

Board Packet Contents

Relating to Agenda item #4 Bylaws

Attach 1. A copy of the HTDC board approved bylaws from 2007

Relating to Agenda Item #5 DCIL

Background Information on the Digital Currency Innovation Lab

website <https://www.htdc.org/digital-currency-innovation-lab/>

For a full description please read the status report, shortcut provided below

https://www.canva.com/design/DAEpf1k2X04/8npV3QRI2Q1HXrGIZJCd9w/view?utm_content=DAEpf1k2X04&utm_campaign=designshare&utm_medium=link&utm_source=publishsharelink

Attach 2. House Resolution 115 Requesting HTDC to continue the DCIL

Attach 3. Draft Memorandum of Agreement to continue the DCIL

Relating to Agenda Item # 6 HI-CAP

Background Information on HI-CAP also known as federal SSBCI program

<https://www.htdc.org/wp-content/uploads/2021/11/SSBCI-Report.pdf>

Attach 4. Draft flowchart for HI-CAP Invest approval

**BYLAWS
OF
HIGH TECHNOLOGY DEVELOPMENT CORPORATION
STATE OF HAWAII**

ARTICLE I – NAME

Section 1.1 The official name of the Corporation shall be “High Technology Development Corporation”.

ARTICLE II – ACTIVITIES

Section 2.1 The activities of the Corporation shall be those necessary and appropriate to accomplish the purposes of Chapter 206M, Hawaii Revised Statutes.

ARTICLE III – OFFICES

Section 3.1 Effective April 4, 1996, the principal office of the Corporation shall be at 2800 Woodlawn Drive, Suite 100, Honolulu, Hawaii 96822, or at such other place in the City and County of Honolulu as the Board of Directors may determine.

ARTICLE IV – MEMBERS

Section 4.1 General. The members of the Corporation shall consist of, and be limited to, all members of the Board of Directors.

Section 4.2 Fees. Members of the Corporation shall not be required to pay any fees, dues, fines, assessments, or any other charge.

ARTICLE V – BOARD OF DIRECTORS

Section 5.1 General. The Corporation shall be governed by a Board of Directors consisting of eleven members. The Director of Business, Economic Development, and Tourism, State of Hawaii, and the Director of Finance, State of

Hawaii, or their designated representatives, shall serve as ex officio voting members. Six members from the public at large, (hereinafter “public members”), appointed by the Governor of Hawaii pursuant to Section 206M-2, Hawaii Revised Statutes, and Section 26-34, Hawaii Revised Statutes, shall serve as voting members. One member, selected by the Governor from the faculty of the University of Hawaii, shall also serve as a voting member. An appointed member from the Board of Directors of the Hawaii Strategic Development Corporation and an appointed member from the Board of Directors of the Natural Energy Laboratory of Hawaii Authority, or their designated representatives, shall serve as ex officio voting members.

Section 5.2 Powers. The powers of the Board of Directors shall be vested in the members thereof then in office. The Board of Directors shall have general charge of the affairs, funds, and property of the Corporation.

Section 5.3 Duties. It shall be the duty of the Board of Directors to conduct, manage, and control the affairs and business of the Corporation and to promulgate and enforce its rules, regulations, and bylaws.

Section 5.4 Terms of Office. The public members and the University of Hawaii faculty member of the Board of Directors shall serve for such terms as designated by the Governor of Hawaii. The ex officio members shall each serve until such time as the ex officio member ceases to hold his or her respective government position. In the event of a vacancy in any of the government positions associated with an ex officio membership, the person serving as the interim or acting government official in that position shall serve as a member of the Board of Directors until such time as the vacant government position is filled.

Section 5.5 Designated Representative. An ex officio member may be represented on the Board of Directors by a designated representative, who shall serve as a voting member. Such designation by an ex officio member shall be made in writing

to the Chairperson prior to any meeting at which the designated representative is to act. Such designation may be made on a continuing basis until revoked. Public members and the University of Hawaii faculty member shall not be represented by designated representatives.

Section 5.6 Expiration of Term. Notwithstanding the term of office as stated in Section 5.4, the term of a Board member shall expire upon the failure of the member, without valid excuse, to attend three consecutive meetings duly noticed to all members of the Board of Directors and where the Board of Directors failed to constitute quorum necessary to transact business. The Chairperson or Acting Chairperson of the Board of Directors shall determine if the absence of the member is excusable. The expiration of the member's term shall be effective immediately after the third consecutive unattended meeting and unexcused absence. This provision shall not apply to ex officio members of the Board of Directors.

