

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

Report to the Legislature on Money Transmitters

Section 4 (41) of Act 158, SLH 2008 (HB2500, HD1, SD1, CD1) requires the Department of Commerce and Consumer Affairs to submit a report to the Legislature that shall include but not be limited to:

- (1) A list of money transmitters examined during fiscal year 2008-2009;
- (2) A detailed list of expenditures that resulted from these examinations;
- (3) A detailed list of revenues arising from licensing and regulation activities of the program; and
- (4) A report on the impact, issues, problems, and recommendations on the money transmitter industry.

The requested information is provided herewith:

- **A list of money transmitters examined during fiscal year 2008-2009.**

Act 195 Relating to Money Transmitters (SB3009 SD2 HD2 CD1), signed into law on June 19, 2008, provided for an appropriate level of funding to implement the supervisory and regulatory provisions of Act 153 – The Money Transmitter Act - signed into law in 2006. However, as Act 195 would not take effect until January 1, 2009, there was inadequate funding available to actually implement the supervisory and regulatory provisions of Act 153 – The Money Transmitter Act. There have been, therefore, no money transmitters examined by the Department of Commerce and Consumer Affairs thus far during fiscal year 2008-2009.

- **A detailed list of expenditures that resulted from these examinations.**

Act 195 Relating to Money Transmitters (SB3009 SD2 HD2 CD1), signed into law on June 19, 2008, provided for an appropriate level of funding to implement the supervisory and regulatory provisions of Act 153 – The Money Transmitter Act - signed into law in 2006. However, as Act 195 would not take effect until January 1, 2009, there was inadequate funding available to actually implement the supervisory and regulatory provisions of Act 153 – The Money Transmitter Act. There have been, therefore, no money transmitters examined by the Department of Commerce and Consumer Affairs thus far during fiscal year 2008-2009 and thus no expenditures that resulted from examinations.

- **A detailed list of revenues arising from licensing and regulation activities of the program.**

Revenues arising from licensing and regulation activities of the program are as follows:

	<u>YTD 10/31/08</u> <u>FY 2008-2009</u>
License fees – initial and renewal	-0-
Application fees	\$1,000
Examination fees and costs	<u>-0-</u>
TOTAL	\$1,000

- **A report on the impact, issues, problems, and recommendations on the money transmitter industry.**

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While the Department of Commerce and Consumer Affairs feels that it may be premature to provide comments on the impact, issues and, problems of the money transmitter industry or make recommendations concerning the money transmitter industry until the Department develops more actual experience in administering the provisions of Act 153 – The Money Transmitter Act, there are some points that may be of interest to the Legislature:

- There are currently 39 licensed money transmitters operating in Hawaii through more than 1,200 locations.
- The majority of the money transmitters licensed by the State are mainland or internationally headquartered – 28. The remaining 11 are Hawaii based operations.
- Due to the screening and reporting requirements of the federal Bank Secrecy Act, Money Transmitters, as a business type, have difficulty maintaining banking relationships as they are considered high risk enterprises. This perception is exacerbated by the lack of funding for the State of Hawaii Money Transmitter regulatory and supervisory program.
- Based on the license renewal reports filed in December 2007, Hawaii licensed Money Transmitters sold a total of \$616,638,865 of payment instruments in Hawaii in a 3-month period in 2007.

It is estimated that the initial cash flow to fund the program mandated by Act 153 will begin to be received at the end of calendar year 2009 and the program will begin to operate as contemplated by Act 153 by mid 2010 or early 2011, after which point the Department will be in position to provide a more informed view of the money transmitter industry in Hawaii.

Should you have any questions concerning this report please contact:

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