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Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committees on Commerce and Consumer Protection and Labor and
Technology
Friday, February 6, 2026
10:00 a.m.
Via Videoconference

On the following measure:
S.B. 2493, RELATING TO DIGITAL ASSETS

Chairs Keohokalole, Elefante and Members of the Committee:

My name is Dwight Young, and I am the Commissioner of the Department of Commerce and Consumer Affairs' (Department), Division of Financial Institutions. The Department offers comments on this bill.

The purpose of this bill is to require the Department of Commerce and Consumer Affairs' Division of Financial Institutions and Hawai'i Technology Development Corporation to conduct a two-year study to gather data on how to establish a state-level regulatory framework for stablecoin digital assets. Requires a report to the Legislature. Appropriates funds.

The Division would like to amend SB 2493, page 2, line 2 to include funding from the general fund in the sum of \$510,000. These funds will enable the Division to hire a technologist (\$300,000) to conduct the requested study, prepare a comprehensive report and draft proposed legislation. The requested funds will also be used to engage

a blockchain analysis company to enable the Division to study the cryptocurrency activity in the state (\$200,000). A laptop and other associated equipment will also need to be purchased (\$10,000). Should this study require DFI to gather and establish a regulatory framework for digital assets in general, the engagement cost for a blockchain analysis company could increase by \$100,000. In an effort to minimize the cost of this study, the Division will use its existing personnel to supplement the technologist with financial regulation guidance to assist with the drafting of proposed legislation. Furthermore, our staff attorney will provide assistance with understanding and navigating the requirements and preemptions that are built into federal laws. It should be noted that HTDC may also require additional resources to collaborate with DFI on this study. HTDC will provide valuable insight as to which areas of digital assets to study and ways to promote and develop business opportunities in the State.

Thank you for the opportunity to testify on this bill.

Written Statement of
Trung Lam, Executive Director

before the
Senate Committee on Commerce and Consumer Protection
and
Senate Committee on Labor and Technology

Friday, February 6, 2026
10:00 am
Conference Room 229 & Videoconference

In consideration of
SB2493
RELATING TO DIGITAL ASSETS

Chairs Keohokalole and Elefante, Vice Chairs Fukunaga and Lamosao, and Members of the Committees.

HTDC recognizes that digital assets, including stablecoins, represent a rapidly evolving area that intersects technology innovation, financial systems, consumer protection, and federal regulatory policy. Given the pace of change in this sector and the complexity of the issues involved, HTDC believes that a deliberate, research-based study is an appropriate mechanism to better understand the potential implications for the State before any long-term policy decisions are considered.

HTDC's statutory role is to facilitate the growth and development of Hawai'i's technology sector and to support economic diversification through innovation. In that context, HTDC's participation in the study would focus on providing insight into technology trends, market dynamics, and the potential economic development considerations associated with digital asset activity. This includes understanding how regulatory clarity or uncertainty may influence the ability of technology companies to operate, grow, or locate in Hawai'i, as well as how these technologies could impact workforce development and entrepreneurship in the State.

HTDC also notes that the scope of the proposed study will require specialized technical expertise, data analysis, and coordination across multiple disciplines. Adequate resources will be important to ensure that the study results in a comprehensive and actionable report that is useful to policymakers. HTDC further notes that collaboration across agencies will require sufficient capacity to ensure that both regulatory and economic considerations are appropriately evaluated.

Thank you for the opportunity to comment.





SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 4, 2026

TO: Senator Jarrett Keohokalole
Chair, Committee on Commerce and Consumer Protection

Senator Brandon Elefante
Chair, Committee on Labor and Technology

FROM: Tiffany Yajima / Mihoko Ito

RE: **S.B. 2493 – Relating to Digital Assets**
Hearing Date: Friday, February 6, 2026 at 10:00 a.m.
Conference Room: 229

Dear Chair Keohokalole, Chair Elefante, and Members of the Joint Committees:

We submit this testimony on behalf of the Hawai'i Bankers Association (HBA). HBA represents seven Hawai'i banks and one bank from the continent with branches in Hawai'i.

