

STAND. COM. REP. NO.

2159

Honolulu, Hawaii

FEB 14 2012

RE: S.B. No. 2761  
S.D. 1

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2761 entitled:

"A BILL FOR AN ACT RELATING TO FINANCIAL INSTITUTIONS,"

begs leave to report as follows:

The purpose and intent of this measure is to establish or amend the regulatory fees charged by the Division of Financial Institutions for the review and analysis of financial institution requests.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs. Your Committee received testimony in opposition to this measure from the Hawaii Bankers Association and the Hawaii Financial Services Association.

Your Committee finds that the Division of Financial Institutions provides numerous services for the State's financial institutions and the public, including regulatory oversight review. Your Committee further finds that the fees for the regulation of financial institutions have not been reviewed since the 1993 recodification of the financial institution laws. The new fee structure proposed by this measure comports with the regulatory oversight by the Division of Financial Institutions as federal and state laws and financial institution company organizations become more complex to review and analyze.



The Division of Financial Institutions has indicated that the increase in fees is based on the Division's need to show a stable source of income for the upcoming accreditation review by the Conference of State Bank Supervisors. The Division is seeking additional fees in an attempt to replace and expand its funding source should the Division not receive its share of the franchise tax. Although the franchise tax revenue for a fiscal year is credited to the Division's fund as of June 30, the revenue is not deposited into the fund until July of the following fiscal year. This requires the Division to have thirteen months of cash reserves in its fund to meet its total operations need for the fiscal year.

The Division of Financial Institutions reviewed various states to determine which fees should be assessed for services provided, and reviewed the type of services provided to financial institutions in light of new federal laws and rules. The Division then determined that fees should be assessed for five general categories: new companies establishing a new financial institution; new mergers, acquisitions, or changes in control of an existing financial institution; new branches or relocation of branches; requests to offer services national banks offer; and requests to extend or offer services not currently allowed under state charter.

The Division of Financial Institutions based its fees on the time spent reviewing and analyzing financial institution requests at the rate of \$60 an hour. The Division noted that the trend in states is to assess an hourly charge for any service requested; approximately nineteen states assess an hourly charge of \$90 to \$120 an hour to process every request.

Your Committee has heard the concerns that the fees increases proposed by this measure may seem inordinately high. Concerns were raised about the annual fee percentage increase and its effect on the newest and smallest Hawaii-headquartered banks, and about the increase in hourly rates for reviewing and analyzing requests. Your Committee understands these concerns and finds that certain adjustments to fees should be made. Your Committee also understands that the Division of Financial Institutions must be self-sustaining and a change in fee structure is therefore required.

Your Committee has amended this measure by:



- (1) Changing from \$1,000 to \$700 the fee to establish a new branch of a financial institution;
- (2) Changing from \$1,000 to \$700 the fee for the relocation of a principal office, branch, or agency;
- (3) Changing from \$2,000 to \$1,000 the fee to review a wild card application, wherein the Division of Financial Institutions reviews national and state laws to determine if a state chartered bank may engage in a certain banking activity;
- (4) Amending the annual tiered fee structure the Insurance Commissioner may charge, to allow new banks to be assessed a lower annual renewal fee; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

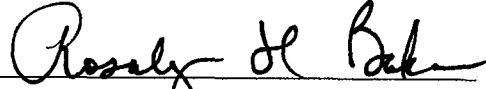
Your Committee notes that the Division of Financial Institutions estimates additional revenues of \$155,000 based on the provisions in this measure that increase the annual renewal fee for financial institutions. The Division currently receives \$35,100 in annual fees.

Your Committee also notes that the amendments to this measure are the result of a compromise between the Division of Financial Institutions and Hawaii Bankers Association.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2761, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2761, S.D. 1, and be referred to the Committee on Ways and Means.



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

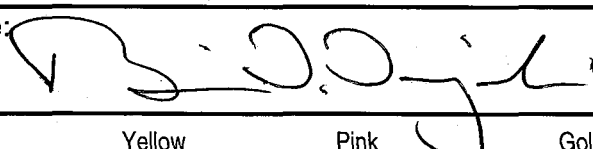
  
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ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <b>SB 2761</b>	Committee Referral: <b>CPN, WAM</b>	Date: <b>2-10-12</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
GALUTERIA, Brickwood	✓			
GREEN, M.D., Josh	✓			
NISHIHARA, Clarence K.	✓			
SOLOMON, Malama	✓			
SLOM, Sam			✓	
<b>TOTAL</b>	<b>6</b>	<b>0</b>	<b>1</b>	<b>0</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes