

Honolulu, Hawaii

March 24, 2017

RE: S.B. No. 949
S.D. 1
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committees on Intrastate Commerce and Consumer Protection & Commerce, to which was referred S.B. No. 949, S.D. 1, entitled:

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

beg leave to report as follows:

The purpose of this measure, as received by your Committees, is to clarify and strengthen the Money Transmitters Act found in Chapter 489D, Hawaii Revised Statutes, by:

- (1) Clarifying definitions and permissible investment requirements for money transmitter licensees; and
- (2) Updating requirements for license and change in control applications, extraordinary reporting requirements, and criminal background checks.

For the purposes of a public hearing on this bill, your Committees circulated a Proposed S.B. No. 949, S.D. 1, H.D. 1 (Proposed Draft), and notified the public that they would be accepting testimony on the Proposed Draft. The Proposed Draft amended this measure by:

- (1) Defining "decentralized virtual currency";



- (2) Amending the definition of "money transmission" to exclude decentralized virtual transmission; and
- (3) Exempting decentralized virtual currency from the Money Transmitters Act.

The Department of Commerce and Consumer Affairs offered comments.

The use of decentralized virtual currency, which includes bitcoin, is becoming more commonplace throughout the world. Your Committees find that it would be beneficial to study whether decentralized virtual currency should be regulated under the Money Transmitters Act or remain unregulated by state government.

After considering the merits of this measure, as received by your Committees, and the Proposed Draft, your Committees amended this measure to adopt the substantive provisions of the Proposed Draft. In addition, your Committees:

- (1) Deleted the amendments to the definition of "money transmission";
- (2) Established the Decentralized Virtual Currency Working Group to study whether decentralized virtual currency should be regulated under the Money Transmitters Act or remain unregulated by state government; and
- (3) Changed the effective date to July 1, 2090, to promote further discussion.

As affirmed by the records of votes of the members of your Committees on Intrastate Commerce and Consumer Protection & Commerce that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 949, S.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 949, S.D. 1, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committees on Intrastate
Commerce and Consumer
Protection & Commerce,



ROY M. TAKUMI, Chair



TAKASHI OHNO, Chair



