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# A BILL FOR AN ACT

RELATING TO DIGITAL ASSET CHARTERS.

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

1           SECTION 1. The legislature finds that the use and trading  
2 of digital assets, including cryptocurrencies, e-money, network  
3 money, e-cash, and other forms of digital currencies, are  
4 growing in global popularity. Digital assets have value but may  
5 be recorded in decentralized ledgers or company databases and do  
6 not have a physical form like bank notes or coins. Most digital  
7 assets are not issued by government bodies and are not  
8 considered legal tender. Although some states treat digital  
9 assets as falling within the states' money transmitter laws, the  
10 industry is largely unregulated in the United States.

11           The legislature further finds that in 2020, the Hawaii  
12 technology development corporation partnered with the department  
13 of commerce and consumer affairs' division of financial  
14 institutions to conduct a pilot project on digital currencies.  
15 The project included the establishment of the Hawaii digital  
16 currency innovation lab to study the landscape of digital  
17 currency activities within the State. The project's findings



1 indicated that digital asset companies do not require a  
2 State-issued money transmitter license to conduct business in  
3 Hawaii. Although some federal regulations apply to digital  
4 asset activities, the lack of state regulation may place  
5 consumers at risk of fraud and financial abuse. The legislature  
6 believes that the pilot project's findings, and the financial  
7 risks to consumers, support the need for a new state regulatory  
8 framework for digital asset companies and digital asset  
9 activities.

10 Accordingly, the purpose of this Act is to:

- 11 (1) Establish a digital asset charter program to license,  
12 regulate, and oversee digital asset companies and  
13 digital asset business activities; and
- 14 (2) Authorize any company that participated in the Hawaii  
15 digital currency innovation lab to temporarily  
16 continue conducting digital asset business activities  
17 without a charter, in certain circumstances.

18 SECTION 2. The Hawaii Revised Statutes is amended by  
19 adding a new chapter to be appropriately designated and to read  
20 as follows:



1 "CHAPTER

2 DIGITAL ASSET CHARTERS

3 PART I. GENERAL PROVISIONS

4 § -1 Definitions. As used in this chapter, unless the  
5 context otherwise requires:

6 "Charter" means the digital asset licensure required under  
7 this chapter.

8 "Commissioner" means the commissioner of financial  
9 institutions for the department of commerce and consumer  
10 affairs.

11 "Consumer" means a natural person who engages in a digital  
12 asset transaction primarily for personal, family, or household  
13 purposes.

14 "Control over a digital asset" means the power to execute  
15 unilaterally or prevent indefinitely a digital asset  
16 transaction.

17 "Control person" means a person that directly or indirectly  
18 exercises control over a digital asset.

19 "Department" means the department of commerce and consumer  
20 affairs.



1 "Digital asset" means an electronically stored unit of  
2 value that can be owned, transferred, or traded. "Digital  
3 asset" includes a digital representation of value that:

- 4 (1) Has a centralized depository or administrator,  
5 including stablecoins;
- 6 (2) Is decentralized and has no centralized depository or  
7 administrator; or
- 8 (3) Is created or obtained by a computing or manufacturing  
9 effort.

10 "Digital asset" does not include a digital representation  
11 of value that cannot be converted into, or redeemed for,  
12 currency or another digital asset but is:

- 13 (1) Used solely within an online gaming platform;
- 14 (2) Redeemable for goods, services, discounts, or  
15 purchases as part of a customer affinity or rewards  
16 program offered by the issuer or another designated  
17 merchant; or
- 18 (3) Accessed via a prepaid card.

19 "Digital asset administration" means the issuance of a  
20 digital asset with the authority to redeem the digital asset for  
21 money, bank credit, or another digital asset.



1 "Digital asset business activity" means business activities  
2 that involve:

3 (1) Exchanging, transferring, or storing a digital asset  
4 or engaging in digital asset administration, whether  
5 directly or through an agreement with a digital asset  
6 control-services vendor;

7 (2) Exchanging one or more digital representations of  
8 value used within an online game, gaming platform, or  
9 family of games for moneys or bank credit outside that  
10 online game, gaming platform, or family of games, if  
11 the moneys or bank credit are offered by or on behalf  
12 of the same publisher from which the original digital  
13 representation of value was received;

14 (3) Storing, holding, or maintaining custody or control of  
15 a digital asset on behalf of another person; or

16 (4) Buying or selling a digital asset as a business;  
17 performing exchange services as a business; or  
18 controlling, administering, or issuing a digital  
19 asset.



1 "Digital asset company" means a person or company holding a  
2 charter under this chapter to engage in digital asset business  
3 activities.

4 "Digital asset control-services vendor" means a person that  
5 has control of a digital asset owned by a third party, under an  
6 agreement with another person.

7 "Digital asset wallet" means a tool used to store and  
8 manage digital assets that are not federally insured.

9 "Division" means the division of financial institutions of  
10 the department of commerce and consumer affairs.

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

13 "Examination" means a scheduled review by the division, not  
14 requiring a prior complaint, to verify that the digital asset  
15 company is operating within the law.

16 "Exchange" means the conversion of:

- 17 (1) Fiat currency or another asset of value into a digital  
18 asset;
- 19 (2) A digital asset into fiat currency or another asset of  
20 value; or



1 (3) One form of digital asset into another form of digital  
2 asset.

3 "Fiat currency" means a government-issued currency that is  
4 not backed by a physical commodity, such as gold or silver.

5 "Investigation" means a review by the division based on a  
6 prior complaint or a report indicating that the company is not  
7 operating within the law or is experiencing financial or other  
8 difficulties.

9 "NMLS" has the same meaning as defined in section 454F-1.

10 "Person" means an individual, sole proprietorship,  
11 partnership, corporation, limited liability company, limited  
12 liability partnership, or other association of individuals,  
13 however organized.

14 "Stablecoin" means a digital asset designed to maintain a  
15 stable value by being:

- 16 (1) Attached to a traditional currency like the United  
17 States dollar or an exchange-traded commodity; or  
18 (2) Backed by reserves to reduce price volatility.

19 "Stored value" means a monetary value that is evidenced by  
20 an electronic record.



1 "Tangible net worth" means total assets, excluding  
2 intangible assets, less total liabilities, in accordance with  
3 generally accepted accounting principles of the United States.

4 "Transfer" means to assume control of a digital asset from  
5 or on behalf of another person and to:

- 6 (1) Credit the digital asset to the account of another  
7 person;
- 8 (2) Move the digital asset from one account to another  
9 account belonging to the same person; or
- 10 (3) Relinquish control of a digital asset to another  
11 person.

12 "United States dollar equivalent of the digital asset"  
13 means the equivalent value of the digital asset in United States  
14 dollars on a specific date or during a specified period, as  
15 determined by a United States-based digital asset exchange.

16 § -2 **Exemptions.** This chapter shall not apply to:

- 17 (1) The exchange, transfer, or storage of a digital asset,  
18 or to digital asset administration, to the extent  
19 regulated by the Securities Exchange Act of 1934, as  
20 amended (title 15 United States Code chapter 2B), or



1 Commodity Exchange Act (title 7 United States Code  
2 chapter 1);

3 (2) Activity by a person that only:

4 (A) Contributes connectivity software or computing  
5 power to a:

6 (i) Decentralized digital asset; or

7 (ii) Protocol governing the transfer of the  
8 digital asset.

9 (B) Provides data storage or security services for a  
10 business engaged in digital asset business  
11 activities but does not otherwise engage in  
12 digital asset business activities on behalf of  
13 another person; or

14 (C) Provides to a person that is otherwise exempt  
15 from this chapter a digital asset as an  
16 enterprise solution used solely between the two  
17 parties; provided that the person has no  
18 agreement or relationship with the end user of  
19 the digital asset;

20 (3) A person using a digital asset, including creating,  
21 investing, buying, selling, or obtaining the digital



1           asset, as payment for the purchase or sale of goods or  
2           services solely for academic purposes;

3           (4) A person whose annual digital asset business activity  
4           with, or on behalf of, other persons is reasonably  
5           expected to be valued, in the aggregate, at \$5,000 or  
6           less, measured by the United States dollar equivalent  
7           of the digital asset;

8           (5) An attorney who provides escrow services to a person;

9           (6) A securities intermediary, as defined in section  
10           490:8-102, or commodity intermediary, as defined in  
11           section 490:9-102;

12           (7) A digital asset control-services vendor;

13           (8) A person that:

14           (A) Does not receive compensation from another person  
15           for:

16           (i) Providing a digital asset product or  
17           service; or

18           (ii) Conducting digital asset business  
19           activities; or

20           (B) Is engaged in testing products or services with  
21           the person's own funds or digital assets;



1           (9) Non-custodial digital asset business activities by a  
2           person using a digital asset that has been:

3           (A) Acknowledged as legal tender by the United States  
4           or a government recognized by the United States;  
5           or

6           (B) Determined not to be a security by a United  
7           States regulatory agency;

8           (10) Banks, bank holding companies, credit unions, savings  
9           banks, financial services loan companies, or mutual  
10          banks organized under the laws of the United States or  
11          any state; or

12          (11) Any other person or class of persons that the  
13          commissioner declares exempt from this chapter.

