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# A BILL FOR AN ACT

RELATING TO DIGITAL CURRENCY LICENSING PROGRAM.

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

1       SECTION 1. The legislature finds that digital currency is  
2   an asset that is primarily managed or stored electronically.  
3   Digital currencies refer to digital currency, cryptocurrency, e-  
4   money, network money, e-cash and others, as defined by various  
5   governmental jurisdictions. Digital currency may be recorded on  
6   a decentralized ledger on the Internet or a centralized database  
7   or ledger system owned by a company.

8       Digital currencies do not have physical form like banknotes  
9   or minted coins. Digital currencies are also usually not issued  
10   by a governmental body and are generally not considered legal  
11   tender.

12       Although digital currency has grown in popularity and  
13   acceptance worldwide, there is little regulation of the industry  
14   in the United States, with a few states treating digital  
15   currency activities as within the scope of money transmitter  
16   laws. The division of financial institutions of the department  
17   of commerce and consumer affairs and the Hawaii technology



1 development corporation are currently conducting a two-year  
2 "sandbox" program to study digital currency transactions  
3 (digital currency innovation lab). This study allows companies  
4 to conduct digital currency transactions without obtaining a  
5 money transmitter license while the division of financial  
6 institutions evaluates the need for more permanent and  
7 comprehensive oversight.

8 The data gathered through the digital currency innovation  
9 lab program confirmed that digital currency transactions are not  
10 best regulated through existing money transmitter laws and that  
11 a new regulatory framework is appropriate.

12 The purpose of this Act is to establish a licensing program  
13 that will replace the digital currency innovation lab.

14 SECTION 2. The Hawaii Revised Statutes is amended by  
15 adding a new chapter to title 22, to be appropriately designated  
16 and to read as follows:

17 **"CHAPTER**

18 **SPECIAL PURPOSE DIGITAL CURRENCY LICENSING ACT**

19 **PART I. GENERAL PROVISIONS**

20 **§ -1 Definitions.** As used in this chapter, unless the  
21 context otherwise requires:



1 "Commissioner" means the commissioner of financial  
2 institutions.

3 "Consumer" means a natural person who engages in a  
4 transaction that is primarily for that natural person's  
5 personal, family, or household purposes.

6 "Control of digital currency", when used in reference to a  
7 transaction or relationship involving digital currency, means  
8 the power to execute unilaterally or prevent indefinitely a  
9 digital currency transaction.

10 "Custodial services" means the safekeeping, servicing, and  
11 management of customer digital currency and digital assets.

12 "Department" means the department of commerce and consumer  
13 affairs.

14 "Digital currency" means any type of digital unit that is  
15 used as a medium of exchange or a form of digitally stored  
16 value. Digital currency shall be broadly construed to include  
17 digital units of exchange that have a centralized repository or  
18 administrator; are decentralized and have no centralized  
19 repository or administrator; or may be created or obtained by  
20 computing or manufacturing effort. Digital currency shall not  
21 be construed to include any of the following:



1 (1) Digital units that:

2 (A) Are used solely within online gaming platforms;

3 (B) Have no market or application outside of those  
4 gaming platforms; and

5 (C) Cannot be converted into, or redeemed for, fiat  
6 currency or digital currency;

7 (2) Digital units that can be redeemed for goods,  
8 services, discounts, or purchases as part of a  
9 customer affinity or rewards program with the issuer  
10 or other designated merchants, or can be redeemed for  
11 digital units in another customer affinity or rewards  
12 program, but cannot be converted into or redeemed for  
13 fiat currency or digital currency;

14 (3) Digital units used as part of prepaid cards.

15 "Digital currency administration" means issuing digital  
16 currency with the authority to redeem the currency for money,  
17 bank credit, or other digital currency.

18 "Digital currency business activity" means:

19 (1) Exchanging, transferring, or storing digital currency  
20 or engaging in digital currency administration,



1           whether directly or through an agreement with a  
2           digital currency control-services vendor;

3           (2) Holding electronic certificates representing interests  
4           in a thing of value on behalf of another person or  
5           issuing shares;

6           (3) Exchanging one or more digital representations of  
7           value used within one or more online games, game  
8           platforms, or family of games for:

9           (A) Digital currency offered by or on behalf of the  
10           same publisher from which the original digital  
11           representation of value was received; or

12           (B) Money or bank credit outside the online game,  
13           game platform, or family of games offered by or  
14           on behalf of the same publisher from which the  
15           original digital representation of value was  
16           received;

17           (4) Storing, holding, or maintaining custody or control of  
18           digital currency on behalf of others;

19           (5) Buying and selling digital currency as a business;

20           (6) Performing exchange services as a business; or



1 (7) Controlling, administering, or issuing a digital  
2 currency.

3 "Digital currency control-services vendor" means a person  
4 who has control of digital currency solely under an agreement  
5 with a person who, on behalf of another person, assumes control  
6 of digital currency.

7 "Division" means the division of financial institutions of  
8 the department of commerce and consumer affairs.

9 "Elder" means a person who is sixty-two years of age or  
10 older.

11 "Exchange" means the conversion or change of fiat currency  
12 or other value into digital currency, the conversion or change  
13 of digital currency into fiat currency or other value, or the  
14 conversion or change of one form of digital currency into  
15 another form of digital currency.

16 "Licensee" means a person who is licensed or required to be  
17 licensed under this chapter.

18 "NMLS" means a nationwide multi-state licensing and  
19 registry system developed and maintained by the Conference of  
20 State Bank Supervisors for the state licensing and registration  
21 of state-licensed financial services providers.



1 "Person" means an individual, sole proprietorship,  
2 partnership, corporation, limited liability company, limited  
3 liability partnership, or other association of individuals,  
4 however organized.

5 "Private key" means a unique element of cryptographic data,  
6 or any substantially similar analogue, that is:

7 (1) Held by a person;

8 (2) Paired with a unique, publicly available element of  
9 cryptographic data; and

10 (3) Associated with an algorithm that is necessary to  
11 carry out an encryption or decryption required to  
12 execute a transaction.

13 "Special purpose digital currency company" means a person  
14 who holds a special purpose digital currency license under this  
15 chapter.

16 "Stored value" means monetary value that is evidenced by an  
17 electronic record.

18 "Tangible net worth" means total assets excluding  
19 intangible assets, less total liabilities, in accordance with  
20 United States Generally Accepted Accounting Principles.



1 "Transfer" means to assume control of digital currency from  
2 or on behalf of a person and to:

3 (1) Credit the digital currency to the account of another  
4 person;

5 (2) Move the digital currency from one account of a person  
6 to another account of the same person; or

7 (3) Relinquish control of digital currency to another  
8 person.

9 "United States dollar equivalent of digital currency" means  
10 the equivalent value of a particular digital currency in United  
11 States dollars shown on a digital currency exchange based in the  
12 United States for a particular date or specified period.

13 § -2 **Exclusions.** This chapter shall not apply to:

14 (1) The exchange, transfer, or storage of digital currency  
15 or to digital currency administration to the extent  
16 regulated by the Electronic Fund Transfer Act of 1978,  
17 title 15 United States Code sections 1693 through  
18 1693r, the Securities Exchange Act of 1934, title 15  
19 United States Code sections 78a through 78oo, or the  
20 Commodity Exchange Act, title 7 United States Code  
21 sections 1 through 27f;





1           (2) Activity by a person that:

2                   (A) Contributes only connectivity software or  
3                   computing power to a decentralized digital  
4                   currency, or to a protocol governing transfer of  
5                   the digital representation of value;

6                   (B) Provides only data storage or security services  
7                   for a business engaged in digital currency  
8                   business activity and does not otherwise engage  
9                   in digital currency business activity on behalf  
10                  of another person; or

11                  (C) Provides only to a person otherwise exempt from  
12                  this chapter digital currency as one or more  
13                  enterprise solutions used solely among each other  
14                  and has no agreement or relationship with a  
15                  person that is an end-user of digital currency;

16           (3) A person using digital currency, including creating,  
17           investing, buying or selling, or obtaining digital  
18           currency as payment for the purchase or sale of goods  
19           or services, solely for academic purposes;

20           (4) A person whose digital currency business activity with  
21           or on behalf of persons is reasonably expected to be



1           valued, in the aggregate, on an annual basis at \$5,000  
2           or less, measured by the United States dollar  
3           equivalent of digital currency;

4           (5) An attorney to the extent of providing escrow services  
5           to a person;

6           (6) A securities intermediary, as defined in section  
7           490:8-102, or a commodity intermediary, as defined in  
8           section 490:9-102;

9           (7) A digital currency control services vendor;

10          (8) A person that:

11           (A) Does not receive compensation from a person for:

12               (i) Providing digital currency products or  
13               services; or

14               (ii) Conducting digital currency business  
15               activity; or

16           (B) Is engaged in testing products or services with  
17           the person's own funds or digital currency;

18          (9) Non-custodial digital currency business activity by a  
19          person using a digital currency acknowledged as legal  
20          tender by the United States, or government recognized  
21          by the United States, or that has been determined to



1 not be a security by a United States regulatory  
2 agency; or

3 (10) A financial institution chartered or licensed by  
4 chapter 412.

