



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
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

KEALI'I S. LOPEZ
DIRECTOR

TO THE
HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

THE TWENTY-SIXTH STATE LEGISLATURE
REGULAR SESSION OF 2012

Monday, March 12, 2012
2:10 p.m.

TESTIMONY ON S.B. NO. 2762, S.D. 1
RELATING TO MONEY TRANSMITTERS

THE HONORABLE ROBERT HERKES, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda Catalani, Commissioner of Financial Institutions ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("DCCA") in strong support of administrative bill Senate Bill No. 2762, S.D. 1.

The Division of Financial Institutions ("DFI") in DCCA regulates money transmitter companies that transfer money domestically or internationally outside of the more conventional financial institutions system. DFI regulations protect the consumer by ensuring that these companies understand the rules of money transmission and fulfill

these requirements. DFI also makes every effort to help these companies understand their responsibilities and how to provide for their customers.

Overview of Division of Financial Institutions Budget

The Division of Financial Institutions ("DFI") bases its budget requests on the amount of revenue generated from programs plus the \$2.0 million from the franchise tax. For each year, we calculate the amount of revenues less the expenditures to determine the initial amount of the funds available. DFI will end FY2012 in a deficit of approximately \$14,000 and end FY2013 and FY2014 in a deficit of approximately \$800,000.

We are asking for the increase in fees for this and other programs as we need to show a stable source of income for the upcoming accreditation review of DFI by the Conference of State Bank Supervisors. In order to be self-sustaining, DFI must seek additional fees (1) to keep pace with costs to DFI, as the time spent on this licensee increased due to the increased regulatory oversight required by recent federal regulations and (2) to attempt to replace and expand the funding source should DFI not receive its share of the franchise tax.

Money Transmitter Program Costs

All costs are based on staff time charged at \$60 an hour, which is a fraction of the actual costs for the staff time spent on reviewing applications from money transmitters.

DFI must also annually review the money transmitter applications to renew their licenses. The fees for the renewal must not only cover the time spent in renewing the licenses, but also cover time spent throughout the year on other matters for which no fees are paid such as reviewing audited financial statements, responding to inquiries, and processing complaints against money transmitters. In addition, during examinations, we do not charge the money transmitters for training on the latest updates on the federal regulations they must comply with.

Currently, DFI assesses the annual renewal fees by the number of branch locations in the state. However, over the past year, many of the money transmitters do only internet or electronic transfers which don't require branch locations.

To more fairly assess the fees to companies who have large volumes of electronic money transmission activities, which coincidentally coincides with the number of complaints received, we propose to tier the annual renewal fees based on the number of money transmissions. We believe this will benefit our local money transmitters who may own several branch offices, but do not have a large volume of money transmission. Many of the off-shore companies have a large volume of

TESTIMONY ON SENATE BILL NO. 2762, S.D. 1

March 12, 2012, 2:10 p.m.

Page 4

transmissions and therefore will be assessed the higher tiers of assessments. Based on the data we collected for the 2011 renewals, only one local company may be assessed at an amount higher than they are currently assessed based on their volume of transactions. This is a large volume local money transmitter. All other local companies will likely pay a smaller assessment of the annual renewal fees.

For these reasons, DFI supports Senate Bill No. 2762, S.D. 1, and respectfully asks that the measure be passed.

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