

SB2680

Measure Title: RELATING TO FINANCIAL INSTITUTIONS.

Report Title: Financial Institutions; DCCA Division of Financial Institutions; Organization and Management; Banks; Savings Banks; Savings and Loan Associations; Credit Unions; Fees

Description: Clarifies chapter 412, Hawaii Revised Statutes, relating to fees for financial institutions.

Companion:

Package: None

Current Referral: CPH, WAM

Introducer(s): BAKER, KIDANI, Espero, Riviere, Shimabukuro, Tokuda



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**PRESENTATION OF THE
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

TO THE SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH

THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016

MONDAY, FEBRUARY 1, 2016
9:00 a.m.

**TESTIMONY ON S.B. No. 2680
RELATING TO FINANCIAL INSTITUTIONS**

TO THE HONORABLE ROSALYN H. BAKER, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Iris Ikeda, Commissioner of Financial Institutions ("Commissioner"),
testifying on behalf of the Department of Commerce and Consumer Affairs in strong
support of S.B. No. 2680.

This is predominantly a housekeeping bill that follows the 2013 enactment of
Section 412:2-105.2, Hawaii Revised Statutes ("HRS"), the updated fee schedule ("fee
schedule") for financial institutions subject to Chapter 412, HRS, the Code of Financial
Institutions ("Chapter 412").

The bill cleans up Chapter 412, and adds internal consistency, including as follows:

- Changes the semiannual payment dates for financial institutions from February 15 and August 15, to March 1 and September 1 of each year, to allow the Division of Financial Institutions (“DFI”) time to calculate assessments and send billing letters, and financial institutions time to pay;
- Deletes the annual financial institution examination charge, because this charge is subsumed by other fees in the fee schedule;
- Deletes a number of fees that are scattered throughout Chapter 412, because they conflict with the fee schedule, or the fee schedule renders them outdated;
- Amends fee schedule language to more closely match financial institution requirements described in Chapter 412;
- Deletes references to application fees set by administrative rule, because the fees are already set out in Chapter 412;
- Repeals the credit union advisory board, as this board has been inactive since 2010 and there are currently no state-chartered credit unions in Hawaii;
- Deletes the requirement that a depository financial services loan company pay an initial license fee prior to license issuance; and extends the fee for an application for a bank or savings bank to comply with lending limits applicable to federal financial institutions, to an application by a depository financial services loan company;
- Makes consistent the intra-Pacific bank initial branch application fee, and the application fee for organization of a Hawaii financial institution by an intra-Pacific bank or bank holding company; and clarifies conditions for an intra-Pacific bank to acquire assets of or control over or merge with a Hawaii bank; and
- Clarifies that a Hawaii office of an out-of-state bank as well as its Hawaii branches must pay a fee for an application to relocate.

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February 1, 2016
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DFI strongly supports S.B. No. 2680, and respectfully requests it be passed. The bill will make Chapter 412 easier to understand, reduce questions about fees, and enhance DFI's ability to collect fees consistent with the fee schedule. Attached is a summary sheet which details each of the proposed amendments found in S.B. No 2680.

Thank you for this opportunity to testify. I would be pleased to respond to any questions that you may have.

S.B. No. 2680
RELATING TO FINANCIAL INSTITUTIONS
SUMMARY SHEET

PROPOSED CHANGES to add consistency to various existing financial institution fees within chapter 412 of the Hawaii Revised Statutes by:

- Amending § 412:2-105.2(b) to change the semiannual payment dates for financial institutions from February 15 and August 15, to March 1 and September 1 of each year, to allow the Division of Financial Institutions (“DFI”) time to calculate assessments and send billing letters, and financial institutions time to pay;
- Amending § 412:2-109 to delete subsection (g) to remove the annual financial institution examination charge, because this charge is covered by the fees specified in § 412:2-105.2;
- Amending § 412:2-105.2(c)(1) to remove the \$10,000 fee for application of a bank to engage in the trust business pursuant to 412:5-205, because that fee conflicts with the \$5,000 fee specified in § 412:2-105.2(c)(9);
- Deleting § 412:2-105.2(c)(4) and (c)(5) to remove specific savings bank and trust company fees for final application for a charter or license, since these entities are considered Hawaii financial institutions and the fee is covered in § 412:2-105.2(c)(3);
- Deleting § 412:2-105.2(c)(7) to remove the application fee for acquisition of control of a Hawaii financial institution, as the fee is covered by § 412:2-105.2(c)(6);
- Amending § 412:2-105.2(c)(12) to apply the fee therein to an application by a depository financial services loan company (“DFSLC”) to comply with lending limits applicable to federal financial institutions. Banks and savings banks are already subject to this fee, and are authorized to apply for such limits under a provision that also applies to FSLCs;
- Amending § 412:2-105.2(c)(14) to change the reference from a credit union charter application, to an application to engage in the credit union business, as the latter more closely conforms to language in § 412:10-103;
- Amending § 412:2-105.2(e) to make consistent the intra-Pacific bank initial branch application fee, and the application fee for organization of a Hawaii financial institution by an intra-Pacific bank or bank holding company in § 412:2-105.2(c)(2). This conforms with § 412:5-401 which specifies how an intra-Pacific bank or bank holding company may establish its initial presence in Hawaii;

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- Amending § 412:2-105.2(f) to clarify that a Hawaii office of an out-of-state bank as well as its Hawaii branches must pay a fee for an application to relocate;
- Amending § 412:3-201(c) to delete the reference to the \$9,000 application fee for preliminary approval to organize a financial institution, because it conflicts with the \$10,000 application fee required by § 412:2-105.2(c)(1);
- Amending § 412:3-212(c) to delete the requirement that a DFSLC pay an initial license fee prior to license issuance;
- Amending § 412:5-401 to clarify that listed conditions are alternatives, rather than cumulative, for an intra-Pacific bank to acquire assets of or control over or merge with a Hawaii bank;
- Repealing § 412:10-125 regarding the credit union advisory board, as this board has been inactive since 2010 and there are currently no state-chartered credit unions in Hawaii; and
- Amending these sections to delete references to application fees as set by rule, because fees are set out in chapter 412: 412:3-503(b) for a Hawaii financial institution to relocate an office, or open or relocate a branch or agency; 412:5-201(b) for a bank to acquire any federal power (wild card); 412:5A-201 for an international banking corporation; 412:6-204 for a savings bank operating subsidiary; 412:7-201 for a savings and loan association wild card; 412:7-204 for a savings and loan association operating subsidiary; 412:10-103 for a credit union; 412:10-201 for a credit union wild card; and 412:13-222 for relocation of a foreign bank branch, agency, or representative office.

EFFECTIVE DATE: Upon approval.



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Presentation To
Senate Committee on Commerce, Consumer Protection, and Health
February 1, 2016 at 9:00 AM
State Capitol Conference Room 229

Testimony in Support of Senate Bill 2680

TO: The Honorable Rosalyn H. Baker, Chair
The Honorable Michelle N. Kidani, Vice Chair
Members of the Committee

My name is Edward Pei and I am the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eleven FDIC insured depository institutions with branch offices in the State of Hawaii.

This bill seeks to clarify and address inconsistencies within the fee schedule for financial institutions in Chapter 412, Hawaii Revised Statutes. We agree with the proposed changes and support the passage of this measure.

Thank you for the opportunity to submit this testimony and please let us know if we can provide further information.

A handwritten signature in black ink, appearing to read 'Edward Y. W. Pei', is centered on the page.

Edward Y. W. Pei
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