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Presentation to The Committee on Finance  
April 3, 2019 at 2:00 P.M.  
State Capitol Conference Room 308  
**Testimony in Support of Senate Bill 1325**

TO: The Honorable Sylvia Luke, Chair, Committee on Finance  
The Honorable Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance

My name is Neal K. Okabayashi, Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing 11 banks, including eight with headquarters in Hawai'i. Present Hawai'i law allows association of apartment owners to only invest in certain securities (aside from FDIC insured deposit accounts) so that the monies collected from unit owners be prudently invested. In 2014, the SEC adopted amendments to regulation reducing interest rate, credit, and liquidity risks in money market mutual funds. Those rules took effect on October 14, 2016. The purpose of this bill is to modernize State law, which was last updated in 2014, to be consistent with SEC regulations.

We support SB 1325 which proposes changes to the section on fiscal matters in order to bring the allowable investments in line with the SEC regulations so that associations may invest in government money market funds. The bill further clarifies the existing language to conform with the realities of how mutual funds comprised of government obligations operate. Mutual funds with government obligations often invest their excess cash in a sub-fund or funds. This enables the mutual fund to give associations a greater return than holding cash while allowing the overlying fund to remain liquid enough to invest directly in government obligations when the excess cash accumulates sufficiently or the market favors direct investment.

Government money market funds (as now defined under the SEC rule changes) are mutual funds comprised solely of government obligations but government money market funds are not currently specified as an allowable investment. This proposed amendment would clarify that such funds would be permissible investments. With the current rates presently in effect, it would be advantageous for associations to be able to invest in these types of funds. Although government money market mutual funds are not cash, they are considered the equivalent of cash, or otherwise known as cash equivalent.

Thank you for the opportunity to submit this testimony in support of SB 1325.

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**SB-1325**

Submitted on: 4/2/2019 9:10:56 AM

Testimony for FIN on 4/3/2019 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Richard Emery	Associa	Support	No

Comments:

Most condos believe this option is currently available. Makes sense to clarify law.