

A BILL FOR AN ACT

To further amend Title 29 of the Code of the Federated States of Micronesia, as amended, by amending sections 101, 102, 103, 104, 105, 106, 107, 201, 202, 203, 204, 205, 206, 207, 208, 209, 301, 302, 303, 305, 306, 307, 308, 311, 402, 403, 404, 405, 406, 407, 408, 501, 502, 601, 602, 603, 604, 605, 606, 607, 608, 609, 611, 612, 613, 615, 616, 617, 618, 620, 621, 622, 623, 624, 625, 626, 627, 701, 702, 703, 704, 705, 801, 802, 803, 804 and 903 thereof, and by repealing sections 310 and 503, and by enacting a new section 626 and Chapter 10, in order to change the name of the Banking Board and the Banking Commissioner, to provide for regulation of credit unions, and to make certain other necessary changes, and to further amend title 36 of the Code of the Federated States of Micronesia, as amended, by amending section 107 to refer to title 29, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1           Section 1. Section 101 of title 29 of the Code of the  
2 Federated States of Micronesia is hereby amended to read as  
3 follows:

4           "Section 101. Short title.  
5           This title shall be known as the "Federated States of  
6           Micronesia [~~Bank~~] Financial Institutions Act [of 1980]."

7           Section 2. Section 102 of title 29 of the Code of the  
8 Federated States of Micronesia is hereby amended to read as  
9 follows:

10           "Section 102. Definitions. As used in this title,  
11 unless it is otherwise provided or the context requires  
12 a different construction, application, or meaning:

13           (1) 'Agency' means a place of business where  
14 transactions are effected with customers on behalf of a  
15 branch or main office of a [~~bank~~] financial institution,  
16 but the accounting records for such transactions are

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1 maintained at the branch or main office; includes a  
2 remote service facility.

3 (2) 'Article XI' means Article XI of the Programs and  
4 Services Agreement of the Compact of Free Association,  
5 as amended, entitled 'Federated Deposit Insurance  
6 Corporation [~~Programs and Service Agreement~~] Service  
7 and Related Programs'.

8 (3) 'Bank' means [~~any person or body of persons or~~] a  
9 corporation authorized by [~~law~~] this Title to engage in  
10 the banking business[~~, and to accept from the public  
11 deposits which are withdrawable and transferable by  
12 check or other means of payment transfer.~~] 'Bank'  
13 includes a savings and loan association but does not  
14 include a credit union.

15 (4) 'Banking business' means the business of accepting  
16 deposits of money from the public, withdrawable or  
17 payable on demand or after a fixed period or after  
18 notice, or any similar operation through the frequent  
19 sale or placement of notes or other securities, and the  
20 use of such funds either in whole or part for loans,  
21 investments or any other operation either authorized by  
22 law or considered a generally accepted banking practice,  
23 for the account and at the risk of the person doing such  
24 business.

25 [~~(7)~~] (5) 'Branch' means an office of a [~~bank~~] financial

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1 institution where banking business is transacted and at  
2 which accounting records are maintained.

3 (6) 'Credit union' means a financial cooperative  
4 association organized in accordance with the provisions  
5 of Chapter 10 for the purposes of engaging in banking  
6 business.

7 [~~(8)~~] (7) 'Demand deposit' means any deposit which is  
8 repayable by its terms not more than three days after  
9 the time it is made.

10 [~~(9)~~] (8) 'Deposits' means money or other property  
11 transferred or assigned to any person pursuant to an  
12 agreement, expressed or implied, that the person shall  
13 repay such moneys upon demand (whether in person or by  
14 written order) or after a fixed or determinable period  
15 of time. Money transferred to a credit union as a  
16 purchase of its shares is deemed to be a deposit. Money  
17 loaned to a [~~bank~~] financial institution which is to be  
18 repaid not sooner than five years from the date of loan,  
19 and pursuant to a loan agreement under which the  
20 obligation to repay is subordinate to the rights of  
21 depositors, shall not be deemed to be a deposit. [~~Money~~  
22 ~~transferred to a credit union as a purchase of its~~  
23 ~~shares shall not be deemed to be a deposit]~~.

24 [~~(10)~~] (9) 'Domestic bank' means a bank organized under  
25 the provisions of chapter 3 of this title.

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1       ~~[(11)]~~ (10) 'FDB' means a domestic bank that is unused by the  
2 Federal Deposit Insurance Corporation.

3       ~~[(12)]~~ (11) United States' Federated Deposit Insurance  
4 Act  
5 codified at 12 U.S.C. 1811-1831.

6       12 'Financial institution' means a bank or credit  
7 union.

8       ~~[(5)]~~ (13) [~~Banking~~] Financial Institutions Board  
9 means

10 the Board established pursuant to section 201 of this  
11 title.

12 ~~[(6)]~~ (14) [~~Banking~~] Financial Institutions  
13 Commissioner' means the [~~Banking~~] Financial Institutions  
14 Commissioner appointed pursuant to section 206 of this  
15 title.

16 ~~[(13)]~~ (15) 'Foreign bank' means a corporation or other  
17 financial institution organized for the purpose of  
18 engaging in the banking business under the laws of a  
19 foreign country operating a bank in its home territory,  
20 state, or country and is authorized under this Title to  
21 operate in the FSM. The United States or of a territory  
22 or State of the United States, or of a foreign country,  
23 operating a bank in its home territory, State, or  
24 country and is authorized under this Title to operate in  
25 the FSM.

1        [~~(14)~~] (16) 'IAP' or institution-affiliated party' means:

2                    (a) any director, officer, employee, or  
3        controlling stockholder of, or agent for, an FDB;

4                    (b) any other person who has filed or is  
5        required to file a change-in-control notice with the  
6        appropriate U.S. Federal banking agency under section  
7        7(j) of the FDI Act;

8                    (c) any shareholder (other than a bank holding  
9        company), consultant, joint venture partner, and any  
10       other person as determined by the appropriated U.S.  
11       Federal banking agency (by regulation or case-by-case)  
12       who participates in the conduct of the affairs of an  
13       FDB;    (d) any independent contractor (including any  
14       attorney, appraiser, or accountant) who knowing or  
15       recklessly participates in (i) any violation of any law  
16       or regulation; (ii) any breach of fiduciary duty; or  
17       (iii) any unsafe or unsound practice, which caused or is  
18       likely to cause more than a minimal financial loss to,  
19       or a significant adverse affect on, the FDB.

20       [~~(15)~~] (17) 'Legal reserve' means the sum which every

21       [~~domestic bank and foreign bank~~] financial institution  
22       shall at all times have available for the payment of  
23       their deposit liabilities pursuant to the provisions of  
24       this title.

25       (18) 'Member' means a person who shares in ownership

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1 of credit union through purchase of one or more  
2 membership shares.

3 [~~(16)~~] (19) 'Paid-in capital, surplus, and undistributed  
4 profits' means,

5 [~~(a)~~] in the case of a foreign bank, the aggregate  
6 paid-in capital, surplus, and undistributed profits of  
7 such bank and not merely that allocated to, located in,  
8 or arising out of its operations in the Federated States  
9 of Micronesia [~~(-)~~] ; and

10 (b) in the case of a credit union, the aggregate  
11 surplus and undistributed profits excluding member  
12 withdrawable shares.

13 [~~(17)~~] (20) 'Person' includes individuals, corporations,  
14 partnerships, and any other business entity.

15 [~~(18)~~] (21) 'Public Auditor' means the Public Auditor  
16 appointed by the President of the Federated States of  
17 Micronesia with the advice and consent of the Congress  
18 pursuant to the Constitution.

19 [~~(19)~~] (22) 'Registrar of Corporations' means the  
20 Registrar of Corporations of the National Government of  
21 the Federated States of Micronesia.

22 [~~(20)~~] (23) 'Related person' with respect to any person  
23 means his spouse, child, parents, brothers, or sisters,  
24 or any partnership, corporation, or firm in which he  
25 owns more than a ten percent interest.

1           [~~(21)~~] (24) 'Secretary of Finance' means the Secretary  
2    of  
3           the Department of Finance and Administration of the  
4           Federated States of Micronesia."

