

STAND. COM. REP. NO. **1421**-22

Honolulu, Hawaii

MAR 24, 2022

RE: S.B. No. 3025
S.D. 2
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 S.B. No. 3025, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO DIGITAL CURRENCY LICENSING PROGRAM,"

begs leave to report as follows:

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

Your Committee received testimony in support of this measure from the Hawai'i Technology Development Corporation; POW! WOW! Hawaii; FOMO MOFO; Purple Mai'a Foundation; Central Pacific Bank; Blockchain Solutions Hawai'i; Cloud Nalu, LLC; Hawaii Theatre Center; and five individuals. Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs and Grassroot Institute of Hawaii.

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 (Innovation Lab), to study digital currency

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transactions. According to testimony received by HTDC, the Innovation Lab consists of fifteen digital currency companies that totaled over 61,000 Hawaii resident participants who have collectively transacted hundreds of millions of dollars each calendar quarter during the pilot program. The Innovation Lab has only received ten complaints from participants thus far and is scheduled to expire on June 30, 2022.

Through research conducted through the Innovation Lab, the Division of Financial Institutions learned that the existing 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 Innovation Lab to establish a new licensing framework for the digital currency companies in the State and would allow any company participating in the Innovation Lab 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) Inserting a definition for "control person";
- (2) Substantially clarifying the requirements and parameters of the anti-money laundering program so that the anti-money laundering program is in compliance with the federal Anti-Money Laundering Act of 2020 and any future regulations that may be promulgated by the United States Department of the Treasury's Financial Crimes Enforcement Network;
- (3) Substantially clarifying the requirements of the mandatory cybersecurity program to incorporate cybersecurity related principles from the Federal Financial Institutions Examination Council, and National Institute of Standards and Technology Cybersecurity Framework, among others; 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 S.B. No. 3025, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3025, S.D. 2, 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



Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: SB 3025, SD 2	Committee Referral: CPC, FIN	Date: 3/22/22		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. JOHANSON, Aaron Ling (C)	✓			
2. KITAGAWA, Lisa (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. HAR, Sharon E.		✓		
5. HASHEM, Mark J.				✓
6. KONG, Sam Satoru		✓		
7. MIZUNO, John M.				✓
8. MORIKAWA, Dee	✓			
9. ONISHI, Richard H.K.	✓			
10. TARNAS, David A.	✓			
11. MATSUMOTO, Lauren	✓			
TOTAL (11)	7	2	0	2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <i>[Signature]</i>				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				