

ACT 245

H.B. NO. 1116

A Bill for an Act Making an Appropriation to Review the Laws Relating to Financial Institutions.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. In adopting Act 128, Session Laws of Hawaii 1990, the legislature found that the State’s laws relating to financial institutions have been amended in piecemeal fashion and that some of them have been rendered obsolete by changes to federal regulations. Further, because of deregulation and technological changes, there has been a lessening of the distinction among various types of financial institutions, such as banks and savings and loans, so that the legislature must consider whether to expand the powers of certain financial institutions. However, the desire to modernize our laws must be balanced by the need to protect the public and to preserve public confidence in the health of these institutions.

Accordingly, the purpose of Act 128 was to update, clarify, and strengthen the State’s regulatory framework applicable to financial institutions. In order to accomplish this end, the legislature directed the undertaking of a comprehensive study of the issues surrounding deregulation and its consequences, and a review of national and local laws and their possible applicability to Hawaii law. The review includes all laws currently administered by the commissioner of financial institutions, specifically the laws relating to banks, foreign banks, trust companies, savings and loan associations, financial services loan companies, small loan companies, and credit unions, and other related laws and issues. For this purpose the legislature appropriated the sum of \$150,000 for fiscal year 1990-1991.

As originally proposed, the comprehensive review of our laws applicable to financial institutions required a total appropriation of \$300,000 over two fiscal years. The final appropriation was for half the amount for the first fiscal year. Now that the project has commenced, the legislature is better able to estimate its scope and costs.

Furthermore, since the passage of Act 128 there have been major changes in federal law applicable to financial institutions. It is apparent that, shortly, there will be even more sweeping changes to such laws, much of which will affect the laws of our State. These changes will necessitate further research and analysis as part of the project. The legislature finds that the study and recodification of Hawaii’s laws applicable to financial institutions will reasonably require an additional appropriation of \$200,000 for fiscal year 1991-1992. Accordingly, the purpose of this Act is to appropriate such sum in order to support, augment, and improve the existing project to update, clarify, and strengthen the regulatory framework for financial institutions and to address related issues.

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$200,000, or so much thereof as may be necessary for fiscal year 1991-1992, for the purpose of conducting a comprehensive review of the State’s laws relating to financial institutions.

SECTION 3. The review shall include all laws currently administered by the commissioner of financial institutions, specifically the laws relating to banks, foreign banks, trust companies, savings and loan associations, financial services loan companies, small loan companies, and credit unions, and other related laws and issues.

SECTION 4. The commissioner of financial institutions shall submit a status report of the review to the legislature on June 30, 1991. The final report of the commissioner of financial institutions shall be submitted not later than twenty days before the convening of the 1992 regular session.

SECTION 5. The sum appropriated shall be expended by the department of commerce and consumer affairs for the purposes of this Act.

SECTION 6. This Act shall take effect on July 1, 1991.

(Approved June 12, 1991.)