

STAND. COM. REP. NO. **395** -22

Honolulu, Hawaii

FEB 15 , 2022

RE: H.B. No. 2108
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 2108 entitled:

"A BILL FOR AN ACT RELATING TO SPECIAL PURPOSE DIGITAL CURRENCY LICENSURE,"

begs leave to report as follows:

The purpose of this measure is to establish a program for licensure, regulation, and oversight of digital currency companies in the State.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs, Hawai'i Technology Development Corporation, and eight individuals. Your Committee received testimony in opposition to this measure from the Libertarian Party of Hawaii and two individuals. Your Committee received comments on this measure from the Grassroot Institute of Hawaii, Blockchain Solutions Hawai'i, and one individual.

Your Committee finds that the Division of Financial Institutions of the Department of Commerce and Consumer Affairs and the Hawaii Technology Development Corporation (HTDC) are conducting a two-year pilot program, the Digital Currency Innovation Lab, to study digital currency transactions. HTDC testified that the pilot program consists of fifteen digital

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currency companies that totaled over 61,000 Hawaii resident participants who have collectively transacted over hundreds of millions of dollars each calendar quarter during the pilot program. The pilot program has only received ten complaints from participants thus far and is scheduled to expire on June 30, 2022. Through research conducted through the program, the Division of Financial Institutions learned that the current regulatory scheme of the money transmitter laws do not comport with the activities conducted by digital currency companies. This measure applies information gained from the Digital Currency Innovation Lab to establish a new licensing scheme for the digital currency companies in the State and would allow any company participating in the Digital Currency Innovation Lab pilot program on June 30, 2022, to continue operations if a complete licensure application is submitted to the Division of Financial Institutions by March 1, 2023.

Your Committee has amended this measure by:

- (1) Clarifying that the definition of "tangible net worth" excludes intangible assets, rather than tangible assets;
- (2) Requiring licensees to maintain a tangible net worth of not less than \$500,000 or an amount determined by the Commissioner of Financial Institutions, rather than specifying that digital currency may be included in the calculation of tangible net worth;
- (3) Changing the effective date to January 1, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

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 H.B. No. 2108, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2108, H.D. 1, and be referred to your Committee on Finance.



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


AARON LING JOHANSON, Chair



