
A BILL FOR AN ACT

RELATING TO HAWAII MONEY TRANSMITTER ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The money transmission industry has evolved
2 since the enactment of Hawaii's Money Transmitters Act in 2006,
3 when money transmission was conducted by mom and pop store
4 fronts and a few large companies for consumers who wished to
5 send funds to family and friends abroad. Today, the industry is
6 largely dominated by internationally based companies with global
7 reach and instant payment processing capabilities, who are
8 continually innovating their financial technology, seeking the
9 most efficient way to transmit funds with ease for the consumer.

10 Over the years, regulation of money transmitters has
11 evolved from a single state regulator licensing, supervising,
12 and examining a money transmitter, to a network of states
13 working together to license, supervise, and examine trans-global
14 money transmission companies as a multi-state system. In 2000,
15 the National Conference of Commissioners of Uniform State Laws
16 adopted a model law, known as the Uniform Money Services Act
17 (UMSA), to harmonize the varied state regulatory frameworks.



1 The goal was to have various states adopt the UMSA to create
2 uniformity with respect to the regulation of money transmitters
3 in various states. The UMSA was last amended in 2004. In 2019,
4 the Conference of State Bank Supervisors (CSBS) published a
5 draft model law for money services businesses based on the UMSA
6 to address areas in need of standardization and alignment across
7 jurisdictions. The CSBS model law focused on protecting
8 consumers, establishing barriers to the entry of bad actors, and
9 facilitating coordination among state agencies.

10 The legislature finds that the instantaneous global money
11 transmission activity today necessitates additional oversight of
12 money transmitters to provide appropriate consumer protection.
13 Further, the fast-paced nature of money transmissions and
14 innovation of financial technology necessitates a quicker
15 response to protect consumers. Hawaii's Money Transmitters Act
16 incorporates many provisions from the UMSA, including provisions
17 for networked supervision, allowing the State some networked
18 oversight of these trans-global money transmission companies.
19 However, the legislature finds that the law in its current form
20 does not provide sufficient flexibility for the State to share



1 supervisory information with other states to allow the quick
2 response required to protect consumers.

3 The purpose of this Act is to ensure that Hawaii can
4 effectively license, regulate, and supervise nationally and
5 globally operating money transmission companies without
6 unnecessarily impacting money transmission businesses that
7 operate regionally or in a single state, by amending Hawaii's
8 Money Transmitters Act to:

- 9 (1) Incorporate definitions of key terms provided in
10 CSBS's model law;
- 11 (2) Add supporting documentation to be submitted by a
12 license applicant;
- 13 (3) Extend the period of a license applicant's litigation
14 and criminal conviction history review from five to
15 ten years prior to the date of the application, which
16 is the maximum period reported by federal agencies;
- 17 (4) Require a license applicant to submit information
18 concerning any bankruptcy or receivership proceedings
19 affecting the licensee;



1 (5) Clarify the authority of the commissioner of financial
2 institutions relating to examinations and
3 investigations of licensees; and

4 (6) Allow the commissioner of financial institutions to
5 participate in nationwide protocols for licensing
6 cooperation and coordination with other state
7 regulators.

8 SECTION 2. Chapter 489D, Hawaii Revised Statutes, is
9 amended by amending the title to read as follows:

10 "CHAPTER 489D

11 MONEY TRANSMITTERS MODERNIZATION ACT"

12 SECTION 3. Section 489D-1, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "[+]§489D-1[+] Short title. This chapter may be cited as
15 the Money Transmitters Modernization Act."

16 SECTION 4. Section 489D-4, Hawaii Revised Statutes, is
17 amended as follows:

18 1. By adding four new definitions to be appropriately
19 inserted and to read:



1 "Acting in concert" means individuals knowingly acting
2 together with a common goal of jointly acquiring control of a
3 licensee whether or not pursuant to an express agreement.

4 "Individual" means a natural person.

5 "Key individual" means any individual ultimately
6 responsible for establishing or directing policies and
7 procedures of the licensee, such as an executive officer,
8 manager, director, or trustee.

9 "Passive investor" means a person who:

10 (1) Does not have the power to elect a majority of key
11 individuals;

12 (2) Is not employed by and does not have any managerial
13 duties of the licensee or person in control of a
14 licensee;

15 (3) Does not have the power to exercise directly or
16 indirectly, a controlling influence over the
17 management or policies of a licensee or person in
18 control of a licensee; and

19 (4) Either:

20 (A) Attests to paragraphs (1), (2), and (3) in a form
21 prescribed by the commissioner; or



1 (B) Commits to the passivity characteristics of
2 paragraphs (1), (2), and (3) in a written
3 document."