5           Section 3. Section 103 of title 29 of the Code of the  
6 Federated States of Micronesia is hereby amended to read as  
7 follows:

8           "Section 103. Application of title.  
9           This title shall apply to and govern all [~~banks~~  
10          ~~operating a branch or office~~] persons doing banking  
11          business in the Federated States of Micronesia; and any  
12          [~~bank now existing and operating a branch or office~~]  
13          person doing banking business in the Federated States of  
14          Micronesia shall hereafter [~~be~~] operate[~~d~~] in accordance  
15          with the provisions of this title, and if not already  
16          licensed, shall be required to [~~obtain~~] apply for a  
17          license pursuant to [~~Chapter 5 of~~] this title [~~on or~~  
18          ~~before the 31st day of December~~] within 180 days  
19          following the effective date of this title."

20          Section 4. Section 104 of title 29 of the Code of the  
21 Federated States of Micronesia, as amended by Public Law No. 12-  
22 57, is hereby further amended to read as follows:

23          "Section 104. Requirements for banking business.

24                 (1) No person shall engage in [~~the~~] banking business  
25          [~~of accepting deposits~~] in the Federated States of

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1           Micronesia or shall use the term 'bank' [~~or~~] [and]  
2           'savings and loan association' or 'credit union' or any  
3           form thereof in the conduct of its business unless it  
4           has been granted a license pursuant to the provisions of  
5           this title and such license has not expired and has not  
6           been canceled.

7           (2) Any person holding such a license shall engage in  
8           no business in the Federated States of Micronesia other  
9           than the banking business and shall engage in such  
10          business only at the locations authorized by the  
11          [~~Banking~~] Financial Institutions Board. Any such person  
12          shall give prior notice in writing to the [~~Banking~~]  
13          Financial Institutions Board of any intention to cease  
14          operations at such authorized location. Such notice  
15          should be given not later than 180 days prior to the  
16          proposed cessation date, and shall include details of  
17          alternative arrangements proposed for customers using  
18          such location.

19          (3) The Financial Institutions Board may approve the  
20          use of the terms 'bank', 'savings and loan association'  
21          or 'credit union' for the use of a business without a  
22          license under this title if the business does not  
23          provide financial services and the use of such a term  
24          will not mislead the public into believing that the  
25          business is one which is subject to license under this



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1 title."

2 Section 5. A new section 105 of title 29 of the Code of the  
3 Federated States of Micronesia is hereby enacted to read as  
4 follows:

5 "Section 105. Investigation of illegal banking  
6 business; penalties.

7 (1) Where the Financial Institutions Board has reason  
8 to believe that a person is engaging in deposit taking  
9 or banking business without a license in violation of  
10 this title, it may cause an examination of the books,  
11 accounts and records of such a person to determine if  
12 this is the case. The Financial Institutions Board may  
13 apply to the Supreme Court for a warrant to enter any  
14 premises belonging to or in the control of such a person  
15 and remove any document, material or other thing therein  
16 for the purposes in the warrant.

17 (2) A person doing banking business without a license  
18 in violation of this title shall be subject to a fine of  
19 not more than \$50,000 and shall be required to repay any  
20 funds obtained as a result of such banking business,  
21 which penalty be imposed by the Financial Institutions  
22 Board in the same manner as in section 628(2) of this  
23 title. A failure to cease doing banking business as  
24 directed by the Financial Institutions Board shall be  
25 considered a new violation and subject to additional

1 penalty.

2 (3) The Financial Institutions Board may apply to the  
3 Supreme Court of the Federated States of Micronesia for  
4 further relief against such a person as appropriate,  
5 including monetary and injunctive relief."

6 Section 6. Section 105 of title 29 of the Code of the  
7 Federated States of Micronesia is hereby renumbered as section 106  
8 and amended to read as follows:

9 "Section [~~105~~]106. Application to existing charters,  
10 articles of incorporation, or bylaws.

11 (1) [~~Domestic and foreign banks~~] Financial  
12 institutions shall be subject to the applicable  
13 provisions of their existing charters, articles of  
14 incorporation, or bylaws only to the extent that such  
15 are compatible and do not conflict with the provisions  
16 of this title.

17 (2) In the event of any conflict or incompatibility  
18 between this title and provisions of said charter,  
19 articles of incorporation, or bylaws with respect to any  
20 [~~domestic or foreign bank~~] financial institution, the  
21 provisions of this title shall prevail."

22 Section 7. Section 106 of title 29 of the Code of the  
23 Federated States of Micronesia, as amended by Public Law No. 13-  
24 56, is hereby renumbered as section 107 and amended to read as  
25 follows:

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1 "Section ~~[106]~~ 107. ~~[Banking Practices]~~ Dormant and  
2 Inactive Accounts.

3 (1) In the event there has been no activity of deposits or  
4 withdrawals in a savings account or a member's withdrawable  
5 share account and no contact has been made with the account  
6 holder of such ~~[savings]~~ account for at least ten (10)  
7 years, the account shall be deemed a 'dormant account' and  
8 the ~~[bank]~~ financial institution in which such account is  
9 kept shall act to close the dormant account in accordance  
10 with the procedures set forth below in this section.

11 (2) In the event there has been no activity of deposits or  
12 withdrawals in a checking account and no contact has been  
13 made with the account holder of such checking account for at  
14 least two (2) years, the account shall be deemed a 'dormant  
15 account' and the ~~[bank]~~ financial institution in which such  
16 account is kept shall act to close the dormant account in  
17 accordance with the procedures set forth below in this  
18 section.

19 (3) ~~[Bank]~~ Financial institution actions in crediting  
20 interest payments to an account or assessing service charges  
21 against an account shall not count as activity for the  
22 purposes of determining dormancy.

23 (4) Dormant accounts shall be identified annually by each  
24 ~~[bank]~~ financial institution during the month of June. Any  
25 dormant account with a balance of \$25.00 or less is not

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1 subject to the procedures required by this section.

2 (5) Upon identification of a dormant account, the [~~bank~~]  
3 financial institution shall send written notice to the  
4 [~~depositor~~] account holder at the [~~depositor's~~] account  
5 holders last known address, informing the [~~depositor~~] account  
6 holder that the [~~depositor's~~] account holder's account will  
7 be closed and the funds therein transferred to the Secretary  
8 of Finance if the [~~depositor~~] account holder does not claim  
9 the funds in the dormant account by December 31 of that  
10 calendar year. The notice shall be sent no later than  
11 October 1 of that calendar year.

12 (6) Between November 1 and November 15 and between  
13 December 1 and December 15 of each year, each [~~bank~~]  
14 financial institution shall publish a "Notice of Inactive  
15 [~~Bank~~] Accounts", which shall contain:

16 (a) the names, in alphabetical order, and last known  
17 addresses of [~~depositors~~] account holders of dormant  
18 accounts; and

19 (b) a statement that, if not claimed, such funds  
20 shall be transferred to the Secretary of Finance during the  
21 month of January of the following year. The Notice of  
22 Inactive Bank Accounts shall be published in a newspaper of  
23 general circulation or by other means as determined by the  
24 [~~Banking~~] Financial Institutions Board.

25 (7) During the month of January of the calendar year

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1 immediately following the notification and publication  
2 required by subsections (4) and (5) above, each [~~bank~~  
3 financial institution] shall transfer to the Secretary of  
4 Finance, for the account of the [~~depositor~~] account holder,  
5 the full balance of each dormant account, provided however,  
6 that the [~~bank~~] financial institution may deduct costs of  
7 notice and publication in a manner to be determined by the  
8 [~~Banking~~] Financial Institutions Board in regulations.

9 (8) Except as provided for in this section, no [~~bank~~]  
10 financial institution shall assess any fee against any  
11 [~~bank~~] account for reasons of inactivity.

12 (9) In the event that a [~~bank~~] financial institution  
13 holds, for three (3) years or more, any funds for which the  
14 owner  
15 or payor cannot be determined by the [~~bank~~] financial  
16 institution or for which the owner or payor cannot be  
17 located by the [~~bank~~] financial institution, the [~~bank~~]  
18 financial institution shall transfer such funds to the  
19 Secretary of Finance for the account of the owner or  
20 payor, in the event such owner or payor is determined or  
21 located at a later date.

