STAND. COM. REP. NO. 1059

Honolulu, Hawaii FEB 28 / 2025

RE: H.B. No. 1277 H.D. 2

Honorable Nadine K. Nakamura Speaker, House of Representatives Thirty-Third State Legislature Regular Session of 2025 State of Hawaii

Madame:

Your Committee on Judiciary & Hawaiian Affairs, to which was referred H.B. No. 1277, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO DIGITAL FINANCIAL ASSET,"

begs leave to report as follows:

The purpose of this measure is to limit the value of daily transactions through a digital financial asset transaction kiosk to a maximum of \$1,000.

Your Committee received testimony in support of this measure from AARP Hawai'i; Hawai'i Family Caregiver Coalition; Hawaii Credit Union League; Holomua Collaborative; Hawaii Bankers Association; and six individuals. Your Committee received testimony in opposition to this measure from CoinFlip. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs.

Your Committee finds that digital financial asset transaction kiosks, also known as crypto ATMs, appear as regular ATMs and allow people to conduct legitimate cryptocurrency transactions by depositing fiat to purchase cryptocurrencies that are then transferred to a digital wallet. However, crypto ATMs are largely unregulated at the state level compared to traditional financial institutions and money service businesses, which allows the crypto ATMs to lack consumer fraud protections. As a result, crypto ATMs



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can put Hawaii consumers at risk of fraudulent purchase schemes. This measure provides a means for protecting consumers by limiting the daily amount that may be transacted through crypto ATMs.

Your Committee has amended this measure to clarify the exemption under the definition of "digital financial asset" for securities registered or exempt from registration under Hawaii law.

As affirmed by the record of votes of the members of your Committee on Judiciary & Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1277, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 1277, H.D. 2.

> Respectfully submitted on behalf of the members of the Committee on Judiciary & Hawaiian Affairs,

DAVID A. TARNAS, Chair



State of Hawaii House of Representatives The Thirty-third Legislature



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Record of Votes of the Committee on Judiciary & Hawaiian Affairs

Bill/Resolution No.:	Committee Referral: Date:				
HB 1277 HD1	CPC, UHA 02/25/2025				
The committee is reconsidering its previous decision on the measure.					
The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold Pass short form bill with HD to recommit for future public hearing (recommit)					
JHA Members	Ayes	Ayes (WR)	Nays	Excused	
1. TARNAS, David A. (C)	\checkmark				
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2. POEPOE, Mahina (VC)		-			
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3. BELATTI, Della Au			and the second		
4. COCHRAN, Elle					
4. COCHRAN, Elle					
5. HASHEM, Mark J.					
6. KAHALOA, Kirstin			par <u>sa</u> r sar		
7. PERRUSO, Amy A.					
8. TAKAYAMA, Gregg				Sec. 2 Property	
9. TODD, Chris					
10. GARCIA, Diamond			Contraction of the second		
11. SHIMIZU, Garner M.					
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TOTAL (11)	/		U	4	
The recommendation is: Adopted If joint referral, did not support recommendation.					
Vice Chair's or designee's signature:					
Distribution: Original (White) – Committee	Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				