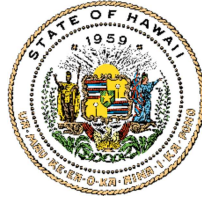


JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



DEPT. COMM. NO. 80

DAWN N.S. CHANG
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LAND
STATE PARKS

**STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA**

P.O. BOX 621
HONOLULU, HAWAII 96809

December 1, 2023

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Thirty-Second State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
Thirty-Second State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Operations of the Filing Office For Financing Statements Under the Uniform Commercial Code, Secured Transactions (Revised Article 9) report, as required by Section 490:9-527, Hawaii Revised Statutes (HRS). In accordance with Section 93-16, HRS, a copy of this report has been transmitted to the Legislative Reference Bureau and the report may be viewed electronically at <https://files.hawaii.gov/dlnr/reports-to-the-legislature/2024/BOC24-UCC-Report-FY23.pdf>

Sincerely,

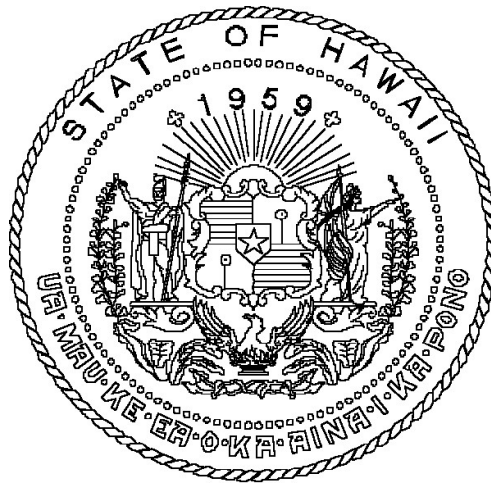
A handwritten signature in black ink, appearing to be "Dawn N.S. Chang".

DAWN N.S. CHANG
Chairperson

Enclosure

REPORT TO THE THIRTY-SECOND LEGISLATURE
STATE OF HAWAII
REGULAR SESSION OF 2024

**OPERATIONS OF THE
FILING OFFICE FOR FINANCING STATEMENTS
UNDER THE UNIFORM COMMERCIAL CODE,
SECURED TRANSACTIONS (REVISED ARTICLE 9)**



Prepared by the

Department of Land and Natural Resources
State of Hawaii

in response to
Section 490:9-527, Hawaii Revised Statutes

November 2023

**OPERATIONS OF THE
FILING OFFICE FOR FINANCING STATEMENTS
UNDER THE UNIFORM COMMERCIAL CODE,
SECURED TRANSACTIONS (REVISED ARTICLE 9)**

INTRODUCTION

This report is prepared in compliance with Section 490:9-527, Hawaii Revised Statutes, on the operations of the Filing Office under the Uniform Commercial Code (UCC), Secured Transactions (Revised Article 9). The Bureau of Conveyances (Bureau) of the Department of Land and Natural Resources (Department) has been designated as the State of Hawaii's Filing Office for the purposes of the Revised Article 9.

STATUS

The Bureau has been accepting for filing UCC instruments pursuant to provisions of the Revised Article 9 effective July 1, 2001 also revisions effective July 1, 2015 and most recently, effective July 1, 2023 specifically modifying UCC instruments to address commercial transactions involving emerging technologies such as blockchain AI and virtual currencies.

Structures of operations for filing offices managing UCC documents differ from state to state. In most other states, the common practice is for the Secretary of State to oversee UCC documents and filings. Hawaii does not have a Secretary of State and since UCC documents need to be recorded, the defacto responsibility for UCC documents falls upon the Bureau of Conveyances which is responsible for all property recording and document retention statewide. Even with the operational and rule differences between Hawaii and other jurisdictions, they have virtually no impact on the proper utilization of the UCC process in Hawaii. The Bureau's work ensures that all applicable versions of the UCC forms are accepted for recording at the Bureau, including newly updated UCC forms that address evolving matters such as cyber assets.

The ultimate objective is to bring Hawaii's procedures and rules more in harmony with all jurisdictions as well as Revised Article 9, 2010 and 2022 version of the Model Rules promulgated by the International Association of Commercial Administrators. In the past year, the Bureau has been reviewing these Rules, Uniform Acts and Amendments as well as the rules of other jurisdictions so work can be coordinated with the Department of the Attorney General to develop an updated set of Hawaii rules which will cover the latest Revised Article 9 and amendments to the UCC.

In 2017, the Department already moved forward with critical rule changes affecting its operations to update long overdue fee increases and statute clarifications. The Department will continue to work with the Department of the Attorney General for guidance in drafting

Revised Article 9 UCC updates so they can be presented during the same public hearings process for the next set of Bureau rules and fee updates. Prior to moving into the public hearings process, the Department will be working with its current land records system vendor to ensure that operational changes required by Revised Article 9 can be supported.