
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 pilot project included the establishment of the Hawaii
16 digital currency innovation lab to study the landscape of
17 digital currency activities within the State. The pilot



1 project's findings indicated that digital asset companies do not
2 require a State-issued money transmitter license to conduct
3 business in Hawaii. Although some federal regulations apply to
4 digital 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:

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

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

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

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

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

18 "Department" means the department of commerce and consumer
19 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 "Division" means the division of financial institutions of
8 the department of commerce and consumer affairs.

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

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

14 "Exchange" means the conversion of:

15 (1) Fiat currency or another asset of value into a digital
16 asset;

17 (2) A digital asset into fiat currency or another asset of
18 value; or

19 (3) One form of digital asset into another form of digital
20 asset.



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

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

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

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

12 "Stablecoin" means a digital asset designed to maintain a
13 stable value by being:

14 (1) Attached to a traditional currency like the United
15 States dollar or an exchange-traded commodity; or

16 (2) Backed by reserves to reduce price volatility.

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

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



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

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

5 (2) Move the digital asset from one account to another
6 account belonging to the same person; or

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

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

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

14 (1) The exchange, transfer, or storage of a digital asset,
15 or to digital asset administration, to the extent
16 regulated by the Securities Exchange Act of 1934, as
17 amended (15 U.S.C. 2B, et seq.), or the Commodity
18 Exchange Act of 1936, as amended (7 U.S.C. 1, et
19 seq.);

20 (2) Activity by a person that only:



- 1 (A) Contributes connectivity software or computing
- 2 power to a:
- 3 (i) Decentralized digital asset; or
- 4 (ii) Protocol governing the transfer of the
- 5 digital asset;
- 6 (B) Provides data storage or security services for a
- 7 business engaged in digital asset business
- 8 activities but does not otherwise engage in
- 9 digital asset business activities on behalf of
- 10 another person; or
- 11 (C) Provides to a person that is otherwise exempt
- 12 from this chapter a digital asset as an
- 13 enterprise solution used solely between the two
- 14 parties; provided that the person has no
- 15 agreement or relationship with the end user of
- 16 the digital asset;
- 17 (3) A person using a digital asset, including creating,
- 18 investing, buying, selling, or obtaining the digital
- 19 asset, as payment for the purchase or sale of goods or
- 20 services solely for academic purposes;



- 1 (4) A person whose annual digital asset business activity
- 2 with, or on behalf of, other persons is reasonably
- 3 expected to be valued, in the aggregate, at \$5,000 or
- 4 less, measured by the United States dollar equivalent
- 5 of the digital asset;
- 6 (5) An attorney who provides escrow services to a person;
- 7 (6) A securities intermediary, as defined in section
- 8 490:8-102, or commodity intermediary, as defined in
- 9 section 490:9-102;
- 10 (7) A digital asset control-services vendor;
- 11 (8) A person that:
 - 12 (A) Does not receive compensation from another person
 - 13 for:
 - 14 (i) Providing a digital asset product or
 - 15 service; or
 - 16 (ii) Conducting digital asset business
 - 17 activities; or
 - 18 (B) Is engaged in testing products or services with
 - 19 the person's own funds or digital assets;
- 20 (9) Non-custodial digital asset business activities by a
- 21 person using a digital asset that has been:



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

4 (B) Determined not to be a security by a United
5 States regulatory agency;

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

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

12 **§ -3 Powers of commissioner.** In addition to any other
13 powers provided by law, the commissioner may:

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

16 (2) Issue declaratory rulings or informal, nonbinding
17 interpretations of this chapter;

18 (3) Investigate and conduct hearings regarding any
19 violation of this chapter or any rule, order, or
20 agreement adopted under this chapter;