ARTICLE VI – MEETINGS

Section 6.1 Regular Meetings. Regular meetings of the Board of Directors shall be held bimonthly on the first Thursday of the month.

Section 6.2 Special Meetings. Special meetings of the members for any purpose or purposes may be held at any time upon the call of the Chairperson, upon the call of any other two members, or upon the call of the Executive Director.

Section 6.3 Annual Meeting. An annual meeting shall be held in July to elect new officers and to transact other business as may be brought before the Board of Directors.

Section 6.4 Place of Meetings. The members may designate any place in the State of Hawaii accessible to the public as the place of meeting for any regular or special meetings.

Section 6.5 Notice to Members of Meetings. Notice of all meetings shall be given to all members personal or by mail. If by mail, such notice shall be given at least six (6) calendar days before the meeting. If a special meeting is called, the meeting notice shall state the purpose of purposes of the special meeting.

Section 6.6 Continued Meetings and Notice to Members Thereof. Any meeting of the members may be continued to a later date or to a different place, provided that members absent from the meeting shall be notified of the continued meeting as in the case of an original meeting.

Section 6.7 Voting.

- a. At all meetings of members, every member or designated representative shall have the right to vote in person.
- b. Voting by proxy shall not be allowed.

Section 6.8 Quorum. Six (6) members shall be necessary to constitute a quorum for the transaction of business, and the affirmative vote of at least six (6) members shall be necessary to make an action of the Corporation valid.

Section 6.9 Parliamentary Procedure. Robert's Rules of Order, Newly Revised, most recent edition, shall govern the conduct of meetings, if any question arises as to procedure.

Section 6.10 Minutes. Minutes of all meetings shall be kept in accordance with requirements of Section 92.9, Hawaii Revised Statutes. The Chairperson shall designate a person from the Corporation's staff to serve as recorder, and the minutes shall be signed by the recorder.

Section 6.11 Notice to the Public: Open Meetings. Public notices of meetings and the holding of meetings open to the public shall follow the requirements of law and the Corporation's administrative rules as set forth in its Rules of Practice and Procedure.

ARTICLE VII – OFFICERS

Section 7.1 Numbers. The officers of the Corporation shall be the Chairperson, the First Vice-Chairperson, the Second Vice-Chairperson, and the Secretary-Treasurer, with such duties as from time to time may be prescribed by the Board of Directors or the Bylaws, provided that the Corporation shall have not fewer than two persons as officers.

Section 7.2 Election and Term of Office. All officers shall be elected by the Board of Directors and shall serve for one year or until their successors are elected. One person may hold more than one office. All officers shall be subject to removal at any time without cause by the Board of Directors. The Board of Directors, may, in its discretion, elect acting or temporary officers and may elect officers to fill vacancies occurring for any reason whatsoever, and may limit or enlarge the duties and powers of any officer elected by it.

Section 7.3 Chairperson. The Chairperson shall preside over meetings of the Board of Directors. The Chairperson shall have general charge and supervision of the Corporation as delegated by the Board of Directors and shall perform such duties as are incident to the office or are required by the Board of Directors.

Section 7.4 First Vice-Chairperson. In the absence of the Chairperson, the First Vice-Chairperson shall perform the duties of the Chairperson. The First Vice-Chairperson shall also perform all other duties assigned by the Chairperson or by the Board of Directors.

Section 7.5 Second Vice-Chairperson. In the absence of the Chairperson and the First Vice-Chairperson, the Second Vice-Chairperson shall perform the duties of the Chairperson. The Second Vice-Chairperson shall also perform all other duties assigned by the Chairperson or by the Board of Directors.

Section 7.6 Secretary-Treasurer: The Secretary-Treasurer shall be the chief administrative and financial officer of the Corporation and shall exercise general supervision over administrative matters and the receipt, custody, and disbursement of Corporate funds. The Secretary-Treasurer shall perform all other duties assigned by the Chairperson or by the Board of Directors.

