

Honolulu, Hawaii

APR 27 2017

RE: S.B. No. 949
S.D. 1
H.D. 1
C.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 949, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO MONEY TRANSMITTERS,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to:

- (1) Make various updates to the Money Transmitters Act, chapter 489D, Hawaii Revised Statutes, including:
 - (A) Clarifying that transactions related to decentralized virtual currency are not subject to the Money Transmitters Act;
 - (B) Clarifying permissible investment requirements for money transmitter licensees; and



- (C) Updating requirements for applications, extraordinary reporting requirements, change in control of licensee, and criminal history record checks; and
- (2) Establish the Decentralized Virtual Currency Working Group to be placed with the Department of Commerce and Consumer Affairs.

Your Committee on Conference finds that money transmitters are responsible for transmitting billions of dollars for consumers to locations around the world. Improper practices can result in loss of consumer funds and movement of money promoting or derived from unlawful activity. This measure makes various updates to clarify and strengthen Hawaii's Money Transmitters Act, which will improve licensee compliance, enhance the Division of Financial Institutions' ability to effectively administer the money transmitters law, ensure the law is more clearly applicable to new technology and creative payment options, and enhance consumer protection by strengthening requirements for background information on persons associated with a money transmitter licensee.

Your Committee on Conference further finds that this measure also exempts transactions related to decentralized virtual currency from the Money Transmitters Act and establishes a working group to study whether decentralized virtual currency should be regulated under the Money Transmitters Act. Your Committee on Conference notes that virtual currency is a highly complex, relatively novel payment model. Although the National Conference of Commissioners on Uniform State Laws has established a committee to examine the need for and feasibility of drafting uniform state legislation on the regulation of virtual currencies, the committee's work is still in progress. As such, your Committee on Conference believes it is prudent not to exempt decentralized virtual currency from the State's Money Transmitters Act at this time. Furthermore, your Committee on Conference also notes that the Commissioner of Financial Institutions has indicated a willingness to continue discussions regarding the issues surrounding virtual currency during the upcoming legislative interim.

Accordingly, your Committee on Conference has amended this measure by:

- (1) Deleting the definition of "decentralized virtual currency";



- (2) Deleting language that would have exempted transactions related to decentralized virtual currency from the Money Transmitters Act;
- (3) Deleting language that would have established the Decentralized Virtual Currency Working Group within the Department of Commerce and Consumer Affairs;
- (4) Changing its effective date to September 1, 2017; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 949, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 949, S.D. 1, H.D. 1, C.D. 1.

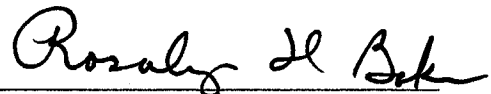
Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE



TAKASHI OHNO
Co-Chair



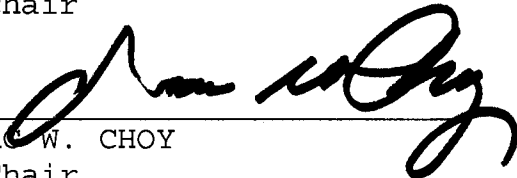
ROSALYN H. BAKER
Chair



ROY M. TAKUMI
Co-Chair



GILBERT S.C. KEITH-AGARAN
Co-Chair



ISAAC W. CHOY
Co-Chair



Hawaii State Legislature

CLR 78

Record of Votes of a
Conference Committee

Bill / Concurrent Resolution No.: SB 949, SD 1, HD 1	Date/Time: 4-26-2017 2:33 pm
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The recommendation of the House and Senate managers is to pass with amendments (CD).

The Committee is reconsidering its previous decision.

<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure	<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.
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Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
BAKER, Rosalyn H., Chr.	✓				OHNO, Takashi, Co-Chr.	✓			
KEITH-AGARAN, Gilbert S.C., Co-Chr.	✓				TAKUMI, Roy M., Co-Chr.	✓			
KIDANI, Michelle N.				✓	CHOY, Isaac W., Co-Chr.	✓			
					WARD, Gene	✓			
TOTAL	2	-	-	1	TOTAL	4	-	-	-

A = Aye WR = Aye with Reservations N = Nay E = Excused

Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted	House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted
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Senate Lead Chair's or Designee's Signature: 	House Lead Chair's or Designee's Signature:
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