

Honolulu, Hawaii

APR -7 2006

RE: H.B. No. 2315  
S.D. 2

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

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 2315, S.D. 1, entitled:

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

begs leave to report as follows:

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

Among the amendments made by the measure are those that:

- (1) Eliminate 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) Remove references to mutual savings and loan associations, which are a type of association that no longer exists;
- (3) Increase the threshold for reporting illegal acts from amounts exceeding \$10,000 to amounts exceeding \$100,000;
- (4) Expand 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) Give a trust company the authority to serve as a conservator and allow 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) Make the requirements for applications to organize a financial institution more consistent with Federal Depository Insurance Commission approval requirements;
- (7) Allow 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;
  - (C) Use the results of both a state and federal examination in lieu of an examination prescribed by the Code; and
  - (D) 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) Require 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) Apply protections for the confidentiality of records to attorneys, and protecting certain information from subpoena or other legal process.

Your Committee finds that the amendments proposed in this measure will reduce the regulatory burden by eliminating obsolete requirements and improving the procedures for the licensing of financial institutions.

Your Committee has amended this measure by:

- (1) Conforming the definition of "building and loan association" contained in section 241-1, Hawaii Revised Statutes, to reflect the amendments made by this measure;
- (2) Amending section 27 of the measure, by properly setting forth section 412:3-609, Hawaii Revised Statutes, in its entirety, rather than just certain subsections, to conform with recommended drafting procedures; and
- (3) Making other technical nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2315, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2315, S.D. 2.



Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



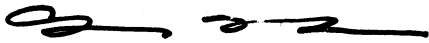
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BRIAN T. TANIGUCHI, Chair



The Senate  
Twenty-Third Legislature  
State of Hawaii

Record of Votes of the  
Committee on Ways and Means  
(Bills and Resolutions)

Measure: HB 2315 SD1	Committee Referral: CPH, WAM	Date: 3/31/06		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is to: <input type="checkbox"/> Pass, unamended (2312) <input checked="" type="checkbox"/> Pass, with amendments (2311) <input type="checkbox"/> Hold (2310) <input type="checkbox"/> Recommit (2313)				
Members	Ayes	Ayes(WR)	Nays	Excused
TANIGUCHI, Brian T. (C)	/			
TSUTSUI, Shan S. (VC)	/			
ENGLISH, J. Kalani				/
ESPERO, Will	/			
FUKUNAGA, Carol				/
HOOSER, Gary L.	/			
INOUE, Lorraine R.	/			
KANNO, Brian	/			
KIM, Donna Mercado				/
KOKUBUN, Russell S.	/			
NISHIHARA, Clarence K.	/			
SAKAMOTO, Norman	/			
HEMMINGS, Fred	/			
SLOM, Sam	/			
TRIMBLE, Gordon				/
TOTAL	11	0	0	4
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Do not list more than one measure per Record of Votes.