

## ACT 293

H.B. NO. 1938-86

A Bill for an Act Relating to Bank Loans and Investments.

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

SECTION 1. Section 403-92, Hawaii Revised Statutes, is amended to read as follows:

**“§403-92 Limitations on loans and investments; exemptions.** No bank shall permit a person, firm, company, or private corporation to become indebted or liable to it, either directly or indirectly, in an amount in excess of twenty per cent of the aggregate paid-up and unimpaired capital and surplus or allocated aggregate paid-up capital and surplus of the bank; provided[,] that [the discount of] a bank’s acceptance of drafts or bills of exchange drawn on it, or a bank’s purchase or discount of another bank’s drafts or bills of exchange, in each case drawn in good faith against actually existing values, including drafts and bills of exchange secured by shipping documents, conveying or securing title to goods shipped, and including demand obligations, when secured by documents covering commodities in actual process of shipment, and also including bankers’ acceptances of kinds described in section 13 of the Federal Reserve Act, shall not be computed in such restrictions; provided further that a bank’s deposits with another bank made in compliance with section 403-74, and a bank’s sale of federal funds to another bank with a maturity of one business day or under a continuing contract, shall not be computed within such restrictions, and provided[,] further[,] that any bank may loan to any individual, firm, company, or corporation any amount provided such loans are secured by the interest-bearing obligations of the United States or those for which the faith and

credit of the United States are distinctly pledged to provide for the payment of the principal and interest thereof or of the State or any county or municipal or political subdivision of this State, issued in compliance with the laws of this State, where the market value of the security shall be at any time not less than one hundred five per cent of the face amount of the loans. In computing the total liabilities, direct or indirect, of any person to a bank, there shall be included all liabilities to the bank of any copartnership or unincorporated association of which he is a member, and any loans made for his benefit or for the benefit of the copartnership or unincorporated association. In computing the total liabilities of any firm, copartnership, or unincorporated association to the bank, there shall be included all liabilities of its individual members and all loans made for the benefit of the copartnership or unincorporated association or any members thereof; and in computing the total liabilities of any corporation to a bank there shall be included all loans made for the benefit of the corporation.

No amount in excess of twenty per cent of the aggregate paid-up and unimpaired capital and surplus or allocated aggregate paid-up capital and surplus of any bank shall be invested by it in bonds, debentures, and other similar evidences of indebtedness issued by or obligating or pledging the faith, credit, or property of any one or the same government, county or political subdivision or municipality of the government or country; provided[,] that the limitation of twenty per cent may be increased up to but not exceeding thirty per cent of the bank's aggregate paid-up and unimpaired capital and surplus or allocated aggregate paid-up capital and surplus with the prior approval of the commissioner upon a satisfactory showing being made to the commissioner that the interests of all concerned will be better served by the granting of the approval; provided[,] that the aggregate of all investments of any bank in any and all bonds, debentures, and other similar evidences of indebtedness issued by or obligating or pledging the faith, credit, or property of persons, firms, companies, corporations, or other entities located, resident or having his or its principal office or place of business outside of the jurisdiction of the United States, and any and all bonds, debentures and other similar evidences of indebtedness issued by or obligating or pledging the faith, credit, or property of foreign countries and political subdivisions, instrumentalities, and municipalities of foreign countries shall at no time exceed twenty per cent of its aggregate paid-up and unimpaired capital and surplus or allocated aggregate paid-up capital and surplus; provided[,] further[,] that these restrictions shall not apply to investments in the interest-bearing obligations of the United States or those for which the faith of the United States is distinctly pledged to provide for the payment of the principal and interest thereof or of the State or any county or political subdivision thereof issued in compliance with the laws of the State."

SECTION 2. Statutory material to be repealed is bracketed. New statutory material is underscored.

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

(Approved May 30, 1986.)