

STAND. COM. REP. NO.

2329

Honolulu, Hawaii

FEB 15 2022

RE: S.B. No. 2697
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism,
to which was referred S.B. No. 2697 entitled:

"A BILL FOR AN ACT RELATING TO VIRTUAL CURRENCY,"

begs leave to report as follows:

The purpose and intent of this measure is to exclude the
electronic transfer of virtual currency through virtual currency
companies and cryptocurrency companies from the Money Transmitters
Modernization Act.

Your Committee received testimony in support of this measure
from seven individuals. Your Committee received comments on this
measure from the Department of Commerce and Consumer Affairs'
Division of Financial Institutions, Hawaii Technology Development
Corporation, and Grassroot Institute of Hawaii.

Your Committee finds that the Division of Financial
Institutions of the Department of Commerce and Consumer Affairs
and the Hawaii Technology Development Corporation have jointly
created a two-year sandbox, called the Digital Currency Innovation
Lab (DCIL), to allow for limited activity of digital currency
companies, virtual currency companies, and cryptocurrency
companies in the State to better understand the cryptocurrency
industry and determine the best method of its regulation and
oversight. Your Committee further finds that there are
approximately sixty-one thousand digital currency consumers who



have completed more than \$611,000,000 in transactions with the fifteen cryptocurrency-based companies that have been accepted into DCIL. Your Committee recognizes that digital currency transactions are not like money transmissions and do not fit into the licensing scheme under the State's Money Transmitters Modernization Act under chapter 489D, Hawaii Revised Statutes. Your Committee further recognizes with the end of DCIL in June 30, 2022, this measure would allow virtual currency activity to legally continue in the State.

Accordingly, your Committee has amended this measure by making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

Your Committee notes that with the exclusion of virtual currency transactions from the State's Money Transmitters Modernization Act, there will be no consumer protection, regulation, or oversight for these transactions and respectfully requests that your subsequent Committees on Commerce and Consumer Protection and Ways and Means further examine these issues.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2697, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2697, S.D. 1, and be referred to your Committees on Commerce and Consumer Protection and Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Energy, Economic
Development, and Tourism,



GLENN WAKAI, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Energy, Economic Development, and Tourism
EET

Bill / Resolution No.:* SB 2697	Committee Referral: EET, CPN/WAM	Date: 2-7-22		
<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
WAKAI, Glenn (C)	✓			
MISALUCHA, Bennette E. (VC)	✓			
LEE, Chris	✓			
RIVIERE, Gil	✓			
FEVELLA, Kurt	✓			
TOTAL	5	0	0	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