

STAND. COM. REP. NO.

663

Honolulu, Hawaii

March 5, 2009

RE: H.B. No. 1070

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

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1070 entitled:

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

begs leave to report as follows:

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; and
- (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.

The Department of Commerce and Consumer Affairs testified in support of this bill. The Hawaii Financial Services Association supported the intent of this measure.

Your Committee finds that the limitations established by this bill for investments by financial institutions in certain debt obligations that are not explicitly guaranteed by the United

HB1070 HSCR CPC HMS 2009-2475



States were prompted by the recent turmoil in global financial markets having a significant and negative impact on many large institutional investors. This bill seeks to ensure that financial institutions engaging in such activities make prudent investments.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1070 and recommends that it pass Second Reading and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



State of Hawaii
House of Representatives
The Twenty-fifth Legislature

HSCE 663

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HP 1070	Committee Referral: CPC	Date: 2/23/09		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. HERKES, Robert N. (C)	✓			
2. WAKAI, Glenn (VC)	✓			
3. BELATTI, Della Au				✓
4. CABANILLA, Rida				✓
5. CARROLL, Mele	✓			
6. ITO, Ken	✓			
7. KARAMATSU, Jon Riki	✓			
8. LUKE, Sylvia				✓
9. McKELVEY, Angus L.K.				✓
10. MIZUNO, John M.	✓			
11. MORITA, Hermina M.				✓
12. SOUKI, Joseph M.	✓			
13. TSUJI, Clift	✓			
14. MARUMOTO, Barbara C.	✓			
15. THIELEN, Cynthia	✓			
TOTAL (15)	10	0	0	5
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				

H.B. NO. 1070

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.



LINDA LINGLE
GOVERNOR
JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
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LAWRENCE M. REIFURTH
DIRECTOR
RONALD BOYER
DEPUTY DIRECTOR

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

Friday, March 27, 2009
10:00 a.m.

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

THE HONORABLE ROSALYN H. BAKER, 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

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.

Presentation to the Senate Committee on Commerce and Consumer Protection
March 27, 2009, at 10 a.m.

TO: The Honorable Rosalyn H. Baker, Chair
The Honorable David Y. Ige, Vice Chair
Members of the Senate Committee on Commerce and Consumer
Protection

I am Stafford Kiguchi testifying on behalf of the Hawaii Bankers Association, the trade association of all Hawaii FDIC insured depository financial institutions.

While we support the intent of HB 1070, the matters involving the scope of financial investments are complex. We are working with the Commissioner of the Department of Financial Institutions to address the Commissioner's concerns and at the same time allow Hawaii's financial institutions the important flexibility to continue to invest in a prudent and appropriate manner.

We would like to respectfully request additional time to continue our discussions with the Commissioner in order to further address these issues.

Thank you very much for this opportunity to testify and for your consideration of our request.

HAWAII FINANCIAL SERVICES ASSOCIATION

c/o Marvin S.C. Dang, Attorney-at-Law

P.O. Box 4109

Honolulu, Hawaii 96812-4109

Telephone No.: (808) 521-8521

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March 27, 2009

Senator Rosalyn H. Baker, Chair
and members of the Senate Committee on Commerce and Consumer Protection
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **House Bill 1070 (Code of Financial Institutions)**
Hearing Date/Time: Friday, March 27, 2009, 10:00 A.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.

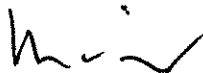
There are two major provisions in this Bill:

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)