5 The commissioner may determine that a person or class of  
6 persons should be exempt from this chapter.

7 § -3 **Powers of commissioner.** In addition to any other  
8 powers provided by law, the commissioner may:

9 (1) Adopt rules pursuant to chapter 91 as the commissioner  
10 deems necessary for the administration of this  
11 chapter;

12 (2) Issue declaratory rulings or informal nonbinding  
13 interpretations;

14 (3) Investigate and conduct hearings regarding any  
15 violation of this chapter or any rule or order of, or  
16 agreement with, the commissioner;

17 (4) Create fact-finding committees that may make  
18 recommendations to the commissioner for the  
19 commissioner's deliberations;

20 (5) Require an applicant or any of its control persons,  
21 executive officers, directors, general partners, and



1 managing members to disclose their relevant criminal  
2 history and request a criminal history record check to  
3 be conducted by or through NMLS or pursuant to chapter  
4 846. The information shall be accompanied by the  
5 appropriate payment of the applicable fee for each  
6 criminal history record check;

7 (6) Contract with or employ qualified persons, including  
8 accountants, attorneys, investigators, examiners,  
9 auditors, or other professionals who may be exempt  
10 from chapter 76 and who shall assist the commissioner  
11 in exercising the commissioner's powers and duties;

12 (7) Process and investigate complaints, subpoena witnesses  
13 and documents, administer oaths, and receive  
14 affidavits and oral testimony, including telephonic  
15 communications, and do anything necessary or  
16 incidental to the exercise of the commissioner's power  
17 and duties, including the authority to conduct  
18 contested case proceedings under chapter 91;

19 (8) Require a licensee to comply with any rule, guidance,  
20 guideline, statement, supervisory policy or any  
21 similar proclamation issued or adopted by the Federal



1           Deposit Insurance Corporation to the same extent and  
2           in the same manner as a bank chartered by the State  
3           or, any policy position of the Conference of State  
4           Bank Supervisors;

5           (9) Enter into agreements or relationships with other  
6           government officials or regulatory associations to  
7           improve efficiencies and reduce regulatory burden by  
8           sharing resources, standardized or uniform methods or  
9           procedures, and documents, records, information, or  
10          evidence obtained under this chapter;

11          (10) Use, hire, contract, or employ public or privately  
12          available analytical systems, methods, or software to  
13          investigate or examine a licensee or person subject to  
14          this chapter;

15          (11) Accept and rely on investigation or examination  
16          reports made by other government officials, within or  
17          outside of this State;

18          (12) Accept audit reports made by an independent certified  
19          public accountant for the licensee or person subject  
20          to this chapter during that part of the examination  
21          covering the same general subject matter as the audit



1 and may incorporate the audit report in the report of  
2 the examination, report of investigation, or other  
3 writing of the commissioner; and

4 (13) Enter into agreements with, hire, retain, or contract  
5 with private and governmental entities to develop and  
6 create educational programs relating to special  
7 purpose digital currency.

8 § -4 **License required.** (a) A person shall not engage  
9 in digital currency business activity, or hold itself out as  
10 being able to engage in digital currency business activity, with  
11 or on behalf of a person unless the person is:

12 (1) Licensed in this State under this chapter; or

13 (2) Excluded from licensing under section -2.

14 (b) Any transaction made in violation of this section is  
15 void, and no person shall have the right to collect, receive, or  
16 retain any principal, interest, fees, or other charges in  
17 connection with the transaction.

18 § -5 **Payment of fees.** All fees, fines, penalties, and  
19 other charges collected pursuant to this chapter or by rule  
20 shall be deposited with the director to the credit of the  
21 compliance resolution fund established pursuant to section 26-



1 9(o). Payments shall be made through NMLS, to the extent  
2 allowed by NMLS.

3 **PART II. LICENSING**

4 **§ -6 License; application; issuance.** (a) The  
5 commissioner shall require all licensees to register with NMLS.

6 (b) Applicants for a license shall apply in a form as  
7 prescribed by NMLS or by the commissioner. The application  
8 shall contain, at a minimum, the following information:

9 (1) The legal name, trade names, and business address of  
10 the applicant and, if the applicant is a partnership,  
11 association, limited liability company, limited  
12 liability partnership, or corporation, of every  
13 member, officer, principal, or director thereof;

14 (2) The principal place of business located in the United  
15 States;

16 (3) The complete address of any other branch offices at  
17 which the applicant currently proposes to engage in  
18 digital currency business activity in the State; and

19 (4) Other data, financial statements, and pertinent  
20 information as the commissioner may require with  
21 respect to the applicant or, if an applicant is not an



1 individual, each of the applicant's control persons,  
2 executive officers, directors, general partners, and  
3 managing members.

4 (c) To fulfill the purposes of this chapter, the  
5 commissioner may enter into agreements or contracts with NMLS or  
6 other entities to use NMLS to collect and maintain records and  
7 process transaction fees or other fees related to licensees or  
8 other persons subject to this chapter.

9 (d) For the purpose and to the extent necessary to  
10 participate in NMLS, the commissioner may waive or modify, in  
11 whole or in part, by rule or order, any or all of the  
12 requirements of this chapter and establish new requirements as  
13 reasonably necessary to participate in NMLS.

14 (e) In connection with an application for a license under  
15 this chapter, the applicant, at a minimum, shall furnish to NMLS  
16 information or material concerning the applicant's identity,  
17 including:

18 (1) Fingerprints of the applicant or, if an applicant is  
19 not an individual, each of the applicant's control  
20 persons, executive officers, directors, general  
21 partners, and managing members for submission to the





1 Federal Bureau of Investigation and any governmental  
2 agency or entity authorized to receive the  
3 fingerprints for a state, national, and international  
4 criminal history background check, accompanied by the  
5 applicable fee charged by the entities conducting the  
6 criminal history background check; and

7 (2) Personal history and experience of the applicant or,  
8 if an applicant is not an individual, each of the  
9 applicant's control persons, executive officers,  
10 directors, general partners, and managing members in a  
11 form prescribed by NMLS, including the submission of  
12 authorization for NMLS and the commissioner to obtain:

13 (A) An independent credit report obtained from a  
14 consumer reporting agency described in section  
15 603(p) of the Fair Credit Reporting Act, title 15  
16 United States Code section 1681a(p); and

17 (B) Information related to any administrative, civil,  
18 or criminal findings by any governmental  
19 jurisdiction;

20 provided that the commissioner may use any information obtained  
21 pursuant to this subsection or through NMLS to determine an



1 applicant's demonstrated financial responsibility, character,  
2 and general fitness for licensure.

3 (f) The commissioner may use NMLS as an agent for  
4 requesting information from and distributing information to the  
5 United States Department of Justice or any governmental agency.

6 (g) The commissioner may use NMLS as an agent for  
7 requesting and distributing information to and from any source  
8 directed by the commissioner.

9 (h) An applicant for a license as a special purpose  
10 digital currency company shall be registered with the business  
11 registration division of the department to do business in this  
12 State before a license pursuant to this chapter shall be issued.

13 **§ -7 Issuance of license; grounds for denial.** (a) The  
14 commissioner shall investigate every applicant to determine the  
15 financial responsibility, character, and general fitness of the  
16 applicant. The commissioner shall issue the applicant a license  
17 to engage in the digital currency business activity if the  
18 commissioner determines that:

19 (1) The applicant or, in the case of an applicant that is  
20 not an individual, each of the applicant's control  
21 persons, executive officers, directors, general



1 partners, and managing members, has never had a  
2 digital currency license revoked in any jurisdiction;  
3 provided that a subsequent formal vacation of a  
4 revocation shall not be deemed a revocation;

5 (2) The applicant or, in the case of an applicant that is  
6 not an individual, each of the applicant's control  
7 persons, executive officers, directors, general  
8 partners, and managing members, has not been convicted  
9 of, pled guilty or nolo contendere to, or been granted  
10 a deferred acceptance of a guilty plea under federal  
11 law or the laws of any state to a felony in a  
12 domestic, foreign, or military court:

13 (A) During the seven-year period preceding the date  
14 of the application for licensing; or

15 (B) At any time preceding the date of application, if  
16 the felony involved an act of fraud, dishonesty,  
17 breach of trust, or money laundering; provided  
18 that any pardon of a conviction shall not be  
19 deemed a conviction for the purposes of this  
20 section;



1       (3) The applicant or, in the case of an applicant that is  
2       not an individual, each of the applicant's control  
3       persons, executive officers, directors, general  
4       partners, and managing members, has demonstrated  
5       financial responsibility, character, and general  
6       fitness to command the confidence of the community and  
7       to warrant a determination that the applicant shall  
8       operate honestly, fairly, and efficiently, pursuant to  
9       this chapter. For the purposes of this paragraph, a  
10      person is not financially responsible when the person  
11      has shown a disregard in the management of the  
12      person's financial condition. A determination that a  
13      person has shown a disregard in the management of the  
14      person's financial condition may be based upon:

- 15      (A) Current outstanding judgments, except judgments  
16          solely because of medical expenses;  
17      (B) Current outstanding tax liens or other government  
18          liens and filings, subject to applicable  
19          disclosure laws and administrative rules;  
20      (C) Foreclosures within the past three years; and



(D) A pattern of seriously delinquent accounts within the past three years;

(4) The applicant or, in the case of an applicant that is not an individual, each of the applicant's control persons, executive officers, directors, general partners, and managing members, has not been convicted of, pled guilty or nolo contendere to, or been granted a deferred acceptance of a guilty plea under federal law or the laws of any state to any misdemeanor involving an act of fraud, dishonesty, breach of trust, or money laundering;

(5) The applicant has satisfied the licensing requirements of this chapter; and

(6) The applicant has the bond required by section -10.

(b) The applicant or, in the case of an applicant that is not an individual, each of the applicant's control persons, executive officers, directors, general partners, and managing members shall submit authorization to the commissioner for the commissioner to conduct background checks to determine or verify the information in subsection (a) in each state where the person has conducted the digital currency business activity.



1 Authorization pursuant to this subsection shall include consent  
2 to provide additional fingerprints, if necessary, to law  
3 enforcement or regulatory bodies in other states.

4 (c) A license shall not be issued to an applicant:

5 (1) Whose license to conduct business under this chapter,  
6 or any similar statute in any other jurisdiction, has  
7 been suspended or revoked within five years of the  
8 filing of the present application;

9 (2) Whose license to conduct digital currency business  
10 activity has been revoked by an administrative order  
11 issued by the commissioner or the commissioner's  
12 designee, or the licensing authority of another state  
13 or jurisdiction, for the period specified in the  
14 administrative order;

15 (3) Who has advertised directly and purposefully to  
16 consumers in the State or conducted transactions in  
17 violation of this chapter; or

18 (4) Who has failed to complete an application for  
19 licensure.

20 (d) A license issued in accordance with this chapter shall  
21 remain in force and effect until surrendered, suspended, or



1    revoked, or until the license expires because of nonpayment of  
2    the annual license renewal fee as required by this chapter.

