

STAND. COM. REP. NO.

615

Honolulu, Hawaii

FEB 17 2023

RE: S.B. No. 945
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 945 entitled:

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

begs leave to report as follows:

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

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs, Hawaii Technology Development Corporation, and two individuals. Your Committee received comments on this measure from The Grassroot Institute of Hawaii, Inc.

Your Committee finds that digital currency, such as cryptocurrency, e-money, network money, or e-cash, is an asset that is primarily managed or stored electronically. Digital currency may be recorded on a decentralized ledger on the Internet or a centralized database or ledger system owned by a company. Although digital currency has grown in popularity and acceptance worldwide, there is little regulation of the digital currency industry in the United States. The Division of Financial Institutions of the Department of Commerce and Consumer Affairs and the Hawaii Technology Development Corporation are currently



conducting a two-year "sandbox" program to study digital currency transactions. The program has confirmed that a new regulatory framework for digital currency transactions is appropriate. This measure establishes a program for the licensure, regulation, and oversight of digital currency companies.

Your Committee acknowledges the testimony of the Department of Commerce and Consumer Affairs' Commissioner of Financial Institutions, who recommended various amendments to clarify and improve the measure and requested that the appropriation already in the measure be made for establishing and hiring three full-time equivalent (3.0 FTE) permanent examiners to carry out the purposes of the digital currency license program established by the measure. Your Committee also acknowledges the testimony of The Grassroot Institute of Hawaii, Inc., which raised concerns that the measure, as written, could conflict with future federal legislation acknowledging a digital currency as legal tender. Accordingly, amendments are necessary to address these concerns.

Therefore, your Committee has amended this measure by:

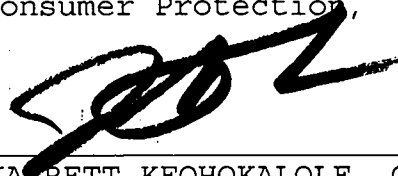
- (1) Inserting definitions of "control" and "custodial services" to the digital currency license program established by the measure;
- (2) Inserting a provision exempting a non-custodial digital currency business activity by a person using a digital currency acknowledged as legal tender by the United States, or a government recognized by the United States, or that has been determined to not be a security by a United States regulatory agency;
- (3) Deleting the requirement that a licensee retain a hard copy of its advertising;
- (4) Replacing the appropriation made to implement the licensing program established by the measure with an appropriation made to establish and hire three full-time equivalent (3.0 FTE) permanent examiners to carry out the purposes of the digital currency licensing program;
- (5) Inserting an effective date of July 1, 2050, to encourage further discussion; and



- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 945, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 945, S.D. 1, and be referred to your Committee on Ways and Means.

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

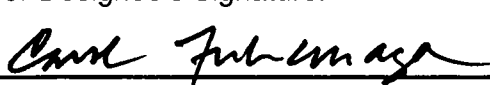


JARRETT KEOHOKALOLE, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB945	Committee Referral: CPN, NAM	Date: 2/9/23		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.	✓			
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton			✓	
TOTAL	4	0	1	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes