



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA
SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

KA 'OIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
cca.hawaii.gov

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Wednesday, February 28, 2024
12:00 p.m.
Conference Room 308, and Via Videoconference**

**On the following measure:
H.B. 2388, RELATING TO RELATING TO MONEY TRANSMITTERS
MODERNIZATION ACT.**

Chair Yamashita 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 supports this administration bill.

The purposes of this bill are to: (1) 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 multistate system; (2) using nationwide standards, provide clarity and consistency of the tangible net worth provision; (3) ensure that licensees have sufficient financial resources to conduct their business in a safe and sound manner; (4) ensure efficiency throughout the licensing process; and (4) protect the interests of money transmission companies, their customers, and the public.

The new definition and calculation of tangible net worth financial condition will comport with nationwide standards. The amendments clarify that the definition of permissible investments includes receivables, provides clarification that tangible net worth is based on "total assets", and provides assurance to licensees that the calculations will be consistent nationwide and that business activities are conducted in a safe and sound manner. These amendments would clarify the financial requirements for money transmitter companies and ultimately increase the protection of consumers.

The amendments also streamline the application process by amending the refundable \$5,000 requirement for the initial license fee upon denial of a license and instead allow the Division to collect the initial year licensee fee when the application is approved as working with applicants through the application process sometimes takes many months.

Thank you for the opportunity to testify, and we respectfully ask the Committee to pass this administration bill.



1300 Connecticut Avenue
Suite 475
Washington, DC 20036

202.828.2635
800.695.5509
electron.org

February 28, 2024

**The Honorable Kyle Yamashita
Chair of the House Committee on Finance
Hawaii State Capitol
415 South Beretania St.
Honolulu, HI 96813**

Re: Comments in Support of HB2388 – Money Transmission Modernization Act

Dear Chair Yamashita, Vice Chair Kitagawa, and Distinguished Members of the Committee,

On behalf of the Electronic Transactions Association (“ETA”), the leading trade association for the payments industry, we appreciate the opportunity to provide the comments below in strong support of HB2388 related to adopting money transmission modernization standardization for the state of Hawaii.

ETA strongly supports the passage of HB2388 which incorporates the Conference of State Bank Supervisors (“CSBS”) Model Money Transmission Modernization Act (“Money Transmitter Model Law”) into Hawaii law. We commend the work of CSBS in bringing together regulators and other stakeholders to develop a uniform, nationwide framework for the regulation of money transmission businesses. Through harmonized standards, the Money Transmitter Model Law will:

1. Facilitate enhanced, coordinated supervision of money transmission businesses.
2. Reduce barriers to entry and compliance costs of critical financial services created by disparate and sometimes conflicting state laws and regulations.
3. Further protect consumers and small businesses through safe, trustworthy, and clear standards for companies and regulators.

Uniform, and comprehensive adoption of the Model Law and regulations will ensure that customers are protected in the same fashion, and payments companies are regulated in the same fashion, across all jurisdictions. It would create a robust single, national standard for customer protections, clarify and standardize definitions of regulated activity and related key elements of regulation, and streamline states’ ability to license and examine money transmitters through the Nationwide Multistate Licensing System. With 99.8% of the \$4.9 Trillion in reported money transmission volume in 2021 being transmitted by companies licensed in multiple states, uniform adoption of the Model Law would allow businesses to focus on risk detection and consumer protections, while decreasing burdens of State caseloads, and preserving licensing and supervisory efforts.

CSBS recently reported that the boom in fintech payments providers has resulted in the number of money transmitters operating nationwide (licensed in 40 or more states) more than doubling since 2015. Considering the substantial increase in the volume of regulation and oversight required as

this industry continues to expand, standardization will be a benefit to regulators in managing workloads more efficiently.

Uniform adoption of the Model Law is critical to protecting users, maintaining U.S. competitiveness, and supporting regulator efficiency. Therefore, ETA supports HB2388 because it would align regulation of money transmission in Hawaii with the Model Law that is being adopted in states across the nation.

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We appreciate you taking the time to consider these important issues. If you would like to discuss any aspect of our comments, please contact me or ETA Executive Vice President Scott Talbott at Stalbott@electran.org.

Respectfully Submitted,



Brian Yates
Senior Director, State Government Affairs
Electronic Transactions Association
202.677.7714 | byates@electran.org