



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

OCT 11 1996

The Honorable Don Parkinson
Speaker
Twenty-Third Guam Legislature
424 West O'Brien Drive
Julale Center - Suite 222
Agana, Guam 96910

OFFICE OF THE SPEAKER	
Date:	10-11-96
Time:	2:05 pm
Received By:	<i>[Signature]</i>
Print Name:	LORINIA CABRERA

RECEIVED TO
LEGISLATIVE SECRETARY

Dear Speaker Parkinson:

Enclosed please find a copy of Governor's message and Bill No. 681 (LS), "AN ACT TO REPEAL §30803 OF THE BANKING CODE, AND TO ADD A NEW PART 'E' TO CHAPTER I OF ARTICLE III OF THAT SAME CODE (GOVERNMENT CODE TITLE XXXI), TO AUTHORIZE TERRITORIAL CHARTERED BANKS TO ENGAGE IN ALL ACTIVITIES ALLOWABLE TO NATIONAL BANKS OR FDIC INSURED BANKS", which I have signed into law as **Public Law 23-127**.

A copy has also been delivered to the Office of the Legislative Secretary.

This legislation allows Guam's locally chartered banks that are FDIC insured to engage in activities that other banks in the United States can engage in. This includes activities authorized for both national banks which are chartered by the United States government, and state banks which are chartered in the states.

The legislation opens up the local banking industry by allowing local banks to engage in securities businesses, as well as other businesses. At the same time, laws, rules, and regulations related to these other businesses must also be followed.

It is suggested that the following language be added to the Banking Code of Guam, as is found in many states:

OFFICE OF THE LEGISLATIVE SECRETARY	
ACKNOWLEDGED RECEIPT	
Received:	<i>[Signature]</i>
Time:	4:10 pm

"Section 1. A new Part 'F' is added to Chapter I of Article III, Title XXXI of the Government Code (the Banking Code) to read:

'Part F. Authorized Banking Rules.

§30401. Banking Rules. (a) The Banking Board may adopt rules to accomplish the purposes of §30400 of this Article, including rules necessary or reasonable to:


- (1) implement and clarify §30400 of this Article;
- (2) preserve or protect the safety and soundness of state banks;
- (3) grant the same rights and privileges to territorial banks that are or may be granted to nationally chartered banks or state chartered banks;
- 4) facilitate the fair hearing and adjudication of matters before the Banking Commissioner and the Banking Board.

(b) In adopting the rules, the Banking Board shall consider the need to :

- (1) promote a stable banking environment;
- (2) provide the public with convenient, safe, and competitive banking services;
- (3) preserve and promote the competitive parity of territorial banks with national banks, state banks, and other depository institutions consistent with the safety and soundness of territorial banks; and
- (4) allow for economic development within the territory."

Please consider adding language such as the above to ensure the proper implementation of the intent of the legislation.

Very truly yours,


Carl T. C. Gutierrez
Governor of Guam

Attachment
231523



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

OCT 11 1996


The Honorable Judith Won-Pat Borja
Legislative Secretary
Twenty-Third Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Agana, Guam 96910

Dear Madame Legislative Secretary:

Enclosed please find a copy of Governor's message and Bill No. 681 (LS), "AN ACT TO REPEAL §30803 OF THE BANKING CODE, AND TO ADD A NEW PART 'E' TO CHAPTER I OF ARTICLE III OF THAT SAME CODE (GOVERNMENT CODE TITLE XXXI), TO AUTHORIZE TERRITORIAL CHARTERED BANKS TO ENGAGE IN ALL ACTIVITIES ALLOWABLE TO NATIONAL BANKS OR FDIC INSURED BANKS", which I have signed into law as **Public Law 23-127**.

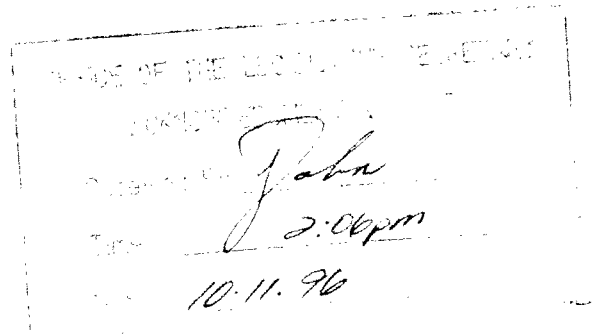
A copy has also been delivered to the Office of the Speaker.

Very truly yours,


Carl T. C. Gutierrez
Governor of Guam

Attachments

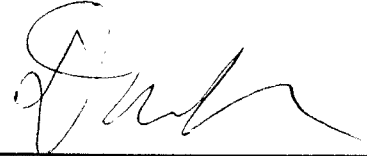
231522
(For File purposes only)
Same as Doc.No. 231523



TWENTY-THIRD GUAM LEGISLATURE
1996 (SECOND) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Bill No. 681 (LS), "AN ACT TO REPEAL §30803 OF THE BANKING CODE, AND TO ADD A NEW PART "E" TO CHAPTER I OF ARTICLE III OF THAT SAME CODE (GOVERNMENT CODE TITLE XXXI), TO AUTHORIZE TERRITORIAL CHARTERED BANKS TO ENGAGE IN ALL ACTIVITIES ALLOWABLE TO NATIONAL BANKS OR FDIC INSURED BANKS," was on the 25th day of September, 1996, duly and regularly passed.



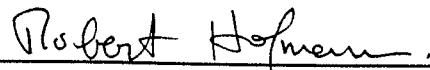
DON PARKINSON
Speaker

Attested:



JUDITH WON PAT-BORJA
Senator and Legislative Secretary

This Act was received by the Governor this 1st day of October,
1996, at 4:45 o'clock P.M.