The Hawai'i Bankers Association **supports** SB2493, which would direct the Department of Commerce and Consumer Affairs' Division of Financial Institutions to conduct a two-year study on how Hawai'i could establish a state-level regulatory framework for stablecoin digital assets, and report findings to the Legislature.

Stablecoins are increasingly discussed as a "new" form of money-like instrument and a potential payment rail. A structured, well-resourced study is a prudent first step before Hawai'i sets rules that could affect consumers, businesses, and the safety and soundness of the financial system. This approach aligns with the American Bankers Association's (ABA) longstanding framework for digital assets, grounded in "same risk, same activity, same regulation," and the need for strong consumer protections when nonbanks offer bank-like products and services.

Stablecoins may offer benefits such as faster settlement and payment efficiency. At the same time, risks include reserve quality and transparency, redemption and liquidity risk, operational and cybersecurity vulnerabilities, fraud and scams, and illicit finance concerns. Policymakers should understand how stablecoins are actually used, where consumers face the greatest risk, and what supervisory tools are needed for effective oversight.

We also believe it is important to establish clear guardrails so consumers are not led to believe that stablecoins provide deposit-like protections. Limits on interest-like features and careful consideration of access to Federal Reserve infrastructure are also important factors to consider.

With federal policy continuing to evolve, a Hawai'i study led by DFI can help to ensure that any state approach is informed, coordinated, and focused on practical safeguards that protect consumers while allowing responsible innovation. For these reasons, we support SB2493.

Thank you for the opportunity to submit this testimony.

Statement of

Tad Tobar
Founder & CEO, USD Hawai'i Inc. (HI: 362368D1)
Chief Operating Officer, Lorenzo Protocol

before the
**Senate Committees on Commerce and Consumer Protection,
and Labor and Technology**

Friday, February 6, 2026
10:00 AM
State Capitol, Conference Room 229 & Videoconference

In consideration of
SB2493
RELATING TO DIGITAL ASSETS

USD Hawaii Inc. strongly **SUPPORTS** SB2493, which requires the Department of Commerce and Consumer Affairs' Division of Financial Institutions and Hawai'i Technology Development Corporation to conduct a two-year study to gather data and create a report on how to establish a state-level regulatory framework for stablecoin digital assets.

USD Hawai'i Inc. is a Hawai'i-based digital asset company developing a fully reserved, U.S. dollar-backed stablecoin and merchant payment network designed to reduce transaction costs, increase local economic circulation, and modernize Hawai'i's commerce infrastructure. Our model integrates compliant digital dollar issuance with a "Keep Hawai'i Dollars Local" merchant coalition that enables lower-cost settlement and programmable rewards for local businesses.

In addition to serving as Founder and CEO of USD Hawai'i, I currently serve as Chief Operating Officer of Lorenzo Protocol, a global digital asset infrastructure platform operating in the Bitcoin ecosystem. In that role, I oversee institutional-grade custody integrations, on-chain asset management infrastructure, compliance operations, and regulatory engagement across multiple jurisdictions. This dual perspective—local operator in Hawai'i and executive within large-scale digital asset infrastructure—provides direct operational insight into how regulation can mitigate risk while preserving innovation.

SB2493 is a prudent and strategic step because stablecoins have rapidly become foundational infrastructure in global finance, yet state-level regulatory frameworks remain inconsistent. According to Visa's On-Chain Analytics and The Block Research, stablecoin settlement volume has reached trillions of dollars annually, rivaling

major card networks in transaction throughput. At the same time, Pew Research (2023) reports that approximately 17% of U.S. adults have used or invested in cryptocurrency. Adoption has reached systemic scale; oversight must evolve proportionately.

For Hawai'i specifically, this study is critical.

Hawai'i's economy is uniquely exposed to payment infrastructure controlled by out-of-state processors. U.S. merchants typically pay between 2.2%–3.5% in credit card processing and interchange fees (Federal Reserve; Nilson Report). For small businesses operating on 5–10% net margins, these fees materially erode profitability. In tourism-heavy sectors—retail, restaurants, hospitality—fee outflows compound across millions of transactions annually.