- 1 (4) Create fact-finding committees to make recommendations
2 to the commissioner and to support the commissioner's
3 deliberations;
- 4 (5) Require a charter applicant or any of the applicant's
5 control persons, executive officers, directors,
6 general partners, or managing members, to disclose any
7 relevant criminal history and request a criminal
8 history record check to be conducted pursuant to
9 chapter 846; provided that the applicant shall pay all
10 applicable fees for each criminal history record
11 check;
- 12 (6) Contract with or employ qualified persons who may be
13 exempt from chapter 76, including accountants,
14 attorneys, investigators, examiners, auditors, or
15 other professionals, to assist the commissioner in
16 exercising the commissioner's powers and duties;
- 17 (7) Process and investigate complaints, subpoena witnesses
18 and documents, administer oaths, receive affidavits
19 and oral testimony, conduct contested case proceedings
20 under chapter 91, and take other actions as necessary



1 to exercise the commissioner's powers and duties under
2 this chapter;

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

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

10 (B) Any policy of the Conference of State Bank
11 Supervisors;

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

18 (10) Use, hire, contract, or employ publicly or privately
19 available analytical systems, methods, or software to
20 investigate or examine a digital asset company or
21 other person subject to this chapter;



- 1 (11) Accept and rely on investigation or examination
- 2 reports made by other government officials in Hawaii
- 3 or another state;
- 4 (12) Accept and cite in examination reports, investigation
- 5 reports, or any other writings of the commissioner any
- 6 audit reports made by an independent certified public
- 7 accountant for the digital asset company or other
- 8 person subject to this chapter; provided that the
- 9 audit and the commissioner's examination or
- 10 investigation relate to the same general subject
- 11 matter; and
- 12 (13) Enter into agreements with or hire, retain, or
- 13 contract with private and governmental entities to
- 14 develop educational programs relating to digital
- 15 assets.

PART II. CHARTERS

17 § -4 **Charter required.** (a) No person shall engage in
 18 digital asset business activities or hold itself out as able to
 19 engage in digital asset business activities with or on behalf of
 20 another person unless the person is:

- 21 (1) Chartered in the state pursuant to this chapter; or



1 (2) Exempted from the charter requirement under
2 section -2.

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

7 § -5 Fees, fines, and penalties; disposition. (a) The
8 commissioner may adopt rules specifying charter application and
9 renewal fees, fines, and penalties for violation of this chapter
10 or any rules adopted pursuant to this chapter, or any other
11 charges necessary to implement this chapter.

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

18 § -6 Charter application. (a) Applicants for a digital
19 asset charter shall apply in a form prescribed by the
20 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 (15 U.S.C.
14 §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 the purposes of this section, "customer due
13 diligence" means the process of verifying a customer's identity
14 and 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 (15 U.S.C. §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:

6 (1) Filed an application deemed complete by the
7 commissioner;
8 (2) Filed an annual report and all quarterly reports; or
9 (3) Paid the quarterly fees,

10 the digital asset company's charter shall be suspended as of the
11 date the renewal is due, unless the company is granted an
12 extension of time by the commissioner. The digital asset
13 company shall have thirty days after the company's charter is
14 suspended to file the missing documents or to pay the
15 outstanding fees, plus a late filing fee of \$250 for each day
16 after suspension that the documents and fees are not made
17 current. The commissioner, for good cause, may reduce or
18 suspend the late filing fee.

19 § -12 **Principal place of business.** (a) Each digital
20 asset company shall maintain a principal place of business in
21 the United States, regardless of whether the digital asset



1 company maintains its principal office outside the United
2 States.

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

5 **§ -13 Sale or transfer of charter; change of control.**

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

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

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



1 the date of the application for change of control, a history of
2 any material litigation and any criminal convictions of each
3 person who, upon approval of the application for change of
4 control, would be a principal of the digital asset company.
5 Authorization shall be given to conduct criminal history record
6 checks of these persons, accompanied by payment of the
7 applicable fee for each record check.

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

15 (e) A person who:

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

20 (2) Acquires control of a digital asset company by devise
21 or descent;



1 (3) Acquires control as a personal representative,
2 custodian, guardian, conservator, trustee, or as an
3 officer appointed by a court of competent jurisdiction
4 or by operation of law; or

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

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

19 (g) Subsection (b) shall not apply to public offerings of
20 securities.