14          §   -3 **Powers of commissioner.** In addition to any other  
15 powers provided by law, the commissioner may:

16          (1) Adopt rules pursuant to chapter 91 as necessary for  
17          the administration of this chapter;

18          (2) Issue declaratory rulings or informal, nonbinding  
19          interpretations of this chapter;



- 1           (3) Investigate and conduct hearings regarding any  
2                   violation of this chapter or any rule, order, or  
3                   agreement adopted under this chapter;
- 4           (4) Create fact-finding committees to make recommendations  
5                   to the commissioner and to support the commissioner's  
6                   deliberations;
- 7           (5) Require a charter applicant or any of the applicant's  
8                   control persons, executive officers, directors,  
9                   general partners, or managing members, to disclose any  
10                  relevant criminal history and request a criminal  
11                  history record check to be conducted pursuant to  
12                  chapter 846; provided that the applicant shall pay all  
13                  applicable fees for each criminal history record  
14                  check;
- 15          (6) Contract with or employ qualified persons who may be  
16                  exempt from chapter 76, including accountants,  
17                  attorneys, investigators, examiners, auditors, or  
18                  other professionals, to assist the commissioner in  
19                  exercising the commissioner's powers and duties;
- 20          (7) Process and investigate complaints, subpoena witnesses  
21                  and documents, administer oaths, receive affidavits



1 and oral testimony, conduct contested case proceedings  
2 under chapter 91, and take other actions as necessary  
3 to exercise the commissioner's powers and duties under  
4 this chapter;

5 (8) Require each digital asset company to comply, to the  
6 same extent and in the same manner as a bank chartered  
7 by the State, with:

8 (A) Any rule, guidance, guideline, statement,  
9 supervisory policy, or any similar proclamation  
10 issued or adopted by the Federal Deposit  
11 Insurance Corporation; and

12 (B) Any policy of the Conference of State Bank  
13 Supervisors;

14 (9) Enter into agreements or relationships with other  
15 government officials or regulatory associations to  
16 improve efficiencies and reduce regulatory burden by  
17 sharing resources; standardized or uniform methods or  
18 procedures; and documents, records, information, or  
19 evidence obtained under this chapter;

20 (10) Use, hire, contract, or employ publicly or privately  
21 available analytical systems, methods, or software to



1 investigate or examine a digital asset company or  
2 other person subject to this chapter;

3 (11) Accept and rely on investigation or examination  
4 reports made by other government officials in Hawaii  
5 or another state;

6 (12) Accept and cite in examination reports, investigation  
7 reports, or any other writings of the commissioner any  
8 audit reports made by an independent certified public  
9 accountant for the digital asset company or other  
10 person subject to this chapter; provided that the  
11 audit and the commissioner's examination or  
12 investigation relate to the same general subject  
13 matter; and

14 (13) Enter into agreements with, hire, retain, or contract  
15 with private and governmental entities to develop  
16 educational programs relating to digital assets.

17 **PART II. CHARTERS**

18 § -4 **Charter required.** (a) No person shall engage in  
19 digital asset business activities or hold itself out as able to  
20 engage in digital asset business activities with or on behalf of  
21 another person unless the person is:



- 1 (1) Chartered in the state pursuant to this chapter; or
- 2 (2) Exempted from the charter requirement under
- 3 section -2.

4 (b) Any transaction made in violation of this section  
5 shall be void, and no person shall have the right to collect,  
6 receive, or retain any principal, interest, fees, or other  
7 charges in connection with the void transaction.

8 § -5 **Fees, fines, and penalties; disposition.** (a) The  
9 commissioner may adopt rules specifying charter application and  
10 renewal fees; fines; penalties for violation of this chapter or  
11 any rules adopted pursuant to this chapter; or any other charges  
12 necessary to implement this chapter.

13 (b) Unless otherwise specified, all fees, fines,  
14 penalties, and other charges collected pursuant to this chapter  
15 shall be deposited with the director of commerce and consumer  
16 affairs to the credit of the compliance resolution fund  
17 established pursuant to section 26-9(o). Payments shall be made  
18 through NMLS, to the extent authorized by NMLS.

19 § -6 **Charter application.** (a) Applicants for a digital  
20 asset charter shall apply in a form prescribed by the  
21 commissioner. The application form shall include, at a minimum:



- 1           (1) The legal name, any trade names, and the business  
2           address of the applicant and, if the applicant is a  
3           partnership, association, limited liability company,  
4           limited liability partnership, or corporation, the  
5           names and business addresses of each controlling  
6           member, officer, principal, or director;
- 7           (2) The applicant's principal place of business in the  
8           United States;
- 9           (3) The address of any branch offices at which the  
10          applicant proposes to engage in digital asset business  
11          activities;
- 12          (4) The identity and background information required by  
13          subsection (b); and
- 14          (5) Any other information required by the commissioner.
- 15          (b) For purposes of the charter application, the applicant  
16          shall provide to the commissioner the following evidence to  
17          verify the applicant's identity and background, including, if  
18          the applicant is not an individual, the identities and  
19          backgrounds of each controlling member, officer, principal, or  
20          director:



1 (1) Fingerprints for submission to the Federal Bureau of  
2 Investigation or any other governmental agency or  
3 entity authorized to receive the fingerprints to  
4 conduct a state, national, and international criminal  
5 history background check; provided that the applicant  
6 shall pay any applicable fees for the criminal history  
7 background check; and

8 (2) Legal and financial histories, in a form prescribed by  
9 the commissioner, including authorization for the  
10 commissioner to obtain:

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

15 (B) Information related to any relevant  
16 administrative, civil, or criminal findings by  
17 any government agency;

18 provided that the commissioner may use any information obtained  
19 pursuant to this section to determine an applicant's financial  
20 responsibility, character, and general fitness for the charter.



1           (c) The commissioner may use an agent to request  
2 information from, or distribute information to, the United  
3 States Department of Justice or any other private or  
4 governmental entity for purposes of this chapter.

5           (d) An applicant for a charter pursuant to this chapter  
6 shall not be issued the charter unless the applicant is  
7 registered with the business registration division of the  
8 department to do business in the State.

9           (e) The commissioner, by order or rules adopted pursuant  
10 to chapter 91, may waive or modify any requirement of this  
11 chapter or establish new requirements to facilitate the review  
12 of charter applications.

13           § -7 **Issuance of charter; grounds for denial.** (a) The  
14 commissioner shall review each applicant, including, if the  
15 applicant is not an individual, each controlling member,  
16 officer, principal, or director, to determine the applicant's  
17 financial responsibility, character, and general fitness for a  
18 charter. The commissioner shall issue a charter authorizing the  
19 applicant to engage in digital asset business activities if the  
20 commissioner determines that the applicant or each controlling  
21 member, officer, principal, or director:



1           (1) Has not had a digital asset license or charter revoked  
2           in any jurisdiction; provided that, if a license or  
3           charter was revoked but the revocation was  
4           subsequently vacated, it shall not be deemed a  
5           revocation for purposes of this chapter;

6           (2) Has not been convicted of, pled guilty or nolo  
7           contendere to, or been granted a deferred acceptance  
8           of a guilty plea for a felony under federal law, the  
9           Uniform Code of Military Justice, or the laws of any  
10          state or country:

11          (A) During the seven years preceding the date of the  
12          application for a charter; or

13          (B) For a felony involving an act of fraud,  
14          dishonesty, breach of trust, or money laundering,  
15          at any time preceding the date of the  
16          application;

17          (3) Has demonstrated sufficient financial responsibility,  
18          good character, and general fitness to command the  
19          confidence of the community and to warrant a  
20          determination that the applicant will operate  
21          honestly, fairly, and efficiently, pursuant to this



1 chapter; provided that, for purposes of this  
2 paragraph, the commissioner may find an applicant not  
3 financially responsible based on:

4 (A) Outstanding financial judgments, except judgments  
5 resulting solely from outstanding medical  
6 expenses;

7 (B) Outstanding tax liens or other government liens;

8 (C) Foreclosures in the preceding three years; or

9 (D) A pattern of seriously delinquent accounts in the  
10 preceding three years;

11 (4) Has not been convicted of, pled guilty or nolo  
12 contendere to, or been granted a deferred acceptance  
13 of a guilty plea for a misdemeanor involving an act of  
14 fraud, dishonesty, breach of trust, or money  
15 laundering under federal law, the Uniform Code of  
16 Military Justice, or the laws of any state or country;

17 (5) Has satisfied the requirements of this chapter, except  
18 any requirements waived or modified by the  
19 commissioner pursuant to section -6(e); and

20 (6) Has paid the bond required by section -10, if  
21 applicable.



