

ACT 48

H.B. NO. 1186

A Bill for an Act Relating to the Bank Examiner.

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

SECTION 1. Purpose. Under existing law, the bank examiner is required to examine the condition and resources of most financial institutions on an annual basis. In most cases, the examinations have been jointly conducted with federal agencies who were also on a 12-month cycle.

However, recent policy changes by the federal agencies contemplate lengthening the examination cycle to 18 months and the scope of the examination depending on the condition and resources of the institution involved. The change will preclude the State from conducting joint examinations and would thus strain the State's already limited manpower resources which in turn would have a serious effect on the State's examination program.

The purpose of this bill is to permit more effective use of examiner resources of the State by delegating to the bank examiner the authority to promulgate rules and regulations enabling the State to coordinate the scheduling of its examination of financial institutions with federal agencies on an 18-month cycle. Additionally, the bank examiner is directed to develop guidelines with respect to examination priorities, frequency and scope depending on the capital, asset, management, earnings and liquidity of the institution involved.

SECTION 2. Section 401-3, Hawaii Revised Statutes, is amended to read:

“Sec. 401-3 Inspection; examination; duties. Every bank, trust company, building and loan association, fiduciary company, industrial loan and investment company, or licensee under chapter 409 doing business in the State, excepting the national banks, shall be subject to the inspection of the bank examiner. The bank examiner or a duly appointed examiner shall visit every such bank, company, association, or licensee no less than once every 18 months unless otherwise provided by law and whenever the bank examiner deems it necessary or expedient, and makes a complete and careful examination of the condition and resources of the bank, company, association, or licensee, the mode of managing its or his business and conducting its or his affairs, the action of its officers and directors, if a corporation, in the investment, management, and disposition of its funds, the disposition of funds and securities entrusted to it or him in any fiduciary capacity, the safety and prudence of its or his management, its or his policy of transacting business, the security afforded

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to persons dealing therewith, and whether the bank, company, association, or licensee is complying with the laws of the State.

The bank examiner shall adopt rules pursuant to chapter 91 respecting examination priority, the frequency and scope of the examination depending on capital, assets, management, earnings and liquidity of the institution involved.

The bank examiner shall keep in his office proper records showing the acts, matters, and things by him done under this chapter.”

SECTION 3. Statutory material to be repealed is bracketed. New material is underscored.*

SECTION 4. This Act shall take effect upon its approval.

(Approved May 14, 1979.)

*The text has been edited pursuant to HRS§23G-16.5, authorizing omission of the brackets, bracketed material, and underscoring.