

Honolulu, Hawaii

Ag: 130 , 2009

RE: H.B. No. 1070
S.D. 1
C.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 1070, S.D. 1, entitled:

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

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 regulation of financial institutions by:

- (1) Allowing financial institutions to temporarily close or relocate branches or agencies for an emergency or other good cause;
- (2) Limiting how much a financial institution may invest in the obligations of any one issuer that is a United States government-sponsored agency originally established or chartered by the United States government to serve public purposes specified by Congress, but whose debt obligations



are not explicitly guaranteed by the full faith and credit of the United States, except for investments by banks and savings banks in bonds, notes, mortgage-backed securities, and other debt obligations of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Federal Home Loan Banks; and

- (3) Allowing banks and savings banks to make limited investments in securities and obligations issued by a public-private investment fund established in connection with the Legacy Loans Program and Legacy Securities Program of the United States Treasury and Federal Deposit Insurance Corporation.

Your Committee on Conference finds that the limitations established by the original draft of this bill for investments by financial institutions in certain securities and obligations were prompted by the recent turmoil in global financial markets having a significant and negative impact on many large institutional investors. Given that the main purpose of this bill is to ensure that financial institutions engaging in such activities make prudent investments, this measure may not be the appropriate vehicle for provisions expanding the allowable investments by financial institutions to include securities and obligations that are part of a new federal program that has yet to be fully evaluated.

Your Committee on Conference further finds that the investment limitations imposed by this bill should be consistently applied to all of the financial institutions covered under this measure.

Accordingly, your Committee on Conference has amended this bill by:

- (1) Eliminating the provisions allowing banks and savings banks to invest in securities and obligations issued by a public-private investment fund established in connection with the Legacy Loans Program and Legacy Securities Program of the United States Treasury and Federal Deposit Insurance Corporation;
- (2) Clarifying that investments in securities and obligations of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Federal Home Loan Banks that are not bonds, notes, mortgage backed securities, or other debt obligations of those entities are subject to the investment limitations of this bill;



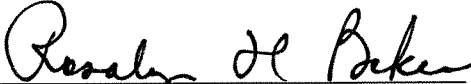
- (3) Uniformly applying the investment limitations imposed by this bill on banks, savings banks, savings and loan associations, trust companies, depository financial services loan companies, and credit unions;
- (4) Making this measure effective upon its approval; and
- (5) Making technical, nonsubstantive amendments for clarity 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. 1070, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 1070, 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



ROSALYN H. BAKER, Chair



ROBERT N. HERKES, Chair



Hawaii State Legislature

Record of Votes of a Conference Committee

Bill / Concurrent Resolution No.: HB 1070, SD 1	Date/Time: 4.27.09 2:58 PM
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The recommendation of the House and Senate managers is to pass with amendments (CD).

The Committee is reconsidering its previous decision.

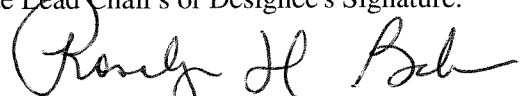
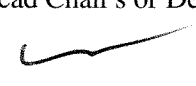
The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure

The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.

Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
BAKER, Rosalyn H., Chr.	x				HERKES, Robert N., Chr.	x			
IGE, David Y.				x	SOUKI, Joseph M.	x			
HEMMINGS, Fred	x				WAKAI, Glenn				x
					MARUMOTO, Barbara C.	x			
TOTAL	2	-	-	1	TOTAL	3	-	-	1

A = Aye WR = Aye with Reservations N = Nay E = Excused

Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted	House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted
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Senate Lead Chair's or Designee's Signature: 	House Lead Chair's or Designee's Signature: 
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