Assistant Staff Officer
Governor's Office

APPROVED:



CARL T. C. GUTIERREZ
Governor of Guam

Date: ~~23-11-96~~ 10-11-96

Public Law No. 23-127

TWENTY-THIRD GUAM LEGISLATURE
1996 (SECOND) Regular Session

Bill No. 681 (LS)

Introduced by:

F. E. Santos
T. C. Ada
J. P. Aguon
E. Barrett-Anderson
A. C. Blaz
J. M. S. Brown
F. P. Camacho
M. C. Charfauros
H. A. Cristobal
M. Forbes
A. C. Lamorena V
C. Leon Guerrero
L. Leon Guerrero
T. S. Nelson
S. L. Orsini
V. C. Pangelinan
D. Parkinson
J. T. San Agustin
A. L. G. Santos
A. R. Unpingco
J. Won Pat-Borja

AN ACT TO REPEAL §30803 OF THE BANKING CODE,
AND TO ADD A NEW PART "E" TO CHAPTER I OF
ARTICLE III OF THAT SAME CODE (GOVERNMENT
CODE TITLE XXXI), TO AUTHORIZE TERRITORIAL
CHARTERED BANKS TO ENGAGE IN ALL ACTIVITIES
ALLOWABLE TO NATIONAL BANKS OR FDIC
INSURED BANKS.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

1 **Section 1. Legislative intent.** It is the intent of the Legislature to allow
2 territorial banks and their subsidiaries to compete on a par with national
3 banks, banks chartered in the state's of the United States, and bank holding
4 companies subject to the most expansive powers allowed by the Office of the
5 Comptroller of the Currency, the Federal Deposit Insurance Corporation,
6 the Federal Reserve Board or their successors.

7 Should Federal or state law, regulation, federal banking agency ruling
8 or letter opinion authorize identical or similar powers to banks, the territorial
9 bank may choose the least restrictive conditions under which to operate.
10 Upon request from the Commissioner, the territorial bank shall provide the
11 Commissioner with copies of the law, regulation, ruling, or letter opinion
12 upon which it relies.

13 Furthermore, it is the intent of the Legislature that this grant of
14 authority be interpreted broadly to allow territorial banks and their
15 subsidiaries to engage in a wide variety of activities found to be within the
16 powers of banking institutions and their subsidiaries or affiliates.

17 **Section 2.** §30803 is hereby repealed and §30804 through 30811 are
18 renumbered accordingly.

19 **Section 3.** A new part "E" is hereby added to Chapter I of Article III,
20 Title XXXI of the Government Code (the Banking Code) to read:

21 **Part E. Authorized Banking Practices.**

22 **§30400. Bank Activities permitted.** A Territorial Bank insured by the
23 Federal Deposit Insurance Corporation (FDIC) is authorized to engage
24 directly or through a subsidiary in any banking activity, any activity closely
25 related to banking and any nonbank activity to do any act and to own, possess
26 and carry as assets, property of the character, including stock, which national
27 banks chartered by the United States government and any bank chartered by

1 a state of the United States or any subsidiary of a bank holding company
2 regulated by the Federal Reserve Board under the Bank Holding Company
3 Act of 1978 may now or hereafter be authorized or permitted by state or
4 federal law, regulation or federal banking agency regulatory ruling or letter
5 opinion to engage, on the same terms and conditions that would be imposed
6 on a national bank, a state chartered insured bank, or a subsidiary of a bank
7 holding company engaged in such activity; provided however, that a
8 territorial bank will not by this statute be made subject to regulation by, be
9 required to report to or be subject to audit by any federal agency by which it is
10 not otherwise regulated.

11 To the extent authorized or allowed under case law or federal banking
12 statutes, regulations or regulatory decisions for any other bank, an insured
13 Guam Bank may directly or indirectly engage in or invest in a subsidiary
14 which engages in broker and dealer activities in securities, insurance
15 activities, underwriting, community development, real estate, management
16 consulting, data processing, investment advisory services, check collection
17 and guaranteeing, courier services, foreign exchange services, credit research
18 and reporting, futures commissions merchant, consumer financial services
19 counseling, real estate appraisals and financing, tax planning and
20 preparation, providing bank services to other banks; purchasing, constructing
21 and leasing public or municipal buildings; investing in and operating a safe-
22 deposit corporation or small business investment company; investing in state
23 or territorial housing corporations; acting as a finder for a buyer and seller;
24 arranging real estate financing with third parties; investing in and operating
25 an advisory and discount brokerage; acting as an agent in the sale or
26 placement of federal, state or territorial government securities; acting as an
27 agent in the sale of fixed rate and variable annuities; arbitrage activities;

1 armored car messenger services; operating automated teller machine
2 networks; automobile, equipment and personal property leasing; making
3 charitable contributions; operating closed or open ended collective
4 investment funds or mutual funds; collateralizing public deposits received
5 from local or the territorial government; issuing underwriting, dealing in,
6 purchasing and selling collateralized mortgage obligations; dealing in
7 commodities futures or operating as a commodity pool operator; selling or
8 leasing computer hardware or software in conjunction with data processing
9 services or to other financial institutions; operating a credit card bank;
10 securitizing credit card receivables; underwriting and selling credit life and
11 disability insurance for loan customers; collecting debts for third parties
12 participating in debt/equity swaps; offering financial advice and counseling
13 to mutual funds; acting as a general contractor for its own real estate; acting
14 as a custodian for individual retirement account funds; acting as a finder for
15 insurance companies; leasing bank premises or bank owned real estate;
16 issuing clean letters of credit; establishing and operating loan production
17 offices; messenger services; mortgage servicing; operating a postal
18 substation on its premises; privately placing asset backed securities, mortgage
19 related products, debt and equity securities, limited partnership interests in
20 real estate and investment securities; offering security and guard services
21 and security monitoring services; purchasing, selling, underwriting, dealing
22 in and holding Small Business Administration guaranteed pool certificates
23 and general obligations of any state, territory or political subdivision thereof;
24 purchasing, holding and using a seat on any recognized United States stock
25 exchange; purchasing, selling, dealing in and underwriting obligations of the
26 United States Government, its agencies and political subdivisions; operating
27 a title insurance company in conjunction with a real estate mortgage loan