4 2. By amending the definitions of "control" to read:

5 "Control" means [ownership]:

6 (1) Ownership of, or the power to vote, twenty-five per
7 cent or more of the outstanding voting securities or
8 voting interests of a licensee or [controlling] a
9 person[-] in control. For purposes of determining the
10 percentage of a licensee controlled by any person,
11 there shall be aggregated with the [controlling
12 person's] person in control's interest, the interest
13 of any other person controlled by the person, [or by]
14 including any spouse, parent, [or] child [of the
15 person-], siblings, and any other person who shares
16 such person's home;

17 (2) The power to elect or appoint a majority of key
18 individuals of a licensee; and

19 (3) The power to exercise directly or indirectly a
20 controlling influence over the management or policies
21 of a licensee or person in control of a licensee."



1 3. By amending the definition of "NMLS" to read:
2 "NMLS" means a [~~mortgage~~] multi-state licensing system
3 developed and maintained by the Conference of State Bank
4 Supervisors and the American Association of Residential Mortgage
5 Regulators for the state licensing and registration of state-
6 licensed [~~loan originators and other~~] financial services
7 providers [~~, or any system provided by the Consumer Financial~~
8 ~~Protection Bureau~~]."

9 4. By amending the definition of "principal" to read:
10 "Principal" means any person, or group of persons acting
11 in concert, who exercises control over or has a twenty-five per
12 cent ownership interest or more in an applicant or licensee
13 under this chapter. [~~Principal~~] "Principal" also includes a
14 manager and [~~executive officers~~] key individual."

15 5. By deleting the definition of "controlling person".
16 ["~~"Controlling person" means any person in control of a~~
17 ~~licensee.~~"]

18 SECTION 5. Section 489D-9, Hawaii Revised Statutes, is
19 amended by amending subsection (d) to read as follows:



1 "(d) An application for a license under this chapter shall
2 be made in writing, and in a form prescribed by NMLS or by the
3 commissioner. Each application shall contain the following:

4 (1) For all applicants:

5 (A) The exact name of the applicant, any fictitious
6 or trade name used by the applicant in the
7 conduct of its business, the applicant's
8 principal address, and the location of the
9 applicant's business records;

10 (B) The history of the applicant's material
11 litigation and criminal convictions for the
12 [~~five-year~~] ten-year period prior to the date of
13 the application;

14 (C) A description of the business activities
15 conducted by the applicant and a history of
16 operations;

17 (D) A description of the business activities in which
18 the applicant seeks to engage within the State;

19 (E) A list identifying the applicant's proposed
20 authorized delegates in the State, if any, at the
21 time of the filing of the license application;



- 1 (F) A sample authorized delegate contract, if
- 2 applicable;
- 3 (G) A sample form of payment instrument [7] or
- 4 instrument upon which stored value is recorded,
- 5 if applicable;
- 6 (H) The locations where the applicant and its
- 7 authorized delegates, if any, propose to conduct
- 8 their licensed activities in the State;
- 9 (I) The name and address of the clearing bank or
- 10 banks on which the applicant's payment
- 11 instruments will be drawn or through which
- 12 payment instruments will be payable;
- 13 (J) Disclosure of any pending or final suspension,
- 14 revocation, or other enforcement action by any
- 15 state or governmental authority for the five-year
- 16 period prior to the date of the application;
- 17 [~~and~~]
- 18 (K) Information concerning any bankruptcy or
- 19 receivership proceedings affecting the licensee,
- 20 key individual, person in control of a licensee,



- 1 or person seeking to acquire control of a
2 licensee; and
- 3 ~~[(K)]~~ (L) Any other information the commissioner may
4 require;
- 5 (2) If the applicant is a corporation, the applicant shall
6 also provide:
- 7 (A) The date of the applicant's incorporation and
8 state of incorporation;
- 9 (B) A certificate of good standing from the state in
10 which the applicant was incorporated;
- 11 (C) A description of the corporate structure of the
12 applicant, including the identity of any parent
13 or subsidiary company of the applicant, and the
14 disclosure of whether any parent or subsidiary
15 company is publicly traded on any stock exchange;
- 16 (D) The name, business and residence address, and
17 employment history, for the past five years, of
18 the applicant's principals, and each person who,
19 upon approval of the application, will be a
20 principal of the licensee;