1 § -14 **Ownership and control of a digital asset.** (a) To
2 the extent a digital asset company stores, holds, or maintains
3 custody or control of a digital asset on behalf of another
4 person, the digital asset company shall hold a digital asset of
5 the same type and amount as that which is owed or obligated to
6 that person.

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

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

14 (1) Be held for the person or persons entitled to the
15 digital asset;

16 (2) Not be considered the property of the digital asset
17 company; and

18 (3) Not be subject to the claims of creditors of the
19 digital asset company.

20 (d) No digital asset company shall sell, transfer, assign,
21 lend, hypothecate, pledge, or otherwise use or encumber assets,



1 including digital assets, stored, held, or maintained by, or
2 under the custody or control of, the digital asset company on
3 behalf of another person, except at the direction of that
4 person, unless it is clearly explained to the person that the
5 use or encumbrment is the intent of the product.

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

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

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



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



1 (6) The person's right to at least thirty days' notice if
2 the digital asset company changes its fee schedule,
3 terms and conditions of its business activities with
4 the person, or other policies applicable to the
5 person's account; and

6 (7) That digital assets are not money.

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

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

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

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

18 § -16 **Tangible net worth requirement; records.** (a) A
19 digital asset company engaged in digital asset business
20 activities shall maintain at all times a tangible net worth of



1 at least \$500,000, or an amount determined by the commissioner
2 to be necessary to ensure the company's sound operations.

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

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

13 (1) Each transaction, including the:

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

17 (B) Account number of the person;

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

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

20 (2) The aggregate number of transactions and aggregate
21 value of transactions with or on behalf of the person



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



- 1 (7) If the person filed a customer complaint, any
2 communications and documentation related to the
3 investigation of the complaint; and
- 4 (8) A report of any digital asset business activity
5 transaction with or on behalf of the person that the
6 digital asset company was unable to complete.

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

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

- 21 (1) Print media, including brochures;



1 (2) Digital media and internet websites;

2 (3) Television and video streaming services;

3 (4) Radio and audio streaming services; and

4 (5) Presentation materials;

5 provided that if material changes are made to internet or
6 digital advertising or marketing materials, the digital asset
7 company shall maintain screenshots or transcripts reflecting the
8 changes.

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

12 (1) Comply with all disclosure requirements under state
13 and federal law; and

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

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



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

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

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

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

12 (1) Disclosure under chapter 92F; or

13 (2) Subpoena, discovery, or admission into evidence in any
14 private civil action or administrative proceeding,
15 unless:

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

18 (B) The person to whom the information or material
19 pertains waives the privilege.

20 (d) Notwithstanding chapter 92F, investigations and
21 examinations authorized under section -20 and any related



1 information and documents, including reports of the
2 investigation or examination, shall be confidential and shall
3 not be subject to discovery or disclosure in any civil lawsuit
4 or criminal proceeding.

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

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

13 **PART IV. ENFORCEMENT**

14 **§ -19 Enforcement authority; violations; penalties.** (a)

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

20 (1) Violated this chapter or any rule adopted or order
21 issued pursuant to this chapter;



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



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



1 (4) Order the digital asset company to refund to customers
2 any excess charges under this chapter; or

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

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

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

19 (e) No revocation, suspension, consent order, or surrender
20 of a charter shall impair or affect the obligations of any



1 preexisting lawful contract between a digital asset company and
2 a consumer.

