

STANDING COMMITTEE REPORT NO. 13-180

RE: C.B. NO. 13-156/R&D

SUBJECT: AMENDMENTS TO BANKING LAW

OCTOBER 26, 2004

The Honorable Peter Christian  
Speaker, Thirteenth Congress  
Federated States of Micronesia  
Fourth Regular Session, 2004

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was referred C.B. No. 13-156:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 29 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING SECTIONS 102, 201, 601, 603, 605, 613, 617, 619, 621, 701, 702, 801 AND 802 THEREOF AND BY ENACTING A NEW SECTION 106 AND A NEW CHAPTER 9 TO INCORPORATE THE REQUIREMENTS IMPOSED ON FDIC-INSURED BANKS BY THE AMENDMENTS TO THE COMPACT OF FREE ASSOCIATION, TO ENACT LAWS GOVERNING TREATMENT OF DORMANT BANK ACCOUNTS, TO MAKE CERTAIN OTHER NECESSARY CHANGES, AND FOR OTHER PURPOSES",

begs leave to report as follows:

The intent and purpose of this bill are expressed in its title.

Possible amendments to title 29 of the FSM Code were proposed through C.B. No. 13-62. Your Committee had a number of concerns relating to that bill. Other issues were raised by way of public comment. At the encouragement of your committee, the bill was rewritten by the Executive Branch and introduced as C.B. No 13-156. Your Committee believes that the problems presented by the earlier bill have been corrected in C.B. No. 13-156.

#### FDIC Requirements

Your Committee on Resources and Development notes that the Federal Deposit Insurance Corporation (FDIC) currently extends deposit insurance to the Bank of the Federated States of Micronesia (Bank of FSM) in accordance with a collateral agreement to the Compact of Free Association, as amended (the agreement).

In its current form, title 29 of the FSM Code is inconsistent with the terms of the agreement in certain respects. In addition, there are particular requirements under the agreement which are not addressed by title 29.

STANDING COMMITTEE REPORT NO. \_\_\_\_\_

RE: C.B. NO. 13-156/R&D

SUBJECT: AMENDMENTS TO BANKING LAW

OCTOBER \_\_\_\_\_, 2004

C.B. No. 13-156 provides a framework for compliance with requirements under the agreement and ensures continued deposit insurance coverage for the Bank of FSM. In addition, the bill is drafted to ensure compliance with FDIC requirements by any domestic bank to which the FDIC may extend coverage in the future.

#### Dormant Accounts

The bill establishes procedures for the handling of dormant savings and checking accounts, whereby banks:

- (i) are prohibited from charging account fees on the basis of account inactivity;
- (ii) must identify and publish the most recent account holder details for dormant accounts annually; and
- (iii) if the funds are not claimed, transfer them to the Secretary of Finance, where they may be claimed by their rightful owner for up to twenty years.

#### Consultation

Public hearings were held in relation to the previous bill, C.B. No. 13-62, and the comments received at those hearings are reflected in the current bill.

Copies of the current bill were also provided to the Bank of FSM and the Bank of Guam for comment. Comments on minor issues were received from both banks. However, your Committee does not consider that the issues raised warrant further amendment of the subject bill.

Your Committee on Resources and Development recognizes the importance of a sound banking system with effective oversight mechanisms. In particular, your Committee recognizes the critical importance of deposit insurance to a sound banking system.

Your Committee on Resources and Development has given serious consideration to this bill and its purpose. Your committee recommends the following technical changes as amendments to C.B. No. 13-156:

1. Page 1, lines 13 and 14 - delete "Federal Deposit Insurance Corporation Services and Related Programs,".
2. Page 1, line 15 - replace "Agreements" with "Agreement".

STANDING COMMITTEE REPORT NO. \_\_\_\_\_

RE: C.B. NO. 13-156/R&D

SUBJECT: AMENDMENTS TO BANKING LAW

OCTOBER \_\_\_\_\_, 2004

3. Page 2, lines 1 to 3 - replace "between the Government of the United States of America and the Government of the Federated States of Micronesia" with "entitled 'Federal Deposit Insurance Corporation Programs and Services Agreements'".

With the foregoing amendments, your Committee on Resources and Development is in accord with the intent and purpose of C.B. No. 13-156 and recommends its passage on First Reading, and that it be placed on the Calendar for Second and Final Reading in the form attached hereto as C.B. No. 13-156, C.D.1.

Respectfully submitted,

/s/ Alik L. Alik  
Alik L. Alik, chairman

\_\_\_\_\_  
Dion G. Neth, vice chairman

\_\_\_\_\_  
Tiwiter Aritos, member

\_\_\_\_\_  
Sabino S. Asor, member

/s/ Ramon Peyal  
Ramon Peyal, member

/s/ Resio S. Moses  
Resio S. Moses, member  
Respect to dormant accounts

/s/ Moses A. Nelson  
Moses A. Nelson, member