3            §    -8   **Anti-money laundering program.**    (a)   Each licensee  
4    shall conduct an initial risk assessment that shall consider  
5    legal, compliance, financial, and reputational risks associated  
6    with the licensee's activities, services, customers,  
7    counterparties, and geographic location and shall establish,  
8    maintain, and enforce an anti-money laundering program based  
9    thereon. The licensee shall conduct additional assessments on  
10   an annual basis, or more frequently as risks change, and shall  
11   modify its anti-money laundering program as appropriate to  
12   reflect the changes.

13            (b)   The anti-money laundering program shall, at a minimum:

14            (1)   Provide for a system of internal controls, policies,  
15                   and procedures designed to ensure ongoing compliance  
16                   with all applicable anti-money laundering laws, rules,  
17                   and regulations;

18            (2)   Provide for independent testing for compliance with,  
19                   and the effectiveness of, the anti-money laundering  
20                   program to be conducted by qualified internal  
21                   personnel of the licensee, who are not responsible for



1 the design, installation, maintenance, or operation of  
2 the anti-money laundering program, or the policies and  
3 procedures that guide its operation, or a qualified  
4 external party, at least annually;

5 (3) Designate a qualified individual or individuals  
6 responsible for coordinating and monitoring day-to-day  
7 compliance with the anti-money laundering program; and

8 (4) Provide ongoing training for appropriate personnel to  
9 ensure they have an understanding of anti-money  
10 laundering requirements and to enable them to identify  
11 transactions required to be reported and maintain  
12 records required to be maintained.

13 (c) The anti-money laundering program shall include a  
14 written anti-money laundering policy reviewed and approved by  
15 the licensee's board of directors or equivalent governing body.

16 (d) Each licensee, as part of its anti-money laundering  
17 program, shall maintain records and make reports in the manner  
18 set forth below.

19 (1) Records of digital currency transactions. Each  
20 licensee shall maintain the following information for  
21 all digital currency transactions involving the





1 payment, receipt, exchange, conversion, purchase,  
2 sale, transfer, or transmission of digital currency:

3 (A) The identity and physical addresses of the party  
4 or parties to the transaction that are customers  
5 or accountholders of the licensee and, to the  
6 extent practicable, any other parties to the  
7 transaction;

8 (B) The amount or value of the transaction, including  
9 in what denomination purchased, sold, or  
10 transferred;

11 (C) The method of payment;

12 (D) The date or dates on which the transaction was  
13 initiated and completed; and

14 (E) A description of the transaction.

15 (2) Monitoring for suspicious activity. Each licensee  
16 shall monitor for transactions that may signify money  
17 laundering, tax evasion, or other illegal or criminal  
18 activity.

19 (A) Each licensee shall file suspicious activity  
20 reports in accordance with applicable federal  
21 laws, rules, and regulations; and



1           (B) Each licensee that is not subject to suspicious  
2           activity reporting requirements under federal law  
3           shall maintain a report of transactions that  
4           indicate a possible violation of law within  
5           thirty days from the detection. Continuing  
6           suspicious activity shall be reviewed on an  
7           ongoing basis and a suspicious activity report  
8           shall be filed within one hundred twenty days of  
9           the last filing describing continuing activity.

10          (e) No licensee shall structure transactions, or assist in  
11          the structuring of transactions, to evade reporting requirements  
12          under this chapter.

13          (f) No licensee shall engage in, facilitate, or knowingly  
14          allow the transfer or transmission of digital currency when the  
15          action will obfuscate or conceal the identity of an individual  
16          customer or counterparty. Nothing in this section, however,  
17          shall be construed to require a licensee to make available to  
18          the general public the fact or nature of the movement of digital  
19          currency by individual customers or counterparties.



1 (g) Each licensee shall also maintain, as part of its  
2 anti-money laundering program, a customer identification  
3 program, which shall:

4 (1) Identify and verify account holders. When opening an  
5 account for, or establishing a service relationship  
6 with, a customer, each licensee shall, at a minimum,  
7 verify the customer's identity, maintain records of  
8 the information used to verify the identity, including  
9 name, physical address, and other identifying  
10 information, and check customers against the Specially  
11 Designated Nationals and Blocked Persons List  
12 maintained by the Office of Foreign Asset Control, a  
13 part of the Treasury Department of the United States.  
14 Enhanced due diligence may be required based on  
15 additional factors, such as for high risk customers,  
16 high-volume accounts, or accounts on which a  
17 suspicious activity report has been filed;

18 (2) Enhance due diligence for accounts involving foreign  
19 entities. Licensees that maintain accounts for non-  
20 United States persons and non-United States licensees  
21 shall establish enhanced due diligence policies,



1 procedures, and controls to detect money laundering,  
2 including assessing the risk presented by the accounts  
3 based on the nature of the foreign business, the type  
4 and purpose of the activity, and the anti-money  
5 laundering and supervisory regime of the foreign  
6 jurisdiction;

7 (3) Prohibit accounts with foreign shell entities.

8 Licensees shall be prohibited from maintaining  
9 relationships of any type in connection with their  
10 digital currency business activity with entities that  
11 do not have a physical presence in any country; and

12 (4) Require identification for large transactions. Each  
13 licensee shall require verification of the identity of  
14 any accountholder initiating a transaction with a  
15 value greater than \$3,000.

16 (h) Each licensee shall demonstrate that it has risk-based  
17 policies, procedures, and practices.

18 (i) Each licensee shall have in place appropriate policies  
19 and procedures to block or reject specific or impermissible  
20 transactions that violate federal or state laws, rules, or  
21 regulations.



1 (j) The individual or individuals designated by the  
2 licensee, pursuant to subsection (b)(3), shall be responsible  
3 for day-to-day operations of the anti-money laundering program  
4 and shall, at a minimum:

5 (1) Monitor changes in anti-money laundering laws, and  
6 update the program accordingly;

7 (2) Maintain all records required to be maintained under  
8 this section;

9 (3) Review all filings required under this section before  
10 submission;

11 (4) Escalate matters to the board of directors, senior  
12 management, or appropriate governing body and seek  
13 outside counsel, as appropriate;

14 (5) Provide periodic reporting, at least annually, to the  
15 board of directors, senior management, or appropriate  
16 governing body; and

17 (6) Ensure compliance with relevant training requirements.

18 § -9 **Cyber security program.** (a) Each licensee shall  
19 establish and maintain an effective cyber security program to  
20 ensure the availability and functionality of the licensee's  
21 electronic systems and to protect those systems and any



1 sensitive data stored on those systems from unauthorized access,  
2 use, or tampering. The cyber security program shall be designed  
3 to perform the following five core cyber security functions:

4 (1) Identify internal and external cyber risks by, at a  
5 minimum, identifying the information stored on the  
6 licensee's systems, the sensitivity of the  
7 information, and how and by whom the information may  
8 be accessed;

9 (2) Protect the licensee's electronic systems, and the  
10 information stored on those systems, from unauthorized  
11 access, use, or other malicious acts through the use  
12 of defensive infrastructure and the implementation of  
13 policies and procedures;

14 (3) Detect systems intrusions, data breaches, unauthorized  
15 access to systems or information, malware, and other  
16 cyber security events;

17 (4) Respond to detected cyber security events to mitigate  
18 any negative effects; and

19 (5) Recover from cyber security events and restore normal  
20 operations and services.



1 (b) Each licensee shall implement a written cyber security  
2 policy setting forth the licensee's policies and procedures for  
3 the protection of its electronic systems and customer and  
4 counterparty data stored on those systems, which shall be  
5 reviewed and approved by the licensee's board of directors or  
6 equivalent governing body at least annually. The cyber security  
7 policy shall address the following areas:

- 8 (1) Information security;
- 9 (2) Data governance and classification;
- 10 (3) Access controls;
- 11 (4) Business continuity and disaster recovery planning and  
12 resources;
- 13 (5) Capacity and performance planning;
- 14 (6) Systems operations and availability concerns;
- 15 (7) Systems and network security;
- 16 (8) Systems and application development and quality  
17 assurance;
- 18 (9) Physical security and environmental controls;
- 19 (10) Customer data privacy;
- 20 (11) Vendor and third-party service provider management;



1       (12) Monitoring and implementing changes to core protocols  
2             not directly controlled by the licensee, as  
3             applicable; and

4       (13) Incident response.

5       (c) Each licensee shall designate a qualified employee to  
6 be responsible for overseeing and implementing the licensee's  
7 cyber security program and enforcing its cyber security policy.

8       (d) Each licensee shall submit to the commissioner a  
9 report, presented to the licensee's board of directors or  
10 equivalent governing body, at least annually, assessing the  
11 availability, functionality, and integrity of the licensee's  
12 electronic systems, identifying relevant cyber risks to the  
13 licensee, assessing the licensee's cyber security program, and  
14 proposing steps for the redress of any inadequacies identified  
15 therein.

16       (e) Each licensee's cyber security program shall, at a  
17 minimum, include the following audit functions:

18       (1) Penetration testing. Each licensee shall conduct  
19             penetration testing of its electronic systems and  
20             vulnerability assessment of those systems based on the  
21             licensees risk assessment;





1           (2) Audit trail. Each licensee shall maintain audit trail  
2           systems that:

3           (A) Track and maintain data that allows for the  
4           complete and accurate reconstruction of all  
5           financial transactions and accounting;

6           (B) Protect the integrity of data stored and  
7           maintained as part of the audit trail from  
8           alteration or tampering;

9           (C) Protect the integrity of hardware from alteration  
10          or tampering, including by limiting electronic  
11          and physical access permissions to hardware and  
12          maintaining logs of physical access to hardware  
13          that allows for event reconstruction;

14          (D) Log system events including, at minimum, access  
15          and alterations made to the audit trail systems  
16          by the systems or by an authorized user, and all  
17          system administrator functions performed on the  
18          systems; and

19          (E) Maintain records produced as part of the audit  
20          trail in accordance with the recordkeeping  
21          requirements set forth in this chapter.



(f) Each licensee's cyber security program shall, at minimum, include written procedures, guidelines, and standards reasonably designed to ensure the security of all applications utilized by the licensee.

(g) Each licensee shall:

(1) Employ cyber security personnel adequate to manage the licensee's cyber security risks and to perform the core cyber security functions specified in subsection

(a);

(2) Provide and require cyber security personnel to attend regular cyber security update and training sessions; and

(3) Require key cyber security personnel to take steps to stay abreast of changing cyber security threats and countermeasures.