22 (10) Upon receiving sums of money pursuant to this  
23 section, the Secretary of Finance shall furnish the  
24 transferring [~~bank~~] financial institution with a receipt  
25 for such transferred funds and shall deposit such sums

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1 into a custodial interest bearing account separate and  
2 apart from the General Fund of the FSM National  
3 Government. Interest earned on funds deposited with the  
4 Secretary of Finance pursuant to this section shall be  
5 deemed the property of the FSM National Government and  
6 shall not be paid to the owner of the funds.

7 (11) The Secretary of Finance shall be responsible for  
8 maintaining accurate records of funds received pursuant  
9 to this section in accordance with any regulations  
10 adopted by the [~~Banking~~] Financial Institutions Board.

11 (12) At any time within twenty (20) years of the date  
12 of transfer of funds to the Secretary of Finance  
13 pursuant to this section, such funds may be claimed by  
14 their rightful owner or owners by furnishing proof of  
15 his, her or their right to such funds, which proof is  
16 deemed satisfactory to the Secretary of Finance.

17 (13) All funds transferred to the Secretary of Finance  
18 pursuant to this section shall escheat to the National  
19 Government of the Federated States of Micronesia twenty  
20 (20) years following the date of such transfer.

21 (14) Each [~~bank~~] financial institution shall hold the  
22 FSM National Government harmless for any liability  
23 incurred due to the handling of an account by the [~~bank~~]  
24 financial institution. The FSM National Government  
25 shall not be liable for any transaction on an account

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1 made by any [~~bank~~] financial institution, including the  
2 transfer of the balance of the account to the Secretary  
3 of Finance pursuant to this section. The FSM National  
4 Government shall not be liable for damages or penalties  
5 for any payment to a claimant of funds deposited  
6 pursuant to this section.

7 (15) The [~~bank~~] financial institution shall not be  
8 liable for any mishandling of an account by the  
9 Secretary of Finance.

10 (16) The [~~Banking~~] Financial Institutions Board may  
11 adopt such rules and regulations as may be necessary to  
12 implement the provisions of this section."

13 Section 8. Chapter 2 of title 29 of the Code of the  
14 Federated States of Micronesia is hereby renamed "Financial  
15 Institutions Board."

16 Section 9. Section 201 of title 29 of the Code of the  
17 Federated States of Micronesia, as amended by Public Laws Nos. 9-  
18 130 and 13-56, is hereby further amended to read as follows:

19 "Section 201. Creation.

20 (1) There is hereby established a [~~Banking~~] Financial  
21 Institutions Board which shall be composed of three  
22 board members appointed by the President and with the  
23 advice and consent of the Congress of the Federated  
24 States of Micronesia.

25 (2) All appointments shall be for a term of four

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1 years, provided however, that, unless otherwise provided  
2 by the President, all rights and powers of a [~~Banking~~]  
3 Financial Institutions Board member shall be maintained  
4 by each board member until the appointment of such board  
5 member's successor. [~~Banking~~] Financial Institutions  
6 Board members shall be eligible for reappointment.

7 (3) The Chairman of the [~~Banking~~] Financial  
8 Institutions Board shall be appointed by the President  
9 from among the board members appointed pursuant to  
10 subsection (1) of this section."

11 Section 10. Section 202 of title 29 of the Code of the  
12 Federated States of Micronesia, as amended by Public Law No. 9-  
13 130, is hereby further amended to read as follows:

14 "Section 202. Principal purposes. The principal  
15 purposes of the [~~Banking~~] Financial Institutions Board  
16 shall be:

17 (1) To undertake the licensing and supervision of  
18 financial institutions;

19 (2) To protect the interests of depositors; and

20 (3) To promote the soundness, stability, and  
21 development of [~~the banking system of~~] financial  
22 institutions in the Federated States of Micronesia."

23 Section 11. Section 203 of title 29 of the Code of the  
24 Federated States of Micronesia, as amended by Public Law No. 9-  
25 130, is hereby further amended to read as follows:



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1           "Section 203. Powers. The [~~Banking~~] Financial  
2           Institutions Board shall be responsible for upon it by  
3           this title and may issue directives for the purpose of  
4           giving effect to the provisions of this act."

5           Section 12. Section 204 of title 29 of the Code of the  
6 Federated States of Micronesia, as amended by Public Law No. 9-  
7 130, is hereby further amended to read as follows:

8           "Section 204. Meetings; Quorum; Majority.

9           (1) The [~~Banking~~] Financial Institutions Board shall  
10          meet as often as may be required, at such times, places  
11          and with such prior notice as the board members thereof  
12          shall fix, but not less frequently than once in every  
13          three months; provided that any board member thereof may  
14          request a special meeting upon giving at least twenty-  
15          four hours' notice to the Chairman. A majority of the  
16          board members of the [~~Banking~~] Financial Institutions  
17          Board shall constitute a quorum. Decisions shall be  
18          adopted by a simple majority of the votes of the board  
19          members present.

20          (2) No act or proceeding of the [~~Banking~~] Financial  
21          Institutions Board shall be invalidated merely by reason  
22          of the existence of a vacancy among the board members  
23          thereof."

24          Section 13. Section 205 of title 29 of the Code of the  
25 Federated States of Micronesia, as amended by Public Laws Nos. 9-  
26 130 and 12-57, is hereby further amended to read as follows:

1 "Section 205. Reports.

2 (1) The [~~Banking~~] Financial Institutions Board shall  
3 prepare a report each year on the condition of [~~the~~  
4 ~~banking system of~~] financial institutions in the  
5 Federated States of Micronesia and on the operations of  
6 the Financial Institutions Board during the year.  
7 Copies of the report shall be submitted to the President  
8 and the Speaker of the Congress within three months of  
9 the end of each year. The report shall also be  
10 published.

11 (2) The [~~Banking~~] Financial Institutions Board shall  
12 also compile and publish a consolidated statement of  
13 assets and liabilities of financial institutions in the  
14 Federated States of Micronesia [~~banking system~~] not less  
15 frequently than quarterly, and send copies of the  
16 statement to the President and the Speaker of the  
17 Congress. The [~~Banking~~] Financial Institutions Board  
18 may also publish from time to time a consolidated  
19 statement of assets and liabilities of financial  
20 institutions in the Federated States of Micronesia  
21 [~~banking system~~] showing figures separately by state."

22 Section 14. Section 206 of title 29 of the Code of the  
23 Federated States of Micronesia, as amended by Public Law No. 9-  
24 130, is hereby further amended to read as follows:

25 "Section 206. [~~Banking~~] Financial Institutions

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1           Commissioner.

2           (1) The President shall appoint a person to be  
3           ~~[Banking]~~ Financial Institutions Commissioner, who shall  
4           serve as the Chief Executive Officer of the ~~[Banking]~~  
5           Financial Institutions Board, responsible to it for the  
6           execution of its policy and the performance of duties  
7           and exercise of powers conferred by this title.

8           (2) The ~~[Banking]~~ Financial Institutions Commissioner  
9           shall be a person of recognized experience in banking  
10          and financial matters and shall be eligible for  
11          reappointment. The ~~[Banking]~~ Financial Institutions  
12          Commissioner shall not hold or occupy any other office  
13          unless approved in writing by the President.

14          (3) The remuneration and other terms and conditions of  
15          employment of the ~~[Banking]~~ Financial Institutions  
16          Commissioner shall be determined from time to time by  
17          the ~~[Banking]~~ Financial Institutions Board.

18          (4) The ~~[Banking]~~ Financial Institutions Commissioner  
19          shall, except as may otherwise be provided in this title  
20          or the resolutions of the ~~[Banking]~~ Financial  
21          Institutions Board, have the power to act and sign  
22          instruments and documents on behalf of the ~~[Banking]~~  
23          Financial Institutions Board.

24          (5) The ~~[Banking]~~ Financial Institutions Commissioner  
25          shall serve, ex officio, as a non-voting board member of  
26          the ~~[Banking]~~ Financial Institutions Board.

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1           (6) During any period when there is no duly appointed  
2           person serving as [~~Banking~~] Financial Institutions  
3           Commissioner, the Chairman of the [~~Banking~~] Financial  
4           Institutions Board shall perform the duties and exercise  
5           the rights of the [~~Banking~~] Financial Institutions  
6           Commissioner."