ARTICLE VIII – EXECUTIVE DIRECTOR AND STAFF

Section 8.1 Executive Director. The Board of Directors shall appoint an Executive Director who shall serve at the pleasure of the Board of Directors, and whose compensation shall be set by the Board of Directors subject to the requirements of Section 25-35(4), Hawaii Revised Statutes. The Executive Director shall serve as the chief executive officer of the Corporation and shall be directly responsible for the day-to-day operations of the Corporation, including control of and responsibility for the execution of the Board’s policies, the administration of its affairs, and the supervision of its staff. At each meeting of the Board, the Executive Director shall furnish the Board with such information and make such recommendations as shall be necessary to effect the purposes of the Corporation and for the proper administration of its affairs.

Section 8.2 Corporation Staff. With the concurrence of the Board of Directors, the Executive Director may appoint, in accordance with applicable personnel laws, subordinate staff members to assist in the administration of the Corporation’s affairs.

ARTICLE IX – ADMINISTRATION AND DISBURSEMENTS

Section 9.1 Administration. In accordance with Chapter 206M, Hawaii Revised Statutes, the Corporation has been placed within the State of Hawaii Department of Business, Economic Development and Tourism for administrative purposes, as defined by Section 26-35, Hawaii Revised Statutes.

Section 9.2 Disbursements. Disbursements of the funds of the Corporation for the purposes for which it is organized shall be made by the Board of Directors in accordance with Chapter 40, Hawaii Revised Statutes, and other applicable statutes and laws.

Section 9.3 Limitations on Disbursements. The Board of Directors shall not make any disbursements or contributions of the funds or assets of the Corporation to or for the benefit, directly or indirectly, of any Directors of the Corporation, except for reasonable payment of expenses incurred in serving as a Director of the Corporation.

ARTICLE X – MISCELLANEOUS

Section 10.1 Execution of Instruments. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 10.2 Legal Documents. Before their execution, all documents which bind the Corporation to a legal obligation shall first be approved as to form and legality by the legal counsel for the Corporation.

Section 10.3 Annual Reports. Each fiscal year of the Corporation shall begin on July 1 and shall end on June 30 of the following calendar year. An annual report of the accomplishments of the Corporation shall be prepared following each fiscal year.

Section 10.4 Inspection of Bylaws. The Corporation shall keep in its principal office the original or a copy of the Bylaws and its amendments, certified by the

Secretary-Treasurer, which shall be open to inspection by the members and by the general public at all reasonable times during office hours.

ARTICLE XI – SEAL

Section 11.1 The Corporation may have a seal of such form as the Board of Directors may from time to time determine.

ARTICLE XII – AMENDMENTS

Section 12.1 The Bylaws may be amended or repealed by the Board of Directors.

HOUSE RESOLUTION

REQUESTING THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS'
DIVISION OF FINANCIAL INSTITUTIONS AND THE HAWAII
TECHNOLOGY DEVELOPMENT CORPORATION TO EXTEND THE DIGITAL
CURRENCY INNOVATION LAB PILOT PROJECT UNTIL JUNE 30, 2024,
OR UNTIL LEGISLATION IS ENACTED THAT PROVIDES FOR A DIGITAL
CURRENCY LICENSURE PROGRAM, WHICHEVER OCCURS FIRST.

1 WHEREAS, cryptocurrency has grown in popularity nationwide,
2 but there is little regulation of the industry; and

3
4 WHEREAS, according to the Federal Trade Commission,
5 cryptocurrency is digital money, which is the blanket term used
6 to describe any money-like asset that is primarily managed,
7 stored, or exchanged using internet technology; and

8
9 WHEREAS, digital currency does not have a physical form
10 like banknotes or minted coins, is not typically issued or
11 backed by the United States government or any other government
12 or central bank, and is not considered legal tender in most
13 countries; and

14
15 WHEREAS, in 2016, the Department of Commerce and Consumer
16 Affairs' Division of Financial Institutions found that digital
17 currency transactions differ from money transmissions and that
18 subjecting digital currency companies, virtual currency
19 companies, and cryptocurrency companies to the licensing and
20 asset reserve scheme under the Money Transmitters Modernization
21 Act made it too burdensome for these companies to do business in
22 the State; and

23
24 WHEREAS, the Division of Financial Institutions of the
25 Department of Commerce and Consumer Affairs and Hawaii
26 Technology Development Corporation have jointly created a two-
27 year sandbox, called the Digital Currency Innovation Lab (DCIL)
28 pilot project, to allow for limited activity of digital currency
29 companies, virtual currency companies, and cryptocurrency



1 companies in the State to better understand the cryptocurrency
2 industry and determine the best method for its regulation and
3 oversight; and