1 business; acting as an agent in selling or underwriting title insurance in
2 connection with mortgage loans; acting as a transfer agent for corporate debt
3 and equity issues; acting as a travel agent in conjunction with a bank operated
4 travel club or incidental to banking; engaging in trust powers; and offering
5 vault, lock and ATM services to other financial institutions as correspondent
6 services, subject to the least restrictive rules, regulations and letter ruling
7 terms and conditions permitting national or FDIC insured banks, bank
8 subsidiaries or bank holding company subsidiaries to engage in the foregoing
9 activities. The foregoing list is not intended to be comprehensive.”

TWENTY-THIRD GUAM LEGISLATURE

1996 (SECOND)-Regular Session

Date: 9/25/96

VOTING SHEET

Bill No. 681
 Resolution No. _____
 Question: _____

NAME	YEAS	NAYS	NOT VOTING/ ABSTAINED	ABSENT/ OUT DURING ROLL CALL
ADA, Thomas C.	✓			
AGUON, John P.				✓
BARRETT-ANDERSON, Elizabeth				✓
BLAZ, Anthony C.	✓			
BROWN, Joanne S.	✓			
CAMACHO, Felix P.	✓			
CHARFAUROS, Mark C	✓			
CRISTOBAL, Hope A.	✓			
FORBES, MARK	✓			
LAMORENA, Alberto C., V	✓			
LEON GUERRERO, Carlotta				✓
LEON GUERRERO, Lou		✓		
NELSON, Ted S.	✓			
ORSINI, Sonny L.	✓			
PANGELINAN, Vicente C	✓			
PARKINSON, Don	✓			
SAN AGUSTIN, Joe T.	✓			
SANTOS, Angel L. G.	✓			
SANTOS, Francis E.	✓			
UNPINGCO, Antonio R.	✓			
WONPAT-BORJA, Judith	✓			

TOTAL

17 1 3

CERTIFIED TRUE AND CORRECT:

** passed 3 times*

Recording Secretary



TWENTY-THIRD
GUAM LEGISLATURE

155 Hesler St.
Agana, Guam 96910

Office of
Senator Francis E. Santos

Committee on Ways & Means
Phone: (671) 472-3414/5 Fax: (671) 477-3048

September 9, 1996

The Honorable W. Don Parkinson
Speaker
Twenty-Third Guam Legislature
155 Hesler St.
Agana, Guam 96910

Dear Speaker Parkinson:

The Committee on Ways and Means, now reports its findings on **Substitute Bill No. 681 - AN ACT To REPEAL SECTION 30803 OF THE BANKING CODE AND TO ADD A NEW PART "E" TO ARTICLE 1, TITLE XXXI, GUAM CODE ANNOTATED, TO AUTHORIZE TERRITORIAL CHARTERED BANKS TO ENGAGE IN ALL ACTIVITIES ALLOWABLE TO NATIONAL BANKS OR FDIC-INSURED BANKS.**", to the full legislature with the recommendation to **do pass**.

To Pass	8__
Not To Pass	0__
Abstain	0__
Inactive File	0__
Off Island	0__
Unavailable	1__
Report out only	—

Copies of the Committee Report and all pertinent documents are attached for your information.

Respectfully,

Francis E. Santos



**TWENTY-THIRD
GUAM LEGISLATURE**

155 Hesler St.
Agana, Guam 96910

Senator Francis E. Santos

Chairperson, Committee on Ways & Means

Phone: (671) 472-3414/5 Fax: (671) 477-3048

VOTE SHEET

Bill 681 - AN ACT TO REPEAL §30803 OF THE BANKING CODE AND TO ADD A NEW PART "E" TO ARTICLE I, TITLE XXXI TO AUTHORIZE TERRITORIAL CHARTERED BANKS TO ENGAGE IN ALL ACTIVITIES ALLOWABLE TO NATIONAL BANKS OR FDIC INSURED BANKS.

Member,
Committee on
Economic-Agricultural
Development & Insurance

Member,
Committee on
Electrical Power &
Consumer Protection


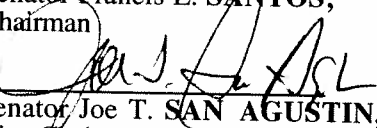

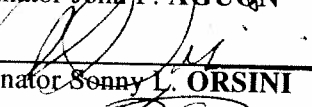
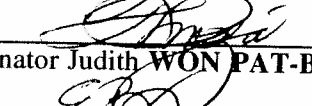
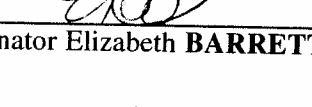
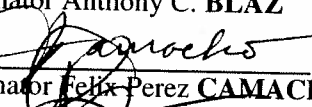
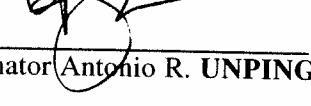
Member,
Committee on Federal
& Foreign Affairs