1           (b) The applicant, including each controlling member,  
2 officer, principal, or director, shall authorize the  
3 commissioner to conduct background checks in each state in which  
4 the person has conducted digital asset business activities to  
5 verify the information provided pursuant to subsection (a). The  
6 authorization shall include consent to provide additional  
7 fingerprints, if needed, to law enforcement or regulatory bodies  
8 in other states.

9           (c) A charter shall not be issued to any applicant:

10           (1) Whose charter or license to conduct digital asset  
11 business activities was suspended or revoked in the  
12 five years preceding the application by an authority  
13 in this State or any other state or jurisdiction;

14           (2) Who has advertised to consumers or conducted  
15 transactions in the State in violation of this  
16 chapter; or

17           (3) Who has failed to submit a completed application for  
18 charter.

19           (d) A charter issued pursuant to this chapter shall remain  
20 in effect until surrendered, suspended, or revoked, or until the



1 charter expires for failure to pay the annual charter renewal  
2 fee required by section -10.

3       § -8 **Anti-money laundering program.** (a) Each digital  
4 asset company shall conduct an initial risk assessment that  
5 considers the legal, compliance, financial, and reputational  
6 risks associated with the company's activities, services,  
7 customers, counterparties, and geographic location.

8       (b) Based on the initial risk assessment, each digital  
9 asset company shall establish and maintain:

- 10       (1) An anti-money laundering program that complies with  
11           the Anti-Money Laundering Act of 2020;
- 12       (2) An effective customer due diligence system and  
13           monitoring program;
- 14       (3) Procedures for regularly screening customers against  
15           the Specially Designated Nationals and Blocked Persons  
16           lists maintained by the Office of Foreign Assets  
17           Control and any other government watchlists;
- 18       (4) Recordkeeping procedures for tracking any cash  
19           purchases or transactions and procedures for reporting  
20           the cash purchases or transactions to the appropriate



1 federal regulatory agency, as required by the  
2 Anti-Money Laundering Act of 2020;

3 (5) Procedures for monitoring and reporting any suspicious  
4 activities; and

5 (6) Policies and procedures for rejecting or blocking any  
6 transactions that violate state or federal law.

7 (c) Each digital asset company shall conduct the risk  
8 assessment required by subsection (a) annually, or more  
9 frequently to address a known risk, and shall modify the  
10 company's programs and policies as needed to comply with  
11 subsection (b).

12 (d) For purposes of this section, "customer due diligence"  
13 means the process of verifying a customer's identity and  
14 assessing the risk associated with the customer to prevent  
15 financial crimes like money laundering.

16 § -9 **Cybersecurity program.** (a) Each digital asset  
17 company shall establish and maintain a cybersecurity program to  
18 ensure the availability and functionality of the digital asset  
19 company's electronic systems and to protect the systems from  
20 unauthorized access, use, or tampering. The cybersecurity  
21 program shall enable the digital asset company to:



- 1           (1) Identify internal and external cybersecurity risks by,  
2                   at a minimum, identifying the information stored on  
3                   the digital asset company's systems, the sensitivity  
4                   of the information, and how and by whom the  
5                   information may be accessed;
- 6           (2) Protect the digital asset company's electronic systems  
7                   and the information stored on the systems from  
8                   unauthorized access, use, or other malicious acts  
9                   through the use of defensive infrastructure and the  
10                  implementation of policies and procedures;
- 11          (3) Detect system intrusions, data breaches, unauthorized  
12                  access to systems or information, malware, and other  
13                  cybersecurity events;
- 14          (4) Respond to detected cybersecurity events to mitigate  
15                  any negative effects; and
- 16          (5) . Recover from cybersecurity events and restore normal  
17                  operations and services.
- 18          (b) Each digital asset company shall implement a written  
19                  cybersecurity policy setting forth the digital asset company's  
20                  policies and procedures for the protection of its electronic  
21                  systems and any customer or counterparty data stored on the



1 company's systems. The written policy shall be reviewed and  
2 approved at least annually by the digital asset company's board  
3 of directors or the equivalent governing body. The written  
4 cybersecurity policy shall:

- 5 (1) Establish policies, procedures, and controls in  
6 compliance with subsection (a);
- 7 (2) Designate a cybersecurity officer;
- 8 (3) Require the development and implementation of employee  
9 training to educate employees on new and emerging  
10 cybersecurity risks and threats, to the extent  
11 appropriate for each employee's position and  
12 responsibilities;
- 13 (4) Establish methods for testing the digital asset  
14 company's cybersecurity systems; and
- 15 (5) Establish recordkeeping policies.

16 § -10 Fees; bond. (a) A digital asset company shall  
17 pay the following fees to the division through NMLS to obtain  
18 and maintain a valid charter under this chapter:

- 19 (1) An initial nonrefundable application fee of \$9,000;
- 20 (2) An annual, nonrefundable renewal application fee of  
21 \$1,000; and



1           (3) Any fees collected by NMLS for the processing of the  
2           application, including any applicable fees for:

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

12          (B) An independent credit report obtained from a  
13          consumer reporting agency described in  
14          section 603(p) of the Fair Credit Reporting Act  
15          (title 15 United States Code section 1681a(p)).

16          (b) Each digital asset company shall also be assessed  
17          quarterly fees based on the total value of the company's  
18          transactions in the State, measured by the United States dollar  
19          equivalent of the digital assets, as recorded in the company's  
20          quarterly reports. The first quarterly fees shall be assessed



1 in the quarter after the applicant obtains a charter, in  
2 accordance with the following:

3 (1) For a digital asset company where the total value of  
4 the company's transactions, measured by the United  
5 States dollar equivalent of the digital assets, is not  
6 more than \$10,000, the quarterly assessment shall be  
7 \$2,500;

8 (2) For a digital asset company where the total value of  
9 the company's transactions, measured by the United  
10 States dollar equivalent of the digital assets, is  
11 more than \$10,000 but not more than \$15,000, the  
12 quarterly assessment shall be \$3,750;

13 (3) For a digital asset company where the total value of  
14 the company's transactions, measured by the United  
15 States dollar equivalent of the digital assets, is  
16 more than \$15,000 but not more than \$25,000, the  
17 quarterly assessment shall be \$6,250;

18 (4) For a digital asset company where the total value of  
19 the company's transactions, measured by the United  
20 States dollar equivalent of the digital assets, is



1 more than \$25,000 but not more than \$35,000, the  
2 quarterly assessment shall be \$8,750; and

3 (5) For a digital asset company where the total value of  
4 the company's transactions, measured by the United  
5 States dollar equivalent of the digital assets, is  
6 more than \$35,000, the quarterly assessment shall be  
7 \$12,500.

8 (c) The assessments shall be paid quarterly on February  
9 15, May 15, August 15, and November 15 of each year, based on  
10 the digital asset company's quarterly reports as of the previous  
11 December 31, March 31, June 30, and September 30, respectively.

12 (d) Digital assets shall be based on the United States  
13 dollar equivalent of the digital assets held on behalf of  
14 customers, calculated from the company's quarterly report based  
15 on the trading price of the asset on the digital asset company's  
16 platform as of 4:30 p.m. Hawaii-Aleutian Standard Time.

17 (e) If required by the commissioner, the applicant or  
18 digital asset company shall file and maintain a surety bond that  
19 is approved by the commissioner and executed by the applicant as  
20 obligor and by a surety company authorized to operate as a  
21 surety in the State. The surety company's liability as a surety



1 shall not exceed, in the aggregate, the penal sum of the bond;  
2 provided that the penal sum of the bond shall be not less than  
3 \$500,000, based on the annual United States dollar equivalent of  
4 the digital asset as reported in the charter application or  
5 annual renewal report.

