



HAWAII NATIONAL BANK

BEST IMAGE AVAILABLE

COMPLIANCE ADMINISTRATION

VIA FAX (202) 452-3819 or (202) 452-3102

April 28, 2005

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N. W.
Washington, DC 20551

Dear Ms. Johnson:

Reference: Proposed Amendments to Regulation CC and J
Docket No. R-1226

Thank you very much for the opportunity to comment on the proposed amendments to Regulation CC and J.

We are a community bank located in the state of Hawaii with total assets of about \$440 million. Our headquarters is in Honolulu, and we have 2 branches on each of the islands of Maui and the Big Island (Hawaii), and the remaining eleven branches are on Oahu.

We are in support of the proposed amendments:

1. To help reduce the potential for fraud, the liability for unauthorized remotely created checks should rest with the depository bank since it is in the best position to prevent any fraudulent transactions. The depository bank would then be required to monitor its own customers that deposit remotely created checks which should have the effect of reducing the quantity of unauthorized or fraudulent items from being introduced into the check collection process. The depository bank should follow the "Know Your Customer" requirements.

2. The inclusion of business accounts in the definition of "remotely created check" is warranted as fraudulent, unauthorized activity can occur on business accounts as easily as on consumer accounts.
3. The return period should be consistent with Regulation E (for ACH transactions) and should be set at 60 days. The State of Hawaii's UCC provides for claims of unauthorized activity for remotely created checks to be made with 30 days from the date of payment or posting. With the time for processing and mailing of a customer's statement, this time period may not be sufficient for items that are paid at the beginning of a statement cycle. And, different states have adopted different versions of changes to the UCC with respect to remotely created checks.

Again, thank you for the opportunity to provide you with our comments.

Sincerely,



Roland Watanabe, Jr.
Vice-President

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OF THE
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