7           Section 15. Section 207 of title 29 of the Code of the  
8           Federated States of Micronesia is hereby amended to read as  
9           follows:

10           "Section 207. Services of Public Auditor and others.  
11           The [~~Banking~~] Financial Institutions Board and the  
12           [~~Banking~~] Financial Institutions Commissioner shall be  
13           entitled to utilize the services of the Public Auditor  
14           and such independent accountants, lawyers, and other  
15           experts as they may select in carrying out their powers  
16           and duties under this title. The President of the  
17           Federated States of Micronesia shall provide such  
18           administrative support and staff as may be needed to  
19           conduct the business of the [~~Banking~~] Financial  
20           Institutions Board."

21           Section 16. Section 208 of title 29 of the Code of the  
22           Federated States of Micronesia is hereby amended to read as  
23           follows:

24           "Section 208 Court review.  
25           Any person aggrieved by an order of the [~~Banking~~]

1           Financial Institutions Board may appeal to the Trial  
2           Division of the Supreme Court of the Federated States of  
3           Micronesia within thirty days after the issuance of the  
4           order. The filing of such appeal shall not stay  
5           enforcement of an order but the Court may order a stay  
6           upon such terms as it deems proper."

7           Section 17. Section 209 of title 29 of the Code of the  
8           Federated States of Micronesia, as amended by Public Law No. 12-  
9           57, is hereby amended to read as follows:

10           "Section 209. Indemnity.  
11           Neither the [~~Banking~~] Financial Institutions Board nor any  
12           of its board members, the [~~Banking~~] Financial Institutions  
13           Commissioner, employee or any person duly appointed to  
14           assist the [~~Banking~~] Financial Institutions Board in  
15           carrying out its powers and duties under this title shall  
16           incur any liability as a result of anything done in good  
17           faith in the exercise of any power or the performance of any  
18           duty under this title."

19           Section 18. Section 301 of title 29 of the Code of the  
20           Federated States of Micronesia, as amended by Public Law No. 12-  
21           57, is hereby further amended to read as follows:

22           "Section 301. Organization - Permit required; Application.  
23           (1) Any five or more persons of sufficient legal  
24           capacity may organize a domestic bank, but for such  
25           purpose they shall first apply in writing for a permit

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1 from the [~~Banking~~] Financial Institutions Board.

2 (2) The application shall set forth and prove the need  
3 of the services of a banking institution in the locality  
4 wherein the bank is sought to be established, and that  
5 the services rendered by other [~~banking~~] financial  
6 institutions do not answer the needs of the locality.

7 (3) The application shall also set forth the  
8 following:

9 (a) A business plan showing the intended strategy  
10 for the first three years of operation, including the  
11 administrative and organizational structure of the bank,  
12 internal controls, and projected balance sheet, profit  
13 and loss and cash flow statements for each of the three  
14 years, together with the assumptions on which they are  
15 based;

16 (b) The structure and adequacy of the proposed  
17 capital in relation to the projected volume of risk  
18 assets detailed in the business plan;

19 (c) The financial capacity, history,  
20 qualifications and experience of the applicants and the  
21 proposed management."

22 Section 19. Section 302 of title 29 of the Code of the  
23 Federated States of Micronesia, as amended by Public Law No. 9-  
24 130, is hereby further amended to read as follows:

25 "Section 302. Application for permit - [~~Banking~~]

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1 Financial Institutions Commissioner's investigation. It  
2 shall be the duty of the [~~Banking~~] Financial  
3 Institutions Commissioner, immediately after the  
4 [~~Banking~~] Financial Institutions Board receives an  
5 application for a permit, to make whatever  
6 investigations and hold such hearings as he deems may be  
7 necessary as to:

8 (1) the banking and commercial ability and experience  
9 of the applicants;

10 (2) whether such ability and experience are  
11 sufficient to warrant the efficient functioning and  
12 operation of the bank;

13 (3) whether local need justifies the application;

14 (4) the character and repute, as well as the banking  
15 and commercial experience of the prospective directors  
16 or officers who are to conduct the business of said  
17 bank;

18 (5) whether the bank shall be of benefit to the  
19 general public; and

20 (6) the capital which the bank has available for its  
21 operations[~~—~~] , and

22 (7) the matters set out in Section 601 of this Title."

23 Section 20. Section 303 of title 29 of the Code of the  
24 Federated States of Micronesia is hereby further amended to read  
25 as follows:

26 "Section 303. Application for permit - Issuance by

1           board.

2           The [~~Banking~~] Financial Institutions Board may issue the  
3           permit applied for if, in its judgment, the results of  
4           the investigations are satisfactory. Any permit may be  
5           granted subject to such conditions as the [~~Banking~~]  
6           Financial Institutions Board, in its discretion, deems  
7           necessary to protect the interests of the people of the  
8           Federated States of Micronesia.

9           Section 21. Section 305 of title 29 of the Code of the  
10          Federated States of Micronesia is hereby further amended to read  
11          as follows:

12                 "Section 305. Certificate of incorporation; Beginning  
13                 of corporate existence.

14                 (1) Upon subscribing and swearing to the articles of  
15                 incorporation, as provided in section 304 of this  
16                 chapter, and upon submitting two copies of the same to  
17                 the Registrar of Corporations together with the permit  
18                 granted by the [~~Banking~~] Financial Institutions Board  
19                 authorizing the organization of the bank, and upon  
20                 payment of the proper filing fee, and upon the issuance  
21                 by the Registrar of Corporations, under his seal, of a  
22                 certificate stating that the articles containing the  
23                 statements required by section 304 of this chapter have  
24                 been filed in his office, the existence of the bank  
25                 named in the articles of incorporation shall begin.



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1           (2) From and after the date of such filing, the bank  
2           shall constitute a body corporate under the name set  
3           forth in the articles. Before such bank may commence  
4           business it shall comply with the other requirements of  
5           this title and all other applicable provisions of law."

6           Section 22. Section 306 of title 29 of the Code of the  
7 Federated States of Micronesia, as amended by Public Law No. 9-  
8 130, is hereby further amended to read as follows:

9                       "Section 306. Issuance of certificate;  
10                      Transmittal to [Banking] Financial Institutions  
11                      Commissioner. Upon the issuance by the Registrar of  
12                      Corporations of a certificate of incorporation, as  
13                      provided in section 305 of this title, the Registrar of  
14                      Corporations shall so notify the [Banking] Financial  
15                      Institutions Commissioner and at the same time shall  
16                      transmit to the [Banking] Financial Institutions  
17                      Commissioner a duplicate copy of the articles of  
18                      incorporation."

19           Section 23. Section 307 of title 29 of the Code of the  
20 Federated States of Micronesia, as amended by Public Law No. 9-  
21 130, is hereby further amended to read as follows:

22                      "Section 307. Examination for compliance.

23                      (1) When the duplicate copy is received by the  
24                      [Banking] Financial Institutions Commissioner, he shall  
25                      notify the corporation, and the corporation shall then

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1 file with the [~~Banking~~] Financial Institutions  
2 Commissioner a statement of all the facts necessary to  
3 enable him to determine whether the bank has in fact  
4 complied with all the requirements of law and is  
5 lawfully entitled to commence business, such statement  
6 to be sworn to by a majority of the directors and by the  
7 president or the manager of the bank.

8 (2) Upon receipt of such statement by the [~~Banking~~]  
9 Financial Institutions Commissioner, he shall examine  
10 the condition of the corporation and ascertain  
11 specifically the amount of its capital paid in; the  
12 names and places of residence of its stockholders,  
13 directors, and officers, the amount of the capital stock  
14 which each owns in good faith; and, generally, whether  
15 such corporation has complied with all the provisions of  
16 law required to entitle it to a license to engage in the  
17 business of banking."

18 Section 24. Section 308 of title 29 of the Code of the  
19 Federated States of Micronesia, as amended by Public Law No. 9-  
20 130, is hereby further amended to read as follows:

21 "Section 308. Issuance of bank license.

22 (1) If, upon careful examination of the facts so  
23 reported, or of any other relevant facts which may come  
24 to his knowledge, the [~~Banking~~] Financial Institutions  
25 Commissioner is satisfied that such bank has complied  
26 with all the applicable provisions of this title, with

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1 any conditions in the [~~Banking~~] Financial Institutions  
2 Board permit required to be satisfied prior to  
3 licensing, and with other laws required to be complied  
4 with before a bank shall be authorized to commence the  
5 business of banking, he shall issue a license to engage  
6 in the banking business pursuant to section 501 of this  
7 title. The license shall contain any conditions of the  
8 [~~Banking~~] Financial Institutions Board permit intended  
9 to survive past issuance of the license.