6 (f) The bond required by subsection (e) shall run to the  
7 State as obligee for the use and benefit of the State and of any  
8 person or persons that may have a cause of action against the  
9 digital asset company as obligor under this chapter. The bond  
10 shall be conditioned upon the following:

11 (1) The digital asset company as obligor shall faithfully  
12 conform to and abide by this chapter and all rules  
13 adopted under this chapter; and

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

19 § -11 **Renewal of charter; annual report; quarterly**

20 **reports.** (a) Each digital asset company shall file an annual  
21 report in accordance with NMLS policy. The annual report shall



1 include the digital asset company's most recent audited annual  
2 financial statement, including:

- 3 (1) Balance sheets;
- 4 (2) A statement of income or loss;
- 5 (3) A statement of changes in shareholders' equity; and
- 6 (4) A statement of cash flows;

7 provided that, if the digital asset company is a wholly owned  
8 subsidiary of another corporation, the digital asset company  
9 shall submit the consolidated audited annual financial statement  
10 of the parent company in lieu of the digital asset company's  
11 annual audited financial statement.

12 (b) Each digital asset company shall file quarterly  
13 reports, in a form prescribed by the commissioner, that shall  
14 include:

15 (1) An accounting of the digital asset company's  
16 activities in the State since the prior reporting  
17 period, including:

- 18 (A) The number of stored value accounts opened;
- 19 (B) The number of transactions processed;



- 1 (C) The total value of transactions, measured by the
- 2 United States dollar equivalent of the digital
- 3 assets;
- 4 (D) The number of system outages;
- 5 (E) A chart of accounts, including a description of
- 6 each account; and
- 7 (F) Any other information relating to performance
- 8 metrics or the efficacy of the company, as
- 9 required by the commissioner;
- 10 (2) A report of any material changes to any of the
- 11 information submitted by the digital asset company in
- 12 the company's original application that has not
- 13 previously been reported to the commissioner in any
- 14 other report required under this chapter;
- 15 (3) Disclosure of any pending or final suspension,
- 16 revocation, or other enforcement action by any state
- 17 or government authority; and
- 18 (4) Any other information required by the commissioner.
- 19 (c) A digital asset company may renew its charter by:
- 20 (1) Continuing to meet the requirements of this chapter;



1           (2) Filing a completed renewal application in a form  
2                   prescribed by NMLS or the commissioner; and

3           (3) Paying a renewal fee.

4           (d) If, at the time the charter renewal is due, the  
5 digital asset company has not filed an application deemed  
6 complete by the commissioner; filed an annual report and all  
7 quarterly reports; or paid the quarterly fees, the digital asset  
8 company's charter shall be suspended as of the date the renewal  
9 is due, unless the company is granted an extension of time by  
10 the commissioner. The digital asset company shall have thirty  
11 days after the company's charter is suspended to file the  
12 missing documents or to pay the outstanding fees, plus a late  
13 filing fee of \$250 for each day after suspension that the  
14 documents and fees are not made current. The commissioner, for  
15 good cause, may reduce or suspend the late filing fee.

16           §   -12 **Principal place of business.** (a) Each digital  
17 asset company shall maintain a principal place of business in  
18 the United States, regardless of whether the digital asset  
19 company maintains its principal office outside the United  
20 States.



1           (b) The digital asset company's principal place of  
2 business shall be identified in NMLS.

3           **§ -13 Sale or transfer of charter; change of control.**

4           (a) No charter granted to a digital asset company shall be  
5 transferred, except as provided in this section.

6           (b) A person or group of persons proposing a change of  
7 control of a digital asset company shall submit to the  
8 commissioner an application requesting approval of the proposed  
9 change of control, accompanied by a nonrefundable application  
10 fee of \$10,000.

11           (c) After reviewing the application submitted pursuant to  
12 subsection (b), the commissioner may require the digital asset  
13 company or the person or group of persons requesting a change of  
14 control, or both, to provide additional information concerning  
15 the persons who propose to assume control of the digital asset  
16 company. The additional information shall be limited to the  
17 types of information required of a digital asset company as part  
18 of its original charter or renewal application. The information  
19 shall include, for the five-year period prior to the date of the  
20 application for change of control, a history of any material  
21 litigation and any criminal convictions of each person who, upon



1 approval of the application for change of control, would be a  
2 principal of the digital asset company. Authorization shall be  
3 given to conduct criminal history record checks of these  
4 persons, accompanied by payment of the applicable fee for each  
5 record check.

6 (d) The commissioner shall approve an application  
7 requesting a change of control under subsections (b) and (c) if  
8 the commissioner determines that the person or group of persons  
9 requesting approval has the competence, experience, character,  
10 and general fitness to control the digital asset company in a  
11 lawful and proper manner and that the interests of the public  
12 will not be jeopardized by the change of control.

13 (e) A person who:

14 (1) Acts as a proxy for the sole purpose of voting at a  
15 designated meeting of the security holders or holders  
16 of voting interests in a digital asset company or  
17 person in control of a digital asset company;

18 (2) Acquires control of a digital asset company by devise  
19 or descent;

20 (3) Acquires control as a personal representative,  
21 custodian, guardian, conservator, trustee, or as an



1           officer appointed by a court of competent jurisdiction  
2           or by operation of law; or

3           (4) Is exempted by the commissioner,  
4 shall be exempt from the requirements of this section; provided  
5 that the digital asset company shall notify the commissioner  
6 when control is assumed by the person.

7           (f) Before filing an application requesting the  
8 commissioner's approval of a change of control, a person may  
9 request, in writing, a determination from the commissioner as to  
10 whether the person would be considered a person in control of a  
11 digital asset company upon consummation of a proposed  
12 transaction. If the commissioner determines that the person  
13 would not be a person in control of a digital asset company, the  
14 commissioner shall enter an order to that effect, and the  
15 proposed person and transaction shall not be subject to  
16 subsections (b) through (d).

17           (g) Subsection (b) shall not apply to public offerings of  
18 securities.

19           **§ -14 Ownership and control of a digital asset.** (a) To  
20 the extent a digital asset company stores, holds, or maintains  
21 custody or control of a digital asset on behalf of another



1 person, the digital asset company shall hold a digital asset of  
2 the same type and amount as that which is owed or obligated to  
3 that person.

4 (b) If a digital asset company violates subsection (a),  
5 the property interest the person holds in the digital asset  
6 shall be a pro rata property interest in the type of digital  
7 asset for which the person is entitled, without regard to the  
8 time the person became entitled to the digital asset or the  
9 digital asset company obtained control of the digital asset.

10 (c) The digital asset referred to in this section shall:

11 (1) Be held for the person or persons entitled to the  
12 digital asset;

13 (2) Not be considered the property of the digital asset  
14 company; and

15 (3) Not be subject to the claims of creditors of the  
16 digital asset company.

17 (d) No digital asset company shall sell, transfer, assign,  
18 lend, hypothecate, pledge, or otherwise use or encumber assets,  
19 including digital assets, stored, held, or maintained by, or  
20 under the custody or control of, the digital asset company on  
21 behalf of another person, except at the direction of that



1 person, unless it is clearly explained to the person that the  
2 use or encumberment is the intent of the product.

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

4 § -15 **Required disclosures.** (a) A digital asset  
5 company that engages in digital asset business activities shall  
6 provide to each person using the digital asset company's  
7 products or services the disclosures required by subsection (b)  
8 and any additional disclosures the commissioner deems necessary  
9 for the protection of the company's clients. The commissioner  
10 shall determine the required time for and form of the  
11 disclosure. Any disclosure required by this section shall be  
12 made in writing, unless an alternate disclosure method is  
13 approved by the commissioner, and shall be issued separately  
14 from any other information provided by the digital asset  
15 company.

16 (b) Before doing business with a person, a digital asset  
17 company shall disclose to the person, to the extent applicable  
18 to the person's intended business activities:

19 (1) The amount and timing of any fees and charges the  
20 digital asset company may assess, or how the fees and



- 1 charges will be calculated if the fees or charges are  
2 not established in advance;
- 3 (2) Whether the product or service provided by the digital  
4 asset company is covered by:
- 5 (A) A form of insurance or is otherwise guaranteed  
6 against loss by an agency of the United States,  
7 including the Federal Deposit Insurance  
8 Corporation or Securities Investor Protection  
9 Corporation; or
- 10 (B) Private insurance against theft or loss,  
11 including cyber theft or theft by other means;
- 12 (3) The irrevocability of a transfer or exchange;
- 13 (4) The method by which the person can update the person's  
14 contact information with the digital asset company;
- 15 (5) That the date or time that the person initiates  
16 instructions to make a transfer or exchange may differ  
17 from the date or time when the transfer or exchange is  
18 actually completed and the person's account is  
19 debited;
- 20 (6) The person's right to at least thirty days' notice if  
21 the digital asset company changes its fee schedule,



1 terms and conditions of its business activities with  
2 the person, or other policies applicable to the  
3 person's account; and

4 (7) That digital assets are not money.

