

Draft Definition of Authorized Person

X. Definitions

1. The term “Authorized Person” means a person:
 - (a) Possessing an economic interest in the sandbox entity equal to or more than 10 percent of all economic interests in the sandbox entity,
 - (b) The legal right to exercise decision-making authority on behalf of the sandbox entity.
 - (c) Functioning as a Compliance Lawyer for the sandbox entity
2. The term “Compliance Lawyer” means an active member of the State Bar of California in good standing who, pursuant to the rules applicable to sandbox applicants, may be responsible for ensuring compliance with all applicable laws and rules governing sandbox entities and lawyers in California.¹ A Compliance Lawyer may be designated by the sandbox regulator as the person responsible for promptly responding to requests from the sandbox regulator to the sandbox entity for documents and other information.
3. The term “Decision-Making Authority” means the authority, by operation of law or by agreement, to directly or indirectly:
 - i. Legally bind the sandbox entity;
 - ii. Control or participate in the management or affairs of the sandbox entity;
 - iii. Direct or cause the direction of the management and policies of the sandbox entity;
 - iv. Make day-to-day or long-term decisions on matters of management policy, and operations of the sandbox entity;² or
 - v. Supervise five or more persons providing sandbox entity services directly to consumers³

¹ Cross-reference AZ Code Jud. Admin. § 7-209A.

² Cross-reference AZ Code Jud. Admin. § 7-209A

³ New language in this definition to cover direct supervisors of service providers.



The State Bar of California

Memo circulated for
8-11-21 CTJG Meeting

CLOSING THE JUSTICE GAP WORKING GROUP

DATE: August 4, 2021

TO: Closing the Justice Gap Working Group

FROM: Scope Subcommittee Co-Chairs

SUBJECT: II.H. Discussion of the Sandbox Application Criteria for Applicant Background Checks – Proposed Resolution for Sandbox Applicant Disclosures

For Closing the Justice Gap Working Group August 11, 2021 meeting agenda item II.H. – Discussion of the Sandbox Application Criteria for Applicant Background Checks, the Scope Subcommittee Co-Chairs present the following proposed recommendation concerning who should be required to provide the disclosures to the sandbox regulator, for your consideration.

Resolution Concerning the Individuals or Entities that Must Provide Disclosures

Be it resolved that:

- (a) The persons that are required to make disclosures in the application for admission to the California sandbox are:
 - a. Authorized Persons
 - b. Compliance lawyers, if such persons are mandated by the sandbox laws or regulations
 - c. Managerial Persons
 - d. Principal Persons
- (b) Definitions. For purposes of this requirement,
 - a. The term “Authorized Person” means a person possessing:
 - i. An economic interest in the alternate business structure equal to or more than 10 percent of all economic interests in the sandbox entity, or

- ii. The legal right to exercise decision-making authority on behalf of the sandbox entity. [California examples to be provided.]¹
- b. The term “Compliance lawyer,” if such a role is included in these regulations, means an active member of the State Bar of California in good standing who, pursuant to the rules applicable to sandbox applicants, shall be responsible for ensuring compliance with all applicable laws and rules governing sandbox entities and lawyers in California.²
- c. The term “Decision-Making Authority” means the authority, by operation of law or by agreement, to directly or indirectly:
 - i. Legally bind the sandbox entity;
 - ii. Control or participate in the management or affairs of the sandbox entity;
 - iii. Direct or cause the direction of the management and policies of the sandbox entity; or
 - iv. Make day-to-day or long-term decisions on matters of management policy, and operations of the sandbox entity.³
- d. The term “Principal” means a person with whom the staff of the sandbox regulatory entity may communicate on any administrative, procedural or operational issues.⁴
- e. The term “Managerial person” means any person who manages or supervises the direct provision of legal services.⁵

¹ Cross-reference AZ Code Jud. Admin. § 7-209A. Note this section reference Alternate Business Structures. This nomenclature may or may not be appropriate in California so the term “sandbox entity” is substituted as a placeholder.

² Cross-reference AZ Code Jud. Admin. § 7-209A.

³ Cross-reference AZ Code Jud. Admin. § 7-209A.

⁴ Cross-reference AZ Code Jud. Admin. § 7-209G(1)(f).

⁵ Cross-reference Utah application at § 4.5.