

# H.B. NO. 1070

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## A BILL FOR AN ACT

RELATING TO THE CODE OF FINANCIAL INSTITUTIONS.

### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 412:3-507, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "**§412:3-507 Closing branch or agency; temporary**  
4 **closures~~(-)~~ and relocations.** (a) A Hawaii financial  
5 institution shall give the commissioner prior notice of its  
6 intent to close any branch or agency at least thirty days prior  
7 to the closing. The notice shall specify the intended date of  
8 closing, the reasons for the closing, and a certification by the  
9 secretary or other authorized officer of the institution that  
10 the decision to close was duly approved by its board of  
11 directors. This notice may be satisfied by ~~[delivery]~~ providing  
12 to the commissioner ~~[of]~~ a copy of any notice pertaining to the  
13 closure given to the financial institution's appropriate federal  
14 regulatory agency.

15 (b) A Hawaii financial institution may temporarily close  
16 or relocate a branch or agency ~~[in the event of an emergency]~~  
17 for a period of time up to one hundred eighty days, or a longer  
18 time period as determined necessary by the commissioner~~(-)~~ in

1 the event of an emergency or for other good cause. For purposes  
2 of this section, an emergency means a situation of an unusual or  
3 compelling urgency that creates a threat to life, public health,  
4 welfare, or safety by reason of major natural disaster,  
5 epidemic, riot, fire, or other reason as determined by the  
6 commissioner. Written notice of a temporary closure or  
7 relocation shall be provided to the commissioner [~~upon closure~~]  
8 and to the Hawaii financial institution's customers as soon as  
9 practicable, and [~~notice shall be provided to the Hawaii~~  
10 ~~financial institution's customers in the form of a sign posted~~  
11 ~~at the primary public entrance of the branch or agency. The~~  
12 ~~written notices~~] shall state the reasons for the temporary  
13 closure[-] or relocation, the expected date of reopening, and  
14 information regarding where and how customers of the closed or  
15 relocated branch or agency will be accommodated during the  
16 temporary closure[-] or relocation. The notice provided to the  
17 Hawaii financial institution's customers shall be in the form of  
18 a sign posted in a safe, conspicuous location on or in proximity  
19 to the primary public entrance of the branch or agency that has  
20 been or will be temporarily closed or relocated. Notice of the  
21 reopening of the branch or agency that was temporarily closed or

1 relocated shall be provided to the commissioner within five days  
2 of the reopening."

3 SECTION 2. Section 412:5-305, Hawaii Revised Statutes, is  
4 amended by amending subsection (a) to read as follows:

5 "(a) To the extent specified herein, a bank may invest its  
6 own assets in securities and obligations of:

7 (1) The United States government and any agency of the  
8 United States government whose debt obligations are  
9 fully and explicitly guaranteed as to the timely  
10 payment of principal and interest by the full faith  
11 and credit of the United States, including without  
12 limitation Federal Reserve Banks, the Government  
13 National Mortgage Association, the Veterans  
14 Administration, the Federal Housing Administration,  
15 the United States Department of Agriculture, the  
16 Export-Import Bank, the Overseas Private Investment  
17 Corporation, the Commodity Credit Corporation, and the  
18 Small Business Administration;

19 (2) United States government-sponsored agencies which are  
20 originally established or chartered by the United  
21 States government to serve public purposes specified  
22 by the Congress but whose debt obligations are not

1 explicitly guaranteed by the full faith and credit of  
2 the United States, including without limitation Banks  
3 for Cooperatives, Federal Agricultural Mortgage  
4 Corporation, Federal Farm Credit Banks, Federal Home  
5 Loan Banks, Federal Home Loan Mortgage Corporation,  
6 Federal Intermediate Credit Banks, Federal Land Banks,  
7 Federal National Mortgage Association, Financing  
8 Corporation, Resolution Funding Corporation, Student  
9 Loan Marketing Association, Tennessee Valley  
10 Authority, and the United States Postal Service;  
11 provided that the total amount invested in obligations  
12 of any one issuer shall not exceed twenty per cent of  
13 the bank's capital and surplus; and

- 14 (3) Quasi-United States governmental institutions  
15 including without limitation the International Bank  
16 for Reconstruction and Development (World Bank), the  
17 Inter-American Development Bank, the Asian Development  
18 Bank, the African Development Bank, the European  
19 Investment Bank, and other multilateral lending  
20 institutions or regional development institutions in  
21 which the United States government is a shareholder or  
22 contributing member; provided that the total amount

1           invested in obligations of any one issuer shall not  
2           exceed twenty per cent of the bank's capital and  
3           surplus."