5 (c) At the end of a digital asset transaction with or on  
6 behalf of a person, a digital asset company shall provide to the  
7 person, in writing:

8 (1) The name and contact information of the digital asset  
9 company, and any information the person may need to  
10 ask a question or file a complaint;

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

13 (3) Any fees charged for the transaction, including any  
14 charge for converting a digital asset to money, bank  
15 credit, or another digital asset.

16 § -16 **Tangible net worth requirement; records.** (a) A  
17 digital asset company engaged in digital asset business  
18 activities shall maintain at all times a tangible net worth of  
19 at least \$500,000, or an amount determined by the commissioner  
20 to be necessary to ensure the company's sound operations.



1           (b) Each digital asset company shall create, preserve, and  
2 make available for inspection by the commissioner the books,  
3 accounts, and other records required by subsection (c) in a form  
4 that enables the commissioner to determine whether the digital  
5 asset company is in compliance with this chapter, any relevant  
6 court order, and other laws of the State.

7           (c) For each digital asset business activity conducted  
8 with or on behalf of a person, the digital asset company shall  
9 maintain for five years after the date of the activity a record  
10 of:

11           (1) Each transaction, including the:

12                   (A) Identity and address of the person and, to the  
13 extent feasible, the identity and address of any  
14 other parties to the transaction;

15                   (B) Account number of the person;

16                   (C) Form, amount, and date of the transaction; and

17                   (D) Any payment instructions given by the person;

18           (2) The aggregate number of transactions and aggregate  
19 value of transactions with or on behalf of the person  
20 in the previous twelve calendar months, expressed in



- 1           the United States dollar equivalent of the digital  
2           assets;
- 3           (3) Each transaction with or on behalf of the person in  
4           which the digital asset company exchanged one form of  
5           digital asset for money or another form of digital  
6           asset;
- 7           (4) A general ledger, posted to at least monthly, that  
8           lists all of the digital asset company's assets,  
9           liabilities, capital, income, ownership equity, and  
10          expenses;
- 11          (5) Each call report related to the person that the  
12          digital asset company is required by law to create or  
13          provide to the division or NMLS;
- 14          (6) The account number and address of each bank the  
15          digital asset company used in conducting its digital  
16          asset business activity with the person and the bank  
17          statements and bank reconciliation records for those  
18          accounts;
- 19          (7) If the person filed a customer complaint, any  
20          communications and documentation related to the  
21          investigation of the complaint; and



1           (8) A report of any digital asset business activity  
2                   transaction with or on behalf of the person that the  
3                   digital asset company was unable to complete.

4           §   -17   **Advertising and marketing.**   (a) No digital asset  
5 company engaged in digital asset business activities shall  
6 advertise its products, services, or activities in the State, or  
7 advertise to consumers in the State, unless the advertisement  
8 includes the name of the company and confirmation that the  
9 digital asset company is "Chartered by the State of Hawaii  
10 Department of Commerce and Consumer Affairs' Division of  
11 Financial Institutions to engage in digital asset business  
12 activity."

13           (b) Each digital asset company shall maintain for at least  
14 five years from the date of the materials' creation, and make  
15 available for examination by the commissioner, all advertising  
16 and marketing materials, including advertising or marketing  
17 through:

- 18           (1) Print media, including brochures;
- 19           (2) Digital media and internet websites;
- 20           (3) Television and video streaming services;
- 21           (4) Radio and audio streaming services; and



1           (5) Presentation materials;  
2 provided that if material changes are made to internet or  
3 digital advertising or marketing materials, the digital asset  
4 company shall maintain screenshots or transcripts reflecting the  
5 changes.

6           (c) In all advertising and marketing materials, the  
7 digital asset company and any person or entity acting on the  
8 company's behalf shall:

9           (1) Comply with all disclosure requirements under state  
10           and federal law; and

11           (2) Avoid making, directly or by implication, any false,  
12           misleading, or deceptive representations or omissions.

13           § **-18 Confidentiality.** (a) Except as provided in  
14 title 12 United States Code section 5111, the following shall  
15 continue to apply to information and materials after the  
16 information or material has been disclosed to NMLS or any  
17 federal or state regulatory officials having authority over  
18 transactions under this chapter:

19           (1) Any federal or state law regarding the privacy or  
20           confidentiality of information or materials provided  
21           to NMLS; and



1           (2) Any privilege arising under federal or state law or  
2           the rules of any federal or state court.

3           (b) For purposes of this section, the commissioner may  
4 enter into agreements or sharing arrangements with other  
5 governmental agencies, the Conference of State Bank Supervisors,  
6 or other associations representing governmental agencies.

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

9           (1) Disclosure under chapter 92F; or

10           (2) Subpoena, discovery, or admission into evidence in any  
11 private civil action or administrative proceeding,  
12 unless:

13           (A) The privilege is determined by NMLS to be  
14 inapplicable to the information or material; or

15           (B) The person to whom the information or material  
16 pertains waives the privilege.

17           (d) Notwithstanding chapter 92F, investigations and  
18 examinations authorized under section       -20 and any related  
19 information and documents, including reports of the  
20 investigation or examination, shall be confidential and shall



1 not be subject to discovery or disclosure in any civil lawsuit  
2 or criminal proceeding.

3 (e) If a conflict exists between this section and any  
4 other provision of state law relating to the disclosure of  
5 privileged or confidential information or material, this section  
6 shall control.

7 (f) This section shall not apply to information or  
8 material relating to the employment history of, or any publicly  
9 adjudicated disciplinary or enforcement actions against, any  
10 persons whose information is publicly accessible in NMLS.

11 **PART IV. ENFORCEMENT**

12 **§ -19 Enforcement authority; violations; penalties. (a)**

13 The commissioner may take any disciplinary action specified in  
14 subsection (b) against an applicant or digital asset company if  
15 the applicant; digital asset company; or any control person,  
16 executive officer, director, general partner, or managing member  
17 of the applicant or digital asset company has:

18 (1) Violated this chapter or any rule adopted or order  
19 issued pursuant to this chapter;

20 (2) Failed to disclose facts or conditions that, had those  
21 facts or conditions been known at the time the



- 1 application for charter was made, would have justified  
2 the commissioner in denying the application;
- 3 (3) Failed to provide within a reasonable time any  
4 information required by the commissioner;
- 5 (4) Failed to provide or maintain proof of financial  
6 responsibility;
- 7 (5) Become insolvent;
- 8 (6) Made in any document or statement filed with the  
9 commissioner a false representation of a material fact  
10 or omitted a material fact;
- 11 (7) Been convicted of or entered a plea of guilty or nolo  
12 contendere to a crime involving fraud, deceit, or any  
13 similar crime;
- 14 (8) Failed to make, maintain, or produce records in  
15 compliance with this chapter or any rule adopted by  
16 the commissioner pursuant to chapter 91;
- 17 (9) Been the subject of any disciplinary action from a  
18 state or federal agency that resulted in the  
19 revocation of a license or charter;
- 20 (10) Had a final judgement entered against the applicant or  
21 digital asset company for a violation of:



- 1 (A) This chapter;
- 2 (B) Any state or federal law concerning a digital
- 3 asset license or charter or money transmitter
- 4 license; or
- 5 (C) Any state or federal law prohibiting unfair or
- 6 deceptive acts or practices; or
- 7 (11) Failed to take, or provide proof of taking, timely
- 8 corrective action as required by the commissioner
- 9 after an investigation or examination pursuant to
- 10 section -20.
- 11 (b) If the commissioner finds that an applicant or a
- 12 digital asset company has committed one or more violations under
- 13 subsection (a), the commissioner may:
- 14 (1) Deny an application for a charter or branch office;
- 15 (2) Suspend or revoke the charter in accordance with
- 16 section -23;
- 17 (3) Order the digital asset company to cease and desist
- 18 from engaging in any act specified in subsection (a),
- 19 in accordance with section -24;
- 20 (4) Order the digital asset company to refund to customers
- 21 any excess charges under this chapter; or



1           (5) Impose penalties of up to \$20,000 for each violation,  
2                   in accordance with section       -26.

