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DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT,
AND TOURISM
ON
SENATE BILL NO. 2695

February 7, 2022
3:10 p.m.
Room 224 and Videoconference

RELATING TO CRYPTOCURRENCY

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 2695: 1) establishes a Blockchain and Cryptocurrency (BC) Task Force (BCTF) to be placed within B&F for administrative purposes; and 2) requires the BCTF to review BC data, compile proposed legislation, consult with industry experts, and submit a report of its findings and proposed legislation no later than 20 days prior to the start of the 2023 Legislative Session.

B&F believes that the BCTF would be more appropriately placed within the Department of Commerce and Consumer Affairs (DCCA). DCCA's Division of Financial Institutions is currently partnering with the Department of Business, Economic Development and Tourism's Hawai'i Technology Development Corporation (HTDC) to operate the Digital Currency Innovation Lab (DCIL) and research digital currency-related legislation. B&F would also like to highlight that the DCCA has already introduced Administration Proposal CCA-2(22) (S.B. No. 3076 and House Bill No. 2108) to establish a new regulatory and licensing framework for digital currency transmitters based on the findings of the DCIL. B&F defers to DCCA and HTDC regarding the proposed BCTF and other BC-related legislation.

Thank you for your consideration of our comments.



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Energy, Economic Development, and Tourism
Monday, February 7, 2022
3:10 p.m.
Via Videoconference**

**On the following measure:
S.B. 2695, RELATING TO CRYPTOCURRENCY**

Chair Wakai and Members of the Committee:

My name is Iris Ikeda, and I am the Commissioner of the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions (DFI). The Department appreciates the intent and offers comments on this bill.

The purpose of this bill is to establish a blockchain and cryptocurrency task force to review data on the scope of blockchain and cryptocurrency throughout the country; compile an overview of potential legislation; solicit ideas and opinions from industry experts on additional legislation; and submit a report of its findings and recommendations to the legislature.

The DFI has been active in the area of digital currency regulation, including collaborating with the Hawaii technology development corporation to establish the Digital Currency Innovation Lab (DCIL) program to study digital currency transactions in the state. As such, the department suggests that if a task force is formed, a representative from DFI be included as a member of the task force.

The Department notes that as a result of DFI's work on the DCIL, DFI has drafted a special purpose digital currency bill (Senate Bill 3076) that provides for licensure and regulation of digital currency transactions. If the bill is enacted, the digital currency climate in the state will be significantly altered, and it may be difficult for the task force to develop recommendations for additional legislation before the new law can be fully operationalized. As such, the convening of a task force as proposed in this bill may be unnecessary or premature.

Finally, the Department recommends that if the task force is convened, the scope of its review be broadened to encompass other aspects of the industry besides possible legislation, including but not limited to the development of a plan for expansion of blockchain adoption in both the private and public sector.

Thank you for the opportunity to testify on this bill.

SB-2695

Submitted on: 2/5/2022 1:30:42 AM

Testimony for EET on 2/7/2022 3:10:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Barry Sato	Individual	Support	No

Comments:

I support a task force with the stated purposes of:

1. Evaluating the potential of crypto currency to improve on old establishments that cause more inefficiency than good for regular people like me.
2. Crafting common sense regulation that does not Impede on the freedoms of investors
3. Crafting economic stimulus initiatives to attract and maintain new technological development talent and investment in building web3 enabled enterprise locally
4. Monitor the ongoing affects of web3 and byproducts for social, economic, and environmental impacts and enable citizenry and private sectors with education
5. Develop consumer protection legislation concerning fraudulent efforts to steal assets or purposely mislead

I support a crypto task force that enables, not disables. Thank you for your consideration.

SB-2695

Submitted on: 2/5/2022 6:47:32 PM

Testimony for EET on 2/7/2022 3:10:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Dara Carlin, M.A.	Individual	Oppose	No

Comments:

Absolutely NOT!!!

Statement of
Katie Jackson
Hawaii State Blockchain Advocate
before the
Senate Committee on Energy, Economic Development, and Tourism

Monday, February 07, 2022
3:10 PM
State Capitol, Conference Room 224 & Videoconference

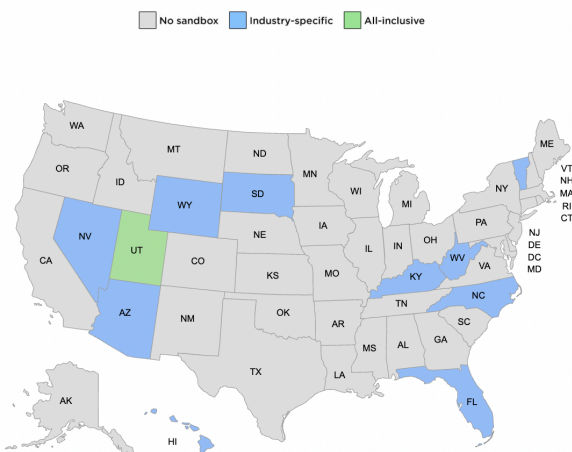
In consideration of
SB2695
RELATING TO CRYPTOCURRENCY

Chair Wakai, Vice Chair Misalucha, and Members of the Committee on Energy, Economic Development, and Tourism.

I **support** SB2695 that calls for the establishment of a blockchain and cryptocurrency task force.

Hawaii is currently one of the first in the nation to lead on crypto innovation with the establishment of the Digital Currency Innovation Lab two years ago. Unfortunately, that sandbox expires this coming June. Without an extension of that lab or legislative action, crypto companies will be forced to leave the state and the assets in the 61,000 local accounts opened in the past two years under the sandbox environment will likely be frozen. It is imperative to pass good laws such as this Task Force bill to look at future regulation and how to keep the progress we have made to date.