4           SECTION 3. Section 412:6-306, Hawaii Revised Statutes, is  
5 amended by amending subsection (a) to read as follows:

6           "(a) To the extent specified herein, a savings bank may  
7 invest its own assets in securities and obligations of:

- 8           (1) The United States government and any agency of the  
9           United States government whose debt obligations are  
10           fully and explicitly guaranteed as to the timely  
11           payment of principal and interest by the full faith  
12           and credit of the United States, including without  
13           limitation Federal Reserve Banks, the Government  
14           National Mortgage Association, the Veterans  
15           Administration, the Federal Housing Administration,  
16           the United States Department of Agriculture, the  
17           Export-Import Bank, the Overseas Private Investment  
18           Corporation, the Commodity Credit Corporation, and the  
19           Small Business Administration;
- 20           (2) United States government-sponsored agencies which are  
21           originally established or chartered by the United  
22           States government to serve public purposes specified

1 by the Congress but whose debt obligations are not  
2 explicitly guaranteed by the full faith and credit of  
3 the United States, including without limitation Banks  
4 for Cooperatives, Federal Agricultural Mortgage  
5 Corporation, Federal Farm Credit Banks, Federal Home  
6 Loan Banks, Federal Home Loan Mortgage Corporation,  
7 Federal Intermediate Credit Banks, Federal Land Banks,  
8 Federal National Mortgage Association, Financing  
9 Corporation, Resolution Funding Corporation, Student  
10 Loan Marketing Association, Tennessee Valley  
11 Authority, and the United States Postal Service;  
12 provided that the total amount invested in obligations  
13 of any one issuer shall not exceed twenty per cent of  
14 the savings bank's capital and surplus; and

- 15 (3) Quasi-United States governmental institutions including  
16 without limitation the International Bank for  
17 Reconstruction and Development (World Bank), the  
18 Inter-American Development Bank, the Asian Development  
19 Bank, the African Development Bank, the European  
20 Investment Bank, and other multilateral lending  
21 institutions or regional development institutions in  
22 which the United States government is a shareholder or

1 contributing member; provided that the total amount  
2 invested in obligations of any one issuer shall not  
3 exceed twenty per cent of the savings bank's capital  
4 and surplus."

5 SECTION 4. Section 412:7-306, Hawaii Revised Statutes, is  
6 amended by amending subsection (a) to read as follows:

7 "(a) To the extent specified herein, a savings and loan  
8 association may invest its own assets in securities and  
9 obligations of:

- 10 (1) The United States government and any agency of the  
11 United States government whose debt obligations are  
12 fully and explicitly guaranteed as to the timely  
13 payment of principal and interest by the full faith  
14 and credit of the United States, including without  
15 limitation Federal Reserve Banks, the Government  
16 National Mortgage Association, the Veterans  
17 Administration, the Federal Housing Administration,  
18 the United States Department of Agriculture, the  
19 Export-Import Bank, the Overseas Private Investment  
20 Corporation, the Commodity Credit Corporation, and the  
21 Small Business Administration;

- 1           (2) United States government-sponsored agencies which are  
2                   originally established or chartered by the United  
3                   States government to serve public purposes specified  
4                   by the Congress but whose debt obligations are not  
5                   explicitly guaranteed by the full faith and credit of  
6                   the United States, including without limitation Banks  
7                   for Cooperatives, Federal Agricultural Mortgage  
8                   Corporation, Federal Farm Credit Banks, Federal Home  
9                   Loan Banks, Federal Home Loan Mortgage Corporation,  
10                  Federal Intermediate Credit Banks, Federal Land Banks,  
11                  Federal National Mortgage Association, Financing  
12                  Corporation, Resolution Funding Corporation, Student  
13                  Loan Marketing Association, Tennessee Valley  
14                  Authority, and the United States Postal Service;  
15                  provided that the total amount invested in obligations  
16                  of any one issuer shall not exceed twenty per cent of  
17                  the savings and loan association's capital and  
18                  surplus; and
- 19           (3) Quasi-United States governmental institutions  
20                   including without limitation the International Bank  
21                   for Reconstruction and Development (World Bank), the  
22                   Inter-American Development Bank, the Asian Development



1 Bank, the African Development Bank, the European  
2 Investment Bank, and other multilateral lending  
3 institutions or regional development institutions in  
4 which the United States government is a shareholder or  
5 contributing member; provided that the total amount  
6 invested in obligations of any one issuer shall not  
7 exceed twenty per cent of the savings and loan  
8 association's capital and surplus."