A state-level regulatory framework for stablecoins could allow Hawai'i to explore compliant alternatives that:

- Reduce merchant payment friction
- Increase transparency around reserves and consumer protections
- Encourage local fintech job creation
- Improve cross-border efficiency for Japanese and Asia-Pacific tourists
- Enable programmable loyalty systems that incentivize local spending

USD Hawai'i's business model depends on regulatory clarity. Having operated within complex compliance environments at Lorenzo Protocol—including AML/KYC frameworks, reserve transparency expectations, institutional counterparties, and cross-border digital asset operations—I can attest that serious operators welcome supervision. Clear supervisory standards increase capital access, improve banking relationships, and deter undercapitalized or non-compliant entrants from the market.

As a compliant stablecoin issuer committed to reserve transparency, segregation of customer funds, AML/KYC controls, and audit standards, we benefit from clearly defined supervisory expectations. SB2493's two-year study allows policymakers to evaluate best practices from jurisdictions such as New York (BitLicense framework), Wyoming (Special Purpose Depository Institutions), and emerging federal proposals, while tailoring safeguards to Hawai'i's specific economic structure.

Importantly, this bill does not prematurely impose a rigid regime; it enables data-driven policymaking. It creates a pathway for collaboration between regulators, technologists, financial institutions, and consumer advocates. That process reduces systemic risk, deters unlicensed operators, and positions Hawai'i as a responsible, innovation-forward state.

For USD Hawai'i, this study supports capital formation, institutional banking relationships, and long-term operational planning. For Hawai'i residents and merchants, it lays the groundwork for strong consumer protections and economic modernization without sacrificing oversight.

Hawai'i has an opportunity to design a stablecoin framework that reflects island realities: a tourism-dependent economy, high cost of living, and significant payment fee leakage. Based on my experience operating both a Hawai'i-based stablecoin initiative and institutional digital asset infrastructure at scale, I believe SB2493 is the appropriate, measured, and strategically sound first step toward building a durable regulatory framework for stablecoins in our state.

In summary, SB2493 is a strategic endeavor that could enable the State of Hawai'i to implement enhancements on top of consumer protection provisions around stablecoins if they are already in place or introduce a solid regulatory framework pertaining to stablecoins.

Digital asset markets are no longer experimental; they are embedded financial infrastructure. The question before us is whether Hawai'i will proactively shape their responsible integration or react to frameworks built elsewhere. The policy question is not whether they will exist, but whether Hawai'i will shape their responsible integration.

Thank you for the opportunity to offer these comments.

A handwritten signature in black ink, appearing to read "Tad Tobar".

Tad Tobar
Founder & CEO, USD Hawai'i Inc.
Chief Operating Officer, Lorenzo Protocol

Statement of

Zachary Manafort
Owner, Trading Aloha Solutions LLC

before the

Senate Committees on Commerce and Consumer Protection, and Labor and Technology

Friday, February 6, 2026

10:00 AM

State Capitol, Conference Room 229 & Videoconference

In consideration of

SB2493

RELATING TO STABLECOIN STUDY APPROPRIATION

I **SUPPORT SB2493**, which appropriates funds to the Hawaii Technology Development Corporation to conduct a comprehensive study on stablecoins and digital asset regulation.

I am the Owner of Trading Aloha Solutions LLC, a Hawaii-based business specializing in web3 marketing and blockchain consulting, where I work with clients across multiple blockchain ecosystems including DeFi protocols, layer-1 networks, and digital asset companies. I also serve as an active member of StandWithCrypto's Hawaii Chapter. As both a web3 professional and Hawaii resident who personally uses stablecoins for commerce, I offer testimony from both industry expertise and lived consumer experience perspectives.

