

SB 2762

Measure Title: RELATING TO MONEY TRANSMITTERS.

Report Title: Money Transmitters; Fees

Description: Amends the fee structure for services provided by the Division of Financial Institutions for the regulation of money transmitters; amends the fine for violations of money transmitter regulations.

Companion: HB2500

Package: Gov

Current Referral: CPN, WAM

Introducer(s): TSUTSUI (BR)

<u>Sort by Date</u>		Status Text
1/25/2012	S	Introduced.
1/25/2012	S	Passed First Reading.
1/25/2012	S	Referred to CPN, WAM.
1/27/2012	S	The committee(s) on CPN has scheduled a public hearing on 02-03-12 9:00AM in conference room 229.



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

KEALI'I S. LOPEZ
DIRECTOR

IRIS IKEDA CATALANI
COMMISSIONER

LYNNE HIMEDA
DEPUTY COMMISSIONER

STATE OF HAWAII
DIVISION OF FINANCIAL INSTITUTIONS
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 221, HONOLULU, HAWAII 96813
P.O. BOX 2054, HONOLULU, HAWAII 96805

Phone: (808) 586-2820
Fax: (808) 586-2818
E-Mail: dfi@dcca.hawaii.gov

TO THE
SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION
THE TWENTY-SIXTH STATE LEGISLATURE
REGULAR SESSION OF 2012

Friday, February 3, 2012
9:00 a.m.

TESTIMONY ON S.B. NO. 2762
RELATING TO MONEY TRANSMITTERS

THE HONORABLE ROSALYN H. BAKER, 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.

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.

TESTIMONY ON SENATE BILL NO. 2762

February 3, 2012, 9:00 a.m.

Page 2

DFI feels fortunate to have so many money transmitters who would like to do business in our state. The number of initial applications has increased and many of the companies are off-shore companies, the review and analysis is more complex because of the complex organization structures of the companies and a thorough analysis of the financial strength of each company in the organization. S.B. No. 2762 adjusts the fees for a new application, based in part on the time it takes to review the application.

The review of the renewal applications involves review of the financial statements, confirmation that the company is in compliance with business registration laws, verification that the owners of the company are still the same, confirmation that the company has adequate capital and the appropriate bonds, and confirmation that the company's offices are up-to-date.

In addition, there has been national discussion about the possibility that money transmitters may be required to register with the Nationwide Mortgage Licensing System ("NMLS"). If that occurs, it is imperative that the Commissioner has the ability to work with NMLS and establish a program similar to the recently established program for mortgage loan originators and mortgage loan originator companies. This bill will provide the Commissioner the needed authority to do so when and if this becomes necessary.

Finally, as with the other laws that DFI regulates, fees and other charges are applied to the cost of providing the mandated services to the regulated companies. Fees are based on the time required for DFI to fulfill its mandate. A comparison of the current

TESTIMONY ON SENATE BILL NO. 2762

February 3, 2012, 9:00 a.m.

Page 3

fee structure and the proposed fee structure is attached s Appendix A. The proposed annual renewal fee is the amount of fees DFI will use in its budget analysis to determine any funding needs. Currently, based on the proposed annual fee, DFI projects it will receive \$346,500 in annual fees. Currently, DFI receives \$181,500 in annual fees. The annual fee is calculated by the time it takes to review a renewal application times \$60 an hour.

For these reasons, DFI supports Senate Bill No. 2762 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.

TESTIMONY ON SENATE BILL NO. 2762

February 3, 2012, 9:00 a.m.

Page 4

Appendix A

Statutory Section	Current fee	Proposed fee
489D-10 Application fee		
Initial application fee	\$2,000 + \$300 per location	5000 + \$60/hr in excess of 80 hours spent on the applications; not to exceed \$25,000
Initial annual license renewal fee	\$2,000 + \$300 per location	\$5,000
489D-12 Renewal fees		
renewal fees	\$2,000 + \$300 per location	\$5,000 for money transmitters with fewer than 5,000 money transmissions;
		\$6,000 for money transmitters with 5,000 or more but fewer than 50,000 money transmissions;
		\$8,000 for money transmitters with 50,000 or more but fewer than 100,000 money transmissions;
		\$12,500 for money transmitters with 100,000 or more but fewer than 200,000 money transmissions; and
		\$15,000 for money transmitters with 200,000 or more money transmissions.
489D-14.5 Name Change	250	1000
489D-15 Change in Control of ownership	2000	\$2,500 + \$60/hr in excess of 40 hours spent on the applications; not to exceed \$10,000
489D-17 examination fee	40	60
489D-28 civil penalties	up to \$500 per day	up to \$1000 per day

notes

1. fees are based on hourly rate of \$60
2. additional fees proposed based on MT program experience and other state s additional fees collected