4
5 WHEREAS, as of the fourth quarter of 2021, there are
6 approximately one hundred thirty-four thousand digital currency
7 consumers who have completed more than \$896,000,000 in
8 transactions with the fifteen cryptocurrency-based companies
9 that have been accepted into the DCIL pilot project; and

10
11 WHEREAS, with the termination of the DCIL pilot project on
12 June 30, 2022, these digital currency consumers will have no
13 choice but to empty and close their digital wallets by
14 December 31, 2022; and

15
16 WHEREAS, the results of the DCIL pilot project have
17 confirmed the popularity and versatility of digital currency
18 transactions and the need for more comprehensive regulation of
19 digital currency; and

20
21 WHEREAS, the Legislature has yet to pass a measure that
22 either exempts digital currency from the Money Transmitters
23 Modernization Act or regulates digital currency within the
24 State; now, therefore,

25
26 BE IT RESOLVED by the House of Representatives of the
27 Thirty-first Legislature of the State of Hawaii, Regular Session
28 of 2022, that if the Legislature takes no action to exempt
29 digital currency companies from the money transmitter license
30 requirements or does not pass a measure establishing a
31 comprehensive regulatory scheme for digital currency companies,
32 then the Department of Commerce and Consumer Affairs' Division
33 of Financial Institutions and Hawaii Technology Development
34 Corporation are requested to extend the Digital Currency
35 Innovation Lab pilot project until June 30, 2024, or until
36 legislation is enacted that provides for a digital currency
37 licensure program, whichever occurs first; and

38
39 BE IT FURTHER RESOLVED that certified copies of this
40 Resolution be transmitted to the Commissioner of Financial
41 Institutions and Executive Director of the Hawaii Technology
42 Development Corporation.



DIGITAL CURRENCY INNOVATION LAB

MEMORANDUM OF AGREEMENT

May 2022

THIS Agreement, executed on the respective dates indicated below, is effective as of _____ date _____, by and between the Department of Commerce and Consumer Affairs, Division of Financial Institutions, State of Hawaii, ~~hereinafter called ("DCCA,"~~ and the Hawaii Technology Development Corporation ~~hereinafter called ("HTDC"), to create and maintain the Digital Currency Innovation Lab ("DCIL")~~ (each a "party" and collectively, "the parties").

WITNESSETH

WHEREAS, The HTDC's purpose is to facilitate the growth and development of commercial technologies in Hawaii. Its authority includes the development of projects, collecting and analyzing information on the state of commercial technology activity in Hawaii (including financial technologies), promoting Hawaii as a site for commercial technology activities (including financial technology activities) and providing advice on policies and planning for technology-based economic development. It has the power to create an environment in which to support technological economic development by supporting all aspects of technology-based economic development, developing instructive programs, and providing policy analysis and information regarding the development of technology industries in Hawaii. HTDC can develop programs that support start-up and existing technology companies in Hawaii and coordinate efforts with other public agencies involved in stimulating technology-based economic development in Hawaii. The HTDC's Sandbox Program is focused on building the next generation technology, innovation, and manufacturing industries in order to diversify

Hawaii's economy and develop a flourishing technology industry (including the financial technology industry);

WHEREAS, DCCA licenses, regulates, and supervises Money Transmitters and other financial services providers whose business operations, products, and consumer services are increasingly impacted by emerging innovative technologies (FinTech) surrounding mobile payment systems, money transfers, loans, and other financial products.

WHEREAS, the FinTech industry is evolving at an accelerated pace both within the State of Hawaii and Globally. Rapidly changing customer expectations and preferences and new technologies are altering the way in which economic transactions are carried out. Therefore, the parties in this agreement see the benefits of working together to improve operations in the new environment. The parties believe that this collaboration program will improve their understanding of, and ability to promote, regulate, advise and supervise FinTech activities and potentially reduce their related risks;

WHEREAS, HTDC and DCCA entered into a Memorandum of Agreement on January 9, 2020 creating the FinTech Regulatory Sandbox Program, now known as the Digital Currency Innovation Lab ("DCIL");

WHEREAS, HTDC and DCCA both recognize the continued benefit to consumers in the continuation of the DCIL for an additional appropriate time period. ~~an as yet unquantified need for financial technology market tools such as electronic currency exchanges, potential consumer harm to the winddown activities proposed in the original FinTech limited scope program given that m.~~ However, current statutes and regulations ~~may~~ not permit some FinTech products or services to be ~~made~~ available to consumers. The parties desire to continue to

monitor and quantify such transactions on a limited, ~~small scale, short term~~ test to determine feasibility or consider how large scale activity would work in practice. It is important to both parties to promote responsible innovations, safe operations, and for participants to treat customers fairly;

