

ACT 9

An Act to Amend Chapter 178, Revised Laws of Hawaii 1955, Relating to Banks.

Be it Enacted by the Legislature of the State of Hawaii:

SECTION 1. Section 11 of Article III of the Constitution of the State of Hawaii provides for the urgency measures deemed necessary in the public interest. Said Section 11 further provides that no urgency measure shall be considered unless a statement of facts constituting such urgency shall be set forth in a section thereof and until such section shall have been first approved by each house. Pursuant to said Section 11 of Article III of the Constitution of the State of Hawaii, this act is hereby declared to be an urgency measure deemed necessary in the public interest. The following is a statement of facts constituting such urgency:

1. The State of Hawaii occupies a central and an expanding position in the world and especially in the Pacific Ocean area. Hawaii's increasing stature as a leader in cultural, trade and economic areas justifies expansion of the State Banking System into the world and especially in the Pacific Ocean area to serve the best interests of the State and its citizens.

2. The Hawaii Bank Act is silent as to whether the Treasurer may authorize and supervise the operation of branch banks located out of the State. The uncertainty of the breadth of the Treasurer's powers impedes the establishment of branches in the world and the Pacific Ocean area by banks which are subject to the provisions of the Hawaii Bank Act.

3. Other major States provide such specific authority and supervision. As a result, mainland banking centers "leap-frog" Hawaii to establish positions of prominence in the Western Pacific.

4. Our military services, who make up from 25% to 30% of Hawaii's economy, find the Hawaiian Banking System unable to service their needs beyond the State boundaries except to a very limited extent.

5. Hawaiian and mainland contractors, engaged in the tremendous building program underway in the Trust Territory, deposit funds with mainland banking systems, such funds ultimately aiding in the growth of those mainland areas.

6. Prominent mainland firms doing business west of Hawaii are obliged to maintain their home banking facilities, rather than those of America's most Western State.

7. Hawaii's labor force in Pacific areas "bank-by-mail" because no local facility is available to them.

8. The development of banking facilities in the world and the Pacific Ocean area by State banks will aid commerce between Hawaii and the dependencies and insular possessions of the United States, and between Hawaii and other countries, and thereby adding to the economic well being of the State and its people. Delay in the enactment of appropriate legislation may result in loss of existing opportunities for the establishment of such banking facilities.

9. The United States government will be spending approximately \$150,000,000 in projects in the Trust Territory in the immediate future.

ACT 9

The deposit of a portion of these monies in Hawaiian branch banks will mean more mortgage money being available to borrowers in Hawaii. Unless this measure becomes law, Hawaiian banks may not be able to locate branch banks in these areas with the result that these monies will go to mainland areas.

SECTION 2. Chapter 178, Revised Laws of Hawaii 1955, is amended by adding thereto, immediately after Section 178-39, a new section to be numbered 178-39.5, and to read as follows:

“**Sec. 178-39.5. Establishment of branches outside of the State.** (a) Any bank having a combined capital and surplus of \$1,000,000 or more may establish branch banks in other countries or in dependencies or insular possessions of the United States, upon such conditions and under such regulations as may be prescribed by the treasurer. The term ‘out-of-state branch bank’, as used in this section, refers to any branch bank so established.

“(b) The treasurer may at any time make a special examination of any out-of-state branch bank and may at any time require the discontinuance of any out-of-state branch bank. The bank maintaining the branch shall pay for the cost of all examinations, including both annual and special examinations.

“(c) The accounts of each out-of-state branch bank shall be maintained independently of the accounts of each other out-of-state branch bank, and independently of the accounts of the domestic offices and branches of the bank. On June 30 and December 31 of each year the bank shall transfer to its general ledger at its head office the profit and loss from each out-of-state branch bank as a separate item.

“(d) The total investment of a bank in all out-of-state branch banks maintained by it shall not exceed 10 percent of its capital and surplus.

“(e) A bank may act as the fiscal agent of the United States through any out-of-state branch bank maintained by it.

“(f) A petition to establish an out-of-state branch bank shall be accompanied by a fee of \$100 for each out-of-state branch bank sought to be established and in addition the Treasurer may assess the bank the actual necessary expenses incurred in making the investigation necessary to determine the necessity of establishing an out-of-state branch bank to a sum not exceeding \$1,000.00.

SECTION 3. This Act shall take effect upon its approval.

(Approved May 9, 1960.) **S.B. 237.**
