

STAND. COM. REP. NO.

493

Honolulu, Hawaii

, 2023

**FEB 15**

RE: H.B. No. 1261

H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1261 entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- (1) Beginning January 1, 2024, establish a program for the licensure, regulation, and oversight of special purpose digital currency companies in the State; and
- (2) Allow any company participating in the Digital Currency Innovation Lab on June 30, 2023, to continue operations if a complete licensure application is submitted to the Division of Financial Institutions of the Department of Commerce and Consumer Affairs by March 1, 2024.

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

2023-1564 HB1261 HD1 HSCR HMSO



Your Committee finds that the Division of Financial Institutions of the Department of Commerce and Consumer Affairs and Hawaii Technology Development Corporation have been conducting research on digital currencies through their joint study in the Digital Currency Innovation Lab. The Innovation Lab currently consists of eleven digital currency companies and has allowed more than one hundred five thousand Hawaii customers transacting hundreds of millions of dollars each quarter. Since its inception in 2020, the Innovation Lab has received only forty-five complaints from Hawaii customers.

Your Committee further finds that through the research conducted in the Innovation Lab, the Division learned that the existing regulatory scheme of the money transmitter laws do not comport with the activities conducted by digital currency companies. Your Committee additionally finds that the collapses of various digital currency exchanges in 2022 underscores the significant need for government regulation of digital currencies for consumer protection. This measure applies information gained from the Innovation Lab to establish a new licensing framework for digital currency companies in the State and would allow any company participating in the Innovation Lab on June 30, 2023, to continue operations if a complete licensure application is submitted to the Division of Financial Institutions by March 1, 2024.

Your Committee has amended this measure by:

- (1) Inserting definitions for "control" and "control person";
- (2) Allowing a licensee to keep foreign addresses of customers as part of the digital currency transaction records required to be retained by the licensee;
- (3) Changing the required retention period for advertising and marketing materials from seven years to five years;
- (4) Allowing licensees to maintain digital formats for website captures of material changes to internet advertising and marketing, rather than requiring that hard copies of such captures be maintained;



- (5) Deleting the requirement that a licensee return the original license as part of the surrender of a license since no paper license is issued;
- (6) Clarifying that the Commissioner of Financial Institutions may suspend or revoke a license if a licensee refuses to permit the Commissioner to make an investigation;
- (7) Changing the appropriation to be for the establishment and hiring of three full-time equivalent (3.0 FTE) permanent examiners in the Division of Financial Institutions who are exempt from chapter 76, Hawaii Revised Statutes; and
- (8) 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 H.B. No. 1261, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1261, 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,



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MARK M. NAKASHIMA, Chair



State of Hawaii  
House of Representatives  
The Thirty-second Legislature

**HSR 493**

**Record of Votes of the Committee on Consumer Protection & Commerce**

<b>Bill/Resolution No.:</b> HB 1261	<b>Committee Referral:</b> CPC, FIN	<b>Date:</b> 2-9-23		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <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)				
<b>CPC Members</b>	<b>Ayes</b>	<b>Ayes (WR)</b>	<b>Nays</b>	<b>Excused</b>
1. NAKASHIMA, Mark M. (C)	/			
2. SAYAMA, Jackson D. (VC)	/			
3. AMATO, Terez	/			
4. BELATTI, Della Au	/			
5. HASHEM, Mark J.	/			
6. HUSSEY-BURDICK, Natalia	/			
7. GATES, Cedric Asuega				/
8. LOWEN, Nicole E.	/			
9. ONISHI, Richard H.K.	/			
10. TAM, Adrian K.	/			
11. PIERICK, Elijah	/			
<b>TOTAL (11)</b>	10			1
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <span style="margin-left: 150px;">committee acronym(s)</span>				
<b>Vice Chair's or designee's signature:</b>				
<b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				