9 SECTION 5. Section 412:8-301, Hawaii Revised Statutes, is  
10 amended by amending subsection (a) to read as follows:

11 "(a) To the extent specified herein, a trust company may  
12 invest its own assets in securities and obligations of:

- 13 (1) The United States government and any agency of the  
14 United States government whose debt obligations are  
15 fully and explicitly guaranteed as to the timely  
16 payment of principal and interest by the full faith  
17 and credit of the United States, including without  
18 limitation Federal Reserve Banks, the Government  
19 National Mortgage Association, the Veterans  
20 Administration, the Federal Housing Administration,  
21 the United States Department of Agriculture, the  
22 Export-Import Bank, the Overseas Private Investment

1 Corporation, the Commodity Credit Corporation, and the  
2 Small Business Administration;

3 (2) United States government-sponsored agencies which are  
4 originally established or chartered by the United  
5 States government to serve public purposes specified  
6 by the Congress but whose debt obligations are not  
7 explicitly guaranteed by the full faith and credit of  
8 the United States, including without limitation Banks  
9 for Cooperatives, Federal Agricultural Mortgage  
10 Corporation, Federal Farm Credit Banks, Federal Home  
11 Loan Banks, Federal Home Loan Mortgage Corporation,  
12 Federal Intermediate Credit Banks, Federal Land Banks,  
13 Federal National Mortgage Association, Financing  
14 Corporation, Resolution Funding Corporation, Student  
15 Loan Marketing Association, Tennessee Valley  
16 Authority, and the United States Postal Service;  
17 provided that the total amount invested in obligations  
18 of any one issuer shall not exceed twenty per cent of  
19 the trust company's capital and surplus; and

20 (3) Quasi-United States governmental institutions  
21 including without limitation the International Bank  
22 for Reconstruction and Development (World Bank), the

1 Inter-American Development Bank, the Asian Development  
2 Bank, the African Development Bank, the European  
3 Investment Bank, and other multilateral lending  
4 institutions or regional development institutions in  
5 which the United States government is a shareholder or  
6 contributing member; provided that the total amount  
7 invested in obligations of any one issuer shall not  
8 exceed twenty per cent of the trust company's capital  
9 and surplus."

10 SECTION 6. Section 412:9-409, Hawaii Revised Statutes, is  
11 amended by amending subsection (a) to read as follows:

12 "(a) To the extent specified in this subsection, a  
13 depository financial services loan company may invest its own  
14 assets in securities and obligations of:

- 15 (1) The United States government and any agency of the  
16 United States government whose debt obligations are  
17 fully and explicitly guaranteed as to the timely  
18 payment of principal and interest by the full faith  
19 and credit of the United States including without  
20 limitation Federal Reserve Banks, the Government  
21 National Mortgage Association, the Department of  
22 Veterans Affairs, the Federal Housing Administration,

1 the United States Department of Agriculture, the  
2 Export-Import Bank, the Overseas Private Investment  
3 Corporation, the Commodity Credit Corporation, and the  
4 Small Business Administration;

- 5 (2) United States government-sponsored agencies which are  
6 originally established or chartered by the United  
7 States government to serve public purposes specified  
8 by the Congress but whose debt obligations are not  
9 explicitly guaranteed by the full faith and credit of  
10 the United States including without limitation Banks  
11 for Cooperatives, the Federal Agricultural Mortgage  
12 Corporation, Federal Farm Credit Banks, Federal Home  
13 Loan Banks, the Federal Home Loan Mortgage  
14 Corporation, Federal Intermediate Credit Banks,  
15 Federal Land Banks, the Federal National Mortgage  
16 Association, the Financing Corporation, the Resolution  
17 Funding Corporation, the Student Loan Marketing  
18 Association, the Tennessee Valley Authority, and the  
19 United States Postal Service; provided that the total  
20 amount invested in obligations of any one issuer shall  
21 not exceed twenty per cent of the depository financial  
22 services loan company's capital and surplus; and

1           (3) Quasi-United States governmental institutions  
2           including without limitation the International Bank  
3           for Reconstruction and Development (World Bank), the  
4           Inter-American Development Bank, the Asian Development  
5           Bank, the African Development Bank, the European  
6           Investment Bank, and other multilateral lending  
7           institutions in which the United States government is  
8           a shareholder or contributing member; provided that  
9           the total amount invested in any one issuer shall not  
10          exceed twenty per cent of the depository financial  
11          services loan company's capital and surplus."

