STAND. COM. REP. NO. 2536

Honolulu, Hawaii

MAR 0 1 2018

RE: S.B. No. 3082 S.D. 1

Honorable Ronald D. Kouchi President of the Senate Twenty-Ninth State Legislature Regular Session of 2018 State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health, to which was referred S.B. No. 3082 entitled:

"A BILL FOR AN ACT RELATING TO VIRTUAL CURRENCY,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Extend the Money Transmitters Act to expressly apply to persons engaged in the transmission of virtual currency; and
- (2) Require a licensee dealing with virtual currency to provide a warning to a consumer prior to entering into an agreement with the consumer.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs. Your Committee received testimony in opposition to this measure from three individuals. Your Committee received comments on this measure from the Commission to Promote Uniform Legislation and Coinbase, Inc.

Your Committee finds that this measure extends the Money Transmitters Act to expressly apply to persons engaged in the transmission of virtual currency and provides a framework for the Division of Financial Institutions of the Department of Commerce

and Consumer Affairs to regulate the still-emerging virtual currency industry, including establishing requirements for licensure, license renewal, examination, recordkeeping, reporting, prohibited practices, sanctions, and penalties. This measure also specifically authorizes the Division of Financial Institutions to accept like-kind virtual currency as permissible investments. According to testimony from the Division of Financial Institutions, this measure authorizes the Division to accept likekind virtual currency as permissible investments, which addresses the concerns raised by some virtual currency money transmitters that they are unable to hold cash and cash-like permissible investments to cover their virtual currency transactions, as currently required under the Money Transmitters Act. Committee further finds that this measure allows virtual currency companies to obtain licensure and operate in Hawaii, while also providing protections for consumers.

Your Committee has amended this measure by:

- (1) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3082, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3082, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on behalf of the members of the Committee on Commerce, Consumer Protection, and Health,

ROSALYN H. BAKER, Chair

The Senate Twenty-Ninth Legislature State of Hawai'i

Record of Votes Committee on Commerce, Consumer Protection, and Health CPH

Bill / Resolution No.:* SB 3082	COmmittee Referral:			Date: 02/02/19	
The Committee is reconsidering its previous decision on this measure.					
If so, then the previous decision was to:					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)					
TOKUDA, Jill N. (VC)					
CHANG, Stanley		/			
ESPERO, Will					
IHARA, Jr., Les					/
NISHIHARA, Clarence K.					
RUDERMAN, Russell E.		/			
TOTAL		5			2
Recommendation: Adopted Not Adopted					
Chair's or Designee's Signature:					
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy					

*Only one measure per Record of Votes