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

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

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

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



- 1 (1) Access, receive, and use any books, accounts, records,
2 files, documents, or information that the commissioner
3 deems relevant to the investigation or examination,
4 regardless of the location, possession, control, or
5 custody of the documents, information, or evidence;
- 6 (2) Review, investigate, or examine any digital asset
7 company or person subject to this chapter as often as
8 necessary to carry out the purposes of this chapter;
- 9 (3) Direct, subpoena, or order the attendance of, and
10 examine under oath, any person whose testimony may be
11 required regarding a digital asset transaction,
12 digital asset business activity, or any other subject
13 matter of the investigation or examination; and
- 14 (4) Direct, subpoena, or order a person to produce books,
15 accounts, records, files, and any other documents the
16 commissioner deems relevant.
- 17 (b) Each digital asset company or other person subject to
18 this chapter shall provide to the commissioner, upon the
19 commissioner's request, any books or records relating to the
20 company or person's digital asset business activities. The
21 commissioner shall also be permitted to interview the control



1 persons, executive officers, directors, general partners,
2 managing members, principals, managers, employees, independent
3 contractors, agents, and consumers who may have information
4 about the digital asset company or its digital asset business
5 activities.

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

- 10 (1) Accounting compilations;
- 11 (2) Information, lists, or data concerning digital asset
12 transactions in a format prescribed by the
13 commissioner; or
- 14 (3) Any other information the commissioner deems
15 necessary.

16 (d) In conducting any investigation or examination
17 authorized by this chapter, the commissioner may control access
18 to any documents or records of the digital asset company or
19 person under investigation or examination. The commissioner may
20 take possession of the documents or records or place a person in
21 exclusive charge of the documents or records. During the period



1 of control, no person shall remove or attempt to remove any of
2 the documents or records except pursuant to a court order or
3 with the consent of the commissioner; provided that, unless the
4 commissioner has reasonable grounds to believe the records or
5 documents have been, or are at risk of being, altered or
6 destroyed, the commissioner shall give consent for the digital
7 asset company or owner of the documents or records to access the
8 documents or records as necessary to conduct the company's or
9 person's ordinary business affairs.

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

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

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



1 amount established by the commissioner by rule pursuant to
2 chapter 91. In addition to the investigation or examination
3 fee, the commissioner may charge any digital asset company or
4 person who is investigated or examined pursuant to this section
5 additional fees, payable to the commissioner, for travel, per
6 diem, mileage, or other reasonable expenses incurred in
7 connection with the investigation or examination.

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

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

20 (1) Engage in any act that attempts to limit or restrict
21 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 before 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 digital asset company having sufficient knowledge and
17 authority to communicate with the commissioner
18 regarding all matters relating to the 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 attorneys' 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 provided further that a person who is served with an
21 order to cease and 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 of youth services or
16 the Hawaii youth correctional facility, as provided by
17 section 352D-4.3;
- 18 (15) The judiciary on employees and applicants at detention
19 and shelter facilities, as provided by section 571-34;
- 20 (16) The department of corrections and rehabilitation on
21 employees and prospective employees, volunteers,



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

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

16 (18) Private schools and designated organizations on
17 employees and prospective employees who may be in
18 positions that necessitate close proximity to
19 children; provided that private schools and designated
20 organizations receive only indications of the states



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



- 1 and their employees and volunteers, as provided by
2 sections 346-2.5 and 346-97;
- 3 (23) The department of human services on foster grandparent
4 program, senior companion program, and respite
5 companion program participants, as provided by
6 section 346-97;
- 7 (24) The department of human services on contracted and
8 subcontracted service providers and their current and
9 prospective employees that provide home and
10 community-based services under section 1915(c) of the
11 Social Security Act, title 42 United States Code
12 section 1396n(c), or under any other applicable
13 section or sections of the Social Security Act for the
14 purposes of providing home and community-based
15 services, as provided by section 346-97;
- 16 (25) The department of commerce and consumer affairs on
17 proposed directors and executive officers of a bank,
18 savings bank, savings and loan association, trust
19 company, and depository financial services loan
20 company, as provided by section 412:3-201;