Impact Map



To give the Committee context on how important it is to maintain Hawaii's leading edge on crypto below is a map¹ tracking all active sandboxes across the country, many of which looked at Hawaii's sandbox for inspiration.

Here is a [map](#) tracking all of the active sandboxes across the country, as well as a list below:

- Arizona: [Fintech](#), [PropTech](#)
- Wyoming: [Fintech](#), [Medical Products](#)
- Nevada: [Fintech](#)
- Hawaii: [Crypto](#)

¹ <https://libertas.org/outreach/sandbox/>

- South Dakota: [Insurance](#)
- Vermont: [Insurance](#)
- West Virginia: [Fintech, Insurance](#)
- Kentucky: [Insurance](#)
- Florida: [Fintech](#)
- North Carolina: [Fintech and Insurance](#)

Additionally, the creation of a Task Force would put Hawaii on par with other states who are also grappling with how to regulate Crypto. Even now the state of Virginia created the Department of Regulatory Innovation and borrowed from Utah's universal sandbox which created the Regulatory Relief Office within the Governor's Office of Economic Development.

If the State of Hawaii were to pass this Task Force bill, it would give us time and space to study the regulatory environment and other state efforts (see below) that are also trying to answer the difficult but exciting questions on regulating an entirely new digital asset ecosystem.

Here are all of the introduced bills so far:

- [VA Fintech Sandbox](#)
- [VA Universal Sandbox](#)
- [VA Healthcare Sandbox](#)
- [IN Universal Sandbox](#)
- [WA Fintech Sandbox](#)
- [NY Fintech Sandbox](#)
- [OH Fintech Sandbox](#)
- [US Congress Digital Tokens Sandbox](#)
- [PA Fintech Sandbox](#)
- [DC Fintech Sandbox](#)
- [MO Universal Sandbox](#)
- [MS Ag-Tech](#)
- [MS Insurance and Universal](#)
- [RI Fintech and Special Depository](#)
- [UT Sandbox Consolidation](#)

Thank you for the opportunity to offer these comments.

RYAN KAWAILANI OZAWA

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@hawaii A row of social media icons including Instagram, Twitter, YouTube, LinkedIn, Facebook, and others.

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February 6, 2022

Aloha, Senator Glenn Wakai, Chair; Senator Bennette E. Misalucha, Vice Chair; and members of the Committee on Energy, Economic Development, And Tourism:

I am writing to express my **support** of SB2695 Relating to Cryptocurrency.

I currently serve as a Community Engagement Consultant with the state's Digital Currency Innovation Lab (DCIL), but this testimony represents solely my personal opinion as a Hawaii resident and technologist.

The best time to form such a task force was five years ago. The second best time is now.

I would recommend that the bill be amended to prioritize Hawaii-based representatives of the various constituencies identified — a Hawaii-based cryptocurrency exchange, a Hawaii company focused on non-transactional blockchain, a Hawaii blockchain payments solution.

It may also be prudent to include a representative from a Hawaii-based bank or financial institution.

Thank you very much for the opportunity to testify on this matter.



Ryan Kawailani Ozawa

LATE

SB-2695

Submitted on: 2/6/2022 9:40:17 PM

Testimony for EET on 2/7/2022 3:10:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Glenn Pablo	Individual	Support	No

Comments:

Dear Chair and Committee Members,

I support SB2695 which establishes a Blockchain and Cryptocurrency Task Force.

We need a balanced view about the Cryptocurrency/Virtual Currency market & various Blockchain projects.

There are thousands of blockchain projects online, with their corresponding blockchain token or cryptocurrency/virtual currency. And included in this space are scams and developers/groups which take advantage of people's monetary investments.

There are also blockchain projects in development which are more utility oriented and provide a service, which in turns rewards its participants with blockchain tokens/coins.

I believe establishing a taskforce, in determining what is beneficial or detrimental for Hawaii residents is a must. Such as, what beneficial blockchain technologies will improve quality of life. Or detrimental, in terms of what security aspects should the Hawaii Government and its Citizens be aware of and can take preventative measure for.

Similar to how we have the internet and it was a novel technology in the 1980's & 90's. We are in another phase of technological advancement & internet development also known as WEB 3.0, which will incorporate blockchain projects.

Thank you for your time.

Glenn Pablo
Oahu Resident

Feb 6 2022

LATE

Aloha Kākou,

I'm writing with the intent to support Senator Wakai and Senator Misalucha's bills regarding regulation of the rapidly burgeoning Cryptocurrency industry: SB2695 SB2696 SB2697 SB2698

Due to some issues with the capitol.hawaii.gov registration, I was unable to submit my testimony through your regular channels so I hope you'll consider this letter as part of your testimony.

Cryptocurrency technologies are bringing financial products and services and capabilities that will vastly improve the lives of Hawaii citizens. Just as the internet paved the way for an entirely new way of delivering information, replacing paper letters, and all kinds of media, the Cryptocurrency technologies can allow value to be transacted over the existing connected infrastructure of the internet.

It's important for Hawaii to become a place that welcomes innovation and evolution both as a way to bring value to Hawaii residents in the way of cheaper financial products and services, while also fostering a thriving local economy by creating a favorable regulatory environment for businesses providing these products and services.

I look forward to the exciting developments this new world of technologies is bringing to humanity. I do hope Hawaii does not get left behind.

IMUA!

Signed with aloha,



Liam Ball
20 Hauoli ST Apt 306
Wailuku HI 96793