WHEREAS, HTDC is qualified to receive applications for businesses wishing to provide FinTech services in Hawaii under the HTDC Sandbox Program. No acceptance shall be perceived as or constitute any endorsement of an applicant. No denial shall be perceived as, nor constitute any repudiation of an applicant. Applications which have potentially predatory, unfair, or deceptive features, pose undue risks to consumers, or institutions or are inconsistent with the policies of this program, will not be permitted into the program. The HTDC does not approve, endorse, nor prioritize any particular applicant within this program;

WHEREAS, DCCA is willing to provide appropriate regulatory guidelines for FinTech applicants during a trial period that is designed to establish the benefit to consumers and businesses for the proposed FinTech service.

WHEREAS the application process is intended to establish basic qualifications and to impose the restrictions, limitations, or other agreed upon procedures that will govern the operation of the FinTech service provider in order to protect consumers and others who will utilize the services during the trial period. A copy of the ~~application~~ [Program Memoradum of Agreement For the Digital Currency Innovation Lab Understanding](#) is attached hereto as eExhibit "A";

WHEREAS, DCCA is willing to review FinTech Sandbox applications and make recommendations to HTDC as to whether the requirements for providing FinTech services in the

State have been satisfied and that the Applicant can provide the services appropriately. The DCCA is willing to continue monitoring of the current FinTech service providers for compliance with the program requirements;

WHEREAS, DCCA has demonstrated the capacity to analyze data and evaluate the FinTech activities described herein and is ready, willing, and able to provide the required analysis and evaluation of the activities;

WHEREAS, the ~~DCIL-FinTech Sandbox~~ DCIL has been operational since March 19, 2020, and is scheduled to cease transactional activity for the ~~DCIL-FinTech service providers~~ participants on June 30, 2022, and winddown activities to take place until December 31, 2022;

WHEREAS, the 2022 Legislature, through S.B. No. 2695, Relating to Cryptocurrency which created a task force to study the cryptocurrency and blockchain technologies and H.R. 115 requesting the DCCA and HTDC to continue the DCIL until June 30, 2024;

NOW THEREFORE, DCCA and HTDC seeks to continue and maintain the DCIL activities for participants,

NOW THEREFORE, DCCA and HTDC for and in consideration of the covenants, conditions, agreements, and stipulations hereinafter expressed, do mutually agree as follows:

A. SCOPE OF SERVICES.

HTDC shall receive and approve qualified FinTech participant sandbox applications, receive reports and data from FinTech participants, and timely provide reports, data, and other information to the DCCA. HTDC shall also suspend or terminate any FinTech

participant who fails to comply with the terms and conditions imposed on its operation under the DCIL program~~FinTech sandbox program~~.

DCCA shall, in accordance with the terms and conditions of this Agreement, review and make recommendations on FinTech application(s), conduct ongoing analysis of data and reports to ensure compliance of FinTech service provider applicants with the terms and conditions of the DCIL program~~FinTech sandbox~~ and make recommendations on the suspension or termination of any FinTech operator under the program.

B. TERM OF AGREEMENT.

This Agreement shall be in effect ~~from the~~~~for the period from~~ date of execution to June 30, 2024, unless this Agreement is sooner terminated as hereinafter provided or unless this Agreement is extended.

C. COMPENSATION.

HTDC and DCCA shall bear their own costs for their respective responsibilities under this agreement. DCCA may provide HTDC with a portion of the annual DCIL contract renewal fees, up to \$20,000 per year.

D. MODIFICATION OF AGREEMENT.

Any modification, alteration, amendment, or change to this Agreement shall be made by written Supplemental Agreement and executed by HTDC and the DCCA.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

APPROVED AS TO FORM:

HAWAII TECHNOLOGY DEVELOPMENT
CORPORATION
STATE OF HAWAII, ("HTDC")

Elise A. Amemiya
Deputy Attorney General, State of Hawaii

By _____
Print Name _____
It's _____
Date _____

DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII, (DCCA)

James C. Paige
Deputy Attorney General, State of Hawaii

By _____
Print Name _____
Title _____
Date _____

