

ACT 107

H.B. NO. 2287

A Bill for an Act Relating to a Financial Mall.

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

SECTION 1. The legislature finds that a number of efforts to diversify Hawaii's economy has been made in the recent past to reduce the State's heavy reliance upon tourism and federal defense spending. A significant area of initiative has been the State's attempt to capitalize upon its location at the crossroads of the Pacific to serve as a financial center for the burgeoning Pacific region. Efforts in this regard have included the opening of the State to foreign banks and efforts to establish a large scale telecommunications and information industry.

The latest in this series of initiatives, one that brings several of these strands together, is the effort to promote the development of the financial services industry in Hawaii. One outgrowth of this effort could be a securities exchange in Hawaii, which could capitalize upon both the State's geographic location and telecommunications infrastructure to allow the trading of securities on Asian markets during normal business hours. The presence of a strong financial services industry would bring significant amounts of capital into the State, enhance Hawaii's image as a place for international business, and offer additional rewarding jobs to Hawaii's people.

In the financial services industry, the availability of a variety of financial industry operations and support activities is commonly referred to as a financial mall. In order to develop the mall concept and take actions to put it in place, the services of industry and technical experts must be engaged.

The purpose of this Act is to promote economic development and diversification by appropriating funds to provide financial assistance and technical expertise for the development of a financial mall for Hawaii. This appropriation includes funds for the hiring of consultants to develop appropriate criteria and a plan to identify and enlist securities firms, including one or more foreign securities firms, to develop and open an exchange in Hawaii.

SECTION 2. In accordance with Section 9 of Article VII of the Constitution of the State of Hawaii and sections 37-91 and 37-93, Hawaii Revised Statutes, the legislature has determined that the appropriations contained in this Act will cause the state general fund expenditure ceiling for fiscal year 1990-1991 to be exceeded by \$1,500,000, or 0.059 per cent. The reasons for exceeding the general fund expenditure ceiling are that the appropriations made in this Act are necessary to serve the public interest and to meet the need provided for by this Act.

SECTION 3. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

## “CHAPTER FINANCIAL SERVICES ASSISTANCE PROGRAM

§ -1 **Definitions.** For the purposes of this chapter:

“Department” means the department of business and economic development.

“Financial mall” means an array of financial service industry operations connected by telecommunications and not restricted to location in a single physical facility.

“Financial services industry” means trading and brokering operations, including but not limited to securities, commodities, debt instruments, currencies, options, futures, and other derivatives.

§ -2 **Establishment.** The department of business and economic development shall establish a financial services assistance program for the purpose of promoting the growth and development of a financial services industry and other support services including the telecommunications infrastructure. The department may also hire contractors and consultants to effectuate the purpose of this Act.

§ -3 **Revolving fund; established.** There is established a financial services assistance revolving fund from which moneys shall be expended by the department under this chapter. All moneys appropriated to the fund by the legislature or received in repayment of loan principal, payment of interest, or fees, shall be deposited into the revolving fund and used for the purposes of this chapter.

§ -4<sup>1</sup> **Purposes and terms of assistance.** (a) The department may utilize the money held in the financial services assistance program for economic development projects within the State that have the potential of creating new jobs for residents of the State or retaining current jobs within the State.

(b) Financial assistance provided by the financial services assistance program may be used for any purpose consistent with the objectives and policies for the economy in the state plan, including but not limited to:

- (1) The acquisition, improvement, or rehabilitation of land and buildings;
- (2) The acquisition of equipment or services;
- (3) Working capital; and
- (4) Any other purpose reasonably related to an economic development project concerning the financial services industry, including but not limited to consulting and other related services.

(c) The department, for economic development projects relating to the financial services industry, may:

- (1) Procure insurance, a guarantee, or a letter of credit from any source for all or a part of a loan, debenture, or lease of others, public or private;
- (2) Procure insurance, a guarantee, or a letter of credit for either a single loan, debenture, or lease or for any combination of loans, debentures, or leases; and
- (3) Procure consulting and related services for the purposes of this chapter.

(d) Loans provided by the financial services assistance program may be provided to qualified applicants with the following terms and conditions:

- (1) The maximum term of a loan shall not exceed twenty years;

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- (2) Each loan shall bear simple interest at a rate of not less than three and not more than ten per cent a year, depending on the nature of the loan; and
- (3) The commencement date for the repayment of the first installment on principal and interest of each loan may be deferred by the director of business and economic development for a period not to exceed two years.

(e) The department shall adopt rules pursuant to chapter 91 to carry out the purposes of this chapter.

§ -5<sup>1</sup> **Annual report.** The department shall report to the governor and the legislature on the revolving fund's revenues and expenditures for each fiscal year. The report shall be submitted no later than twenty days prior to the convening of each regular session."

SECTION 4. There is appropriated out of the general revenues of the State of Hawaii the sum of \$1,500,000, or so much thereof as may be necessary for fiscal year 1990-1991, to be paid into the financial services assistance revolving fund. The sum appropriated shall be expended by the department of business and economic development for the purposes of this Act.

SECTION 5. This Act shall take effect on July 1, 1990.

(Approved June 8, 1990.)

### Note

1. Renumbered from "-3" and "-4", respectively.