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TO THE HOUSE COMMITTEE ON FINANCE  
THE TWENTY-FOURTH STATE LEGISLATURE  
REGULAR SESSION OF 2008

Thursday, March 26, 2008  
12:30 p.m.

TESTIMONY ON S.B. NO. 3009, S.D. 2, H.D.1 - RELATING TO MONEY  
TRANSMITTERS

THE HONORABLE MARCUS R. OSHIRO, CHAIR,  
AND MEMBERS OF THE COMMITTEE:

My name is Nick Griffin, Commissioner of Financial Institutions, and I am testifying on behalf of the Department of Commerce and Consumer Affairs ("Department") on Senate Bill No. 3009, S.D. 2, H.D.1. We appreciate the opportunity to testify on Senate Bill No. 3009, S.D. 2, H.D.1. With technical, nonsubstantive changes here requested, the Department strongly supports this Administration bill relating to money transmitters.

The purpose of the bill is to amend and update Hawaii Revised Statutes chapter 489D, which is Hawaii's Money Transmitters Act ("Act") that governs the licensing and

regulation of money transmitters doing business in Hawaii, to address and remedy inadvertent errors or omissions in the statute as originally enacted in the 2006 Legislative Session.

H.D. 1 reflects changes to this bill that were discussed with the Money Services Round Table, which submitted written testimony on the measure as originally introduced. The changes were made to balance the interests of the large money transmitters with the smaller, Hawaii-based money transmitters, while also ensuring that the revenue generated will be sufficient to fund the money transmitter program.

However, we have noted that H.D.1 has removed the capitalization of the word "State" throughout the measure wherever reference to the State of Hawaii was intended. That change would appear to be contrary to the drafting conventions of the Legislative Reference Bureau and creates inconsistencies in the Act since other provisions of the Act that are not addressed by this measure continue properly to capitalize the word "State" whenever reference to the State of Hawaii is intended by the Act. We therefore respectfully request the Committee to make the necessary technical corrections to restore capitalization of the word "State" as the word appeared in S.D.2, at each of the following locations in H.D.1 where reference to the State of Hawaii is intended by the Act:

- Page 7, lines 6, 8 and 18;
- Page 11, line 15;

TESTIMONY ON SENATE BILL NO. 3009, S.D.2, H.D.1

March 26, 2008, 12:30 p.m.

Page 3

- Page 12, lines 17 and 21;
- Page 13, line 21;
- Page 14, line 17;
- Page 15, line 16;
- Page 16, line 13;
- Page 17, line 18;
- Page 20, lines 6 and 13.

Thank you for the opportunity to testify. I would be happy to respond to any questions you may have.

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March 26, 2008

Rep. Marcus R. Oshiro, Chair  
and members of the House Committee on Finance  
Hawaii State Capitol  
Honolulu, Hawaii 96813

**Re: Senate Bill 3009, Senate Draft 2, House Draft 1 (Money Transmitters)**  
**Hearing Date/Time: Wednesday, March 26, 2008, 12:30 p.m.**

I represent the **Money Services Round Table ("MSRT")**, an industry association composed of the leading national companies that sell money orders, travelers' checks, and foreign denomination drafts, and transmit funds throughout the United States as well as many overseas locations. The MSRT includes: Western Union, MoneyGram International, American Express, RIA, SIGUE, Integrated Payment Systems, and Travelex.

The MSRT **supports** this Bill.

The purposes of this Administration Bill are to amend the Money Transmitters Act (Chapter 489D, Hawaii Revised Statutes): to amend the fee structure, enhance consumer protection, make necessary clarifications, and correct errors and omissions, to effectively regulate the industry.

**Background:**

Money transmitters sell payment instruments, such as money orders, or receive money for transmission to other locations within the U.S. or overseas. Under Act 153 (2006), money transmitters needed to be licensed and in compliance beginning on July 1, 2007 (8 months ago). Presently, there are just a little more than 40 licensed money transmitters in Hawaii.

**Senate Bill 3009, Senate Draft 2, House Draft 1**

During the 2008 legislative session, the Administration introduced Senate Bill 3009 (Money Transmitters). The MSRT had opposed the original draft of this Bill due to major substantive concerns, including: the dramatic fee increases and the removal of statutory fee caps for application, license and renewal license; disagreement with the budget for and scope of the money transmitters program at the Division of Financial Institutions of the Department of Commerce and Consumer Affairs; and objection to giving rulemaking authority to the Commissioner of Financial Institutions

Rep. Marcus R. Oshiro, Chair  
and members of the House Committee on Finance  
March 26, 2008  
Page 2

("Commissioner") to increase fees.

The MSRT and the Commissioner were able to compromise on various issues. These compromises are reflected in the current draft of the Bill. These include:

(1) Amending the fee structure to: (a) increase the application, license, and renewal license fee to \$2,000; (b) increase the fee for additional locations in the State to \$300 for the application, license, and renewal license; and (c) increase the maximum fee (i.e., fee cap) to \$15,000 for applications, licenses, and license renewals;

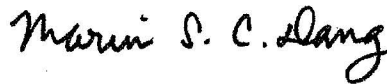
(2) Deleting language that allows the Commissioner to establish a greater fee for applications, licenses, or license renewals by rule (the deletion means that any changes to fees will require legislative action);

(3) Inserting language that clarifies that, with respect to financial institutions as authorized delegates, when computing the application and license fees, the applicant or licensee that appoints an authorized delegate shall exclude all of the locations in the State where the authorized delegate will conduct its authorized delegate activities;

(4) Clarifying that: (a) the application fee plus the additional location fees as an aggregate cannot exceed \$15,000; and (b) the annual license fee plus the additional location fees as an aggregate cannot exceed \$15,000; and

(5) Increasing the examination fee to \$60 per hour (currently it is \$40 per hour).

Thank you for considering this testimony.



MARVIN S.C. DANG  
Attorney for the Money Services Round Table

(MSCD/af)