

Honolulu, Hawaii

Feb 10, 2006

RE: H.B. No. 1878

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1878 entitled:

"A BILL FOR AN ACT RELATING TO INVESTMENT SECURITIES ACT,"

begs leave to report as follows:

The purpose of this bill is to improve the ability of Hawaii's securities industry to conduct business on a nationwide basis by conforming Hawaii's law on investment security adviser compensation to federal securities law. Specifically, this bill allows investment securities advisers to be compensated:

- (1) Based on the performance of the funds or portfolio that the investment adviser manages; and
- (2) If the conditions and requirements in rule 205-3 of the Investment Company Act of 1940 are met.

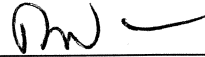
The Department of Commerce and Consumer Protection supported this measure.

Your Committee finds that this bill will help to modernize and reduce the cost and complexity of our securities laws while retaining protections for consumers.



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. 1878 and recommends that it pass Second Reading and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