10 (2) The [~~Banking~~] Financial Institutions Commissioner  
11 may withhold from a bank the license authorizing it to  
12 commence business whenever he is satisfied that the  
13 shareholders have organized the bank for any other than  
14 the legitimate objectives determined by this title.

15 (3) The expenses incurred by the [~~Banking~~] Financial  
16 Institutions Commissioner in connection with such  
17 investigations shall be paid by the corporation in  
18 conformity with the regulations the [~~Banking~~] Financial  
19 Institutions Board may promulgate for that purpose."

20 Section 25. Section 310 of title 29 of the Code of the  
21 Federated States of Micronesia is hereby repealed in it's entirety

22 Section 26. Section 311 of title 29 of the Code of the  
23 Federated States of Micronesia is hereby amended to read as  
24 follows:

25 "Section 31[+]0. Establishment of offices abroad.

26 Except with the consent in writing of the [~~Banking~~]

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1           Financial Institutions Board, no domestic bank licensed  
2           under this title shall establish a branch, agency or  
3           office outside the Federated States of Micronesia."

4           Section 27. Section 402 of title 29 of the Code of the  
5 Federated States of Micronesia, as amended by Public Law No. 12-  
6 57, is hereby amended to read as follows:

7           "Section 402. Establishment - Application for permit  
8           required.

9           (1) No foreign bank may open any branch or office or  
10          change the location of any branch or office in the  
11          Federated States of Micronesia without a permit to do so  
12          from the [~~Banking~~] Financial Institutions Board.

13          (2) An application to the [~~Banking~~] Financial  
14          Institutions Board for such permit shall state the  
15          benefit to the public expected to result from the  
16          granting of the permit applied for.

17          (3) The [~~Banking~~] Financial Institutions Board, upon  
18          receipt of such application, may require the submittal  
19          of such additional information as may be necessary in  
20          order for it to make the necessary investigations.

21          (4) An application by a foreign bank to open a new  
22          branch in the FSM must be accompanied by written  
23          confirmation from the supervisory authority in the  
24          applicants' country of incorporation that the  
25          supervisory authority has no objection to the proposal

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1 to establish the branch in the FSM; and that the foreign  
2 bank is subject to consolidated supervision and  
3 regulation in its country of incorporation."

4 Section 28. Section 403 of title 29 of the Code of the  
5 Federated States of Micronesia, as amended by Public Laws Nos. 9-  
6 130 and 12-57, is hereby further amended to read as follows:

7 "Section 403. Application for permit - [Banking]  
8 Financial Institution Commissioner's investigation. It  
9 shall be the duty of the ~~[Banking]~~ Financial  
10 Institutions Commissioner, immediately after the  
11 ~~[Banking]~~ Financial Institutions Board receives an  
12 application for a permit, to make whatever  
13 investigations may be necessary as to:

14 (1) the overall financial condition of the  
15 application;

16 (2) whether or not granting the application would  
17 reasonably be apt to result in an over-extension of  
18 applicant's resources or facilities;

19 (3) the character and repute, as well as the banking  
20 and commercial experience, of applicant and the bank's  
21 directors and executive officers;

22 (4) whether the bank shall be of benefit to the  
23 general public;

24 (5) the investment which the bank has made or has  
25 available for its operations in the Federated States of

1 Micronesia; and

2 (6) whether the bank will maintain insurance or  
3 other deposit protection at least equivalent to that  
4 offered by a bank which is a member of the Federal  
5 Deposit Insurance Corporation of the United States."

6 Section 29. Section 404 of title 29 of the Code of the  
7 Federated States of Micronesia, as amended by Public Laws Nos. 9-  
8 130 and 12-57, is hereby further amended to read as follows:

9 "Section 404. Applicant for permit - Issuance by Board.

10 The [~~Banking~~] Financial Institutions Board may issue the  
11 permit applied for if, in its judgement, the results of  
12 the investigations are satisfactory; PROVIDED that, in  
13 no event shall the [~~Banking~~] Financial Institutions  
14 Board issue a permit until the applicant provides  
15 incontrovertible evidence that the applicant has and  
16 will maintain continuing insurance or other deposit  
17 protection at least equivalent to that offered by a bank  
18 which is a member of the Federal Deposit Insurance  
19 Corporation of the United States. Any permit may be  
20 granted subject to such conditions as the [~~Banking~~]  
21 Financial Institutions Board, in its discretion, deems  
22 necessary to protect the interests of the people of the  
23 Federated States of Micronesia. The decision of the  
24 [~~Banking~~] Financial Institutions Board shall be final.  
25 All expenses incurred by the [~~Banking~~] Financial

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1           Institutions Board in connection with such  
2           investigations shall be paid by the applicant in  
3           conformity with regulations which the [~~Banking~~]  
4           Financial Institutions Board may make."

5           Section 30. Section 405 of title 29 of the Code of the  
6 Federated States of Micronesia is hereby further amended to read  
7 as follows:

8           "Section 405. Issuance of permit -- Transmittal to  
9           Registrar of Corporations.

10           Upon the issuance of a permit to an applicant, the  
11 [~~Banking~~] Financial Institutions Board shall forthwith  
12 transmit a certified copy thereof to the Registrar of  
13 Corporations who shall file it along with such other  
14 documents submitted to him."

15           Section 31. Section 406 of title 29 of the Code of the  
16 Federated States of Micronesia, as amended by Public Law No. 9-  
17 130, is hereby further amended to read as follows:

18           "Section 406. Examination for compliance.

19           (1) When the permit of the [~~Banking~~] Financial  
20 Institutions Board is received by the foreign bank, as  
21 provided in section 405 of this chapter, it shall  
22 proceed to comply with all applicable provisions of law  
23 so as to place it in readiness to commence operations  
24 upon issuance to it of the license provided by section  
25 501 of this title.

1           (2) When such foreign bank is in such position of  
2           readiness, it shall notify the [~~Banking~~] Financial  
3           Institutions Commissioner by means of a statement of  
4           all facts necessary to enable the [~~Banking~~] Financial  
5           Institutions Commissioner to determine whether such  
6           foreign bank has, in fact, complied with all the  
7           requirements of law and is lawfully entitled to  
8           commence operations, such statement to be sworn to by a  
9           majority of the directors or by the president or  
10          manager of such foreign bank.

11          (3) Upon receipt of such statement, the [~~Banking~~]  
12          Financial Institutions Commissioner shall make such  
13          investigations as may be necessary to assure himself  
14          that the foreign bank has, in fact, complied with all  
15          the provisions of law to entitle it to a license to  
16          engage in the business of banking."

17          Section 32. Section 407 of title 29 of the Code of the  
18          Federated States of Micronesia, as amended by Public Law No. 9-  
19          130, is hereby further amended to read as follows:

20          "Section 407. Issuance of bank license.

21          (1) If, upon a careful examination of the facts so  
22          reported or any other relevant facts which may come to  
23          his knowledge, he is satisfied that the foreign bank has  
24          complied with all of the provisions of this title and  
25          the [~~Banking~~] Financial Institutions Board permit  
26          required before a foreign bank shall be authorized to



1 open or operate a branch or office in the Federated  
2 States of Micronesia, the [~~Banking~~] Financial  
3 Institutions Commissioner shall issue a license to  
4 engage in the banking business pursuant to section 501  
5 of this title.

6 (2) The [~~Banking~~] Financial Institutions Commissioner  
7 may withhold from a foreign bank the license authorizing  
8 it to commence operations whenever he is satisfied that  
9 the foreign bank seeks to operate in the Federated  
10 States of Micronesia for any other than the legitimate  
11 objectives determined by this title.

12 (3) The expenses incurred by the [~~Banking~~] Financial  
13 Institutions Commissioner in connection with such  
14 investigation shall be paid by the foreign bank in  
15 conformity with regulations which the Banking Board may  
16 make and issue for that purpose."

17 Section 33. Section 408 of title 29 of the Code of the  
18 Federated States of Micronesia, as amended by Public Law No. 9-  
19 130, is hereby further amended to read as follows:

20 "Section 408. Appointment of agent for service of  
21 process.