Member,
Committee on Rules

Member,
Committee on
Tourism & Transportation

Member,
Commission on
Self-Determination

Member,
Guam Finance Commission

	<u>TO PASS</u>	<u>NOT TO PASS</u>	<u>ABSTAIN</u>	<u>TO REPORT OUT ONLY</u>
 Senator Francis E. SANTOS, Chairman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator Joe T. SAN AGUSTIN, Vice-Chairman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Speaker Don PARKINSON	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator John P. AGUON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator Sonny L. ORSINI	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator Judith WON PAT-BORJA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator Elizabeth BARRETT-ANDERSON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Anthony C. BLAZ	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator Felix Perez CAMACHO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Senator Antonio R. UNPINGCO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

TWENTY-THIRD GUAM LEGISLATURE

Committee on Ways and Means

SENATOR FRANCIS E. SANTOS, Chairman

Committee Report

on

Bill No. 681 - AN ACT TO REPEAL §30803 OF THE BANKING CODE AND TO ADD A NEW PART "E" TO ARTICLE I. TITLE XXXI TO AUTHORIZE TERRITORIALLY CHARTERED BANKS TO ENGAGE IN ALL ACTIVITIES ALLOWABLE TO NATIONAL BANKS OR FDIC INSURED BANKS.

PREFACE

The Committee on Ways and Means convened the Public Hearing at 9:00 a.m., July 24, 1996 in the public Hearing Room of the Guam Legislature to receive public testimony on Bill 681.

Alongside Chairman Francis E. Santos was Senator Vicente Pangelinan.

OVERVIEW

Bill 681 when enacted into law would permit locally chartered banks to perform activities currently allowed to national banks authorized by Rules and Regulations of the Office of the Comptroller of the Currency, the Federally Deposit Insurance Corporation (FDIC) or the Federal Reserve.

Financial institutions have in the past and continue to invest in technology which would enhance its abilities to achieve its goals and objective. With the vast improvements in technology used in the banking during past three (3) decades, national banks have been granted authorization to expand the types of service said institutions may perform.

With this in mind, locally chartered banks have requested the Twenty-third Guam Legislature for the same authorization to expand their service base offered to customers. The types of services being sought are services related to the basic intent of the financial industry.

The intent of Bill 681 will move Guam forward in its proactive goal of securing the territory as the financial hub of the Pacific Region.

LEGISLATIVE FINDINGS

Mr. William D. Leon Guerrero, the Vice President of the Bank of Guam testified before the Committee on behalf of the Bank of Guam. Mr. Leon Guerrero opened his testimony by commending the Guam Legislature in attending to the Legislative needs of the local Banking Industry laws. (ATTACHMENT I)

He made reference to the current services offered by local financial institutions to the general public. However, he further notes that much of the regulations placed on the banking industry arose during the 1930's, the period of the Great Depression. These regulations were deemed necessary at the time to secure sound banking services and to protect its central role in business growth in our return to prosperity. These regulations were designed to limit the scope of authority for banks. In the end, Banks' were limited in the types of services they may provide.

During the past thirty years, we witnessed many changes in technology including the enhancements of computers used in the industry. These changes have contributed to the expansions and the enhancements of the types of services offered by the same institutions. As a result national banks currently offer a broad range of financial services to its customers.

He further informed the Committee that passage of this Act will not result in radical or unprecedented changes to the industry. The proposed changes have been successfully carried out in other jurisdiction and proven to be responsive to the desires of the community.

This Act will reform territorial banking laws enacted decades ago to allow for innovative, safe and sound financial services that are responsive to the needs of the people of Guam. Furthermore, it would provide locally chartered banks with the abilities to compete with other jurisdictions and national banks on the types of services offered.

Testimony was submitted on behalf of the Banking Commissioner (Mr. Joseph T. Duenas) requesting for additional time to submit testimony on Bill No. 681. Mr. Duenas submitted testimony to the Committee on August 2, 1996. ATTACHMENT II AND III)

Speaking on behalf of the Banking Board, Mr. Duenas supports the intent of the legislation to provide locally chartered banks the same powers and authority as National Banks. However, the responsibilities of the Banking Board to promote and maintain a sound banking system must not be limited.

The Committee finds that bill 681 will not compromise the Banking commissioner's ability to oversee the local banking system.

Senator Francis E. Santos inquired about the types of services of which Bank of Guam wishes to offer should the expanded authority be granted. In response, Mr. Leon Guerrero pointed to the sell of mutual funds and annuities directly through the bank or through a subsidiary.

Senator Santos further inquired of the required licenses to perform said duties. Mr. Leon Guerrero responded that all personnel will be licensed with the proper authorities prior to performing any of the activities. These individuals will also be local residents hired by the bank.

In regards to Senator Santos' inquiry about the number of states which have granted such authorization, Mr. Leon Guerrero responded that he was not sure of jurisdictions, but all national banks have been granted the authorization.

Mr. Leon Guerrero informed the Committee that the bank wishes to begin offering such services possibly in the fourth Quarter of the year.

Senator Vicente Pangelinan inquired if the list of services included in the bill is consistent with federal regulations. Mr. Leon Guerrero responded that all services included in the bill is allowed by federal law.

Representatives from Bank of Hawaii were in attendance at the public hearing but indicated to Committee staff that they prefer to listen to testimony given during the hearing.

COMMITTEE RECOMMENDATION

In light of the island's desire of someday becoming the hub of the region in Tourism, Economy and in the Financial Field along with the need to level the field of competition in Banking, the Committee on Ways and Means to which bill 681 was referred wishes to report the same to the full body with the recommendation to *do pass*.

