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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
Wednesday March 16, 2022
10:00 a.m.
Via Videoconference**

**On the following measure:
H.B. 2113, H.D. 2, RELATING TO MONEY TRANSMITTERS**

Chair Baker and Members of the Committee:

My name is Iris Ikeda, and I am the Commissioner of the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions (DFI). The Department supports this administration bill with one amendment to change the effective date to July 1, 2022.

The purpose of this bill is to minimize regulatory burden and eliminate redundancy by permitting money transmitter applicants to submit either a state or federal criminal background check, rather than both.

Currently, each key individual of a money transmitter must submit to both a state and federal criminal background review.

This bill streamlines the process by an applicant by allowing the applicant to only submit to a federal or state criminal background review. The majority of the states only require a federal criminal history background review since states are reporters to the national criminal history background database. Hawaii became a reporter to the national criminal history background database about seven years ago. Since learning that the state was a reporter to the national database, the DFI has reviewed parallel

state and federal criminal history background reviews and has not found discrepancies on disqualifying crimes. The Department would like to streamline the process for applicants and speed up the processing for this application item.

The NMLS is the sole nationwide platform that provides information-sharing among state regulators to increase efficiencies for supervision and to enhance consumer protection. This cloud-based system gives state agencies access to up-to-date criminal history records from the national database through the Rap Back system and helps to ensure that persons in a position of trust meet established standards to protect consumers and businesses. NMLS uses Rap Back which is an optional Federal Bureau of Investigation (FBI) service that allows authorized government agencies to receive notification of subsequent activity on individuals who hold positions of trust.

Thank you for the opportunity to testify, and we respectfully ask the Committee to pass this administration bill with the amendment to the effective date of the bill.