

JAN 26 2009

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[7] 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[7] 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

S.B. NO. 888

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

S.B. NO. 888

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 or regional development institutions in
8 which the United States government is a shareholder or
9 contributing member; provided that the total amount
10 invested in any one issuer shall not exceed ten per
11 cent of the credit union's capital."

12 SECTION 8. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 9. This Act shall take effect upon its approval.

15
16 INTRODUCED BY: _____
17 BY REQUEST

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.