

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR

RONALD BOYER
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEES ON
CONSUMER PROTECTION AND COMMERCE
AND
JUDICIARY

THE TWENTY-FOURTH STATE LEGISLATURE
REGULAR SESSION OF 2008

Thursday, March 13, 2008
2:00 p.m.

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

THE HONORABLE ROBERT N. HERKES, CHAIR,
THE HONORABLE TOMMY WATERS, CHAIR
AND MEMBERS OF THE COMMITTEES:

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. We appreciate the opportunity to testify on Senate Bill No. 3009, S.D. 2. With one change 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 that governs the licensing and

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money transmitters doing business in Hawaii, to address and remedy inadvertent errors or omissions in the statute as originally enacted in the 2006 Legislative Session.

S.D. 2 reflects changes to this bill that have been discussed with the Money Services Round Table, which submitted written testimony on the measure as originally introduced. Accordingly, the Department supports this bill but requests that the effective date of the measure be changed to read "upon approval".

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

LAW OFFICES
OF
MARVIN S. C. DANG
A Limited Liability Law Company

MARVIN S. C. DANG
JASON M. OLIVER
SUMMER OKADA
DAWN TAKEUCHI-APUNA
PAUL T. HOLTROP
MARCUS J. FLOREZ

MAILING ADDRESS:

P.O. BOX 4109
HONOLULU, HAWAII 96812-4109

TELEPHONE: (808) 521-8521

FAX: (808) 521-8522

E-MAIL: dangm@aloha.net

INTERNET: www.lawyers.com/marvindang

March 13, 2008

Rep. Robert N. Herkes, Chair
and members of the House Committee on Consumer Protection & Commerce
Rep. Tommy Waters, Chair
and members of the House Committee on Judiciary
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: Senate Bill 3009, Senate Draft 2 (Money Transmitters)
Decision-Making Date/Time: Thursday, March 13, 2008, 2:00 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

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

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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 ("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;

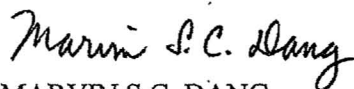
(2) Deleting language that allows the Commissioner to establish a greater fee for applications, licenses, or license renewals by rule;

(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)