

STAND. COM. REP. NO.

1379

Honolulu, Hawaii

MAR 21, 2023

RE: S.B. No. 945
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 945, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO SPECIAL PURPOSE DIGITAL CURRENCY LICENSURE,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Beginning January 1, 2025, establish a program for the licensure, regulation, and oversight of special purpose digital currency companies in the State; and
- (2) Allow any company participating in the Digital Currency Innovation Lab on June 30, 2023, to continue operations if a complete licensure application is submitted to the Division of Financial Institutions of the Department of Commerce and Consumer Affairs by March 1, 2025.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs, Hawaii Technology Development Corporation, The Cryptokeniki Project, and one individual. Your Committee received comments on this measure from the Grassroot Institute of Hawaii.

2023-2553 SB945 HD1 HSCR HMSO



Your Committee finds that the Division of Financial Institutions of the Department of Commerce and Consumer Affairs and Hawaii Technology Development Corporation have been conducting research on digital currencies through their joint study in the Digital Currency Innovation Lab. The Innovation Lab currently consists of eleven digital currency companies and has allowed participation from more than 105,000 Hawaii customers transacting hundreds of millions of dollars each quarter. Since its inception in 2020, the Innovation Lab has received only forty-five complaints from Hawaii customers.

Your Committee further finds that through the research conducted in the Innovation Lab, the Division learned that the existing regulatory scheme of the money transmitter laws do not comport with the activities conducted by digital currency companies. Your Committee additionally finds that the collapses of various digital currency exchanges in 2022 underscore the significant need for government regulation of digital currencies for consumer protection. This measure applies information gained from the Innovation Lab to establish a new licensing framework for digital currency companies in the State and would allow any company participating in the Innovation Lab on June 30, 2023, to continue operations if a complete licensure application is submitted to the Division of Financial Institutions by a certain date.

Your Committee additionally finds that H.B. 1261, H.D. 1 (Regular Session of 2023), a substantially similar measure, was previously passed by your Committee.

Your Committee has amended this measure by:

- (1) Deleting its contents and inserting the contents of H.B. 1261, H.D. 1, a measure that:
 - (A) Beginning January 1, 2024, establishes a program for the licensure, regulation, and oversight of special purpose digital currency companies in the State;
 - (B) Allows any company participating in the Digital Currency Innovation Lab on June 30, 2023, to continue operations if a complete licensure application is submitted to the Division of



Financial Institutions of the Department of
Commerce and Consumer Affairs by March 1, 2024;

- (C) Allows the Department of Commerce and Consumer Affairs to hire three full-time equivalent (3.0 FTE) positions for examiners and appropriates funds for those positions; and
 - (D) Takes effect on July 1, 2023; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 945, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 945, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

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



MARK M. NAKASHIMA, Chair