TWENTY-THIRD GUAM LEGISLATURE

1996 (SECOND) Regular Session

95 JUL -2 11:11:54

Bill No. 681

Introduced by:

F. E. Santos



AN ACT TO REPEAL §30803 OF THE BANKING CODE AND TO ADD A NEW PART "E" TO ARTICLE I, TITLE XXXI TO AUTHORIZE TERRITORIAL CHARTERED BANK TO ENGAGE IN ALL ACTIVITIES ALLOWABLE TO NATIONAL BANKS OR FDIC INSURED BANKS.

1 **BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:**

2 **Section 1. Legislative Intent.** It is the intent of the legislature to
3 allow territorial banks and their subsidiaries to compete on a par with
4 national banks, banks chartered in the state's of the United States, and bank
5 holding companies subject to the most expansive powers allowed by the
6 Office of the Comptroller of the Currency, the Federal Deposit Insurance
7 Corporation, the Federal Reserve Board or their successors.

8 Should Federal or state law, regulation, federal banking agency ruling
9 or letter opinion authorize identical or similar powers to banks, the territorial
10 bank may choose the least restrictive conditions under which to operate.
11 Upon request from the Commissioner, the territorial bank shall provide the
12 Commissioner with copies of the law, regulation, ruling, or letter opinion
13 upon which it relies.

14 Furthermore, it is the intent of the legislature that this grant of
15 authority be interpreted broadly to allow territorial banks and their

1 subsidiaries to engage in a wide variety of activities found to be within the
2 powers of banking institutions and their subsidiaries or affiliates.

3 **Section 2. § 30803 is hereby repealed and §30804 through 30811 are**
4 **renumbered accordingly.**

5 **Section 3. A new part "E" is hereby added to Article I, Title XXXI of the**
6 **Banking Code to read:**

7 **ARTICLE I**

8 **Part E. Authorized Banking Practices.**

9 **§30400. Bank Activities permitted.** A Territorial Bank insured by
10 the Federal Deposit Insurance Corporation (FDIC) is authorized to engage
11 directly or through a subsidiary in any banking activity, any activity closely
12 related to banking and any nonbank activity to do any act and to own, possess
13 and carry as assets, property of the character, including stock, which national
14 banks chartered by the United States government and any bank chartered by a
15 state of the United States or any subsidiary of a bank holding company
16 regulated by the Federal Reserve Board under the Bank Holding Company
17 Act of 1978 may now or hereafter be authorized or permitted by state or
18 federal law, regulation or federal banking agency regulatory ruling or letter
19 opinion to engage, on the same terms and conditions that would be imposed
20 on a national bank, a state chartered insured bank, or a subsidiary of a bank
21 holding company engaged in such activity; provided however, that a
22 territorial bank will not by this statute be made subject to regulation by, be

1 required to report to or be subject to audit by any federal agency by which it is
2 not otherwise regulated.

3 To the extent authorized or allowed under case law or federal banking
4 statutes, regulations or regulatory decisions for any other bank, an insured
5 Guam Bank may directly or indirectly engage in or invest in a subsidiary
6 which engages in broker and dealer activities in securities, insurance
7 activities, underwriting, community development, real estate, management
8 consulting, data processing, investment advisory services, check collection
9 and guaranteeing, courier services, foreign exchange services, credit research
10 and reporting, futures commissions merchant, consumer financial services
11 counseling, real estate appraisals and financing, tax planning and preparation,
12 providing bank services to other banks; purchasing, constructing and leasing
13 public or municipal buildings; investing in and operating a safe-deposit
14 corporation or small business investment company; investing in state or
15 territorial housing corporations; acting as a finder for a buyer and seller;
16 arranging real estate financing with third parties; investing in and operating
17 an advisory and discount brokerage; acting as an agent in the sale or
18 placement of federal, state or territorial government securities; acting as an
19 agent in the sale of fixed rate and variable annuities; arbitrage activities;
20 armored car messenger services; operating automated teller machine
21 networks; automobile, equipment and personal property leasing; making
22 charitable contributions; operating closed or open ended collective
23 investment funds or mutual funds; collateralizing public deposits received

1 from local or the territorial government; issuing underwriting, dealing in,
2 purchasing and selling collateralized mortgage obligations; dealing in
3 commodities futures or operating as a commodity pool operator; selling or
4 leasing computer hardware or software in conjunction with data processing
5 services or to other financial institutions; operating a credit card bank;
6 securitizing credit card receivables; underwriting and selling credit life and
7 disability insurance for loan customers; collecting debts for third parties
8 participating in debt/equity swaps; offering financial advice and counseling to
9 mutual funds; acting as a general contractor for its own real estate; acting as a
10 custodian for individual retirement account funds; acting as a finder for
11 insurance companies; leasing bank premises or bank owned real estate;
12 issuing clean letters of credit; establishing and operating loan production
13 offices; messenger services; mortgage servicing; operating a postal substation
14 on its premises; privately placing asset backed securities, mortgage related
15 products, debt and equity securities, limited partnership interests in real estate
16 and investment securities; offering security and guard services and security
17 monitoring services; purchasing, selling, underwriting, dealing in and
18 holding Small Business Administration guaranteed pool certificates and
19 general obligations of any state, territory or political subdivision thereof;
20 purchasing, holding and using a seat on any recognized United States stock
21 exchange; purchasing, selling, dealing in and underwriting obligations of the
22 United States Government, its agencies and political subdivisions; operating
23 a title insurance company in conjunction with a real estate mortgage loan

1 business; acting as an agent in selling or underwriting title insurance in
2 connection with mortgage loans; acting as a transfer agent for corporate debt
3 and equity issues; acting as a travel agent in conjunction with a bank operated
4 travel club or incidental to banking; engaging in trust powers; and offering
5 vault, lock and ATM services to other financial institutions as correspondent
6 services, subject to the least restrictive rules, regulations and letter ruling
7 terms and conditions permitting national or FDIC insured banks, bank
8 subsidiaries or bank holding company subsidiaries to engage in the foregoing
9 activities. The foregoing list is not intended to be comprehensive.

