stand. com. rep. no. [379

Honolulu, Hawaii

MAR 2.1 , 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 Cryptokenikeni Project, and one individual. Your Committee received comments on this measure from the Grassroot Institute of Hawaii.

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,

RV M NAKASHIMA Chair

## State of Hawaii House of Representatives The Thirty-second Legislature

## HSCP 1379

## **Record of Votes of the Committee on Consumer Protection & Commerce**

Bill/Resolution No.: SB 945 SD2	CPC, キエN	Date:	3-14-2	23
The committee is reconsidering its previous decision on the measure.				
The recommendation is to:  Pass, unamended (as is)  Pass, with amendments (HD)  Hold  Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. NAKASHIMA, Mark M. (C)				
2. SAYAMA, Jackson D. (VC)	22000 634	<b>57.</b>		1000 Table 1
3. AMATO, Terez			1 Test	
4. BELATTI, Della Au				
4. BELATTI, Bela Au				227 - 44
5. HASHEM, Mark J.		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		
6. HUSSEY-BURDICK, Natalia	SACTOR CONTROL OF THE			_
				7 <b>3</b> 44 1
7. GATES, Cedric Asuega				
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8. LOWEN, Nicole E.			500 Maria 140 Maria	
9. ONISHI, Richard H.K.				
10. TAM, Adrian K.	14 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1			
10. TAN, Aurian K.		24 144 1 <b>44 144 14</b> 1		<b>10</b> 1 15
11. PIERICK, Elijah				
- / <b>y</b>				
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TOTAL (11)	8			.3
The recommendation is:  Adopted  If joint referral, did not support recommendation.  committee acronym(s)				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				