

Presentation to The
Committee on Ways and Means
February 19, 2019 at 9:30 A.M.
State Capitol Conference Room 211

Testimony in Support of Senate Bill 1325

TO: The Honorable Donovan M. Dela Cruz, Chair, Committee on Ways and Means
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair Committee on Ways and Means

My name is Neal K. Okabayashi, the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eleven 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 regulation reducing interest rate, credit, and liquidity risks in money market mutual funds. Those rules took effect on October 14, 2016 but notwithstanding the changes, the State laws have no kept pace. The purpose of this bill is to modernize State law 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 to 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 specifically 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. These changes reflect the way mutual funds comprised of government obligations actually operate. 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 on SB 1325 and for the reasons set forth herein, we support this bill. Please let us know if we can provide further information.

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