



DAVID Y. IGE  
GOVERNOR

JOSH GREEN  
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

**Testimony of the Department of Commerce and Consumer Affairs**

**Before the  
Senate Committee on Commerce and Consumer Protection  
Tuesday, March 16, 2021  
9:30 a.m.  
Via Videoconference**

**On the following measure:  
H.B. 943, H.D. 1, RELATING TO NONDEPOSITORY TRUSTS**

Chair Baker and Members of the Committee:

My name is Iris Ikeda, and I am the Commissioner of the Department of Commerce and Consumer Affairs' (Department) Division of Financial Institutions (DFI). The Department supports this administration bill and requests amendments.

The purpose of this bill is to establish provisions concerning nondepository trust companies.

A growing "gap" group of consumers in Hawaii may need assistance with managing their assets but do not qualify for asset management services by banks or large investment firms. This "gap" group consists of consumers whose home may be their primary source of wealth and who do not meet the customer criteria of wealth managers or large banks.<sup>1</sup>

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<sup>1</sup> Examples include kupuna, individuals who have a mental or physical impairment, individuals who do not have a qualified or trusted family member or friend to help manage their finances, and individuals who are ward of the State.

This bill will allow qualified nondepository trust companies to serve as fiduciaries in the administration and management of assets for this “gap” group. Nondepository trust companies operate similarly to a bank trust department but do not take deposits or make loans. The DFI chartered its first nondepository trust company in 2019 using existing bank trust laws and by customizing the charter to be more appropriate for trust activities. The DFI’s first year of experience helped the DFI determine an appropriate fee structure based on the fiduciary activity and risk profile of nondepository trust companies.

The Department requests underscoring “or total assets under management” on page 6, line 14 of H.D. 1, as that language was underscored as new language in the original H.B. 943. In addition, the Department requests adding a section to this bill that will authorize the DFI to expend \$4,000 of the funds as may be necessary to administer this new program. Lastly, the Department requests amending the effective date from January 1, 2050, to “This Act, upon its approval, shall take effect on July 1, 2021.”

Thank you for the opportunity to testify, and we respectfully ask the Committee to pass this administration bill with our requested amendments.