

Honolulu, Hawaii

April 27, 2006

RE: H.B. No. 1878
S.D. 1
C.D. 1

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

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 1878, S.D. 1, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

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 investment security adviser compensation law to federal securities law. This bill continues to protect consumers while allowing investment securities advisers to be compensated based on the performance of the funds or portfolio that the investment adviser manages:

- (1) Upon meeting the conditions and requirements in rule 205-3 of the Investment Advisers Act of 1940; and



- (2) If, in addition to the requirements of the United States Securities and Exchange Commission Form ADV, the investment adviser discloses all material information concerning the advisory arrangement to the client before entering into the contract.


Your Committee on Conference has made technical, nonsubstantive amendments to this bill for clarity, consistency and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 1878, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 1878, S.D. 1, C.D. 1.

Respectfully submitted on behalf
of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE



RON MENOR, Chair



ROBERT N. HERKES, Chair