- 1 (E) For the [~~five-year~~] ten-year period prior to the
2 date of the application, the history of material
3 litigation involving, and criminal convictions
4 of, each principal of the applicant;
- 5 (F) A copy of the applicant's most recent audited
6 financial statement, including balance sheets,
7 statements of income or loss, statements of
8 changes in shareholder equity and statements of
9 changes in financial position, and, if available,
10 the applicant's audited financial statements for
11 the preceding two-year period or, if the
12 applicant is a wholly owned subsidiary of another
13 corporation, either the parent corporation's
14 consolidated audited financial statements for the
15 current year and for the preceding two-year
16 period, or the parent corporation's Form 10-K
17 reports filed with the United States Securities
18 and Exchange Commission for the prior three years
19 in lieu of the applicant's financial statements,
20 or if the applicant is a wholly owned subsidiary
21 of a corporation having its principal place of



1 business outside the United States, similar
2 documentation filed with the parent corporation's
3 non-United States regulator;

4 (G) Copies of all filings, if any, made by the
5 applicant with the United States Securities and
6 Exchange Commission, or with a similar regulator
7 in a country other than the United States, within
8 the year preceding the date of filing of the
9 application; and

10 (H) Information necessary to conduct a criminal
11 history record check in accordance with section
12 846-2.7 of each person who, upon approval of the
13 application, will be a principal of the licensee,
14 accompanied by the appropriate payment of the
15 applicable fee for each record check; and

16 (3) If the applicant is not a corporation, the applicant
17 shall also provide:

18 (A) The name, business and residence address,
19 personal financial statement, and employment
20 history, for the past five years, of each
21 principal of the applicant;



- 1 (B) The name, business and residence address, and
2 employment history, for the past five years, of
3 any other persons who, upon approval of the
4 application, will be a principal of the licensee;
- 5 (C) The place and date of the applicant's
6 registration or qualification to do business in
7 this State;
- 8 (D) The history of material litigation and criminal
9 convictions for the [~~five-year~~] ten-year period
10 before the date of the application for each
11 principal of the applicant;
- 12 (E) Copies of the applicant's audited financial
13 statements, including balance sheets, statements
14 of income or loss, and statements of changes in
15 financial position for the current year and, if
16 available, for the preceding two-year period; and
- 17 (F) Information necessary to conduct a criminal
18 history record check in accordance with section
19 846-2.7 of each principal of the applicant,
20 accompanied by the appropriate payment of the
21 applicable fee for each record check."



1 SECTION 6. Section 489D-15, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:

3 "(b) After review of a request for approval under
4 subsection (a), the commissioner may require the licensee or
5 person or group of persons requesting approval of a proposed
6 change of control of the licensee, or both, to provide
7 additional information concerning the persons who are to assume
8 control of the licensee. The additional information shall be
9 limited to similar information required of the licensee or
10 persons in control of the licensee as part of its original
11 license or renewal application under sections 489D-9 and
12 489D-12. The information shall include the history of the
13 material litigation and criminal convictions of each person who
14 upon approval of the application for change of control will be a
15 principal of the licensee, for the [~~five-year~~] ten-year period
16 prior to the date of the application for change of control of
17 the licensee, and authorizations necessary to conduct criminal
18 history record checks of such persons, accompanied by the
19 appropriate payment of the applicable fee for each record
20 check."



1 SECTION 7. Section 489D-17, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "~~§489D-17 Examinations~~ [-] and investigations. [~~(a)~~—The
4 commissioner may conduct an annual on-site examination of a
5 licensee upon sixty days written notice to the licensee. The
6 commissioner may examine a licensee without prior notice if the
7 commissioner has a reasonable basis to believe that the licensee
8 is not in compliance with this chapter. The on-site examination
9 may be conducted in conjunction with examinations performed by
10 representatives of agencies of the federal government, or of
11 another state or states. The commissioner, in lieu of an on
12 site examination, may accept the examination report of the
13 federal government, an agency of another state, or an
14 independent accounting firm. Accepted reports are considered,
15 for all purposes, an official report of the commissioner. The
16 licensee shall bear the cost of reasonable expenses incurred by
17 the division, agencies of another state, or an independent
18 licensed or certified public accountant in conducting an
19 examination or making a report.

