduces the marginal cost of standing up SPDI examination capacity relative to Wyoming's greenfield experience.

### 5.2 Fee structure determines net fiscal impact

SPDI charter application fees (\$50,000–\$100,000 per applicant) and annual examination fees (tiered by assets under custody) offset DBR operating costs over time. RIBPI's full Fiscal Impact Analysis (available at [ribpi.com/research](http://ribpi.com/research)) projects net positive direct fiscal impact by Year 5 under moderate uptake assumptions.

### 5.3 First-mover positioning in New England

No New England state currently offers an SPDI charter. Connecticut, Massachusetts, and New Hampshire have all considered similar legislation without enactment. Rhode Island would establish

a four-to-six-year head start over likely regional competitors.

### What success looks like

Three to five SPDI charter applications within the first three years; sandbox participation by a meaningful subset of New England fintech firms; documented job creation in Providence and supporting tax base contributions to host municipalities.

## 6. RECOMMENDATIONS

1. Pass H.7413 with the regulatory sandbox and SPDI charter framework as drafted.
2. Include a five-year sunset review on SPDI charter authority, tied to a DBR utilization report.
3. Dedicate FY27 appropriation of \$400K–\$500K to DBR for SPDI program startup, with subsequent years funded primarily from fee revenue.
4. Coordinate with Senate Commerce and House Corporations on rulemaking timeline expectations (target: 9–12 months from enactment to first charter approval).
5. Engage the Blockchain Study Commission (S.2198 Sub A, if enacted) to study coordination with federal frameworks under the GENIUS Act and pending CLARITY Act.

## APPENDIX: SOURCES AND REFERENCES

### Comparable State Programs

- Wyoming Division of Banking, SPDI Charter Approval Orders (Kraken Financial September 2020 through Commercium Financial August 2021)
- Wyo. Stat. § 13-12-101 et seq. (SPDI statute)
- Nebraska Financial Innovation Act (LB649), 2021
- Utah Regulatory Sandbox Act (HB378), signed March 25, 2019; Utah Code Title 13, Chapter 55

### Federal Regulatory Context

- GENIUS Act, P.L. 119-27, signed July 18, 2025
- Digital Asset Market Clarity Act, H.R. 3633 (119th Congress)
- Custodia Bank v. Federal Reserve (10th Cir., No. 24-8024)
- OCC Interpretive Letter 1170 (July 2020)

### Rhode Island Context

- H.7413 bill text and status ([status.rilegislature.gov](https://status.rilegislature.gov))

- RI DBR existing virtual currency licensing infrastructure (Chapter 19-14.3 / P.L. 2025, ch. 113)
- H.7413 Fiscal Impact Analysis (RIBPI, June 2026, 16 pages)

### **Business Climate Context**

- CNBC America's Top States for Business 2025 (RI 46th, tied with Louisiana)
- Tax Foundation 2026 State Tax Competitiveness Index (RI 40th)
- RIPEC FY2027 budget outlook

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*End of Report*