Why This Study Is Important

While SB2757 (the digital asset charter bill) represents the optimal regulatory approach for Hawaii, SB2493 serves as a critical backup measure. If comprehensive charter legislation cannot advance in this session, this study ensures Hawaii maintains momentum toward establishing a digital asset regulatory framework.

The Federal Landscape Demands State Action

The GENIUS Act (S.1582, 119th Congress) only regulates stablecoin issuers exceeding \$10 billion in assets under management, creating a significant regulatory gap for smaller issuers and leaving Hawaii consumers potentially unprotected. The Act requires states to submit frameworks by summer 2026 which is an impossible timeline for Hawaii given our legislative calendar.

Without immediate charter legislation or a path toward developing one, Hawaii risks falling permanently behind states like Wyoming, Texas, and others that have already established clear digital asset frameworks.

What The Study Should Address

Based on my professional experience working with web3 clients and personally using stablecoins for business transactions, I recommend the study comprehensively address:

1. Economic Impact Analysis

- Projected job creation from digital asset businesses operating in Hawaii
- Tax revenue potential from licensed crypto companies
- Cost-benefit analysis comparing different state regulatory approaches (Wyoming's SPDI model, New York's BitLicense, Colorado's Digital Token Act)
- Economic outcomes in states with versus without clear frameworks

Source:

- Wyoming Banking Division: <https://wyomingbankingdivision.wyo.gov/>

2. Consumer Protection Requirements

- Reserve requirements and attestation standards for stablecoin issuers
- Disclosure requirements appropriate for Hawaii's diverse demographics (25% of residents speak a language other than English at home)
- Complaint and dispute resolution mechanisms
- Insurance or bonding requirements to protect consumers

According to the World Bank's Remittance Prices Worldwide database, traditional international transfers cost significantly more than blockchain-based alternatives, making consumer protection in this space particularly important for Hawaii's Pacific Islander, Filipino, and Asian communities who regularly send remittances abroad.

Sources:

- World Bank Remittance Prices: <https://remittanceprices.worldbank.org/>
- U.S. Census Bureau Hawaii Demographics: <https://www.census.gov/quickfacts/HI>

3. Technical Infrastructure Assessment

- Blockchain interoperability considerations
- Custody and security standards
- Smart contract auditing requirements
- Technology-neutral language to avoid regulatory obsolescence

The Bank for International Settlements' 2022 Annual Report on "The future monetary system" provides an excellent framework for understanding programmable payment infrastructure that should inform Hawaii's approach.

Source: <https://www.bis.org/publ/arpdf/ar2022e3.htm>

4. Hawaii-Specific Considerations

- Impact on unbanked/underbanked Pacific Islander communities
- Remittance corridor optimization (Philippines, Micronesia, Samoa)
- Tourism and hospitality payment use cases
- Military community considerations (Pearl Harbor, Schofield Barracks)
- Integration with local industries (agriculture, renewable energy)

5. Regulatory Framework Models

- Comparative analysis of existing state frameworks
- Federal-state coordination mechanisms under GENIUS Act
- Sandbox programs for pilot projects (building on Hawaii's Digital Currency Innovation Lab experience)
- Proportional regulation based on company size and risk profile

6. Stakeholder Input Process

- Consumer advocacy groups
- Existing crypto businesses interested in Hawaii operations
- Traditional financial institutions
- Academic institutions (UH Manoa blockchain research)
- Small business organizations

Why Hawaii Cannot Afford to Wait

According to Chainalysis's 2024 Geography of Cryptocurrency Report, Asia accounts for the largest share of global cryptocurrency transaction volume. Hawaii's geographic position makes us the natural Pacific gateway for Asian web3 companies seeking US operations, yet these companies consistently choose Delaware, Wyoming, or Texas due to regulatory clarity.

Sources:

- Chainalysis Adoption Report: <https://www.chainalysis.com/blog/2025-global-crypto-adoption-index/>
- a16z State of Crypto Report: <https://a16zcrypto.com/state-of-crypto/>

In my professional work, I regularly interact with blockchain companies throughout Asia and North America. When these companies explore US expansion, Hawaii never appears on their radar due to regulatory uncertainty. This represents direct economic loss for our state in all sectors including lost jobs, lost tax revenue, and lost innovation.