**§ -10 Fees; bond.** (a) A special purpose digital currency company shall pay the following fees to the division through NMLS to obtain and maintain a valid license under this chapter:

(1) Initial nonrefundable application fee of \$9,000;

(2) Nonrefundable renewal application fee of \$1,000; and



1 (3) Fees collected by NMLS for the processing of the  
2 application:

3 (A) Applicable fee charged by the entities conducting  
4 the criminal history background check of each of  
5 the applicant's control persons, executive  
6 officers, directors, general partners, and  
7 managing members for submission to the Federal  
8 Bureau of Investigation and any governmental  
9 agency or entity authorized to receive the  
10 fingerprints for a state, national, and  
11 international criminal history background check;  
12 and

13 (B) Applicable fee charged by the entities conducting  
14 an independent credit report obtained from a  
15 consumer reporting agency described in section  
16 603(p) of the Fair Credit Reporting Act, title 15  
17 United States Code section 1681a(p).

18 (b) The applicant shall file and maintain a surety bond,  
19 approved by the commissioner, executed by the applicant as  
20 obligor and by a surety company authorized to operate as a  
21 surety in this State, whose liability as a surety does not



1 exceed, in the aggregate, the penal sum of the bond. The penal  
2 sum of the bond shall be a minimum of \$500,000, based upon the  
3 annual United States dollar equivalent of digital currency as  
4 reported in the annual renewal report.

5 (c) The bond required by subsection (b) shall run to the  
6 State of Hawaii as obligee for the use and benefit of the State  
7 and of any person or persons who may have a cause of action  
8 against the licensee as obligor under this chapter. The bond  
9 shall be conditioned upon the following:

10 (1) The licensee as obligor shall faithfully conform to  
11 and abide by this chapter and all the rules adopted  
12 under this chapter; and

13 (2) The bond shall pay to the State and any person or  
14 persons having a cause of action against the licensee  
15 as obligor all moneys that may become due and owing to  
16 the State and those persons under and by virtue of  
17 this chapter.

18 § -11 **Renewal of license; annual report.** (a) Every  
19 licensee shall be assessed an annual fee, paid quarterly based  
20 on the total value of transactions in the State, in United  
21 States dollar equivalent of digital currency activity as



1 reported in the quarterly reports. The quarterly fees shall be  
2 assessed the quarter after the applicant is licensed in  
3 accordance with the following:

4 (1) For licensees with total value of transactions in  
5 United States dollar equivalent of digital currency  
6 under \$10,000.00, the quarterly assessment shall be  
7 \$2,500;

8 (2) For licensees with total value of transactions in  
9 United States dollar equivalent of digital currency  
10 between \$10,000.01 and \$15,000.00, the quarterly  
11 assessment shall be \$3,750;

12 (3) For licensees with total value of transactions in  
13 United States dollar equivalent of digital currency  
14 between \$15,000.01 and \$25,000.00, the quarterly  
15 assessment shall \$6,250;

16 (4) For licensees with total value of transactions in  
17 United States dollar equivalent of digital currency  
18 between \$25,000.01 and \$35,000.00, the quarterly  
19 assessment shall be \$8,750; and

20 (5) For licensees with total value of transactions in  
21 United States dollar equivalent of digital currency



1 over \$35,000.01, the quarterly assessment shall be  
2 \$12,500.

3 (b) The assessments shall be paid quarterly on February  
4 15, May 15, August 15, and November 15 of each year based on the  
5 licensee's quarterly reports as of the previous December 31,  
6 March 31, June 30, and September 30, respectively.

7 (c) The digital assets shall be based on the United States  
8 dollar value of cryptocurrency assets held on behalf of  
9 customers, calculated on United States dollars from the  
10 company's quarterly report based on the trading price of the  
11 asset on the licensee's platform as of 4:30 p.m. Hawaii standard  
12 time.

13 (d) The annual audited financial statement report shall be  
14 filed in accordance with NMLS policy. The annual audited  
15 financial report shall include balance sheets, statement of  
16 income or loss, statement of changes in shareholders' equity,  
17 and statement of cash flows or, if a licensee is a wholly owned  
18 subsidiary of another corporation, the consolidated audited  
19 annual financial statement of the parent corporation in lieu of  
20 the licensee's audited annual financial statement.



1 (e) The quarterly reports shall be filed in a form  
2 prescribed by the commissioner, that shall include:

3 (1) A report detailing the special purpose digital  
4 currency company's activities in this State since the  
5 prior reporting period, including:

6 (A) The number of stored value accounts opened;

7 (B) The number of transactions processed;

8 (C) The total value of transactions in United States  
9 dollar equivalent of digital currency;

10 (D) The number of system outages;

11 (E) A chart of accounts, including a description of  
12 each account; and

13 (F) Any other information that the commissioner may  
14 require related to performance metrics and the  
15 efficacy of the special purpose digital currency  
16 license program;

17 (2) Any material changes to any of the information  
18 submitted by the licensee on its original application  
19 that have not previously been reported to the  
20 commissioner on any other report required to be filed  
21 under this chapter;



1 (3) Disclosure of any pending or final suspension,  
2 revocation, or other enforcement action by any state  
3 or governmental authority; and

4 (4) Any other information the commissioner may require.

5 (f) A license may be renewed by continuing to meet the  
6 licensing requirements of sections -6, -7, and -8,  
7 filing a completed renewal statement on a form prescribed by  
8 NMLS or by the commissioner, paying a renewal fee, and meeting  
9 the requirements of this section.

10 (g) At renewal, a licensee that has not filed an  
11 application deemed complete by the commissioner, an annual  
12 financial statement, quarterly reports, or paid the quarterly  
13 assessments, and has not been granted an extension of time to do  
14 so by the commissioner, shall have its license suspended on the  
15 renewal date. The licensee shall have thirty days after its  
16 license is suspended to file the annual financial statement,  
17 quarterly reports, or pay the quarterly assessments, plus a late  
18 filing fee of \$250 for each day after suspension that the  
19 commissioner does not receive the annual financial report,  
20 quarterly reports, and the quarterly fee. The commissioner, for





1 good cause, may reduce or suspend the \$250 per day late filing  
2 fee.

3       **§   -12   Authorized places of business; principal office.**

4       (a) Every special purpose digital currency company licensed  
5 under this chapter shall have and maintain a principal place of  
6 business in the United States, regardless of whether the special  
7 purpose digital currency company maintains its principal office  
8 outside of the United States.

9       (b) The principal place of business of the special purpose  
10 digital currency company shall be identified in NMLS.

11       **§   -13   Sale or transfer of license; change of control.**

12       (a) No special purpose digital currency company license shall  
13 be transferred, except as provided in this section.

14       (b) A person or group of persons requesting approval of a  
15 proposed change of control of a licensee shall submit to the  
16 commissioner an application requesting approval of a proposed  
17 change of control of the licensee, accompanied by a  
18 nonrefundable application fee of \$10,000.

19       (c) After review of a request for approval under  
20 subsection (b), the commissioner may require the licensee or  
21 person or group of persons requesting approval of a proposed



1 change of control of the licensee, or both, to provide  
2 additional information concerning the persons who shall assume  
3 control of the licensee. The additional information shall be  
4 limited to similar information required of the licensee or  
5 persons in control of the licensee as part of its original  
6 license or renewal application. The information shall include,  
7 for the five-year period prior to the date of the application  
8 for change of control of the licensee, a history of material  
9 litigation and criminal convictions of each person who, upon  
10 approval of the application for change of control, will be a  
11 principal of the licensee. Authorization shall also be given to  
12 conduct criminal history record checks of those persons,  
13 accompanied by the appropriate payment of the applicable fee for  
14 each record check.

15 (d) The commissioner shall approve a request for change of  
16 control under subsection (b) if, after investigation, the  
17 commissioner determines that the person or group of persons  
18 requesting approval has the competence, experience, character,  
19 and general fitness to control the licensee or person in control  
20 of the licensee in a lawful and proper manner, and that the



1 interests of the public will not be jeopardized by the change of  
2 control.

3 (e) The following persons shall be exempt from the  
4 requirements of subsection (b); provided that the licensee shall  
5 notify the commissioner when a change of control results in the  
6 following:

7 (1) A person who acts as a proxy for the sole purpose of  
8 voting at a designated meeting of the security holders  
9 or holders of voting interests of a licensee or person  
10 in control of a licensee;

11 (2) A person who acquires control of a licensee by devise  
12 or descent;

13 (3) A person who acquires control as a personal  
14 representative, custodian, guardian, conservator,  
15 trustee, or as an officer appointed by a court of  
16 competent jurisdiction or by operation of law; or

17 (4) A person whom the commissioner, by rule or order,  
18 exempts in the public interest.

19 (f) Before filing a request for approval for a change of  
20 control, a person may request, in writing, a determination from  
21 the commissioner as to whether the person would be considered a



1 person in control of a licensee upon consummation of a proposed  
2 transaction. If the commissioner determines that the person  
3 would not be a person in control of a licensee, the commissioner  
4 shall enter an order to that effect and the proposed person and  
5 transaction shall not be subject to subsections (b) through (d).

6 (g) Subsection (b) shall not apply to public offerings of  
7 securities.

8 **§ -14 Ownership and control of digital currency.** (a) A  
9 licensee that has control of digital currency for one or more  
10 persons shall maintain control of digital currency in each type  
11 of digital currency sufficient to satisfy the aggregate  
12 entitlements of the persons to the type of digital currency.

13 (b) If a licensee violates subsection (a), the property  
14 interests of the persons in the digital currency shall be pro  
15 rata property interests in the type of digital currency to which  
16 the persons are entitled, without regard to the time the persons  
17 became entitled to the digital currency or the licensee obtained  
18 control of the digital currency.

19 (c) The digital currency referred to in this section  
20 shall:



1 (1) Be held for the persons entitled to the digital  
2 currency;

3 (2) Not be considered property of the licensee; and

4 (3) Not be subject to the claims of creditors of the  
5 licensee.

