

Honolulu, Hawaii

MAR 24 2022

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

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committees on Commerce and Consumer Protection and Energy, Economic Development, and Tourism, to which was referred H.B. No. 2108, H.D. 1, entitled:

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

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Beginning January 1, 2023, establish a program for the licensure, regulation, and oversight of special purpose digital currency companies;
- (2) Extend operations of companies in the Digital Currency Innovation Lab Pilot Program under certain circumstances; and
- (3) Appropriate funds out of the compliance resolution fund to implement the program.

Your Committees received testimony in support of this measure from the Hawai'i Technology Development Corporation; Cloud Nalu, LLC; Blockchain Solutions Hawai'i; and seven individuals. Your Committees received testimony in opposition to this measure from two individuals. Your Committees received comments on this



measure from the Department of Commerce and Consumer Affairs and Grassroot Institute of Hawai'i.

Your Committees find that the Digital Currency Innovation Lab was established as a two-year pilot program to create economic opportunities for the State through early adoption of digital currency, offer consumer protection by providing guidance to issues of digital currency, and provide data to shape legislation supporting digital currency activities. The pilot program received significant interest from residents in the State and confirmed the need for clear and consistent regulatory guidelines for companies to conduct business in Hawai'i following the end of the pilot program. This measure would establish a program for the licensure, regulation, and oversight of digital currency companies to ensure necessary consumer protections.

Your Committees note that S.B. No. 3025, S.D. 2 (Regular Session of 2022), which was previously passed by the Senate, is a substantially similar measure that also establishes a program for the licensure, regulation, and oversight of digital currency companies. In light of testimony received by your Committees, your Committees conclude that the language in S.B. No. 3025, S.D. 2, is preferable because it contains updated provisions that reflect stakeholder consensus language concerning the anti-money laundering compliance program and the cyber security program.

Accordingly, your Committees have amended this measure by:

- (1) Deleting its contents and inserting the contents of S.B. No. 3025, S.D. 2, a substantially similar measure that establishes a special purpose digital currency licensing program that will replace the Digital Currency Innovation Lab;
- (2) Inserting an effective date of July 1, 2022; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Commerce and Consumer Protection and Energy, Economic Development, and Tourism that are attached to this report, your Committees are in accord with the intent and purpose



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

Respectfully submitted on behalf of the members of the Committees on Commerce and Consumer Protection and Energy, Economic Development, and Tourism,



GLENN WAKAI, Chair



ROSALYN H. BAKER, Chair



