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TO THE
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
THE TWENTY-FIFTH STATE LEGISLATURE
REGULAR SESSION OF 2009

Monday, February 23, 2009
2:15 p.m.

TESTIMONY ON H.B. NO. 1070 - RELATING TO THE CODE OF FINANCIAL
INSTITUTIONS

THE HONORABLE ROBERT N. HERKES, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Nick Griffin, Commissioner of Financial Institutions ("Commissioner"),
testifying on behalf of the Department of Commerce and Consumer Affairs ("Department").
The Department strongly supports this Administration bill relating to the Code of Financial
Institutions.

The purpose of the bill is to amend and update Hawaii Revised Statutes ("HRS")
chapter 412, Hawaii's Code of Financial Institutions, to reduce regulatory burden by
addressing temporary office relocations by Hawaii financial institutions and to enhance

the safety and soundness of Hawaii's financial institutions by placing prudent limits on certain kinds of permitted investments made by those institutions.

An existing provision that provides for the temporary closure of a financial institution branch or agency office in the event of an emergency is amended to address, more broadly, 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. These amendments will limit the total amount invested in the obligations of any one of these enumerated issuers to not more than twenty per cent of the financial institution's capital and surplus, with one exception: namely, that the total amount invested in obligations of any one of the enumerated issuers by a credit

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union shall not exceed ten per cent of the credit union's capital. A credit union's capital is defined more broadly than that of other Hawaii financial institutions so as to encompass the credit union's total deposits. The broader definition of "capital" for credit unions accounts for a ten per cent, rather than twenty per cent, limitation on the investment by a credit union in the obligations of any one of the specified issuers.

The Department strongly supports this bill and asks for your favorable consideration. Thank you for the opportunity to testify. I would be happy to respond to any questions you may have.

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February 23, 2009

Rep. Robert N. Herkes, Chair
and members of the House Committee on Consumer Protection & Commerce
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **House Bill 1070 (Code of Financial Institutions)**
Hearing Date/Time: Monday, February 23, 2009, 2:15 P.M.

I am the attorney for the **Hawaii Financial Services Association** ("HFSA"). The HFSA is the trade association for Hawaii's financial services loan companies which are regulated by the Hawaii Commissioner of Financial Institutions under the Code of Financial Institutions (Chapter 412, Article 9 of the Hawaii Revised Statutes).

The HFSA **supports the intent** of this Bill.

The purpose of this Bill is to amend and update Hawaii's Code of Financial Institutions to address temporary office relocations and to place prudent limits on certain kinds of investments by financial institutions.

There are two major provisions in this Bill:

1. This Bill allows for temporary branch closing and relocations for an emergency or good cause. Written notice is to be given by the financial institution to the Commissioner of Financial Institutions. The financial institution is also to post the notice at the branch which is being temporarily closed or relocated.

These provisions are in the best interest of both the financial institution and its customers.

2. This Bill sets limits on how much a financial institution can invest in United States government-sponsored agencies whose debt obligations are not explicitly guaranteed by the full faith and credit of the United States. There is a cap on investments in any one such issuer of 20% of the financial institution's capital and surplus. We take no position as to whether the 20% cap is appropriate. However, we support the intent of this provision which will ensure that financial institutions make prudent investments.

Thank you for considering our testimony.



MARVIN S.C. DANG

Attorney for Hawaii Financial Services Association

(MSCD/hfsa)