- 1 (26) The department of commerce and consumer affairs on
2 proposed directors and executive officers of a
3 nondepository financial services loan company, as
4 provided by section 412:3-301;
- 5 (27) The department of commerce and consumer affairs on the
6 original chartering applicants and proposed executive
7 officers of a credit union, as provided by
8 section 412:10-103;
- 9 (28) The department of commerce and consumer affairs on:
- 10 (A) Each principal of every non-corporate applicant
11 for a money transmitter license;
- 12 (B) Each person who upon approval of an application
13 by a corporate applicant for a money transmitter
14 license will be a principal of the licensee; and
- 15 (C) Each person who upon approval of an application
16 requesting approval of a proposed change in
17 control of licensee will be a principal of the
18 licensee,
- 19 as provided by sections 489D-9 and 489D-15;



- 1 (29) The department of commerce and consumer affairs on
2 applicants for licensure and persons licensed under
3 title 24;
- 4 (30) The Hawaii health systems corporation on:
- 5 (A) Employees;
- 6 (B) Applicants seeking employment;
- 7 (C) Current or prospective members of the corporation
8 board or regional system board; or
- 9 (D) Current or prospective volunteers, providers, or
10 contractors,
- 11 in any of the corporation's health facilities, as
12 provided by section 323F-5.5;
- 13 (31) The department of commerce and consumer affairs on:
- 14 (A) An applicant for a mortgage loan originator
15 license, or license renewal; and
- 16 (B) Each control person, executive officer, director,
17 general partner, and managing member of an
18 applicant for a mortgage loan originator company
19 license or license renewal,
- 20 as provided by chapter 454F;



- 1 (32) The state public charter school commission or public
2 charter schools on employees, teacher trainees,
3 prospective employees, and prospective teacher
4 trainees in any public charter school for any position
5 that places them in close proximity to children, as
6 provided in section 302D-33;
- 7 (33) The counties on prospective employees who work with
8 children, vulnerable adults, or senior citizens in
9 community-based programs;
- 10 (34) The counties on prospective employees for fire
11 department positions that involve contact with
12 children or vulnerable adults;
- 13 (35) The counties on prospective employees for emergency
14 medical services positions that involve contact with
15 children or vulnerable adults;
- 16 (36) The counties on prospective employees for emergency
17 management positions and community volunteers whose
18 responsibilities involve planning and executing
19 homeland security measures including viewing,
20 handling, and engaging in law enforcement or



1 classified meetings and assisting vulnerable citizens
2 during emergencies or crises;

3 (37) The State and counties on employees, prospective
4 employees, volunteers, and contractors whose position
5 responsibilities require unescorted access to secured
6 areas and equipment related to a traffic management
7 center;

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

11 (39) The State and counties on current and prospective
12 systems analysts and others involved in an agency's
13 information technology operation whose position
14 responsibilities provide them with access to
15 proprietary, confidential, or sensitive information;

16 (40) The department of commerce and consumer affairs on:
17 (A) Applicants for real estate appraiser licensure or
18 certification, as provided by chapter 466K;
19 (B) Each person who owns more than ten per cent of an
20 appraisal management company who is applying for



- 1 registration as an appraisal management company,
2 as provided by section 466M-7; and
- 3 (C) Each of the controlling persons of an applicant
4 for registration as an appraisal management
5 company, as provided by section 466M-7;
- 6 (41) The department of health or its designee on:
- 7 (A) Individual applicants or individuals acting on
8 behalf of applying entities for hemp processor
9 permits, as provided under section 328G-2; and
- 10 (B) All license applicants, licensees, employees,
11 contractors, and prospective employees of medical
12 cannabis dispensaries, and individuals permitted
13 to enter and remain in medical cannabis
14 dispensary facilities, as provided under
15 sections 329D-15(a) (4) and 329D-16(a) (3);
- 16 (42) The department of commerce and consumer affairs on
17 applicants for nurse licensure or license renewal,
18 reactivation, or restoration, as provided by
19 sections 457-7, 457-8, 457-8.5, and 457-9;
- 20 (43) The county police departments on applicants for
21 permits to acquire firearms pursuant to section 134-2,