20 ~~(b)~~—The commissioner may request financial data from a
21 licensee in addition to that required under section 489D-12, or



1 ~~conduct an on site examination of any authorized delegate or~~
 2 ~~location of a licensee within the State without prior notice to~~
 3 ~~the authorized delegate or licensee only if the commissioner has~~
 4 ~~a reasonable basis to believe that the licensee or authorized~~
 5 ~~delegate is not in compliance with this chapter. When the~~
 6 ~~commissioner examines an authorized delegate's operations, the~~
 7 ~~authorized delegate shall pay all reasonably incurred costs of~~
 8 ~~the examination. When the commissioner examines a licensee's~~
 9 ~~location within the State, the licensee shall pay all reasonably~~
 10 ~~incurred costs of the examination.]~~

11 (a) The commissioner may examine or investigate a licensee
 12 or authorized delegate of a licensee as reasonably necessary or
 13 appropriate to administer and enforce this chapter, rules
 14 adopted or orders issued under this chapter, and other
 15 applicable law including but not limited to the Bank Secrecy
 16 Act, title 31 United States Code section 5311 et seq.; the
 17 Uniting and Strengthening America by Providing Appropriate Tools
 18 Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT)
 19 Act of 2001, P.L. 107-56; Electronic Fund Transfer Act, Title 15
 20 United States Code section 1693 et seq.; and the Gramm-Leach
 21 Bliley Act of 1999, P.L. 106-102. The commissioner may:



- 1 (1) Conduct an examination or investigation as the
2 commissioner may reasonably require;
- 3 (2) Conduct an on-site or off-site examination or
4 investigation or an off-site review of records;
- 5 (3) Conduct an examination or investigation in conjunction
6 with an examination or investigation conducted by
7 representatives of agencies of another state or the
8 federal government;
- 9 (4) Accept the examination report of agencies of another
10 state or the federal government or a report prepared
11 by an independent accounting firm, in which event the
12 accepted report shall be considered for all purposes
13 as an official report of the commissioner; and
- 14 (5) Summon and examine under oath a key individual or
15 employee of a licensee or authorized delegate of a
16 licensee and require the person to produce records
17 regarding any matter related to the condition and
18 business of the licensee or authorized delegate.
- 19 (b) A licensee or authorized delegate of a licensee shall
20 provide, and the commissioner shall have full and complete
21 access to, all records the commissioner may reasonably require



1 to conduct a complete examination or investigation. The records
2 must be provided at the location and in the format specified by
3 the commissioner; provided that the commissioner may utilize
4 multi-state record production standards and examination
5 procedures when such standards will reasonably achieve the
6 requirements of this section.

7 (c) Unless otherwise directed by the commissioner, a
8 licensee shall pay all costs reasonably incurred in connection
9 with an examination of the licensee's authorized delegate.

10 (d) To efficiently and effectively administer and enforce
11 this chapter and to minimize regulatory burden, the commissioner
12 may participate in the multi-state, networked supervisory
13 processes established between states and coordinated through the
14 Conference of State Bank Supervisors, Money Transmitter
15 Regulator Association, and affiliates and successors for all
16 licensees that hold licenses in this and other states; provided
17 that:

18 (1) As a participant in this multi-state supervision, the
19 commissioner may:

20 (A) Cooperate, coordinate, and share information with
21 other state and federal regulators;



- 1 (B) Enter into a written cooperation, coordination,
- 2 or information-sharing contract or agreement with
- 3 the organizations, the membership of which is
- 4 made up of state or federal governmental
- 5 agencies; and
- 6 (C) Cooperate, coordinate, and share information with
- 7 organizations, the membership of which is made up
- 8 of state or federal governmental agencies;
- 9 provided further that the organizations agree in
- 10 writing to maintain the confidentiality and
- 11 security of the shared information;
- 12 (2) For the purposes of paragraph (1), the commissioner
- 13 shall:
- 14 (A) Conduct a joint or concurrent examination or
- 15 other investigation or enforcement action with
- 16 the agency of another state or the federal
- 17 government;
- 18 (B) Accept a report of examination or investigation
- 19 by, or a report submitted to, the agency of
- 20 another state or federal government, in which
- 21 event the accepted report shall serve as an



1 official report of the commissioner for all
2 purposes; and
3 (C) Take other action as the commissioner considers
4 reasonably necessary or appropriate to carry out
5 and achieve the purposes of this chapter;
6 (3) The commissioner may not waive, and nothing in this
7 section shall constitute a waiver of, the
8 commissioner's authority to conduct an examination or
9 investigation or otherwise take independent action
10 authorized by this chapter, or a rule adopted or order
11 issued under this chapter, to enforce compliance with
12 applicable state or federal law; and
13 (4) A joint examination or investigation, or acceptance of
14 an examination or investigation report, does not waive
15 an examination assessment authorized by this chapter.
16 (e) The submission of any information to the commissioner
17 by a person subject to this chapter or shared with the
18 commissioner by another federal or state regulator of a person
19 subject to this chapter, for any purpose in the course of any
20 examination or investigation or otherwise, shall not be
21 construed as waiving, destroying, or otherwise affecting any