Study Outcomes and Timeline

The study should deliver:

- **Actionable regulatory framework proposal** ready for 2027 legislative session
- **Economic development strategy** for attracting responsible crypto businesses
- **Consumer education program** recommendations
- **Resource requirements assessment** for implementation (staffing, budget, technology)
- **Timeline for phased implementation** balancing speed with thoroughness

Process Recommendations:

- Establish advisory committee with diverse stakeholders (consumers, industry, traditional finance, academics)
- Include public comment periods
- Site visits to states with existing frameworks
- Engagement with federal regulators (OCC, FinCEN, CFTC)

Personal Context

As a Hawaii business owner who uses USDC stablecoins to pay contractors globally, I experience firsthand both the benefits of digital assets and the current regulatory uncertainty. When I conduct international business transactions, stablecoin transfers cost are usually a fraction of a cent and settle in seconds, compared to traditional wire transfers costing \$40-50 and taking days.

However, operating in this regulatory gray area creates business risk. Clear frameworks, whether through immediate charter legislation (SB2757) or through a well-designed study leading to future legislation (SB2493), would enable responsible operators like my business to operate with confidence while ensuring consumer protection.

Conclusion

SB2493 represents a prudent, measured approach to developing Hawaii's digital asset regulatory framework if comprehensive charter legislation cannot advance immediately. The study would ensure Hawaii remains engaged on this critical issue and positions us to implement a well-informed, data-driven framework in the 2027 session.

The question is whether Hawaii will proactively shape digital asset integration or allow that integration to be dictated by external jurisdictions. SB2493 ensures we maintain the initiative.

Thank you for the opportunity to offer these comments.

Zachary Manafort

Owner, Trading Aloha Solutions LLC
StandWithCrypto Hawaii Chapter Member

Key Sources Referenced:

- GENIUS Act: <https://www.congress.gov/bill/119th-congress/senate-bill/1582>
- World Bank Remittance Prices: <https://remittanceprices.worldbank.org/>
- U.S. Census Bureau Hawaii: <https://www.census.gov/quickfacts/HI>
- Bank for International Settlements: <https://www.bis.org/publ/arpdf/ar2022e3.htm>
- Wyoming Banking Division: <https://wyomingbankingdivision.wyo.gov/>
- Chainalysis 2025 Report: <https://www.chainalysis.com/blog/2025-global-crypto-adoption-index/>
- a16z State of Crypto: <https://a16zcrypto.com/posts/article/state-of-crypto-report-2025//>

LATE

Senate Committee on Commerce and Consumer Protection
And
Senate Committee on Labor and Technology
SB 2493
Relating to Digital Assets

Dear Chairs Keohokalole and Elefante and members of the Committees

Thank you for hearing this bill. My name is Iris Ikeda and I am testifying as an individual providing comments on this bill. I previously served as the Commissioner of Financial Institutions, DCCA where the Division and HTDC conducted a study on digital currency (Digital Currency Innovation Lab - DCIL).

This bill seeks to provide a framework for a study on digital assets. In 2022, the Division of Financial Institutions and the Hawaii Technology Development Corporation conducted a study on digital currency, its uses, and whether regulation was needed for consumer protection. I recognize that the environment on digital assets keeps evolving and more study could be useful on the economic value for the state.

I believe the most surprising outcome of the DCIL, was both the DCIL participating and not participating companies wanted a regulatory scheme to protect consumers and level the playing field and importantly, remove the bad actors. Thus, because the previous DCIL study provided guidance for a regulatory scheme to protect consumers, those guardrails became the basis for the regulatory scheme. The DCIL study also provided a bill proposal to include the guardrails used in the DCIL study. The bill proposal was created with the participating companies, companies not participating in the study, consumers who transact with digital assets, and consumers who were new or did not know anything about digital assets.

Thank you for allowing me to provide comments on this bill.