WILLIAM D. LEON GUERRERO

Executive Vice President/
Chief Operating Officer



Bank of Guam

"The People's Bank"

MEMBER OF THE FEDERAL
DEPOSIT INSURANCE CORP.

P.O. Box BW
Agana, Guam 96910
Tel: 472-5271/3/5

Only locally owned Bank - founded 1972 by Jesus S. Leon Guerrero

July 24, 1996

The Honorable Francis E. Santos
Chairman, Committee on Ways & Means
Twenty-Third Guam Legislature
Agaña, Guam

Dear Senator Santos:

I am writing to provide testimony on behalf of Bank of Guam regarding Bill 681, which will authorize Territorial-chartered banks to engage in all activities allowable to national banks or FDIC-insured banks. Bank of Guam views the provisions of this Bill quite favorably, and looks forward to its passage into Law. Further, we are grateful that this Legislature has taken it upon itself to attend to the legislative needs of Guam's banking sector in modernizing our community's banking laws.

Throughout the history of the our industry, banks have played a key role as intermediary between those who have surplus funds and those who have potentially beneficial uses for additional funds. In this way, banks have provided fundamental support for economic development and advancement. However, because of the powerful influence that banks can have in the performance of economies, they are often viewed as a kind of collective resource by the communities in which they operate. As a result, the banking industry has been regulated by governments for centuries.

Much of the regulation of banking in the United States derives from the problems which developed in the industry early in the 1930s, during the Great Depression. At the time, the regulations that were put in place were deemed necessary to control the industry and to protect its central role in the support of business growth and a general return to prosperity. Over the past thirty years, though, particularly with changes in the technology of the financial industry, banks' powers and authority have been expanded and enhanced, first in some areas of operations, then in others. Early banking regulations were designed to limit banks' scope of authority, thus limiting the types of services that bankers could offer to their customers. However, there has been a growing recognition lately that the dispersion of a broad range of financial services across multiple segments of the financial industry was not only inconvenient for the general public, but also was costly to society as a whole because of the inefficiency with which financial services were provided.

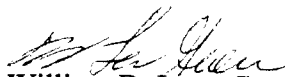
As a result, a trend has developed to allow banks to increasingly become the single source of a broad range of financial services, both for convenience and to lower the costs of individual services that can be delivered as a part of an integrated package. Communications technology and the relatively new ability to instantly analyze the vast array of financial instruments simultaneously have allowed banks to expand their services without what used to be the corresponding sacrifice of safety and soundness for the individual banking institution.

The Bill before you would make no radical or unprecedented changes to the banking industry in Guam that have not already been successfully carried out in other jurisdictions; indeed, the Bill would merely allow the same powers to Guam banks as are already enjoyed in other parts of the country. What the Bill will accomplish is a reform of Guam's banking law so that we would be expressly allowed to provide innovative, safe and sound financial services that are responsive to the needs of all Guam citizens, bringing them world-class services which are not, by law, available to them today. It will also bolster banks' ability to compete in Guam and throughout the region, strengthening the basic foundation of Guam's banking industry as a provider of the funds necessary for the economic development and prosperity of our community. Just as that ability to compete has been eroded over the years, largely because of the restrictions that have been placed on the industry over the past sixty years, now that ability must be revived so that banks can better carry out their role as the leading suppliers of financial services within Guam.

For these reasons, Bank of Guam is fully in support of Bill 681, and looks forward to its speedy passage.

Thank you for the opportunity to address these issues. Should you have any questions regarding this testimony, I will be happy to answer them at you convenience.

With Best Regards,


William D. Leon Guerrero
Executive Vice President
and Chief Operating Officer

REVENUE AND TAXATIONJOSEPH T. DUENAS, Director
CARL E. TORRES, Deputy DirectorGOVERNMENT OF GUAM

July 24, 1996

Hon. Francis E. Santos, Chairman
Committee on Ways and Means
Twenty-Third Guam Legislature
Agana, Guam 96910

RE: Bill No. 681

Dear Mr. Chairman and Members of the Committee:

My name is Joseph T. Duenas. I am Director of the Department of Revenue and Taxation and the Ex-Officio Banking Commissioner of Guam. We are not prepared to submit our comments on Bill 681. We have not had a chance to review Bill 681, and would like to reserve our comments on the bill until we have time to review the bill thoroughly. Only yesterday did we discover through reading the Pacific Daily News that Bill 681 is being heard this morning.

As a regulator for all financial institutions transacting banking activities in Guam, we want to assure the depositors and creditors that the banks that they are dealing with are operating in a sound and safe manner and they are financially solvent.



JOSEPH T. DUENAS
Banking Commissioner

AUG 02 1996

Honorable Francis E. Santos, Chairman
Committee on Ways and Means
Twenty-Third Guam Legislature
Agana, Guam 96910

RE: Bill No. 681

Dear Mr. Chairman and Members of the Committee:

My name is Joseph T. Duenas. I am Director of the Department of Revenue and Taxation and the Ex-Officio Banking Commissioner of Guam. Thank you for allowing me the opportunity to submit my comments on Bill 681.

AN ACT TO REPEAL SECTION 30803 OF THE BANKING CODE AND TO ADD A NEW PART "E" TO ARTICLE I, TITLE XXXI TO AUTHORIZE TERRITORIAL CHARTERED BANK TO ENGAGE IN ALL ACTIVITIES ALLOWABLE TO NATIONAL BANKS OR FDIC INSURED BANKS.