3           (c) The commissioner may issue a temporary cease and  
4 desist order if the commissioner finds that the digital asset  
5 company, applicant, or other person subject to this chapter is  
6 engaging, has engaged, or is about to engage in an illegal,  
7 unauthorized, unsafe, or unsound practice in violation of this  
8 chapter.

9           (d) If the commissioner denies or revokes a charter or  
10 takes other disciplinary action pursuant to this chapter, the  
11 commissioner shall enter an order to that effect and notify the  
12 applicant or digital asset company of the denial, revocation, or  
13 other disciplinary action by personal service or certified mail  
14 to the last known address of the applicant or digital asset  
15 company as shown on the application or charter, or as furnished  
16 in writing to the commissioner.

17           (e) No revocation, suspension, consent order, or surrender  
18 of a charter shall impair or affect the obligations of any  
19 preexisting lawful contract between a digital asset company and  
20 a consumer.



1 (f) The commissioner may reinstate a charter, terminate a  
2 suspension, or grant a charter to a digital asset company or  
3 person whose charter has been revoked, suspended, or denied if  
4 no fact or condition then exists that would clearly justify the  
5 revocation, suspension, or denial.

6 (g) The commissioner may impose on a digital asset  
7 company, applicant, or other person subject to this chapter an  
8 administrative fine if the commissioner finds, on the record  
9 after notice and an opportunity for a hearing, that the digital  
10 asset company, applicant, or person has violated or failed to  
11 comply with any requirement of this chapter or any rule adopted  
12 or order issued under this chapter.

13 (h) Each violation or failure to comply with any directive  
14 or order of the commissioner shall be a separate violation.

15 § -20 **Investigation and examination; authority.** (a) In  
16 addition to the powers granted to the commissioner under  
17 section -3, the commissioner may conduct investigations and  
18 examinations in accordance with this section and, for purposes  
19 of an investigation or examination, may:

20 (1) Access, receive, and use any books, accounts, records,  
21 files, documents, or information that the commissioner



1           deems relevant to the investigation or examination,  
2           regardless of the location, possession, control, or  
3           custody of the documents, information, or evidence;

4           (2) Review, investigate, or examine any digital asset  
5           company or person subject to this chapter as often as  
6           necessary to carry out the purposes of this chapter;

7           (3) Direct, subpoena, or order the attendance of, and  
8           examine under oath, any person whose testimony may be  
9           required regarding a digital asset transaction,  
10          digital asset business activity, or any other subject  
11          matter of the investigation or examination; and

12          (4) Direct, subpoena, or order a person to produce books,  
13          accounts, records, files, and any other documents the  
14          commissioner deems relevant.

15          (b) Each digital asset company or other person subject to  
16          this chapter shall provide to the commissioner, upon the  
17          commissioner's request, any books or records relating to the  
18          company or person's digital asset business activities. The  
19          commissioner shall also be permitted to interview the control  
20          persons, executive officers, directors, general partners,  
21          managing members, principals, managers, employees, independent



1 contractors, agents, and consumers who may have information  
2 about the digital asset company or its digital asset business  
3 activities.

4 (c) If directed by the commissioner, each digital asset  
5 company or person subject to this chapter shall make or compile  
6 reports or prepare other information to support the  
7 commissioner's investigation or examination, including:

8 (1) Accounting compilations;

9 (2) Information, lists, or data, concerning digital asset  
10 transactions in a format prescribed by the  
11 commissioner; or

12 (3) Any other information the commissioner deems  
13 necessary.

14 (d) In conducting any investigation or examination  
15 authorized by this chapter, the commissioner may control access  
16 to any documents or records of the digital asset company or  
17 person under investigation or examination. The commissioner may  
18 take possession of the documents or records or place a person in  
19 exclusive charge of the documents or records. During the period  
20 of control, no person shall remove or attempt to remove any of  
21 the documents or records except pursuant to a court order or



1 with the consent of the commissioner; provided that, unless the  
2 commissioner has reasonable grounds to believe the records or  
3 documents have been, or are at risk of being, altered or  
4 destroyed, the commissioner shall give consent for the digital  
5 asset company or owner of the documents or records to access the  
6 documents or records as necessary to conduct the company or  
7 person's ordinary business affairs.

8 (e) This section shall apply even if a digital asset  
9 company or person subject to this chapter acts or claims to act  
10 without the State's authority.

11 (f) No digital asset company or person subject to  
12 investigation or examination under this section may knowingly  
13 withhold, abstract, remove, mutilate, destroy, or conceal any  
14 relevant books, records, computer records, or other information.

15 (g) For each digital asset company or person investigated  
16 or examined under this section, the commissioner may charge an  
17 investigation or examination fee, payable to the commissioner,  
18 based upon the cost per hour, per examiner, for the  
19 investigation or examination. The hourly fee shall be \$60 or  
20 amount established by the commissioner by rule pursuant to  
21 chapter 91. In addition to the investigation or examination



1 fee, the commissioner may charge any digital asset company or  
2 person who is investigated or examined pursuant to this section  
3 additional fees, payable to the commissioner, for travel, per  
4 diem, mileage, or other reasonable expenses incurred in  
5 connection with the investigation or examination.

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

12 § -21 **Prohibited practices.** (a) Except as otherwise  
13 provided by law, no digital asset company, including the  
14 company's control persons, executive officers, directors,  
15 general partners, managing members, employees, or independent  
16 contractors, or any other person subject to this chapter shall,  
17 directly or indirectly:

18 (1) Engage in any act that attempts to limit or restrict  
19 the application of this chapter;



- 1           (2) Use a customer's digital asset account number to  
2           prepare, issue, or create a transaction on behalf of  
3           the customer without the customer's authorization;
- 4           (3) Charge, collect, or receive any fees for negotiating a  
5           digital asset transaction, other than fees authorized  
6           by this chapter, rules adopted pursuant to this  
7           chapter, or any other applicable state or federal law;
- 8           (4) Fail to make any disclosures required by this chapter,  
9           rules adopted pursuant to this chapter, or any other  
10          applicable state or federal law;
- 11          (5) Employ any scheme, device, or artifice to defraud or  
12          mislead any consumer or person;
- 13          (6) Engage in any unfair or deceptive acts, practices, or  
14          advertising in connection with a digital asset  
15          business activity;
- 16          (7) Obtain a digital asset by fraud or misrepresentation;
- 17          (8) Conduct any digital asset business activity with or on  
18          behalf of any person physically located in the State  
19          through the use of the Internet, facsimile, telephone,  
20          kiosk, or any other means, without first obtaining a  
21          charter under this chapter;



- 1           (9) Make a false or deceptive statement or representation  
2           to consumers, including statements regarding rates,  
3           fees, financing terms, or any other conditions placed  
4           on digital asset business activities;
- 5           (10) Make a false statement or knowingly omit a material  
6           fact in connection with any reports filed with the  
7           division or investigation or examination conducted by  
8           the division;
- 9           (11) Conduct digital asset business activities from any  
10           location not authorized by the commissioner as a  
11           principal place of business or branch office;
- 12           (12) Draft funds from any depository financial institution  
13           without the written approval of the consumer; provided  
14           that nothing in this paragraph shall prohibit the  
15           conversion of a negotiable instrument into an  
16           electronic form for processing through the Automated  
17           Clearing House or a similar system;
- 18           (13) Fail to comply with all applicable state and federal  
19           laws controlling the activities governed by this  
20           chapter; or



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

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

6 § -22 **Voluntary surrender of a charter.** (a) A digital  
7 asset company may voluntarily cease business and surrender the  
8 company's charter by giving written notice of the intended  
9 surrender to the commissioner through NMLS.