22 Before commencing business in the Federated States of  
23 Micronesia, a foreign bank shall file with the [~~Banking~~]  
24 Financial Institutions Board an appointment of the  
25 [~~Banking~~] Financial Institutions Commissioner as its  
26 agent upon whom all process in any action or proceeding

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1           against it arising out of the operations or activities  
2           of its office or offices in the Federated States of  
3           Micronesia may be served, which appointment shall be by  
4           its terms perpetual and irrevocable."

5           Section 34. Chapter 5 of title 29 of the Code of the  
6 Federated States of Micronesia is hereby renamed "Licensing of  
7 Financial Institution."

8           Section 35. Section 501 of title 29 of the Code of the  
9 Federated States of Micronesia, as amended by Public Laws Nos. 6-  
10 41 and 9-130, is hereby further amended to read as follows:

11           "Section 501. Licensing of ~~banks~~ financial  
12           institution.

13           (1) The [~~Bank~~] Financial Institution Commissioner  
14 shall issue licenses to engage in banking business to  
15 banks pursuant to [~~sections 308 and 407 of~~] this title.  
16 A license shall be in writing and subject to such terms  
17 and conditions, including but not limited to capital  
18 which a [~~bank~~] financial institution shall maintain in  
19 relation to the size and nature of its business, with  
20 which the bank shall comply, as may be specified in its  
21 license.

22           (2) A copy of the license issued under this section  
23 shall be displayed and kept displayed conspicuously in a  
24 public part of all places of business of the [~~banking~~]  
25 financial institutions in the Federated States of  
26 Micronesia.

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1           (3) The [~~Banking~~] Financial Institutions Board may  
2           from time to time, by notice in writing to a [~~bank~~]  
3           financial institution [~~holding a license issued, or~~  
4           ~~deemed to have been issued, under this section~~], impose  
5           new or additional conditions of the license or vary or  
6           remove any conditions already imposed.

7           (4) The [~~Banking~~] Financial Institutions Board shall  
8           not take any action under subsection (3) of this section  
9           without first consulting the [~~banking~~] financial  
10          institutions concerned and affording it an opportunity  
11          to make submissions to the [~~Banking~~] Financial  
12          Institutions Board.

13          (5) A license issued under this section shall remain  
14          valid unless canceled in accordance with the provisions  
15          of this title."

16          Section 36. Section 502 of title 29 of the Code of the  
17          Federated States of Micronesia, as amended by Public Law No. 9-  
18          130, is hereby further amended to read as follows:

19          "Section 502. License fees. [~~Banking~~] Financial  
20          Institutions holding a valid license issued pursuant to  
21          section 501 of this title shall pay an annual license  
22          fee as established by regulation [~~of \$2,000~~] for each  
23          office or branch to be operated in the Federated States  
24          of Micronesia during the succeeding calendar year. The  
25          license fee shall be paid before the 31st day of  
26          December each year, in respect of the next succeeding

1 calendar year."

2 Section 37. Section 503 of title 29 of the Code of the  
3 Federated States of Micronesia, as amended by Public Law No. 9-  
4 130, is hereby repealed in its entirety.

5 Section 38. Chapter 6 of title 29 of the Code of the  
6 Federated States of Micronesia is hereby renamed "Regulation and  
7 Supervision of Financial Institutions."

8 Section 39. Section 601 of title 29 of the Code of the  
9 Federated States of Micronesia, as amended by Public Laws Nos. 9-  
10 130, 12-57 and 13-56, is hereby further amended to read as  
11 follows:

12 "Section 601. Regulation and supervision of [banks]  
13 financial institutions - General policies.

14 (1) All [~~domestic banks and,~~] financial institutions,  
15 including foreign banks to the extent of and with respect to  
16 business done at any branches established in the Federated  
17 States of Micronesia, [~~all foreign banks doing business in~~  
18 ~~the Federated States of Micronesia]~~ shall be regulated and  
19 supervised by the [~~Banking]~~ Financial Institutions Board in  
20 such manner as to secure the safe and sound conduct of such  
21 business, to prevent unsound practices, and to maintain the  
22 public confidence in such business and protect the public  
23 interest and the interests of depositors.

24 (2) In determining if a [~~bank]~~ financial institutions is  
25 carrying on its business in a prudent manner, the [~~Banking]~~  
26 Financial Institutions Board will have regard to the

1 following:

2 (a) capital adequacy in relation to the size and  
3 nature of the business;

4 (b) asset concentration and risk exposure;

5 (c) separation of banking business from other  
6 business and from other interests of any person owning  
7 or controlling the [~~bank~~] financial institutions;

8 (d) adequacy of liquidity in relation to  
9 liabilities;

10 (e) asset quality and adequacy of provisions for  
11 losses;

12 (f) internal controls, risk management and accounting  
13 systems;

14 (g) adequacy of governance arrangements (including  
15 Directors and senior management) in relation to the nature  
16 and scale of the business; and

17 (h) such other matters as the [~~Banking~~] Financial  
18 Institutions Board considers relevant.

19 (3) Every foreign bank licensed pursuant to section  
20 501 of this title shall, with the concurrence of the  
21 [~~Banking~~] Financial Institutions Commissioner, designate  
22 the branch in the Federated States of Micronesia which  
23 may be used as the channel of communication between the  
24 [~~Banking~~] Financial Institutions Board and the [~~bank~~]  
25 financial institutions with respect to the application

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1 of this title to its business throughout the Federated  
2 States of Micronesia. Such branch shall be responsible  
3 for the timely provision of reports and information by  
4 other branches requested under this title. The head  
5 office of a domestic bank or credit union shall be the  
6 channel of communication between the [~~Banking~~] Financial  
7 Institutions Board and its branches, and shall be  
8 responsible for the timely provision of reports and  
9 information by other branches requested under this  
10 title.

11 (4) All FDBs shall comply with all existing and future  
12 banking and banking-related laws, rules and regulations  
13 of the United States relating to supervision,  
14 regulatory, and resolution and receivership matters,  
15 except any portions of such laws, rules and regulations  
16 that conflict with Section 4 or 5 of Article XIII of the  
17 FSM Constitution."

18 Section 40. Section 602 of title 29 of the Code of the  
19 Federated States of Micronesia is hereby amended to read as  
20 follows:

21 "Section 602 Regulations -- Issuance and promulgation.

22 (1) For the purpose of effectuating the policy  
23 declared in section 601 of this chapter, the [~~Banking~~]  
24 Financial Institutions Board, with the approval of the  
25 President of the Federated States of Micronesia, may

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1           adopt regulations consistent with law and sound banking  
2           practice.

3           (2) Such regulations shall be brought to the attention  
4           of those affected thereby in the manner that the  
5           ~~[Banking]~~ Financial Institutions Board may prescribe."

6           Section 41. Section 603 of title 29 of the Code of the  
7 Federated States of Micronesia, as amended by Public Laws Nos. 9-  
8 130, and 13-56, is hereby further amended to read as follows:

9           "Section 603. Examination of ~~[banks]~~ financial institutions  
10 - Authority; Testimony; Document Production; Fees.

11           (1) The ~~[Banking]~~ Financial Institutions Commissioner may  
12 examine, or cause to be examined, every ~~[domestic or foreign~~  
13 ~~bank]~~ for the purpose of ascertaining whether it has  
14 complied with this title and other applicable laws and for  
15 such other purposes and such other matters as the ~~[Banking]~~  
16 Financial Institutions Board may prescribe.

17           (2) The ~~[Banking]~~ Financial Institutions Commissioner and  
18 every examiner appointed by him may administer an oath  
19 any person whose testimony may be required on the  
20 examination of any ~~[bank]~~ financial institution and summon  
21 and compel the appearance and attendance of any person for  
22 the purpose of  
23 the examination.

24           (3) As part of any examination, the ~~[Banking]~~ Financial  
25 Institutions Commissioner may also require the production

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1 of books, records or other documents in whatever form.

2 (4) As an examination fee, each [~~bank~~] financial  
3 institution and so examined shall pay the total cost of  
4 such examination, the sum so paid shall be deposited into  
5 the General Fund of the Federated States of Micronesia."

6 Section 42. Section 604 of title 29 of the Code of the  
7 Federated States of Micronesia, as amended by Public Laws Nos. 9-  
8 130 and 12-57, is hereby further amended to read as follows:

9 "Section 604. Reports of [~~banks~~] financial institutions.