6 (d) To the extent a licensee stores, holds, or maintains  
7 custody or control of digital currency on behalf of another  
8 person, the licensee shall hold digital currency of the same  
9 type and amount as that which is owed or obligated to that other  
10 person.

11 (e) Each licensee shall be prohibited from selling,  
12 transferring, assigning, lending, hypothecating, pledging, or  
13 otherwise using or encumbering assets, including digital  
14 currency, stored, held, or maintained by, or under the custody  
15 or control of, the licensee on behalf of another person except  
16 for the sale, transfer, or assignment of the assets at the  
17 direction of that other person, unless clearly presented and  
18 stated to the client that doing so is the intent of the product.

19 **PART III. DISCLOSURES, ADVERTISING, AND RECORDKEEPING**

20 § -15 **Required disclosures.** (a) A licensee that  
21 engages in digital currency business activity shall provide to a



1 person who uses the licensee's products or service the  
2 disclosures required by subsection (b) and any additional  
3 disclosure the commissioner determines reasonably necessary for  
4 the protection of persons. The commissioner shall determine the  
5 time and form required for disclosure. A disclosure required by  
6 this section shall be made separately from any other information  
7 provided by the licensee and in a clear and conspicuous manner  
8 in a record the person may keep. A licensee may propose for the  
9 commissioner's approval alternate disclosures as more  
10 appropriate for its digital currency business activity.

11 (b) Before establishing a relationship with a person, a  
12 licensee shall disclose, to the extent applicable to the digital  
13 currency business activity the licensee will undertake with the  
14 person:

15 (1) A schedule of fees and charges the licensee may  
16 assess, how fees and charges will be calculated if  
17 they are not set in advance and disclosed, and the  
18 timing of the fees and charges;

19 (2) That the product or service provided by the licensee  
20 is not covered by a form of insurance or is otherwise  
21 guaranteed against loss by an agency of the United



1 States, including the Federal Deposit Insurance  
2 Corporation, the Securities Investor Protection  
3 Corporation; or the full United States dollar  
4 equivalent of digital currency purchased from the  
5 licensee or for control of digital currency by the  
6 licensee; or private insurance against theft or loss,  
7 including cyber theft or theft by other means;

8 (3) The irrevocability of a transfer or exchange;

9 (4) The method for the person to update the person's  
10 contact information with the licensee;

11 (5) That the date or time when the transfer or exchange is  
12 made, and when the person's account is debited, may  
13 differ from the date or time when the person initiates  
14 the instruction to make the transfer or exchange;

15 (6) The person's right to receive a receipt or other  
16 evidence of the transfer or exchange;

17 (7) The person's right to at least thirty days' prior  
18 notice of a change in the licensee's fee schedule,  
19 other terms and conditions of operating its digital  
20 currency business activity with the person and the  
21 policies applicable to the person's account; and



1 (8) That digital currency is not money.

2 (c) Except as otherwise provided in subsection (d), at the  
3 end of a digital currency transaction with or on behalf of a  
4 person, a licensee shall provide the person a confirmation in a  
5 record that contains:

6 (1) The name and contact information of the licensee,  
7 including information the person may need to ask a  
8 question or file a complaint;

9 (2) The type, value, date, precise time, and amount of the  
10 transaction; and

11 (3) The fee charged for the transaction, including any  
12 charge for conversion of digital currency to money,  
13 bank credit, or other digital currency.

14 § -16 Records, net worth requirement. (a) A licensee  
15 engaged in digital currency business activities shall maintain  
16 at all times, a tangible net worth of not less than \$500,000, or  
17 in an amount determined by the commissioner necessary to ensure  
18 safe and sound operation.

19 (b) Each licensee shall make, keep, preserve, and make  
20 available for inspection by the commissioner the books,  
21 accounts, and other records required in subsection (c).





1 (c) A licensee shall maintain, for all digital currency  
2 business activity with or on behalf of a person five years after  
3 the date of the activity, a record of:

4 (1) Each transaction of the licensee with or on behalf of  
5 the person or for the licensee's or account in this  
6 State, including:

7 (A) The identity of the person;

8 (B) The form of the transaction;

9 (C) The amount, date, and payment instructions given  
10 by the person; and

11 (D) The account number, name, and United States  
12 Postal Service address of the person, and, to the  
13 extent feasible, other parties to the  
14 transaction;

15 (2) The aggregate number of transactions and aggregate  
16 value of transactions by the licensee with or on  
17 behalf of the person and for the licensee's account in  
18 this State, expressed in United States dollar  
19 equivalent of digital currency for the previous twelve  
20 calendar months;



- 1           (3) Each transaction in which the licensee exchanges one  
2           form of digital currency for money or another form of  
3           digital currency with or on behalf of the person;
- 4           (4) A general ledger posted at least monthly that lists  
5           all assets, liabilities, capital, income, ownership  
6           equity, and expenses of the licensee;
- 7           (5) Each business-call report the licensee is required to  
8           create or provide to the division of financial  
9           institutions or NMLS;
- 10          (6) Bank statements and bank reconciliation records for  
11          the licensee and the name, account number, and United  
12          States Postal Service address of each bank the  
13          licensee uses in the conduct of its digital currency  
14          business activity with or on behalf of the person;
- 15          (7) Communications and documentation related to  
16          investigations of customer complaints; and
- 17          (8) A report of any digital currency business activity  
18          transaction with or on behalf of a person which the  
19          licensee was unable to complete.
- 20          (d) A licensee shall maintain records required by  
21          subsection (c) in a form that enables the commissioner to



determine whether the licensee is in compliance with this chapter, any court order, and law of this State.

§ -17 **Advertising and marketing.** (a) Each licensee engaged in digital currency business activity shall not advertise its products, services, or activities in the State or to consumers in the State without including the name of the licensee and the legend that such licensee is "Licensed to engage in Digital Currency Business Activity by the Hawaii Division of Financial Institutions."

(b) Each licensee shall maintain, for examination by the commissioner, all advertising and marketing materials for a period of at least seven years from the date of their creation, including but not limited to print media, internet media, websites, radio and television advertising, road show materials, presentations, and brochures. Each licensee shall maintain hard copy, website captures of material changes to internet advertising and marketing, and audio and video scripts of its advertising and marketing materials, as applicable.

(c) In all advertising and marketing materials, each licensee shall comply with all disclosure requirements under federal and state laws, rules, and regulations.



(d) In all advertising and marketing materials, each licensee and any person or entity acting on its behalf, shall not, directly or by implication, make any false, misleading, or deceptive representations or omissions.

**§ -18 Confidentiality.** (a) Except as otherwise provided in title 12 United States Code section 5111, the requirements under any federal or state law regarding the privacy or confidentiality of any information or material provided to NMLS, and any privilege arising under federal or state law, including the rules of any federal or state court, with respect to the information or material, shall continue to apply to the information or material after the information or material has been disclosed to NMLS. The information and material may be shared with all state and federal regulatory officials with oversight authority over transactions subject to this chapter, without the loss of privilege or the loss of confidentiality protections provided by federal or state law.

(b) For the purposes of this section, the commissioner shall be authorized to enter into agreements or sharing arrangements with other governmental agencies, the Conference of State Bank Supervisors, or other associations representing



1 governmental agencies as established by rule or order of the  
2 commissioner.

3 (c) Information or material that is subject to a privilege  
4 or confidentiality under subsection (a) shall not be subject to:

5 (1) Disclosure under chapter 92F; or

6 (2) Subpoena or discovery, or admission into evidence, in  
7 any private civil action or administrative process,  
8 unless any privilege is determined by NMLS to be  
9 applicable to the information or material; provided  
10 that the person to whom the information or material  
11 pertains waives that privilege, in whole or in part,  
12 in the discretion of the person.

13 (d) Notwithstanding chapter 92F, the examination process  
14 and related information and documents, including the reports of  
15 examination, shall be confidential and shall not be subject to  
16 discovery or disclosure in civil or criminal lawsuits.

17 (e) In the event of a conflict between this section and  
18 any other section of law relating to the disclosure of  
19 privileged or confidential information or material, this section  
20 shall control.



(f) This section shall not apply to information or material relating to the employment history of, and publicly adjudicated disciplinary and enforcement actions against, any persons that are included in NMLS for access by the public.

#### PART IV. ENFORCEMENT

##### § -19 Enforcement authority; violations; penalties. (a)

To ensure the effective supervision and enforcement of this chapter, the commissioner may take any disciplinary action as specified in subsection (b) against an applicant or licensee if the commissioner finds that:

- (1) The applicant or licensee has violated this chapter, or any rule or order lawfully adopted pursuant to this chapter;
- (2) The applicant has failed to disclose facts or conditions that would clearly have justified the commissioner in denying an application for licensure, had these facts or conditions been known to exist at the time the application was made;
- (3) The applicant or licensee has failed to provide information required by the commissioner within a reasonable time, as specified by the commissioner;



- 1           (4) The applicant or licensee has failed to provide or  
2           maintain proof of financial responsibility;
- 3           (5) The applicant or licensee is insolvent;
- 4           (6) The applicant or licensee has made, in any document or  
5           statement filed with the commissioner, a false  
6           representation of a material fact or has omitted to  
7           state a material fact;
- 8           (7) The applicant, licensee, or, if an applicant or  
9           licensee is not an individual, any of the applicant's  
10          or licensee's control persons, executive officers,  
11          directors, general partners, and managing members have  
12          been convicted of or entered a plea of guilty or nolo  
13          contendere to a crime involving fraud or deceit, or to  
14          any similar crime under the jurisdiction of any  
15          federal court or court of another state;
- 16          (8) The applicant or licensee has failed to make,  
17          maintain, or produce records that comply with section  
18          -20 or any rule adopted by the commissioner pursuant  
19          to chapter 91;



(9) The applicant or licensee has been the subject of any disciplinary action by any state or federal agency that resulted in revocation of a license;

(10) A final judgment has been entered against the applicant or licensee for violations of this chapter, any state or federal law concerning a digital currency license or money transmitters, or any state or federal law prohibiting unfair or deceptive acts or practices; or

(11) The applicant or licensee has failed, in a timely manner as specified by the commissioner, to take or provide proof of the corrective action required by the commissioner after an investigation or examination pursuant to section -3.

