



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

**PRESENTATION OF THE
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

TO THE SENATE COMMITTEE ON
WAYS AND MEANS

THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016

WEDNESDAY, FEBRUARY 17, 2016
9:15 a.m.

**TESTIMONY ON S.B. No. 2680, S.D.1
RELATING TO FINANCIAL INSTITUTIONS**

TO THE HONORABLE JILL N. TOKUDA, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda, Commissioner of Financial Institutions ("Commissioner"),
testifying on behalf of the Department of Commerce and Consumer Affairs
("Department") in strong support of S.B. No. 2680, S.D.1.

This is predominantly a housekeeping bill that follows the 2013 enactment of
Section 412:2-105.2, Hawaii Revised Statutes ("HRS"), the updated fee schedule ("fee
schedule") for financial institutions subject to Chapter 412, HRS, the Code of Financial
Institutions ("Chapter 412").

Focusing on any financial impact on the Department's Division of Financial Institutions ("DFI"), the following amendments will have a minimal financial impact on DFI as the existing fees are conflicting with the recently created fees section of Chapter 412, HRS:

- Changes the semiannual payment dates for financial institutions from February 15 and August 15, to March 1 and September 1 of each year, to allow DFI time to calculate assessments and send billing letters, and financial institutions time to pay;
- Deletes the annual financial institution examination charge, because this charge is subsumed by other fees in the fee schedule;
- Deletes a number of fees that are scattered throughout Chapter 412, because they conflict with the fee schedule, or the fee schedule renders them outdated;
- Amends fee schedule language to more closely match financial institution requirements described in Chapter 412;
- Deletes references to application fees set by administrative rule, because the fees are already set out in Chapter 412;
- Repeals the credit union advisory board, as this board has been inactive since 2010 and there are currently no state-chartered credit unions in Hawaii;
- Deletes the requirement that a depository financial services loan company pay an initial license fee prior to license issuance; and extends the fee for an application for a bank or savings bank to comply with lending limits applicable to federal financial institutions, to an application by a depository financial services loan company;
- Makes consistent the intra-Pacific bank initial branch application fee, and the application fee for organization of a Hawaii financial institution by an intra-Pacific bank or bank holding company; and clarifies conditions for an intra-Pacific bank to acquire assets of or control over or merge with a Hawaii bank; and

- Clarifies that a Hawaii office of an out-of-state bank as well as its Hawaii branches must pay a fee for an application to relocate.

DFI strongly supports S.B. No. 2680, S.D.1, and respectfully requests it be passed. The bill will make Chapter 412 easier to understand, reduce questions about fees, and enhance DFI's ability to collect fees consistent with the fee schedule.

Attached is a summary sheet which details each of the proposed amendments found in S.B. No 2680, S.D.1.

Thank you for this opportunity to testify. I would be pleased to respond to any questions that you may have.

S.B. No. 2680, S.D.1
RELATING TO FINANCIAL INSTITUTIONS
SUMMARY SHEET

PROPOSED CHANGES to add consistency to various existing financial institution fees within Chapter 412 of the Hawaii Revised Statutes. Minimal financial impact to the Division of Financial Institutions (“DFI”) is anticipated:

- Amending § 412:2-105.2(b) to change the semiannual payment dates for financial institutions from February 15 and August 15, to March 1 and September 1 of each year, to allow DFI time to calculate assessments and send billing letters, and financial institutions time to pay;
- Amending § 412:2-109 to delete subsection (g) to remove the annual financial institution examination charge, because this charge is covered by the fees specified in § 412:2-105.2;
- Amending § 412:2-105.2(c)(1) to remove the \$10,000 fee for application of a bank to engage in the trust business pursuant to 412:5-205, because that fee conflicts with the \$5,000 fee specified in § 412:2-105.2(c)(9);
- Deleting § 412:2-105.2(c)(4) and (c)(5) to remove specific \$2,500 savings bank and trust company fees for final application for a charter or license, since these entities are considered Hawaii financial institutions and the fee is covered in § 412:2-105.2(c)(3) (fee is \$2,500);
- Deleting § 412:2-105.2(c)(7) to remove the \$10,000 application fee for acquisition of control of a Hawaii financial institution, as the fee is covered by § 412:2-105.2(c)(6) (fee is \$10,000);
- Amending § 412:2-105.2(c)(12) to apply the \$2,000 fee therein to an application by a depository financial services loan company (“DFSLC”) to comply with lending limits applicable to federal financial institutions. Banks and savings banks are already subject to this fee, and are authorized to apply for such limits under a provision that also applies to FSLCs;
- Amending § 412:2-105.2(c)(14) to change the reference from a credit union charter application, to an application to engage in the credit union business, as the latter more closely conforms to language in § 412:10-103;
- Amending § 412:2-105.2(e) to make consistent the intra-Pacific bank initial branch application fee of \$9,000, and the application fee for organization of a Hawaii financial institution by an intra-Pacific bank or bank holding company in § 412:2-105.2(c)(2). This conforms with § 412:5-401 which specifies how an intra-Pacific bank or bank holding company may establish its initial presence in Hawaii;

**S.B. No. 2680, S.D.1 – RELATING TO FINANCIAL INSTITUTIONS
SUMMARY SHEET**

Page 2

- Amending § 412:2-105.2(f) to clarify that a Hawaii office of an out-of-state bank as well as its Hawaii branches must pay a fee for an application to relocate;
- Amending § 412:3-201(c) to delete the reference to the \$9,000 application fee for preliminary approval to organize a financial institution, because it conflicts with the \$10,000 application fee required by § 412:2-105.2(c)(1);
- Amending § 412:3-212(c) to delete the requirement that a DFSLC pay an initial license fee prior to license issuance;
- Amending § 412:5-401 to clarify that listed conditions are alternatives, rather than cumulative, for an intra-Pacific bank to acquire assets of or control over or merge with a Hawaii bank;
- Repealing § 412:10-125 regarding the credit union advisory board, as this board has been inactive since 2010 and there are currently no state-chartered credit unions in Hawaii; and
- Amending these sections to delete references to application fees as set by rule, because fees are set out in chapter 412: 412:3-503(b) for a Hawaii financial institution to relocate an office, or open or relocate a branch or agency; 412:5-201(b) for a bank to acquire any federal power (wild card); 412:5A-201 for an international banking corporation; 412:6-204 for a savings bank operating subsidiary; 412:7-201 for a savings and loan association wild card; 412:7-204 for a savings and loan association operating subsidiary; 412:10-103 for a credit union; 412:10-201 for a credit union wild card; and 412:13-222 for relocation of a foreign bank branch, agency, or representative office.

EFFECTIVE DATE: Upon approval.