10 (b) Notice to the commissioner shall be provided at least  
11 thirty days prior to the surrender of the charter and shall  
12 include:

- 13 (1) The date of the surrender;
- 14 (2) The name, address, telephone number, facsimile number,  
15 and electronic mail address of a person within the  
16 company having sufficient knowledge and authority to  
17 communicate with the commissioner regarding all  
18 matters relating to the digital asset company;
- 19 (3) The reason for the surrender;



- 1           (4) Information relating to the digital asset company's  
2           outstanding digital asset transactions in the State,  
3           including the:
- 4           (A) Total dollar amount of the digital asset  
5           company's outstanding digital asset transactions;
- 6           (B) Dollar amount of each outstanding digital asset  
7           transaction; and
- 8           (C) Name, address, and telephone number of each  
9           person with whom the digital asset company has an  
10          outstanding digital asset transaction.
- 11          (5) A list of the digital asset company's authorized  
12          branch offices, if any;
- 13          (6) Confirmation that the digital asset company has  
14          notified each of its authorized branch offices, if  
15          any, that the branch offices shall no longer conduct  
16          digital asset business activities on the company's  
17          behalf; and
- 18          (7) Confirmation that the digital asset company has  
19          notified each of its digital asset accounts, if any,  
20          that the digital asset account is being transferred  
21          and has provided contact information for the digital



1           asset company or entity to which the digital asset is  
2           being assigned.

3           §   -23   **Suspension or revocation of a charter.**   The  
4 commissioner may suspend or revoke a charter if the commissioner  
5 finds that:

6           (1)   A fact or condition exists that, had it existed when  
7           the digital asset company applied for the charter,  
8           would have been grounds for denying the digital asset  
9           company's application;

10          (2)   The digital asset company's tangible net worth has  
11          become insufficient and the company, after ten days'  
12          written notice from the commissioner, failed to take  
13          the steps required by the commissioner to remedy the  
14          insufficiency;

15          (3)   The digital asset company has knowingly violated any  
16          material provision of this chapter or any rule adopted  
17          or order issued under this chapter;

18          (4)   The digital asset company is conducting, or has  
19          conducted, its business in an unsafe or unsound  
20          manner;

21          (5)   The digital asset company has become insolvent;



1           (6) The digital asset company has suspended payment of its  
2           obligations, made an assignment for the benefit of its  
3           creditors, or admitted in writing its inability to pay  
4           its debts as they become due;

5           (7) The digital asset company has filed for bankruptcy,  
6           reorganization, arrangement, or any other relief under  
7           federal bankruptcy laws;

8           (8) The digital asset company refuses to permit the  
9           commissioner to undertake an investigation or  
10          examination that is authorized by this chapter; or

11          (9) The competence, experience, character, or general  
12          fitness of the digital asset company indicates that it  
13          is no longer in the public interest to allow the  
14          company to hold a charter.

15          §   **-24 Orders to cease and desist.** (a) The commissioner  
16          may issue an order requiring a digital asset company to cease  
17          and desist if the commissioner determines that the digital asset  
18          company's violation of this chapter, or a rule adopted or order  
19          issued under this chapter, is likely to cause:



1           (1) Immediate and irreparable harm to the digital asset  
2           company, the digital asset company's customers, or the  
3           public; or

4           (2) The insolvency or a significant dissipation of the  
5           assets of the digital asset company.

6           (b) An order to cease and desist shall be effective upon  
7           the service of the order and shall remain in effect pending the  
8           completion of an administrative proceeding pursuant to  
9           chapter 91; provided that the digital asset company may petition  
10          the circuit court for a judicial order setting aside, limiting,  
11          or suspending the order pending the completion of the  
12          administrative proceeding.

13          (c) The commissioner shall hold an administrative  
14          proceeding no later than twenty calendar days after issuing an  
15          order to cease and desist.

16          (d) The commissioner may also apply to the circuit court  
17          for a temporary restraining order or other injunctive relief, as  
18          necessary, to protect the public interest.

19          §    -25   **Consent orders.** The commissioner may enter into a  
20          consent order with a person at any time to resolve a matter  
21          arising under this chapter. The consent order shall be signed



1 by the person to whom the order is issued, or the person's  
2 authorized representative, and shall indicate the person's  
3 agreement with the terms of the order. A consent order may  
4 provide that the order does not constitute an admission by the  
5 person that this chapter, or a rule adopted or order issued  
6 under this chapter, has been violated.

7       §   **-26 Civil penalties.** (a) The commissioner may assess  
8 a fine against a person who violates this chapter, or a rule  
9 adopted or order issued under this chapter, in an amount not to  
10 exceed \$10,000 per violation, plus the State's costs and  
11 expenses for investigating and litigating the matter, including  
12 reasonable attorney's fees.

13       (b) Any violation of this chapter that is directed toward,  
14 targets, or injures an elder may be subject to an additional  
15 civil penalty of not more than \$10,000 per violation, in  
16 addition to any other fines or penalties assessed for the  
17 violation.

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, including a person who makes a



1 false entry or omits a material entry in a record, shall be  
2 guilty of a class C felony and shall be subject to a fine of not  
3 more than \$10,000.

4 (b) A person who knowingly engages in any activity for  
5 which a charter is required under this chapter without holding a  
6 charter shall be guilty of a misdemeanor and shall be subject to  
7 a fine of not more than \$1,000, imprisonment for not more than  
8 one year, or both; provided that each day a violation of this  
9 chapter exists shall be a separate offense.

10 § -28 **Unchartered persons.** (a) If the commissioner has  
11 reason to believe that a person is conducting digital asset  
12 business activities without a charter, in violation of  
13 section -4, the commissioner may:

14 (1) Issue an order for the person to show cause why the  
15 commissioner should not issue an order to cease and  
16 desist;

17 (2) Issue an order to cease and desist pursuant to  
18 section -24; provided that an order to cease and  
19 desist shall be effective upon service of the order;  
20 and provided further that a person who is served with  
21 an order to cease a desist for an alleged violation of



1 section -4 may petition the circuit court for a  
2 judicial order setting aside, limiting, or suspending  
3 the order pending the completion of an administrative  
4 proceeding pursuant to section -29; or

5 (3) If the public would be irreparably harmed by the  
6 person's continued unchartered digital asset business  
7 activities, petition the circuit court in the  
8 appropriate jurisdiction for the issuance of a  
9 temporary restraining order.

10 (b) The commissioner shall hold an administrative  
11 proceeding no later than twenty calendar days after issuing an  
12 order to cease and desist.

13 § -29 **Administrative procedures.** All administrative  
14 proceedings under this chapter shall be conducted in accordance  
15 with chapter 91.

16 § -30 **Hearings.** Except as otherwise provided in this  
17 chapter, the commissioner shall not suspend or revoke a charter,  
18 issue an order to cease and desist, or assess a civil penalty  
19 without providing the digital asset company, applicant, or other  
20 person subject to this chapter with notice and an opportunity to  
21 be heard.



1           §   -31   **Division functions.**   (a)   The division shall  
 2   exercise all administrative functions of the State in  
 3   regulating, supervising, and issuing charters to digital asset  
 4   companies.

5           (b)   The division may adopt rules pursuant to chapter 91 as  
 6   necessary to effectuate the purposes 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 value defined as a digital  
 12   asset 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 resource family homes as provided  
8           by section 346-17;
- 9           (9) The department of human services on prospective  
10          adoptive parents as established under  
11          section 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 corrections and rehabilitation on
- 20 employees and prospective employees, volunteers,
- 21 contract service providers, and subcontract service



1 providers who are directly involved with the treatment  
2 and care of, or directly involved in providing  
3 correctional programs and services to, persons  
4 committed to a correctional facility, or placed in  
5 close proximity to persons committed when providing  
6 services on behalf of the department or the  
7 correctional facility, as provided by section 353-1.5  
8 and the department of law enforcement on employees and  
9 prospective employees whose duties involve or may  
10 involve the exercise of police powers including the  
11 power of arrest as provided by section 353C-5;

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

15 (18) Private schools and designated organizations on  
16 employees and prospective employees who may be in  
17 positions that necessitate close proximity to  
18 children; provided that private schools and designated  
19 organizations receive only indications of the states  
20 from which the national criminal history record  
21 information was provided pursuant to section 302C-1;



- 1           (19) The public library system on employees and prospective  
2                   employees whose positions place them in close  
3                   proximity to children as provided by  
4                   section 302A-601.5;
- 5           (20) The State or any of its branches, political  
6                   subdivisions, or agencies on applicants and employees  
7                   holding a position that has the same type of contact  
8                   with children, vulnerable adults, or persons committed  
9                   to a correctional facility as other public employees  
10                  who hold positions that are authorized by law to  
11                  require criminal history record checks as a condition  
12                  of employment as provided by section 78-2.7;
- 13          (21) The department of health on licensed adult day care  
14                  center operators, employees, new employees,  
15                  subcontracted service providers and their employees,  
16                  and adult volunteers as provided by section 321-15.2;
- 17          (22) The department of human services on purchase of  
18                  service contracted and subcontracted service providers  
19                  and their employees and volunteers, as provided by  
20                  sections 346-2.5 and 346-97;