(b) After a finding of one or more of the conditions under subsection (a), the commissioner may take any or all the following actions:

(1) Deny an application for licensure, including an application for a branch office license;

(2) Revoke the license;





(3) Suspend or condition the license in accordance with section -23;

(4) Issue an order to the licensee to cease and desist from engaging in any act specified under subsection (a) or in accordance with section -24;

(5) Order the licensee to make refunds to consumers of excess charges under this chapter; or

(6) Impose penalties of up to \$10,000 for each violation in accordance with section -26.

(c) The commissioner may issue a temporary cease and desist order if the commissioner makes a finding that the licensee, applicant, or person is engaging, has engaged, or is about to engage in an illegal, unauthorized, unsafe, or unsound practice in violation of this chapter. Whenever the commissioner denies a license application or takes disciplinary action pursuant to this subsection, the commissioner shall enter an order to that effect and notify the licensee, applicant, or person of the denial or disciplinary action. The notification required by this subsection shall be given by personal service or by certified mail to the last known address of the licensee



1 or applicant as shown on the application, license, or as  
2 subsequently furnished in writing to the commissioner.

3 (d) The revocation, suspension, expiration, or surrender  
4 of a license shall not affect the licensee's liability for acts  
5 previously committed or impair the commissioner's ability to  
6 issue a final agency order or take disciplinary action against  
7 the licensee.

8 (e) No revocation, suspension, consent order, or surrender  
9 of a license shall impair or affect the obligation of any  
10 preexisting lawful contract between the licensee and any  
11 consumer.

12 (f) The commissioner may reinstate a license, terminate a  
13 suspension, or grant a new license to a person whose license has  
14 been revoked or suspended if no fact or condition then exists  
15 that clearly would justify the commissioner in revoking,  
16 suspending, or refusing to grant a license.

17 (g) The commissioner may impose an administrative fine on  
18 a licensee or person subject to this chapter if the commissioner  
19 finds on the record after notice and opportunity for hearing  
20 that the licensee or person subject to this chapter has violated  
21 or failed to comply with any requirement of this chapter or any



1 rule prescribed by the commissioner under this chapter or order  
2 issued under the authority of this chapter.

3 (h) Each violation or failure to comply with any directive  
4 or order of the commissioner shall be a separate and distinct  
5 violation.

6 (i) Any violation of this chapter that is directed toward,  
7 targets, or injures an elder may be subject to an additional  
8 civil penalty not to exceed \$10,000 for each violation in  
9 addition to any other fines or penalties assessed for the  
10 violation.

11 § -20 **Investigation and examination authority.** (a) In  
12 addition to the authority granted under section -3, the  
13 commissioner may conduct investigations and examinations in  
14 accordance with this section. The commissioner may access,  
15 receive, and use any books, accounts, records, files, documents,  
16 information, or evidence that the commissioner deems relevant to  
17 the investigation or examination, regardless of the location,  
18 possession, control, or custody of the documents, information,  
19 or evidence.

20 (b) For the purposes of investigating violations or  
21 complaints arising under this chapter, or for the purposes of



1 examination, the commissioner may review, investigate, or  
2 examine any licensee or person subject to this chapter as often  
3 as necessary to carry out the purposes of this chapter. The  
4 commissioner may direct, subpoena, or order the attendance of,  
5 and examine under oath, all persons whose testimony may be  
6 required about digital currency transactions or the business or  
7 subject matter of any investigation or examination and may  
8 direct, subpoena, or order the person to produce books,  
9 accounts, records, files, and any other documents the  
10 commissioner deems relevant to the inquiry.

11 (c) Each licensee or person subject to this chapter shall  
12 provide to the commissioner, upon request, the books and records  
13 relating to the operations of the licensee or person subject to  
14 this chapter. The commissioner shall have access to the books  
15 and records and shall be permitted to interview the control  
16 persons, executive officers, directors, general partners,  
17 managing members, principals, managers, employees, independent  
18 contractors, agents, and consumers of the licensee or person  
19 subject to this chapter concerning their business.

20 (d) Each licensee or person subject to this chapter shall  
21 make or compile reports or prepare other information, as



1 directed by the commissioner, to carry out the purposes of this  
2 section, including:

- 3 (1) Accounting compilations;
- 4 (2) Information lists and data concerning digital currency  
5 transactions in a format prescribed by the  
6 commissioner; or
- 7 (3) Other information that the commissioner deems  
8 necessary.

9 (e) In conducting any investigation or examination  
10 authorized by this chapter, the commissioner may control access  
11 to any documents and records of the licensee or person under  
12 investigation or examination. The commissioner may take  
13 possession of the documents and records or place a person in  
14 exclusive charge of the documents and records. During the  
15 period of control, no person shall remove or attempt to remove  
16 any of the documents and records except pursuant to a court  
17 order or with the consent of the commissioner. Unless the  
18 commissioner has reasonable grounds to believe the documents or  
19 records of the licensee or person under investigation or  
20 examination have been, or are at risk of being, altered or  
21 destroyed for the purposes of concealing a violation of this



1 chapter, the licensee or owner of the documents and records  
2 shall have access to the documents or records as necessary to  
3 conduct its ordinary business affairs.

4 (f) The authority of this section shall remain in effect,  
5 whether a licensee or person subject to this chapter acts or  
6 claims to act under any licensing or registration law of this  
7 State or claims to act without such authority.

8 (g) No licensee or person subject to investigation or  
9 examination under this section may knowingly withhold, abstract,  
10 remove, mutilate, destroy, or secrete any books, records,  
11 computer records, or other information.

12 (h) The commissioner may charge an investigation or  
13 examination fee, payable to the commissioner, based upon the  
14 cost per hour per examiner for all licensees and persons subject  
15 to this chapter investigated or examined by the commissioner or  
16 the commissioner's staff. The hourly fee shall be \$60 or an  
17 amount as the commissioner shall establish by rule pursuant to  
18 chapter 91. In addition to the investigation or examination  
19 fee, the commissioner may charge any person who is investigated  
20 or examined by the commissioner or the commissioner's staff  
21 pursuant to this section additional amounts for travel, per



1 diem, mileage, and other reasonable expenses incurred in  
2 connection with the investigation or examination, payable to the  
3 commissioner.

4 (i) Any person having reason to believe that this chapter  
5 or the rules adopted under this chapter have been violated, or  
6 that a license issued under this chapter should be suspended or  
7 revoked, may file a written complaint with the commissioner,  
8 setting forth the details of the alleged violation or grounds  
9 for suspension or revocation.

10 § -21 **Prohibited practices.** (a) It shall be a  
11 violation of this chapter for a licensee, its control persons,  
12 executive officers, directors, general partners, managing  
13 members, employees, or independent contractors, or any other  
14 person subject to this chapter to:

15 (1) Engage in any act that limits or restricts the  
16 application of this chapter;

17 (2) Use a customer's digital currency account number to  
18 prepare, issue, or create a digital currency  
19 transaction on behalf of the consumer without the  
20 customer's authorization;



1 (3) Charge, collect, or receive, directly or indirectly,  
2 fees for negotiating digital currency transactions  
3 except those explicitly authorized in this chapter;

4 (4) Fail to make disclosures as required by this chapter  
5 and any other applicable state or federal law,  
6 including rules or regulations adopted pursuant to  
7 state or federal law;

8 (5) Directly or indirectly employ any scheme, device, or  
9 artifice to defraud or mislead any consumer, or any  
10 person;

11 (6) Directly or indirectly engage in unfair or deceptive  
12 acts, practices, or advertising in connection with a  
13 digital currency business activity toward any person;

14 (7) Directly or indirectly obtain digital assets by fraud  
15 or misrepresentation;

16 (8) Conduct digital currency business activity to any  
17 person physically located in the State through the use  
18 of the Internet, facsimile, telephone, kiosk, or other  
19 means without first obtaining a license under this  
20 chapter;





1 (9) Make, in any manner, any false or deceptive statement  
2 or representation, including with regard to the rates,  
3 fees, or other financing terms or conditions for  
4 digital currency activity, or engage in bait and  
5 switch advertising;

6 (10) Make any false statement or knowingly make any  
7 omission of material fact in connection with any  
8 reports filed with the division by a licensee or in  
9 connection with any investigation conducted by the  
10 division;

11 (11) Conduct digital currency business activity from any  
12 unlicensed location;

13 (12) Draft funds from any depository financial institution  
14 without written approval of the consumer; provided  
15 that nothing in this paragraph shall prohibit the  
16 conversion of a negotiable instrument into an  
17 electronic form for processing through the Automated  
18 Clearing House or similar system;

19 (13) Fail to comply with all applicable state and federal  
20 laws relating to the activities governed by this  
21 chapter; or



1 (14) Fail to pay any fee, assessment, or moneys due to the  
2 department.

3 (b) In addition to any other penalties provided for under  
4 this chapter, any digital currency transaction in violation of  
5 subsection (a) shall be void and unenforceable.

6 § -22 **Voluntary surrender of license.** (a) A licensee  
7 may voluntarily cease business and surrender its license by  
8 giving written notice through NMLS to the commissioner of its  
9 intent to surrender its license. Prior to the surrender date of  
10 a license, the licensee shall have either completed all pending  
11 digital currency transactions or assigned each pending digital  
12 currency transaction to another licensee.

13 (b) Notice pursuant to this section shall be provided at  
14 least thirty days before the surrender of the license and shall  
15 include:

16 (1) The date of surrender;

17 (2) The name, address, telephone number, facsimile number,  
18 and electronic mail address of a contact individual  
19 with knowledge and authority sufficient to communicate  
20 with the commissioner regarding all matters relating



1 to the licensee during the period that it was licensed  
2 pursuant to this chapter;

3 (3) The reason or reasons for surrender;

4 (4) Total dollar amount of the licensee's outstanding  
5 digital currency transactions in the State and the  
6 individual amounts of each outstanding digital  
7 currency transactions, and the name, address, and  
8 contact telephone number of the licensee to whom each  
9 outstanding digital currency transaction was assigned;

10 (5) A list of the licensee's authorized branch offices in  
11 the State, if any, as of the date of surrender;

12 (6) Confirmation that the licensee has notified each of  
13 its authorized branch offices in the State, if any,  
14 that the branch offices may no longer conduct digital  
15 currency business activity on the licensee's behalf;  
16 and

17 (7) Confirmation that the licensee has notified each of  
18 its digital currency accounts, if any, that the  
19 digital currency account is being transferred and the  
20 name, address, telephone number, and any other contact  
21 information of the licensee or entity described in



1 section -13 to whom the digital currency was  
2 assigned.