10 (1) Every [~~domestic or foreign bank~~] financial institution  
11 shall make at least one report of its condition each year to  
12 the [~~Banking~~] Financial Institutions Commissioner within  
13 ninety days after the close of the [~~bank's~~] financial  
14 institutions fiscal year, and according to forms to be  
15 prescribed by him, verified by the oath of the chief  
16 executive officer or chief financial officer and attesting  
17 officer, certifying and subscribing under oath that each of  
18 them has personal knowledge of the facts stated therein and  
19 that the same are true.

20 (2) Such reports shall exhibit in detail and under  
21 appropriate heads the total resources and liabilities of the  
22 [~~banking~~] financial institution, and, in the case of a  
23 foreign bank, shall show separately the resources,  
24 liabilities, and operations in the Federated States of  
25 Micronesia.



1           (3) The [~~Banking~~] Financial Institutions Commissioner  
2 shall have the right to require that any such reports be  
3 audited at the [~~bank's~~] financial institution's expense by  
4 independent accountants approved by the [~~Banking~~] Financial  
5 Institutions Commissioner.

6           (4) Every [~~domestic and foreign bank holding a license~~  
7 ~~under this title~~] Financial Institution shall forward to the  
8 [~~Banking~~] Financial Institutions Commissioner no later than  
9 the 31st day of December each year a report outlining the  
10 bank's policy regarding employment of citizens of the  
11 Federated States of Micronesia in executive positions in the  
12 [~~bank~~] financial institution, and the steps being taken to  
13 maximize such employment.

14           (5) Every [~~domestic and foreign bank~~] financial  
15 institution shall publish in such manner as the [~~Banking~~]  
16 Financial Institutions Commissioner shall direct, within 4  
17 months after the close of its fiscal year, an audited report  
18 of its condition as described in subsections (1) and (2) of  
19 this section.

20           (6) Each [~~Banking~~] financial institution shall deliver to  
21 the [~~Banking~~] Financial Institutions Board within such  
22 period as may be specified and in such form as the Board may  
23 from time to time approve, a periodic statement of its:

- 24                   (a) assets and liabilities;
- 25                   (b) earnings and expenses;

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1 (c) loans and advances; and  
2 (d) such other data as the Board may deem necessary  
3 to carry out the purpose of this act."

4 Section 43. Section 605 of title 29 of the Code of the  
5 Federated States of Micronesia, as amended by Public Laws Nos. 9-  
6 130, 12-57 and 13-56, is hereby further amended to read as  
7 follows:

8 "Section 605. Special reports.

9 (1) The [~~Banking~~] Financial Institutions Commissioner may  
10 request from the [~~banks~~] financial institutions special  
11 reports.

12 (2) The [~~Banking~~] Financial Institutions Commissioner may,  
13 from time to time, by notice in writing, require any  
14 domestic or foreign bank to submit such reports and returns  
15 as he may require for the purposes of the administration and  
16 enforcement of the provisions of this title and any  
17 regulations made thereunder.

18 (3) Any [~~bank~~] financial institution notified in writing  
19 under subsection (2) of this section shall comply with  
20 accurate and timely submissions or be subject to a penalty  
21 imposed by the [~~Banking~~] Financial Institutions Board in an  
22 amount not to exceed \$100 per day until the correct  
23 information has been provided to the satisfaction of the  
24 [~~Banking~~] Financial Institutions Commissioner."

25 Section 44. Section 606 of title 29 of the Code of the

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1 Federated States of Micronesia, as amended by Public Law No. 12-57  
2 is hereby further amended to read as follows:

3 "Section 606. Misleading or obstructive conduct an offense.

4 (1) Whoever, with intent to deceive:

5 (a) makes a false or misleading entry in any [~~bank~~]  
6 financial institution book or record;

7 (b) makes, provides or certifies any report required  
8 by section 604 or 605 of this title, or provides any  
9 information required under this title, which is false in any  
10 material particular;

11 (c) omits an entry or alters or conceals any entry in  
12 any [~~bank~~] financial institution book or record; or

13 (d) conceals or destroys any information, book,  
14 voucher, record, report, return, minutes or document  
15 relating to the accounts, transactions, affairs or business  
16 of a [~~bank~~] financial institution;

17 shall be fined not more than \$1,000, or imprisoned for not  
18 more than 1 year, or both.

19 (2) Whoever obstructs, or endeavors to obstruct:

20 (a) the proper performance by an Auditor of a [~~bank~~]  
21 financial institution of his duties related to that [~~bank~~]  
22 financial institution;

23 (b) an examination of a [~~Bank~~] financial institution  
24 conducted pursuant to section 603 of this title; or

25 (c) the proper performance of his duties by an

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1 advisor appointed under section 701 of this title;  
2 shall be fined not more than \$1,000, or imprisoned for not  
3 more than 1 year, or both."

4 Section 45. Section 607 of title 29 of the Code of the  
5 Federated States of Micronesia is hereby amended to read as  
6 follows:

7 "Section 607. Penalty for failure to report.

8 Any [~~bank~~] financial institution which fails to make,  
9 transmit, and publish any report required under sections  
10 604 or 605 of this chapter shall be subject to a fine of  
11 \$100 per day for each day's delay after the period  
12 specified in this section."

13 Section 46. Section 608 of title 29 of the Code of the  
14 Federated States of Micronesia, as amended by Public Law No. 9-130  
15 is hereby further amended to read as follows:

16 "Section 608. Alternative examination and reports.

17 (1) The [~~Banking~~] Financial Institutions Commissioner  
18 may accept, in lieu of the examination required or  
19 authorized by section 603 of this title, the most  
20 current examination made by the Federal Deposit  
21 Insurance Corporation, the Board of Governors of the  
22 Federal Reserve System, or a Federal Reserve Bank, or in  
23 case of a foreign bank not examined by such agencies, an  
24 examination acceptable by the appropriate government  
25 agency in the home jurisdiction of that bank.

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1           (2) The [~~Banking~~] Financial Institutions Commissioner  
2           may accept, in lieu of any report of condition which may  
3           be required by sections 604 or 605 of this chapter, a  
4           report of condition obtained by said Corporation, Board  
5           of Governors, Federal Reserve Bank, or government  
6           agency."

7           Section 47. Section 609 of title 29 of the Code of the  
8           Federated States of Micronesia, is hereby further amended to read  
9           as follows:

10           "Section 609. Legal reserve -- Domestic banks and  
11           credit unions.

12           (1) Subject to such additional requirements as the  
13           [~~Banking~~] Financial Institutions Board may impose, every  
14           domestic bank [~~and every credit union~~] shall maintain a  
15           legal reserve which shall not be less than twenty  
16           percent of its demand deposits and not less than five  
17           percent of its other deposits. Said reserve shall  
18           consist of United States currency or demand deposits in  
19           the name of such [~~bank~~] financial institution deposited  
20           in another [~~bank~~] financial institution approved for  
21           such purpose by the [~~Banking~~] Financial Institutions  
22           Board.

23           (2) The [~~Banking~~] Financial Institutions Board may  
24           increase or decrease the minimum legal reserve for  
25           demand deposits established in this section up to not  
26           more than thirty percent or down to not less than

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1           fifteen percent of the total demand deposits of a  
2           domestic bank [~~or credit union~~], when in its judgment  
3           the circumstances so require it; but the order  
4           increasing or decreasing the minimum legal reserve shall  
5           not be effective until thirty days after it is entered.  
6           This time might be extended by the [~~Banking~~] Financial  
7           Institutions Board."

8           Section 48. Section 611 of title 29 of the Code of the  
9   Federated States of Micronesia, as amended by Public Law No. 9-  
10 130, is hereby further amended to read as follows:

11           "Section 611. Legal reserve - Notification. The  
12           [~~Banking~~] Financial Institutions Commissioner shall  
13           notify any [~~domestic or foreign bank~~] financial  
14           institution whose legal reserve is less than that  
15           required by this title of its obligations to make up  
16           the full amount. If such [~~bank~~] financial institution  
17           fails to do so within a period of thirty days, it may  
18           be declared in liquidation by the [~~Banking~~] Financial  
19           Institutions Board. In such event, the [~~Banking~~]  
20           Financial Institutions Commissioner shall apply to the  
21           Trial Division of the Supreme Court of the Federated  
22           States of Micronesia for the appointment of a receiver  
23           to take charge of and wind up the affairs of such  
24           [~~bank~~] financial institution and thereafter the matter  
25           shall be governed by the provisions of section 802 of

1           this title."

