

Honolulu, Hawaii

Feb 10, 2006

RE: H.B. No. 2315

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. 2315 entitled:

"A BILL FOR AN ACT RELATING TO THE CODE OF FINANCIAL INSTITUTIONS,"

begs leave to report as follows:

The purpose of this bill is to update and improve the regulation of financial institutions under the Code of Financial Institutions (Code) by eliminating obsolete, unnecessary, or redundant requirements and increasing consumer protection and regulatory flexibility.

Among the amendments made by this bill are those:

- (1) Eliminating the requirement that Hawaii financial institutions:
  - (A) File semi-annual statements of assets and liabilities;
  - (B) File amendments to articles of incorporation and bylaws;
  - (C) Notify the Commissioner of Financial Institutions (Commissioner) when opening, relocating, and closing automatic teller machines; and



- (D) Comply with various provisions related to access to safety deposit boxes;
- (2) Removing references to mutual savings and loan associations, which are types of associations that no longer exist;
- (3) Increasing the threshold for reporting illegal acts from amounts exceeding \$10,000 to amounts exceeding \$100,000;
- (4) Expanding the range of low-income residential property investments permitted to banks, savings banks, savings and loan associations, and depository financial services loan companies, to include limited liability partnerships, limited liability companies, and corporations;
- (5) Giving a trust company the authority to serve as a conservator and allowing a trust company or bank authorized to do a trust business to continue to serve as a conservator after a merger, consolidation, or conversion;
- (6) Making the requirements for applications to organize a financial institution more consistent with Federal Depository Insurance Commission approval requirements;
- (7) Allowing the Commissioner to:
  - (A) Waive annual fees on a year-to-year discretionary basis;
  - (B) Request records and other information from any financial institution at any time for good cause;
  - (B) Use the results of both a state and federal examination in lieu of an examination prescribed by the Code; and
  - (C) When ordering the removal of a financial institution-affiliated party from office or employment, prohibit the party from participating in the affairs of any other financial institution;



- (8) Requiring financial institutions to:
- (A) Give notice of, and obtain approval from the Commissioner to use a particular name; and
  - (B) Notify and provide other information to the Commissioner when closing an operating subsidiary or service corporation to ensure proper disposal of assets and liabilities;
- and
- (9) Applying protections for the confidentiality of records to attorneys, and protecting certain information from subpoena or other legal process.

The Department of Commerce and Consumer Affairs and the Hawaii Bankers Association supported this measure.

Your Committee finds that the financial markets have evolved considerably in the last decade. This bill updates the Code to take into account Hawaii's current marketplace and reduce regulatory burdens and costs.

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. 2315 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,



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ROBERT N. HERKES, Chair