3 (c) Voluntary surrender of a license shall be effective  
4 upon the date of surrender specified on the written notice to  
5 the commissioner as required by this section; provided that the  
6 licensee has met all the requirements of voluntary surrender and  
7 has returned the original license issued.

8 § -23 **Suspension or revocation of licenses.** The  
9 commissioner may suspend or revoke a license if the commissioner  
10 finds that:

11 (1) Any fact or condition exists that, if it had existed  
12 at the time when the licensee applied for its license,  
13 would have been grounds for denying the licensee's  
14 application;

15 (2) The licensee's tangible net worth becomes inadequate  
16 and the licensee, after ten days written notice from  
17 the commissioner, fails to take steps as the  
18 commissioner deems necessary to remedy a deficiency;

19 (3) The licensee knowingly violates any material provision  
20 of this chapter or any rule or order duly adopted by  
21 the commissioner under authority of this chapter;



1 (4) The licensee is conducting its business in an unsafe  
2 or unsound manner;

3 (5) The licensee is insolvent;

4 (6) The licensee has suspended payment of its obligations,  
5 has made an assignment for the benefit of its  
6 creditors, or has admitted, in writing, its inability  
7 to pay its debts as they become due;

8 (7) The licensee has filed for bankruptcy, reorganization,  
9 arrangement, or other relief under any bankruptcy law;

10 (8) The licensee refuses to permit the commissioner to  
11 make any examination authorized by this chapter; or

12 (9) The competence, experience, character, or general  
13 fitness of the licensee indicates that it is not in  
14 the public interest to allow the licensee to have a  
15 license.

16 § -24 Orders to cease and desist. (a) If the  
17 commissioner determines a violation of this chapter or a rule  
18 adopted or an order issued under this chapter by a licensee or  
19 authorized delegate is:



1           (1) Likely to cause immediate and irreparable harm to the  
2           licensee, the licensee's customers, or the public as a  
3           result of the violation; or

4           (2) Cause insolvency or significant dissipation of assets  
5           of the licensee, the commissioner may issue an order  
6           requiring the licensee to cease and desist from the  
7           violation. The order becomes effective upon service  
8           of the order upon the licensee.

9           (b) An order to cease and desist remains effective and  
10          enforceable pending the completion of an administrative  
11          proceeding pursuant to chapter 91.

12          (c) A licensee that is served with an order to cease and  
13          desist may petition the circuit court for a judicial order  
14          setting aside, limiting, or suspending the enforcement,  
15          operation, or effectiveness of the order pending the completion  
16          of an administrative proceeding pursuant to sections     -29 or  
17          -30.

18          (d) The commissioner shall commence an administrative  
19          proceeding pursuant to chapter 91 within twenty days after  
20          issuing an order to cease and desist.



1 (e) The commissioner may apply to the circuit court for an  
2 appropriate order to protect the public interest.

3 § -25 **Consent orders.** The commissioner may enter into a  
4 consent order at any time with a person to resolve a matter  
5 arising under this chapter. A consent order shall be signed by  
6 the person to whom the order is issued or by the person's  
7 authorized representative, and shall indicate agreement with the  
8 terms contained in the order. A consent order may provide that  
9 it does not constitute an admission by a person that this  
10 chapter or a rule adopted or an order issued under this chapter  
11 has been violated.

12 § -26 **Civil penalties.** The commissioner may assess a  
13 fine against a person who violates this chapter or a rule  
14 adopted or an order issued under this chapter in an amount not  
15 to exceed \$10,000 per violation, plus the State's costs and  
16 expenses for the investigation and prosecution of the matter,  
17 including reasonable attorneys' fees.

18 § -27 **Criminal penalties.** (a) A person who  
19 intentionally makes a false statement, misrepresentation, or  
20 false certification in a record filed or required to be  
21 maintained under this chapter, who intentionally makes a false



1 entry, or who omits a material entry in a record shall be guilty  
2 of a class C felony, and be subject to a fine in an amount up to  
3 \$10,000.

4 (b) An individual or person who knowingly engages in any  
5 activity for which a license is required under this chapter,  
6 without being licensed under this chapter, shall be guilty of a  
7 misdemeanor, and be subject to a fine in an amount not to exceed  
8 \$1,000, imprisonment of not more than one year, or both, and  
9 each day a violation exists shall be deemed a separate offense.

10 § -28 **Unlicensed persons.** (a) If the commissioner has  
11 reason to believe that a person has violated or is violating  
12 section -4, the commissioner may issue an order to show cause  
13 why an order to cease and desist should not issue requiring that  
14 the person cease and desist from the violation of section -4.

15 (b) If the commissioner has reason to believe that a  
16 person has violated or is violating section -4, the  
17 commissioner may petition the circuit court for the issuance of  
18 a temporary restraining order if the public would be irreparably  
19 harmed.

20 (c) An order to cease and desist becomes effective upon  
21 service of the order upon the person.





(d) An order to cease and desist remains effective and enforceable pending the completion of an administrative proceeding pursuant to section -29.

(e) A person who is served with an order to cease and desist for violating section -4 may petition the circuit court for a judicial order setting aside, limiting, or suspending the enforcement, operation, or effectiveness of the order to cease and desist pending the completion of an administrative proceeding pursuant to section -29.

(f) The commissioner shall commence an administrative proceeding within twenty days after issuing an order to cease and desist.

**§ -29 Administrative procedures.** All administrative proceedings under this chapter shall be conducted in accordance with chapter 91.

**§ -30 Hearings.** Except as otherwise provided in sections -11(g) and -23, the commissioner may not suspend or revoke a license, issue an order to cease and desist, suspend or revoke the designation of a licensee, or assess a civil penalty without notice and an opportunity to be heard.



1       §    **-31 Division functions.**   (a)   The division shall  
2   exercise all administrative functions of the State in relation  
3   to the regulation, supervision, and licensing of money  
4   transmitters.

5       (b)   The division shall interpret and carry out the  
6   provisions of this chapter."

7       SECTION 3.   Section 489D-4, Hawaii Revised Statutes, is  
8   amended by amending the definition of "monetary value" to read  
9   as follows:

10       ""Monetary value" means a medium of exchange, whether or  
11   not redeemable in money[+] except as defined as digital currency  
12   under chapter \_\_\_\_\_."

13       SECTION 4.   Section 846-2.7, Hawaii Revised Statutes, is  
14   amended by amending subsection (b) to read as follows:

15       "(b)   Criminal history record checks may be conducted by:

16       (1)   The department of health or its designee on operators  
17       of adult foster homes for individuals with  
18       developmental disabilities or developmental  
19       disabilities domiciliary homes and their employees, as  
20       provided by section 321-15.2;



1           (2) The department of health or its designee on  
2           prospective employees, persons seeking to serve as  
3           providers, or subcontractors in positions that place  
4           them in direct contact with clients when providing  
5           non-witnessed direct mental health or health care  
6           services as provided by section 321-171.5;

7           (3) The department of health or its designee on all  
8           applicants for licensure or certification for,  
9           operators for, prospective employees, adult  
10          volunteers, and all adults, except adults in care, at  
11          healthcare facilities as defined in section 321-15.2;

12          (4) The department of education on employees, prospective  
13          employees, and teacher trainees in any public school  
14          in positions that necessitate close proximity to  
15          children as provided by section 302A-601.5;

16          (5) The counties on employees and prospective employees  
17          who may be in positions that place them in close  
18          proximity to children in recreation or child care  
19          programs and services;

20          (6) The county liquor commissions on applicants for liquor  
21          licenses as provided by section 281-53.5;



- 1 (7) The county liquor commissions on employees and  
2 prospective employees involved in liquor  
3 administration, law enforcement, and liquor control  
4 investigations;
- 5 (8) The department of human services on operators and  
6 employees of child caring institutions, child placing  
7 organizations, and foster boarding homes as provided  
8 by section 346-17;
- 9 (9) The department of human services on prospective  
10 adoptive parents as established under section  
11 346-19.7;
- 12 (10) The department of human services or its designee on  
13 applicants to operate child care facilities, household  
14 members of the applicant, prospective employees of the  
15 applicant, and new employees and household members of  
16 the provider after registration or licensure as  
17 provided by section 346-154, and persons subject to  
18 section 346-152.5;
- 19 (11) The department of human services on persons exempt  
20 pursuant to section 346-152 to be eligible to provide



1 child care and receive child care subsidies as  
2 provided by section 346-152.5;

3 (12) The department of health on operators and employees of  
4 home and community-based case management agencies and  
5 operators and other adults, except for adults in care,  
6 residing in community care foster family homes as  
7 provided by section 321-15.2;

8 (13) The department of human services on staff members of  
9 the Hawaii youth correctional facility as provided by  
10 section 352-5.5;

11 (14) The department of human services on employees,  
12 prospective employees, and volunteers of contracted  
13 providers and subcontractors in positions that place  
14 them in close proximity to youth when providing  
15 services on behalf of the office or the Hawaii youth  
16 correctional facility as provided by section 352D-4.3;

17 (15) The judiciary on employees and applicants at detention  
18 and shelter facilities as provided by section 571-34;

19 (16) The department of public safety on employees and  
20 prospective employees who are directly involved with  
21 the treatment and care of persons committed to a



1 correctional facility or who possess police powers  
2 including the power of arrest as provided by section  
3 353C-5;

4 (17) The board of private detectives and guards on  
5 applicants for private detective or private guard  
6 licensure as provided by section 463-9;

7 (18) Private schools and designated organizations on  
8 employees and prospective employees who may be in  
9 positions that necessitate close proximity to  
10 children; provided that private schools and designated  
11 organizations receive only indications of the states  
12 from which the national criminal history record  
13 information was provided pursuant to section 302C-1;

