

ACT 128

H.B. NO. 2293

A Bill for an Act Making an Appropriation to Review the Laws Relating to Financial Institutions.

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

SECTION 1. The legislature finds that financial institutions play a major role in today's rapidly evolving and complex economy. Companies rely on financial institutions to provide financial transactions and other services needed to conduct their businesses. Individuals and families rely on financial institutions to ensure their fiscal security for the future and to provide various banking services. The legislature further finds that deregulation and technological changes have changed the traditional role of financial institutions. To keep pace with recent innovations and to protect the financial well-being of Hawaii's businesses and people, the regulatory framework for the financial institutions must be both strong and flexible to ensure the financial integrity and responsibility of financial institutions in Hawaii.

The legislature finds that there is good cause for a comprehensive study of the State's laws relating to financial institutions. In light of the Financial Institutions Recovery, Reform and Enforcement Act of 1989 (FIRREA), many of the State's financial laws have been directly impacted and in some cases rendered obsolete. The legislature also finds that amendments to the statutory scheme have been done in a piecemeal fashion throughout the years.

Traditionally, financial institutions, such as banks and savings and loans, occupied distinct arenas in terms of products and services. However, the walls of distinction are weakening with deregulation and technological changes and financial institutions argue that they must expand their areas of competition.

For the past few years, the legislature has been asked to consider a variety of bills relating to the expansion of powers and the competition or overlapping of functions by the financial institutions. However, before the legislature can make a decision in this area, it needs to establish and formulate guidelines in order to bring Hawaii into the era of deregulation and innovative technology in a deliberate fashion.

The intent of the legislature is to be forward looking, but it must also proceed with caution in order to balance the competitive flexibility financial institutions require in this era of deregulation with the need to protect the public

and to preserve public confidence in the health of these institutions. Therefore, a review of the issues surrounding deregulation and the competitive aftermath of deregulation and other changes in the market place would assist the legislature in making informed decisions on these types of bills. For example, a survey and review of the different studies prepared at the national and local level on the issues of "expanded powers" and the changing environment for financial institutions and an analysis of how Hawaii may be affected is needed.

The purpose of this Act is to update, clarify and strengthen the regulatory framework for financial institutions and to address issues related to "expanded powers".

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$150,000, or so much thereof as may be necessary for fiscal year 1990-1991, for the purpose of conducting a comprehensive review of the State's laws relating to financial institutions.

SECTION 3. The review shall include all laws currently administered by the commissioner of financial institutions, specifically the laws relating to banks, foreign banks, trust companies, savings and loan associations, financial services loan companies, small loan companies, and credit unions, and other related laws and issues.

SECTION 4. The commissioner of financial institutions shall submit a status report of the review to the legislature on a semi-annual basis. The commissioner of financial institutions shall submit the first progress report, along with findings and recommendations to the legislature not later than twenty days before the convening of the 1991 regular session. The final report of the commissioner of financial institutions shall be submitted not later than twenty days before the convening of the 1992 regular session.

SECTION 5. The sum appropriated shall be expended by the department of commerce and consumer affairs for the purposes of this Act.

SECTION 6. In accordance with Section 9 of Article VII of the Constitution of the State of Hawaii and section 37-91 and 37-93, Hawaii Revised Statutes, the legislature has determined that the appropriation contained in this Act will cause the state general fund expenditure ceiling for fiscal year 1990-1991 to be exceeded by \$150,000.00 or 0.0059 per cent. The reasons for exceeding the general fund expenditure ceiling are that the appropriation made in this Act is necessary to serve the public interest and to meet the need provided for by this Act.

SECTION 7. This Act shall take effect on July 1, 1990.

(Approved June 15, 1990.)