

Honolulu, Hawaii

March 22, 2013

RE: S.B. No. 1068
S.D. 2
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 1068, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO MONEY TRANSMITTERS,"

begs leave to report as follows:

The purpose of this measure is to enable the Commissioner of Financial Institutions to more effectively regulate, supervise, and examine the money transmitters industry by, among other things:

- (1) Authorizing the Commissioner to require money transmitter licensees to register with the National Mortgage Licensing System (NMLS);
- (2) Creating a process for licensees to voluntarily surrender their licenses;
- (3) Increasing the amounts of the surety bonds required of licensees;
- (4) Authorizing the Commissioner to enter into agreements with NMLS with regard to regulation of the money transmitter industry;
- (5) Increasing the application, initial license, name change, and change of control fees for licensees;



- (6) Establishing a schedule of renewal fees for money transmitter licenses based upon the number of a licensee's annualized money transmissions;
- (7) Increasing the penalty amount that can be assessed per day of noncompliance with the licensing parameters; and
- (8) Providing for background checks of money transmitter licensees.

The Department of Commerce and Consumer Affairs testified in support of this measure.

Your Committee notes the importance of this measure because world terrorists have used unregulated money transmitters to transfer funds. Additionally, the proposed bond increase amount to \$10,000 for the initial twelve months of licensure is necessary to adequately protect consumers. Based on the testimony, the new fee schedule would result in lower fees for licensees with fewer than 50,000 transmissions by shifting increases to licensees with 100,000 transmissions or more, who are often offshore or internet based and pay the minimum renewal fee under the current fee structure. Further, an increase in renewal fees for licensure would have a minimal impact on transmission costs because the fee increase for money transmitters would be spread across tens of millions of dollars in transmissions.

Therefore, your Committee has amended this measure by:

- (1) Changing the renewal of license fees based on the number of annualized money transmissions. Specifically, the renewal fees were changed to:
 - (A) \$3,000 for licensees with fewer than 5,000 money transmissions;
 - (B) \$5,000 for licensees with 5,000 or more but fewer than 50,000 money transmissions;
 - (C) \$16,000 for licensees with 100,000 or more but fewer than 200,000 money transmissions; and
 - (D) \$20,000 for licensees with 200,000 or more money transmissions; and



- (2) Changing its effective date to July 1, 2112, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1068, S.D. 2, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as S.B. No. 1068, S.D. 2, H.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ANGUS L.K. MCKELVEY, Chair