12          SECTION 7. Section 412:10-502, Hawaii Revised Statutes, is  
13          amended by amending subsection (a) to read as follows:

14          "(a) To the extent specified herein, a credit union may  
15          invest its own assets in securities and obligations of:

16          (1) The United States government and any agency of the  
17          United States government whose debt obligations are  
18          fully and explicitly guaranteed as to the timely  
19          payment of principal and interest by the full faith  
20          and credit of the United States, including without  
21          limitation Federal Reserve Banks, the Government  
22          National Mortgage Association, the Veterans

1 Administration, the Federal Housing Administration,  
2 the United States Department of Agriculture, the  
3 Export-Import Bank, the Overseas Private Investment  
4 Corporation, the Commodity Credit Corporation, and the  
5 Small Business Administration;

- 6 (2) United States government-sponsored agencies, which are  
7 originally established or chartered by the United  
8 States government to serve public purposes specified  
9 by the Congress but whose debt obligations are not  
10 explicitly guaranteed by the full faith and credit of  
11 the United States, including without limitation Banks  
12 for Cooperatives, Federal Agricultural Mortgage  
13 Corporation, Federal Farm Credit Banks, Federal Home  
14 Loan Banks, Federal Home Loan Mortgage Corporation,  
15 Federal Intermediate Credit Banks, Federal Land Banks,  
16 Federal National Mortgage Association, Resolution  
17 Funding Corporation, Student Loan Marketing  
18 Association, Tennessee Valley Authority, and the  
19 United States Postal Service; provided that the total  
20 amount invested in obligations of any one issuer shall  
21 not exceed ten per cent of the credit union's capital;  
22 and



**Report Title:**

Code of Financial Institutions

**Description:**

Amends and updates Hawaii's Code of Financial Institutions to address temporary office relocations and to place prudent limits on certain kinds of investments by financial institutions.



JUSTIFICATION SHEET

DEPARTMENT: Commerce and Consumer Affairs

TITLE: A BILL FOR AN ACT RELATING TO THE CODE OF FINANCIAL INSTITUTIONS.

PURPOSE: The purpose of this bill is to amend and update chapter 412, Hawaii Revised Statutes (HRS), to reduce regulatory burden by addressing temporary office relocations, and to enhance the safety and soundness of Hawaii's financial institutions by placing prudential limits on certain kinds of permitted investments.

MEANS: Amend sections 412:3-507, 412:5-305(a), 412:6-306(a), 412:7-306(a), 412:8-301(a), 412:9-409(a), and 412:10-502(a), HRS.

JUSTIFICATION: A provision that currently provides for the temporary closure of a financial institution branch or agency office in the event of an emergency is amended to address the temporary closure or the temporary relocation of a Hawaii financial institution branch or agency office in the event of an emergency or for other good cause.

Provisions in articles 5, 6, 7, 8, 9, and 10 of chapter 412, HRS, which specify the investments that Hawaii financial institutions are permitted to make, are amended to put in place new prudential limits on the total amount that may be invested in the obligations of any one issuer, when those issuers are United States government-sponsored agencies that have been originally established or chartered by the United States government to serve public purposes specified by the Congress, but whose debt obligations are not explicitly guaranteed by the full faith and credit of the United States. Recent turmoil in the global financial markets that has had a significant adverse impact on many large

institutional investors has focused attention on the need to impose such limitations on investments in this category of debt obligations by Hawaii's regulated financial institutions.

Impact on the public: The proposed amendments will benefit the general public by requiring appropriate notification to a financial institution's customers in the event of unavoidable or unexpected temporary branch closings or relocations, and by enhancing the safety and soundness of Hawaii's financial institutions in placing limits on their investments in the debt obligations of any one issuer when that issuer's obligations are not explicitly and fully guaranteed by the United States.

Impact on the department and other agencies: The proposed amendments will not have a significant impact on the operations of the department or any other agencies.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: CCA-104.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: Upon approval.