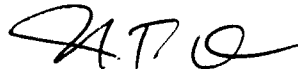
Historically the Office of the Comptroller of Currency is responsible for chartering, examining, and regulating all national banks. These banks can be easily be recognized by the word "national," which must appear somewhere in their legal names. National banks exist competitively and side-by-side with the far more numerous state-chartered banks, generally offering the same services and operating in the same fundamental way. If it gains the necessary approvals, a bank may at any time convert from one type of charter to the other. The fact that every commercial bank must be chartered either by the federal government or by the banking authorities in its own state has created what is known as the **dual banking system**.

We support the intent of the legislature to level the playing field between national banks and territorial banks by allowing territorial banks and their subsidiaries to provide the same services authorized by national banks. We also recognize that technology has created a world where restrictions of the past not be needed to the extent exercised today. However, the expansion of services need the scrutiny of the Banking Board so the community may be assured that good banking principles are maintained and the banking community will continue to be financially sound as a result of the changes that take place. Bill 681 as drafted, would significantly impair the Banking Commissioner's power of regulation. The Bill list all the services that the territorial bank may participate in and

then provides that it would be "subject to the least (emphasis added) restrictive rules, regulations and letter ruling terms and conditions permitting national or FDIC insured banks subsidiaries or bank holding company subsidiaries to engage in the foregoing activities". The final sentence of the Bill acts as a catch all saying that the list of services was not intended to be comprehensive. The Bill does not allow the Banking Board or Banking Commissioner to consider the requirements of sound financial banking standards in deciding whether the requested service should be allowed. If it is allowed in one jurisdiction of the United States or if a national bank is allowed to perform the activity, then the territorial bank must be allowed the option to provide such activity without considering whether such activity would meet sound financial banking standards by the Guam Banking Board or the Banking Commissioner or the banking regulators or whether the bank would meet the financial soundness requirements of the Office of the Comptroller of Currency. The Board and the Banking Commissioner must act in the interest of promoting and maintaining a sound banking system (preventing injurious credit expansions and contractions), the security of deposits, depositors and other customers, and the preservation of the liquid position of banks. Bill 681 as drafted, would significantly limit the Board and Banking Commissioner's ability to properly regulate and protect the banking industry and the banking consumers, the people of Guam.

For your consideration, we have attached to this testimony proposed language that would allow the territorial banks to expand their services and compete with national banks in offering services but would not limit the Board and Banking Commissioner's authority to regulate and monitor banks. The proposed changes would allow monitoring in a manner that would be consistent in encouraging territorial banks to expand their services while protecting the bank and the local banking system and the banking consumers, the people of Guam. We are adamant in supporting territorial banks in their quest to expand services to their customers, in particular in those areas that national banks now engage. However, it is imperative that expansion of services must be done in a manner that preserves sound banking standards for Guam's banks.

Sincerely



JOSEPH T. DUENAS
Banking Commissioner

Attachment

FISCAL NOTE
BUREAU OF BUDGET AND MANAGEMENT RESEARCH

BBMR-F7

Bill Number: 081
 Amendatory Bill: Yes

Date Received: August 02, 1996
 Date Reviewed: August 22, 1996

Department/Agency Affected: Department of Revenue & Taxation
 Department/Agency Head: Joseph Duenas, Director
 Total FY Appropriation to Date: \$12,414,644

Bill Title (preamble): AN ACT TO REPEAL s30803 OF THE BANKING CODE AND TO ADD A NEW PART "E" TO ARTICLE I, TITLE XXXI TO AUTHORIZE TERRITORIAL CHARTERED BANK TO ENGAGE IN ALL ACTIVITIES ALLOWABLE TO NATIONAL BANKS OR FDIC INSURED BANKS.

Change in Law: Allows territorial banks and their subsidiaries to engage in a wide variety of activities found to be within the powers of banking institutions and their subsidiaries or affiliates.

Bill's Impact on Present Program Funding:

Increase _____ Decrease _____ Reallocation _____ No Change X

Bill is for:

Operations _____ Capital Improvement _____ Other X

FINANCIAL/PROGRAM IMPACT

ESTIMATED SINGLE-YEAR FUND REQUIREMENTS (Per Bill)			
PROGRAM CATEGORY	GENERAL FUND	OTHER	TOTAL
Economics & Finance	//		

ESTIMATED MULTI-YEAR FUND REQUIREMENTS (Per Bill)						
FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL	//					
OTHER						
TOTAL						

FUNDS ADEQUATE TO COVER INTENT OF THE BILL? Yes -- IF NO, ADD'L AMOUNT REQUIRED \$ N/A

AGENCY/PERSON/DATE CONTACTED: Department of Revenue & Taxation

ESTIMATED POTENTIAL MULTI-YEAR REVENUES						
FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL FUND	//					
OTHER						
TOTAL						

ANALYST md
 M. Dizon

DATE 8/22/96 DIRECTOR Joseph Rivera
 Joseph E. Rivera, Acting

DATE _____
AUG 23 1996

FOOTNOTES: See attached.