1 on individuals registering their firearms pursuant to
2 section 134-3, and on applicants for new or renewed
3 licenses to carry a pistol or revolver and ammunition
4 pursuant to section 134-9;

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

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

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

17 as provided by chapter 449;

18 (45) The department of taxation on current or prospective
19 employees or contractors who have access to federal
20 tax information in order to comply with requirements



1 of federal law, regulation, or procedure, as provided
2 by section 231-1.6;

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

8 (47) The department of human services on current or
9 prospective employees or contractors who have access
10 to federal tax information in order to comply with
11 requirements of federal law, regulation, or procedure,
12 and on current or prospective employees, volunteers,
13 contractors, or contractors' employees or volunteers,
14 subcontractors, or subcontractors' employees or
15 volunteers, whose position places or would place them
16 in close proximity to minors, young adults, or
17 vulnerable adults, as provided by section 346-2.5;

18 (48) The child support enforcement agency on current or
19 prospective employees, or contractors who have access
20 to federal tax information to comply with federal law,



1 regulation, or procedure, as provided by
2 section 576D-11.5;

3 (49) The department of the attorney general on current or
4 prospective employees, contractors, [~~contractor's~~
5 contractors' employees, or subcontractors who have
6 access to federal tax information to comply with
7 federal law, regulation, or procedure, as provided by
8 section 28-17;

9 (50) The department of commerce and consumer affairs on
10 each control person, executive officer, director,
11 general partner, and managing member of an installment
12 loan licensee, or an applicant for an installment loan
13 license, as provided in chapter 480J;

14 (51) The department of commerce and consumer affairs on
15 each person, control person, executive officer,
16 director, general partner, and managing member of a
17 digital asset company or applicant for a digital asset
18 charter, as provided in chapter _____ ;

19 [~~(51)~~] (52) The university of Hawaii on current and
20 prospective employees and contractors whose duties



1 include ensuring the security of campus facilities and
2 persons;

3 [~~(52)~~] (53) The department of commerce and consumer affairs
4 on applicants for physician licensure or license
5 renewal, through the Interstate Medical Licensure
6 Compact, as provided by section 453B-2; and

7 [~~(53)~~] (54) Any other organization, entity, or the State,
8 its branches, political subdivisions, or agencies as
9 may be authorized by state law."

10 SECTION 5. (a) Notwithstanding any other law to the
11 contrary, a company that participated in the Hawaii digital
12 currency innovation lab operated by the department of commerce
13 and consumer affairs and Hawaii technology development
14 corporation may continue conducting digital asset business
15 activities until six months after the company's completed
16 application for a charter is submitted pursuant to
17 chapter , Hawaii Revised Statutes, or until the
18 commissioner of financial institutions approves or denies the
19 application, whichever occurs first; provided that the company
20 shall submit a completed application for a charter no later than



1 March 1, 2027; provided further that the commissioner, for good
2 cause, may reduce or extend the six-month period.

3 (b) The submission of an application for charter shall be
4 evidenced through the Nationwide Multistate Licensing System and
5 Registry developed and maintained by the Conference of State
6 Bank Supervisors.

7 SECTION 6. There is appropriated out of the compliance
8 resolution fund the sum of \$500,000 or so much thereof as may be
9 necessary for fiscal year 2026-2027 to establish and implement a
10 digital asset charter program pursuant to section 2 of this Act.

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

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

15 SECTION 8. This Act shall take effect on July 1, 2050;
16 provided that the digital asset charter requirements established
17 by section 2 of this Act shall take effect on January 1, 2027;
18 provided further that the amendments made to section 846-2.7,
19 Hawaii Revised Statutes, by section 4 of this Act shall not be
20 repealed when that section is repealed and reenacted pursuant to
21 Act 110, Session Laws of Hawaii 2024.



S.B. NO. 2757
S.D. 2

Report Title:

DCCA; DFI; 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 from the compliance resolution fund. Effective 7/1/2050. (SD2)

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

