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# A BILL FOR AN ACT

RELATING TO MONEY TRANSMITTERS MODERNIZATION ACT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Section 489D-4, Hawaii Revised Statutes, is  
2 amended by amending the definition of "permissible investments"  
3 to read as follows:

4           ""Permissible investments" means:

5           (1) Cash;

6           (2) Certificates of deposit or other debt obligations of a  
7 financial institution, either domestic or foreign;

8           (3) Bills of exchange or time drafts drawn on and accepted  
9 by a commercial bank, known as bankers' acceptances,  
10 that are eligible for purchase by member banks of the  
11 Federal Reserve System;

12           (4) Any investment bearing a rating of one of the three  
13 highest grades as defined by a nationally recognized  
14 organization that rates securities;

15           (5) Investment securities that are obligations of the  
16 United States, its agencies, or its instrumentalities,  
17 obligations that are guaranteed fully as to principal  
18 and interest by the United States, or any obligations

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- 1 of any state, municipality, or any political  
2 subdivision thereof;
- 3 (6) Shares in a money market mutual fund, interest-bearing  
4 bills, notes, or bonds, debentures or stock traded on  
5 any national securities exchange or on a national  
6 over-the-counter market, mutual funds primarily  
7 composed of these securities, or a fund composed of  
8 one or more permissible investments as set forth in  
9 paragraphs (1) to (5);
- 10 (7) Any demand borrowing agreement or agreements made with  
11 a corporation or a subsidiary of a corporation whose  
12 capital stock is listed on a national exchange;
- 13 (8) Receivables that are due to a licensee from its  
14 authorized delegates pursuant to a contract under  
15 section 489D-21, that are not past due or doubtful of  
16 collection; [ø]
- 17 (9) Receivables that are due to the licensee from its  
18 payment processors for debit or credit card  
19 transactions authorized by the licensee's customers  
20 for money transmission services obtained from the  
21 licensee; or
- 22

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1           ~~[(9)]~~ (10) Any other investments or security device  
2                   approved by the commissioner."

3           SECTION 2. Section 489D-6, Hawaii Revised Statutes, is  
4 amended by amending subsection (a) to read as follows:

5           "(a) A licensee shall maintain at all times a tangible net  
6 worth of the greater of:

7           (1) \$100,000 ~~[or three per cent of tangible assets for the~~  
8                   ~~first \$100,000,000,~~

9           ~~(2) Two per cent of additional assets for \$100,000,000 to~~  
10                   ~~\$1,000,000,000; and~~

11           ~~(3) 0.5 per cent of additional assets for over~~  
12                   ~~\$1,000,000,000.] ; or~~

13           (2) The total of

14                   (A) Three per cent of total assets for the first  
15                           \$100,000,000; and

16                   (B) Two per cent of additional assets for  
17                           \$100,000,000 to \$1,000,000,000; and

18                   (C) 0.5 per cent of additional assets for over  
19                           \$1,000,000,000.

20           Tangible net worth at all times shall be calculated in  
21 accordance with generally accepted accounting principles."

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1 SECTION 3. Section 489D-10, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "~~§489D-10~~ Application and license fees. (a) Each  
4 application shall be accompanied by[+  
5 [~~(1)—A~~] a nonrefundable application fee in the amount of  
6 \$5,000 [~~+and~~  
7 ~~(2)—An initial annual license fee of \$5,000.~~  
8 ~~(b)—The license fee shall be refunded if the application~~  
9 ~~is denied~~].

10 (b) An initial license fee of \$5,000 shall be assessed  
11 upon approval of the application."

12 SECTION 4. Statutory material to be repealed is bracketed  
13 and stricken. New statutory material is underscored.

14 SECTION 5. This Act, upon its approval, shall take effect  
15 on July 1, 2024.

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INTRODUCED BY: \_\_\_\_\_



18

BY REQUEST  
JAN 22 2024

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**Report Title:**

Money Transmitter; Permissible Investments; Division of  
Financial Institutions

**Description:**

Continues the alignment of Hawaii's money transmitters law with the provisions of the Model Money Transmitters Modernization Act, thereby enabling Hawaii to work within a network of states to license, supervise, and examine transglobal money transmission companies as a multistate system; using nationwide standards, provides clarity and consistency of the tangible net worth provision; ensures that licensees have sufficient financial resources to conduct their business in a safe and sound manner; ensures efficiency throughout the licensing process; and protects the interests of money transmission companies, their customers, and the public.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

## JUSTIFICATION SHEET

DEPARTMENT: Commerce and Consumer Affairs

TITLE: A BILL FOR AN ACT RELATING TO MONEY TRANSMITTERS MODERNIZATION ACT.

PURPOSE: To continue the alignment of Hawaii's money transmitters law with the provisions of the Model Money Transmitters Modernization Act, thereby enabling Hawaii to work within a network of states to license, supervise, and examine transglobal money transmission companies as a multi-state system; to provide clarity and consistency of the tangible net worth provision by clarifying that the tangible net worth calculation is calculated using total assets, which is the aggregate assets of a licensee; and to ensure efficiency throughout the licensing process with consistent requirements for financial condition; and to protect the interests of money transmission companies, their customers, and the public.

MEANS: Amend sections 489D-4, 489D-6(a), and 489D-10, Hawaii Revised Statutes (HRS).

JUSTIFICATION: Currently, financial components of the Money Transmitters Modernization Act, chapter 489D, HRS, are based on an older model law. The new definition and calculation of tangible net worth financial condition will comport with nationwide standards. Tangible assets differ from total assets in that they exclude all intangible assets, less liabilities, as determined in accordance with United States generally accepted accounting principles. The tangible net worth financial condition requirement calculation would ensure that licensees can operate and conduct their business in a safe and sound manner across the nation and in Hawaii. The amendments incorporate an updated definition of permissible investments that includes receivables, provides clarification that tangible net worth is based on "total assets", and

provides surety that licensees can operate and conduct business activities in a safe and sound manner.

The amendments also streamline the application process by removing the refundable \$5,000 requirement for the initial license fee upon denial of a license and instead allow the Division of Financial Institutions to collect the initial licensee fee when the application is approved. The process of refunding fees upon denial of licensure during the application process is cumbersome and is frustrating to the applicant. The processing of the refunds takes approximately 8-10 weeks and is treated as division's expenses instead of the money transmitter expenses.

Impact on the public: These amendments will help the Division of Financial Institutions license, regulate, and supervise nationally and globally operating money transmission companies without impacting money transmission businesses that operate regionally or in a single state to protect consumers. The amendments will comport with the Money Transmitter Model Act. Customers and consumers will have the assurance that the money transmitter company is operating in a safe and sound manner using national standards.

Impact on the department and other agencies:  
None.

GENERAL FUNDS:	None.
OTHER FUNDS:	None.
PPBS PROGRAM DESIGNATION:	CCA-104.
OTHER AFFECTED AGENCIES:	None.
EFFECTIVE DATE:	July 1, 2024.