

OPINION NO. 18

A state legislator asks the Commission whether \$10,000 worth of stock in a local company, in which he serves as one of nine directors, is a substantial financial interest and, if it is, what restraints he, as a legislator, is required to exercise because of this interest.

In response to the first question, \$10,000 worth of stock is a substantial financial interest. This is clearly a "financial interest" under section 4(6) of the Ethics Act (Act 263, SLH 1967). The meaning of substantiality was left to the Commission to determine. As a guideline, we have said that "substantial" means an interest of sufficient magnitude in the circumstances to have a possible influence on an individual's action. In this instance, we hold that the interest is substantial.

Section 8 of the Ethics Act, the conflict of interests section, specifically regulates action affecting "substantial financial interests." However, this section governs only employees as defined by the Act; members of the Legislature are not included in its prohibitions. (See Opinions Nos. 1 and 15 for a complete discussion of the exclusive regulation by legislative bodies of possible conflict of interests situations of their members.)

Sections 5, 6, and 7 of the Act, which do apply to legislators, do not regulate action in a conflict situation, *per se*, nor do they specifically govern "substantial financial interests." These sections govern legislators' action involving gifts for influence purposes, misuse of confidential information and misuse of official position.

Section 12 of the Act requires disclosure by a legislator of his "substantial financial interests" and "controlling interests" which he believes may be affected by a state agency. The legislator requesting this opinion has complied with this requirement of the Act, and is required to take further action only if his interests should change, at which time he should file an amended disclosure.

Dated: Honolulu, Hawaii, February 17, 1969.

STATE ETHICS COMMISSION
Vernon F.L. Char, Chairman
James F. Morgan, Jr., Vice Chairman
S. Don Shimazu, Commissioner
July Simeona, Commissioner

Note: All members of the Commission concur in this opinion. The vacancy left by Commissioner George's resignation in favor of public office has not been filled.