JUL 0 8 1996

TWENTY-THIRD GUAM LEGISLATURE

1996 (SECOND) Regular Session

Bill No. 681(LS)

Introduced by:

F. E. Santos [Signature]

AN ACT TO REPEAL §30803 OF THE BANKING CODE AND TO ADD A NEW PART "E" TO ARTICLE I, TITLE XXXI TO AUTHORIZE TERRITORIAL CHARTERED BANK TO ENGAGE IN ALL ACTIVITIES ALLOWABLE TO NATIONAL BANKS OR FDIC INSURED BANKS.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

2 Section 1. Legislative Intent. It is the intent of the legislature to
3 allow territorial banks and their subsidiaries to compete on a par with
4 national banks, banks chartered in the state's of the United States, and bank
5 holding companies subject to the most expansive powers allowed by the
6 Office of the Comptroller of the Currency, the Federal Deposit Insurance
7 Corporation, the Federal Reserve Board or their successors.

8 Should Federal or state law, regulation, federal banking agency ruling
9 or letter opinion authorize identical or similar powers to banks, the territorial
10 bank may choose the least restrictive conditions under which to operate.
11 Upon request from the Commissioner, the territorial bank shall provide the
12 Commissioner with copies of the law, regulation, ruling, or letter opinion
13 upon which it relies.

14 Furthermore, it is the intent of the legislature that this grant of
15 authority be interpreted broadly to allow territorial banks and their

1 subsidiaries to engage in a wide variety of activities found to be within the
2 powers of banking institutions and their subsidiaries or affiliates.

3 **Section 2. § 30803 is hereby repealed and §30804 through 30811 are**
4 **renumbered accordingly.**

5 **Section 3. A new part "E" is hereby added to Article I, Title XXXI of the**
6 **Banking Code to read:**

7 **ARTICLE I**

8 **Part E. Authorized Banking Practices.**

9 **§30400. Bank Activities permitted.** A Territorial Bank insured by
10 the Federal Deposit Insurance Corporation (FDIC) is authorized to engage
11 directly or through a subsidiary in any banking activity, any activity closely
12 related to banking and any nonbank activity to do any act and to own, possess
13 and carry as assets, property of the character, including stock, which national
14 banks chartered by the United States government and any bank chartered by a
15 state of the United States or any subsidiary of a bank holding company
16 regulated by the Federal Reserve Board under the Bank Holding Company
17 Act of 1978 may now or hereafter be authorized or permitted by state or
18 federal law, regulation or federal banking agency regulatory ruling or letter
19 opinion to engage, on the same terms and conditions that would be imposed
20 on a national bank, a state chartered insured bank, or a subsidiary of a bank
21 holding company engaged in such activity; provided however, that a
22 territorial bank will not by this statute be made subject to regulation by, be

1 required to report to or be subject to audit by any federal agency by which it is
2 not otherwise regulated.

3 To the extent authorized or allowed under case law or federal banking
4 statutes, regulations or regulatory decisions for any other bank, an insured
5 Guam Bank may directly or indirectly engage in or invest in a subsidiary
6 which engages in broker and dealer activities in securities, insurance
7 activities, underwriting, community development, real estate, management
8 consulting, data processing, investment advisory services, check collection
9 and guaranteeing, courier services, foreign exchange services, credit research
10 and reporting, futures commissions merchant, consumer financial services
11 counseling, real estate appraisals and financing, tax planning and preparation,
12 providing bank services to other banks; purchasing, constructing and leasing
13 public or municipal buildings; investing in and operating a safe-deposit
14 corporation or small business investment company; investing in state or
15 territorial housing corporations; acting as a finder for a buyer and seller;
16 arranging real estate financing with third parties; investing in and operating
17 an advisory and discount brokerage; acting as an agent in the sale or
18 placement of federal, state or territorial government securities; acting as an
19 agent in the sale of fixed rate and variable annuities; arbitrage activities;
20 armored car messenger services; operating automated teller machine
21 networks; automobile, equipment and personal property leasing; making
22 charitable contributions; operating closed or open ended collective
23 investment funds or mutual funds; collateralizing public deposits received

1 from local or the territorial government; issuing underwriting, dealing in,
2 purchasing and selling collateralized mortgage obligations; dealing in
3 commodities futures or operating as a commodity pool operator; selling or
4 leasing computer hardware or software in conjunction with data processing
5 services or to other financial institutions; operating a credit card bank;
6 securitizing credit card receivables; underwriting and selling credit life and
7 disability insurance for loan customers; collecting debts for third parties
8 participating in debt/equity swaps; offering financial advice and counseling to
9 mutual funds; acting as a general contractor for its own real estate; acting as a
10 custodian for individual retirement account funds; acting as a finder for
11 insurance companies; leasing bank premises or bank owned real estate;
12 issuing clean letters of credit; establishing and operating loan production
13 offices; messenger services; mortgage servicing; operating a postal substation
14 on its premises; privately placing asset backed securities, mortgage related
15 products, debt and equity securities, limited partnership interests in real estate
16 and investment securities; offering security and guard services and security
17 monitoring services; purchasing, selling, underwriting, dealing in and
18 holding Small Business Administration guaranteed pool certificates and
19 general obligations of any state, territory or political subdivision thereof;
20 purchasing, holding and using a seat on any recognized United States stock
21 exchange; purchasing, selling, dealing in and underwriting obligations of the
22 United States Government, its agencies and political subdivisions; operating
23 a title insurance company in conjunction with a real estate mortgage loan

1 business; acting as an agent in selling or underwriting title insurance in
2 connection with mortgage loans; acting as a transfer agent for corporate debt
3 and equity issues; acting as a travel agent in conjunction with a bank operated
4 travel club or incidental to banking; engaging in trust powers; and offering
5 vault, lock and ATM services to other financial institutions as correspondent
6 services, subject to the least restrictive rules, regulations and letter ruling
7 terms and conditions permitting national or FDIC insured banks, bank
8 subsidiaries or bank holding company subsidiaries to engage in the foregoing
9 activities. The foregoing list is not intended to be comprehensive.