14 (19) The public library system on employees and prospective  
15 employees whose positions place them in close  
16 proximity to children as provided by section  
17 302A-601.5;

18 (20) The State or any of its branches, political  
19 subdivisions, or agencies on applicants and employees  
20 holding a position that has the same type of contact  
21 with children, vulnerable adults, or persons committed



1 to a correctional facility as other public employees  
2 who hold positions that are authorized by law to  
3 require criminal history record checks as a condition  
4 of employment as provided by section 78-2.7;

5 (21) The department of health on licensed adult day care  
6 center operators, employees, new employees,  
7 subcontracted service providers and their employees,  
8 and adult volunteers as provided by section 321-15.2;

9 (22) The department of human services on purchase of  
10 service contracted and subcontracted service providers  
11 and their employees serving clients of the adult  
12 protective and community services branch, as provided  
13 by section 346-97;

14 (23) The department of human services on foster grandparent  
15 program, senior companion program, and respite  
16 companion program participants as provided by section  
17 346-97;

18 (24) The department of human services on contracted and  
19 subcontracted service providers and their current and  
20 prospective employees that provide home and community-  
21 based services under section 1915(c) of the Social



1 Security Act, title 42 United States Code section  
2 1396n(c), or under any other applicable section or  
3 sections of the Social Security Act for the purposes  
4 of providing home and community-based services, as  
5 provided by section 346-97;

6 (25) The department of commerce and consumer affairs on  
7 proposed directors and executive officers of a bank,  
8 savings bank, savings and loan association, trust  
9 company, and depository financial services loan  
10 company as provided by section 412:3-201;

11 (26) The department of commerce and consumer affairs on  
12 proposed directors and executive officers of a  
13 nondepository financial services loan company as  
14 provided by section 412:3-301;

15 (27) The department of commerce and consumer affairs on the  
16 original chartering applicants and proposed executive  
17 officers of a credit union as provided by section  
18 412:10-103;

19 (28) The department of commerce and consumer affairs on:  
20 (A) Each principal of every non-corporate applicant  
21 for a money transmitter license;





1 (B) Each person who upon approval of an application  
2 by a corporate applicant for a money transmitter  
3 license will be a principal of the licensee; and

4 (C) Each person who upon approval of an application  
5 requesting approval of a proposed change in  
6 control of licensee will be a principal of the  
7 licensee,

8 as provided by sections 489D-9 and 489D-15;

9 (29) The department of commerce and consumer affairs on  
10 applicants for licensure and persons licensed under  
11 title 24;

12 (30) The Hawaii health systems corporation on:

13 (A) Employees;

14 (B) Applicants seeking employment;

15 (C) Current or prospective members of the corporation  
16 board or regional system board; or

17 (D) Current or prospective volunteers, providers, or  
18 contractors,

19 in any of the corporation's health facilities as  
20 provided by section 323F-5.5;

21 (31) The department of commerce and consumer affairs on:



1 (A) An applicant for a mortgage loan originator  
2 license, or license renewal; and

3 (B) Each control person, executive officer, director,  
4 general partner, and managing member of an  
5 applicant for a mortgage loan originator company  
6 license or license renewal,

7 as provided by chapter 454F;

8 (32) The state public charter school commission or public  
9 charter schools on employees, teacher trainees,  
10 prospective employees, and prospective teacher  
11 trainees in any public charter school for any position  
12 that places them in close proximity to children, as  
13 provided in section 302D-33;

14 (33) The counties on prospective employees who work with  
15 children, vulnerable adults, or senior citizens in  
16 community-based programs;

17 (34) The counties on prospective employees for fire  
18 department positions that involve contact with  
19 children or vulnerable adults;



1 (35) The counties on prospective employees for emergency  
2 medical services positions that involve contact with  
3 children or vulnerable adults;

4 (36) The counties on prospective employees for emergency  
5 management positions and community volunteers whose  
6 responsibilities involve planning and executing  
7 homeland security measures including viewing,  
8 handling, and engaging in law enforcement or  
9 classified meetings and assisting vulnerable citizens  
10 during emergencies or crises;

11 (37) The State and counties on employees, prospective  
12 employees, volunteers, and contractors whose position  
13 responsibilities require unescorted access to secured  
14 areas and equipment related to a traffic management  
15 center;

16 (38) The State and counties on employees and prospective  
17 employees whose positions involve the handling or use  
18 of firearms for other than law enforcement purposes;

19 (39) The State and counties on current and prospective  
20 systems analysts and others involved in an agency's  
21 information technology operation whose position



responsibilities provide them with access to  
proprietary, confidential, or sensitive information;

(40) The department of commerce and consumer affairs on:

(A) Applicants for real estate appraiser licensure or  
certification as provided by chapter 466K;

(B) Each person who owns more than ten per cent of an  
appraisal management company who is applying for  
registration as an appraisal management company,  
as provided by section 466L-7; and

(C) Each of the controlling persons of an applicant  
for registration as an appraisal management  
company, as provided by section 466L-7;

(41) The department of health or its designee on all  
license applicants, licensees, employees, contractors,  
and prospective employees of medical cannabis  
dispensaries, and individuals permitted to enter and  
remain in medical cannabis dispensary facilities as  
provided under sections 329D-15(a)(4) and  
329D-16(a)(3);

(42) The department of commerce and consumer affairs on  
applicants for nurse licensure or license renewal,



1 reactivation, or restoration as provided by sections  
2 457-7, 457-8, 457-8.5, and 457-9;

3 (43) The county police departments on applicants for  
4 permits to acquire firearms pursuant to section 134-2  
5 and on individuals registering their firearms pursuant  
6 to section 134-3;

7 (44) The department of commerce and consumer affairs on:

8 (A) Each of the controlling persons of the applicant  
9 for licensure as an escrow depository, and each  
10 of the officers, directors, and principals who  
11 will be in charge of the escrow depository's  
12 activities upon licensure; and

13 (B) Each of the controlling persons of an applicant  
14 for proposed change in control of an escrow  
15 depository licensee, and each of the officers,  
16 directors, and principals who will be in charge  
17 of the licensee's activities upon approval of the  
18 application,

19 as provided by chapter 449;

20 (45) The department of taxation on current or prospective  
21 employees or contractors who have access to federal



1 tax information in order to comply with requirements  
2 of federal law, regulation, or procedure, as provided  
3 by section 231-1.6;

4 (46) The department of labor and industrial relations on  
5 current or prospective employees or contractors who  
6 have access to federal tax information in order to  
7 comply with requirements of federal law, regulation,  
8 or procedure, as provided by section 383-110;

9 (47) The department of human services on current or  
10 prospective employees or contractors who have access  
11 to federal tax information in order to comply with  
12 requirements of federal law, regulation, or procedure,  
13 as provided by section 346-2.5;

14 (48) The child support enforcement agency on current or  
15 prospective employees or contractors who have access  
16 to federal tax information in order to comply with  
17 federal law, regulation, or procedure, as provided by  
18 section 576D-11.5;

19 (49) The department of the attorney general on current or  
20 prospective employees or employees or agents of  
21 contractors who have access to federal tax information



1 to comply with requirements of federal law,  
2 regulation, or procedure, as provided by section  
3 28-17;

4 ~~[+]~~ (50) ~~[+]~~ The department of commerce and consumer affairs on  
5 each control person, executive officer, director,  
6 general partner, and managing member of an installment  
7 loan licensee, or an applicant for an installment loan  
8 license, as provided in chapter 480J;

9 ~~[+]~~ (51) ~~[+]~~ The University of Hawaii on current and prospective  
10 employees and contractors whose duties include  
11 ensuring the security of campus facilities and  
12 persons; ~~[and]~~

13 (52) The department of commerce and consumer affairs on  
14 each control person, executive officer, director,  
15 general partner, and managing member of a special  
16 purpose digital currency company licensee, or an  
17 applicant for a special purpose digital currency  
18 license, as provided in chapter ; and

19 ~~[+(52)+]~~ (53) Any other organization, entity, or the State, its  
20 branches, political subdivisions, or agencies as may  
21 be authorized by state law."



1       SECTION 5. The department of commerce and consumer affairs  
2 may employ necessary personnel without regard to chapter 76,  
3 Hawaii Revised Statutes, including three full-time equivalent  
4 (3.0 FTE) positions for examiners, to assist with the  
5 implementation and continuing function of this Act.

6       SECTION 6. There is appropriated out of the compliance  
7 resolution fund established pursuant to section 26-9(o), Hawaii  
8 Revised Statutes, the sum of \$500,000 or so much thereof as may  
9 be necessary for fiscal year 2022-2023 to implement the  
10 licensing program established by this Act.

11       The sum appropriated shall be expended by the department of  
12 commerce and consumer affairs for the purposes of this Act.

13       SECTION 7. Statutory material to be repealed is bracketed  
14 and stricken. New statutory material is underscored.

15       SECTION 8. This Act shall take effect on July 31, 2050;  
16 provided that:

17       (1) The special purpose digital currency licensing  
18 requirements established by section 2 of this Act  
19 shall take effect on January 1, 2023;

20       (2) The participating companies in the digital currency  
21 innovation lab shall be allowed to continue operations





1           until their applications are acted upon by the  
2           division of financial institutions if the complete  
3           application is submitted to the division of financial  
4           institutions by March 1, 2023; and

5       (3) A company authorized to participate in the digital  
6           currency innovation lab as of June 30, 2022, and whose  
7           application for licensure under section 2 of this Act  
8           has been submitted to the division of financial  
9           institutions on or before March 1, 2023, is exempt  
10          from the requirements in section       -4 of section 2  
11          of this Act for a period of six months from the date  
12          the application is deemed complete or until the  
13          commissioner approves or denies the application,  
14          whichever occurs first. The commissioner of financial  
15          institutions, for good cause, may reduce or extend the  
16          six-month period. Submission of an application for  
17          licensure shall be evidenced through NMLS to the  
18          commissioner.



**Report Title:**

Digital Currency Companies; Licensure; Division of Financial Institutions

**Description:**

Establishes a program for the licensure, regulation, and oversight of digital currency companies. Effective 07/31/2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