1 privilege such person may claim with respect to such information
2 under federal or state law as to any person or entity other than
3 the commissioner; provided that this subsection shall not be
4 construed as implying or establishing that:

5 (1) Any person waives any privilege applicable to
6 information that is submitted or transferred under
7 circumstances to which this subsection does not apply;
8 and

9 (2) Any person would waive any privilege applicable to any
10 information by submitting the information to the
11 commissioner but for this subsection.

12 [~~e~~] (f) The commissioner shall charge an examination fee
13 to each licensee and authorized delegate examined or
14 investigated by the commissioner or the commissioner's staff,
15 based upon the cost per hour per examiner. The hourly fee shall
16 be \$60.

17 [~~d~~] (g) In addition to the examination fee, the
18 commissioner shall charge any money transmitter or authorized
19 delegate examined or investigated by the commissioner or the
20 commissioner's staff, additional amounts for travel, per diem,



1 mileage, and other reasonable expenses incurred in connection
2 with the examination."

3 SECTION 8. Section 489D-34, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§489D-34 Powers of the commissioner.** In addition to any
6 other powers provided by law, the commissioner may:

- 7 (1) Adopt rules pursuant to chapter 91 to implement this
8 chapter;
- 9 (2) Administer and enforce the provisions and requirements
10 of this chapter;
- 11 (3) Issue declaratory rulings and informal nonbinding
12 interpretations;
- 13 (4) Develop requirements for licensure;
- 14 (5) Process and investigate complaints, subpoena witnesses
15 and documents, administer oaths, and receive
16 affidavits and oral testimony, including telephonic
17 communications;
- 18 (6) Investigate and conduct hearings, including contested
19 case proceedings under chapter 91, regarding any
20 violation of this chapter, or any rule or order of, or
21 agreement with, the commissioner;



- 1 (7) Create fact-finding committees that may make
2 recommendations to the commissioner for the
3 commissioner's deliberations;
- 4 (8) Require disclosure of relevant criminal history in
5 accordance with this chapter and conduct criminal
6 history record checks in accordance with chapter 846;
- 7 (9) Contract with or employ qualified persons who may be
8 exempt from chapter 76, including investigators,
9 examiners, auditors, and attorneys, to assist the
10 commissioner in exercising the commissioner's powers
11 and duties;
- 12 (10) Require that all revenues, fees, and fines collected
13 by the commissioner under this chapter be deposited
14 into the compliance resolution fund established
15 pursuant to section 26-9(o);
- 16 (11) Revoke, suspend, or otherwise limit the license of any
17 money transmitter for any violation of this chapter,
18 or any rule or order of, or agreement with, the
19 commissioner;
- 20 (12) Report any violation of this chapter or violation of
21 federal or state law to the Consumer Financial



1 Protection Bureau or other federal agency having
2 jurisdiction over the licensee; [~~and~~]
3 (13) Participate in nationwide protocols for licensing
4 cooperation and coordination among state regulators;
5 and
6 [~~(13)~~] (14) Do any and all things necessary or incidental to
7 the exercise of the commissioner's power and duties."

8 SECTION 9. This Act does not affect rights and duties that
9 matured, penalties that were incurred, and proceedings that were
10 begun before its effective date.

11 SECTION 10. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 11. This Act shall take effect on July 1, 2021.



Report Title:

Hawaii Money Transmitters Act; Modernization; New Model Law; Licensing Regulations; Definitions; Background Review; Department of Commerce and Consumer Affairs; Division of Financial Institutions; Commissioner of Financial Institutions

Description:

Amends the Money Transmitters Act. Changes the chapter and short title to Monetary Transmitters Modernization Act. Incorporates definitions of key terms provided in the Model Money Services Business Law published by the Conference of State Bank Supervisors. Adds supporting documentation to be submitted by a license applicant. Extends the period of a license applicant's litigation and criminal conviction history review from five-years to ten-years from the date of the application. Requires a license applicant to submit information concerning any bankruptcy or receivership proceedings. Clarifies the authority of the commissioner of financial institutions relating to examinations and investigations of licensees and participation in nationwide protocols for licensing cooperation.
(SD1)

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