- 1           (23) The department of human services on foster grandparent  
2                   program, senior companion program, and respite  
3                   companion program participants as provided by  
4                   section 346-97;
- 5           (24) The department of human services on contracted and  
6                   subcontracted service providers and their current and  
7                   prospective employees that provide home and  
8                   community-based services under section 1915(c) of the  
9                   Social Security Act, title 42 United States Code  
10                  section 1396n(c), or under any other applicable  
11                  section or sections of the Social Security Act for the  
12                  purposes of providing home and community-based  
13                  services, as provided by section 346-97;
- 14          (25) The department of commerce and consumer affairs on  
15                  proposed directors and executive officers of a bank,  
16                  savings bank, savings and loan association, trust  
17                  company, and depository financial services loan  
18                  company as provided by section 412:3-201;
- 19          (26) The department of commerce and consumer affairs on  
20                  proposed directors and executive officers of a



1 nondepository financial services loan company as  
2 provided by section 412:3-301;

3 (27) The department of commerce and consumer affairs on the  
4 original chartering applicants and proposed executive  
5 officers of a credit union as provided by  
6 section 412:10-103;

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

8 (A) Each principal of every non-corporate applicant  
9 for a money transmitter license;

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

13 (C) Each person who upon approval of an application  
14 requesting approval of a proposed change in  
15 control of licensee will be a principal of the  
16 licensee,

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

18 (29) The department of commerce and consumer affairs on  
19 applicants for licensure and persons licensed under  
20 title 24;

21 (30) The Hawaii health systems corporation on:



- 1 (A) Employees;
- 2 (B) Applicants seeking employment;
- 3 (C) Current or prospective members of the corporation
- 4 board or regional system board; or
- 5 (D) Current or prospective volunteers, providers, or
- 6 contractors,
- 7 in any of the corporation's health facilities as
- 8 provided by section 323F-5.5;
- 9 (31) The department of commerce and consumer affairs on:
  - 10 (A) An applicant for a mortgage loan originator
  - 11 license, or license renewal; and
  - 12 (B) Each control person, executive officer, director,
  - 13 general partner, and managing member of an
  - 14 applicant for a mortgage loan originator company
  - 15 license or license renewal,
  - 16 as provided by chapter 454F;
- 17 (32) The state public charter school commission or public
- 18 charter schools on employees, teacher trainees,
- 19 prospective employees, and prospective teacher
- 20 trainees in any public charter school for any position



1           that places them in close proximity to children, as  
2           provided in section 302D-33;

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

6           (34) The counties on prospective employees for fire  
7           department positions that involve contact with  
8           children or vulnerable adults;

9           (35) The counties on prospective employees for emergency  
10          medical services positions that involve contact with  
11          children or vulnerable adults;

12          (36) The counties on prospective employees for emergency  
13          management positions and community volunteers whose  
14          responsibilities involve planning and executing  
15          homeland security measures including viewing,  
16          handling, and engaging in law enforcement or  
17          classified meetings and assisting vulnerable citizens  
18          during emergencies or crises;

19          (37) The State and counties on employees, prospective  
20          employees, volunteers, and contractors whose position  
21          responsibilities require unescorted access to secured



1 areas and equipment related to a traffic management  
2 center;

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

6 (39) The State and counties on current and prospective  
7 systems analysts and others involved in an agency's  
8 information technology operation whose position  
9 responsibilities provide them with access to  
10 proprietary, confidential, or sensitive information;

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

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

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

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

21 (41) The department of health or its designee on:



- 1 (A) Individual applicants or individuals acting on
- 2 behalf of applying entities for hemp processor
- 3 permits as provided under section 328G-2; and
- 4 (B) All license applicants, licensees, employees,
- 5 contractors, and prospective employees of medical
- 6 cannabis dispensaries, and individuals permitted
- 7 to enter and remain in medical cannabis
- 8 dispensary facilities as provided under sections
- 9 329D-15(a)(4) and 329D-16(a)(3);
- 10 (42) The department of commerce and consumer affairs on
- 11 applicants for nurse licensure or license renewal,
- 12 reactivation, or restoration as provided by sections
- 13 457-7, 457-8, 457-8.5, and 457-9;
- 14 (43) The county police departments on applicants for
- 15 permits to acquire firearms pursuant to section 134-2,
- 16 on individuals registering their firearms pursuant to
- 17 section 134-3, and on applicants for new or renewed
- 18 licenses to carry a pistol or revolver and ammunition
- 19 pursuant to section 134-9;
- 20 (44) The department of commerce and consumer affairs on:



1 (A) Each of the controlling persons of the applicant  
2 for licensure as an escrow depository, and each  
3 of the officers, directors, and principals who  
4 will be in charge of the escrow depository's  
5 activities upon licensure; and

6 (B) Each of the controlling persons of an applicant  
7 for proposed change in control of an escrow  
8 depository licensee, and each of the officers,  
9 directors, and principals who will be in charge  
10 of the licensee's activities upon approval of the  
11 application,

12 as provided by chapter 449;

13 (45) The department of taxation on current or prospective  
14 employees or contractors who have access to federal  
15 tax information in order to comply with requirements  
16 of federal law, regulation, or procedure, as provided  
17 by section 231-1.6;

18 (46) The department of labor and industrial relations on  
19 current or prospective employees or contractors who  
20 have access to federal tax information in order to



- 1           comply with requirements of federal law, regulation,  
2           or procedure, as provided by section 383-110;
- 3       (47) The department of human services on current or  
4           prospective employees or contractors who have access  
5           to federal tax information in order to comply with  
6           requirements of federal law, regulation, or procedure,  
7           and on current or prospective employees, volunteers,  
8           contractors, or contractors' employees or volunteers,  
9           subcontractors, or subcontractors' employees or  
10          volunteers, whose position places or would place them  
11          in close proximity to minors, young adults, or  
12          vulnerable adults, as provided by section 346-2.5;
- 13       (48) The child support enforcement agency on current or  
14          prospective employees, or contractors who have access  
15          to federal tax information in order to comply with  
16          federal law, regulation, or procedure, as provided by  
17          section 576D-11.5;
- 18       (49) The department of the attorney general on current or  
19          prospective employees or employees or agents of  
20          contractors who have access to federal tax information  
21          to comply with requirements of federal law,



1 regulation, or procedure, as provided by  
2 section 28-17;

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

8 (51) The department of commerce and consumer affairs on  
9 each person, control person, executive officer,  
10 director, general partner, and managing member of a  
11 digital asset company or applicant for a digital asset  
12 charter, as provided in chapter ;

13 [~~51~~] (52) The university of Hawaii on current and  
14 prospective employees and contractors whose duties  
15 include ensuring the security of campus facilities and  
16 persons; and

17 [~~52~~] (53) Any other organization, entity, or the State,  
18 its branches, political subdivisions, or agencies as  
19 may be authorized by state law."

20 SECTION 5. (a) Notwithstanding any other law to the  
21 contrary, a company that participated in the Hawaii digital



1 currency innovation lab operated by the department of commerce  
2 and consumer affairs and Hawaii technology development  
3 corporation may continue conducting digital asset business  
4 activities until six months after the company's completed  
5 application for a charter is submitted pursuant to chapter ,  
6 or until the commissioner of financial institutions approves or  
7 denies the application, whichever occurs first; provided that  
8 the company shall submit a completed application for a charter  
9 no later than March 1, 2027; provided further that the  
10 commissioner, for good cause, may reduce or extend the six-month  
11 period.

12 (b) The submission of an application for charter shall be  
13 evidenced through the Nationwide Multistate Licensing System and  
14 Registry developed and maintained by the Conference of State  
15 Bank Supervisors.

16 SECTION 6. There is appropriated out of the general  
17 revenues of the State of Hawaii the sum of \$500,000 or so much  
18 thereof as may be necessary for fiscal year 2026-2027 to  
19 establish and implement a digital asset charter program pursuant  
20 to section 2 of this Act.





# S.B. NO. 2757

**Report Title:**

DCCA; Division of Financial Institutions; Digital Asset Companies; Digital Asset Charter; Appropriation

**Description:**

Establishes within the Department of Commerce and Consumer Affairs Division of Financial Institutions, beginning 1/1/2027, a digital asset charter program for licensing, regulating, and overseeing digital asset companies and digital asset business activities. Authorizes companies that participated in the Hawaii Digital Currency Innovation Lab to temporarily continue digital asset business activities without a charter in certain circumstances. Appropriates moneys.

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