2           Section 49. Section 612 of title 29 of the Code of the  
3 Federated States of Micronesia, as amended by Public Law No. 12-  
4 57, is hereby further amended to read as follows:

5           "Section 612. Limitations on loans - Maximum amounts.

6           (1) No domestic bank or credit union shall permit a  
7 person to become indebted or liable to it, either  
8 directly or indirectly, in an amount in excess of twenty  
9 percent of the aggregate paid-in and unimpaired capital,  
10 surplus, and undivided profits of the [~~bank~~] financial  
11 institution; PROVIDED however, that this subsection  
12 shall not apply to the following types of liabilities:

13           (a) transactions entered into with [~~another~~] a  
14 bank which is a member of the Federal Deposit Insurance  
15 Corporation of the United States, and for which  
16 quarterly reports of condition are monitored[.] ;

17           (b) securities issued, or guaranteed, by  
18 governments of the Federated States of Micronesia or the  
19 United States of America;

20           (c) obligations which are fully secured by a  
21 deposit held with the financial institution or another  
22 financial institution which can not be withdrawn without  
23 the approval of the financial institution.

24           (2) In computing the total liabilities, direct or  
25 indirect, of any person to a [~~bank~~] financial institution,  
26 there shall be included all liabilities to the [~~bank~~]

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1           financial institution of any related person and any [~~loans~~  
2           ~~made~~] liabilities incurred for the for [~~his~~] benefit of the  
3           person or for the benefit of any related person.

4           (3) In computing the total liabilities of any sole  
5           proprietorship [~~firm~~], [~~co-~~]partnership, or unincorporated  
6           association to the [~~bank~~] financial institution, there shall  
7           be included all liabilities of its individual members and  
8           all [~~loans made~~] liabilities incurred for the benefit of the  
9           [~~co-~~] sole proprietorship, partnership or unincorporated  
10          association or any members thereof.

11          (4) In computing the total liabilities of any corporation  
12          to a [~~bank~~] financial institution there shall be included  
13          all liabilities [~~of and all loans made~~] incurred by and for  
14          the benefit of the corporation and its majority owned  
15          subsidiaries and controlling entities.

16          (5) The Banking Board may authorize a credit union to  
17          exceed the amount specified in sub-section (1) for a  
18          strictly limited period during its formative years.

19          (6) No credit union shall allow to be outstanding at  
20          any one time loans for business and commercial purpose  
21          that exceed twenty percent of the total assets of the  
22          credit union."

23          Section 50. Section 613 of title 29 of the Code of the  
24          Federated States of Micronesia, as amended by Public Laws Nos. 12-  
25          57 and 13-56, is hereby further amended to read as follows:



1           "Section 613. Limitations on loans – Related persons.

2           (1) Except as herein provided, no domestic bank or credit  
3 union shall make any extension of credit to any of its  
4 officers, directors, agents, employees, or holders of more  
5 than ten percent (10%) of the outstanding stock of the  
6 [~~bank~~] financial institution, or to any related person,  
7 either directly or indirectly, except upon the written  
8 application of such person or related person stating the  
9 line of credit applied for, terms and security, if any,  
10 offered therefor to the board of directors or to the loan or  
11 executive committee of the board, and then only with the  
12 written approval of a majority of the board or a majority of  
13 the loan or executive committee of the board (excluding the  
14 person seeking the credit) before the loan is made; and the  
15 approval of the loan as allowed by the board or the loan or  
16 executive committee of the board shall be made a part of the  
17 minutes of the next directors' meeting of the [~~bank~~]  
18 financial institution.

19           (2) Loans may be made to any officer, director, agent,  
20 employee, or shareholder of any domestic bank or credit  
21 union or any related person, without such application and  
22 approval, in amounts not in excess of \$5,000 in aggregate  
23 principal owing by any such individual and related person at  
24 any one time.

25           (3) Extensions of credit may only be made pursuant to

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1 subsections (1) and (2) of this section if they are made  
2 on substantially the same terms, including interest  
3 rates and collateral, as those prevailing at the time  
4 for comparable transactions by the [~~bank~~] financial  
5 institution with members of the general public or  
6 members; PROVIDED however, that a bank may offer  
7 preferential terms to employees under an internally  
8 established employee benefit program."

9 Section 51. Section 615 of title 29 of the Code of the  
10 Federated States of Micronesia is hereby further amended to read  
11 as follows:

12 "Section 615. Limitations on loans -- Liability for  
13 violations. Any officer, director, agent, or employee  
14 of any [~~bank~~] financial institution who knowingly  
15 permits the funds of the [~~bank~~] financial institution to  
16 be loaned in a dishonest manner or contrary to section  
17 612, 613, or 614 of this chapter shall be held  
18 responsible in his individual capacity for all damages  
19 which the [~~bank~~] financial institution, its  
20 shareholders, depositors, creditors, or any persons  
21 shall have sustained in consequence thereof."

22 Section 52. Section 616 of title 29 of the Code of the  
23 Federated States of Micronesia is hereby further amended to read  
24 as follows:

25 "Section 616. Prohibited loans and withdrawals --

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1           Penalties. Any director, officer, or employee of a  
2           ~~[bank]~~ financial institution or related person who asks  
3           for or receives any commission, money, property, or  
4           thing of value for his own personal benefit for  
5           procuring or assisting in procuring a loan from such  
6           ~~[bank]~~ financial institution or for permitting any  
7           person to overdraw any account with such bank shall be  
8           fined not more than \$1,000, or imprisoned not more than  
9           one year, or both."

10           Section 53. Section 617 of title 29 of the Code of the  
11 Federated States of Micronesia, as amended by Public Laws Nos. 6-  
12 41 and 13-56, is hereby further amended to read as follows:

13           "Section 617. Applications for credit - denials and  
14           records. Each ~~[bank]~~ financial institution must provide an  
15           applicant with a written explanation of the basis on which a  
16           decision is made to deny a written application for a loan, a  
17           credit card, or other request for extension of credit within  
18           thirty (30) days from the date of receipt of such  
19           application by the ~~[bank]~~ financial institution. Each  
20           ~~[bank]~~ financial institution shall keep records of all  
21           applications for credit received and denials and written  
22           explanations given in the manner determined by the ~~[Bank]~~  
23           Financial Institutions Commissioner."

24           Section 54. Section 618 of title 29 of the Code of the  
25 Federated States of Micronesia is hereby amended to read as

1 follows:

2 "Section 618. Prohibited investments by ~~banks~~  
3 financial institutions.

4 No domestic bank or credit union shall invest in the  
5 stock of any other corporation, acquire any real estate,  
6 except with the approval of the ~~[Banking]~~ Financial  
7 Institutions Board for use as its principal office in  
8 the Federated States of Micronesia, or pledge any of its  
9 assets as security for or guaranty any obligations of  
10 others except for the issuance of its letters of credit  
11 in connection with the shipment of goods."

12 Section 55. Section 620 of title 29 of the Code of the  
13 Federated States of Micronesia is hereby further amended to read  
14 as follows:

15 "Section 620. Declarations of dividends -- Requisites.

16 No domestic ~~[bank]~~ or credit union shall declare any  
17 dividend or make any other distribution to its  
18 stockholders or members except:

19 (1) out of earnings for the current year after  
20 allocating required amounts to the allowance for loan  
21 losses and reserves; or

22 (2) out of unimpaired reserves and accumulated profits  
23 with the approval of the Financial Institutions Board."

24 Section 56. Section 621 of title 29 of the Code of the  
25 Federated States of Micronesia, as amended by Public Law No. 13-56

1 is hereby further amended to read as follows:

2 "Section 621. Bank stock - Ownership limitations. No  
3 person or group of related persons (including entities that  
4 are affiliated as parent or subsidiary companies or are  
5 otherwise under common control) may acquire ten percent or  
6 more of the stock of a domestic bank without the prior  
7 approval of the [~~Banking~~] Financial Institutions Board."

8 Section 57. Section 622 of title 29 of the Code of the  
9 Federated States of Micronesia, as amended by Public Law No. 12-  
10 57, is hereby further amended to read as follows:

11 "Section 622. Limitations on sale of assets, merger, etc.  
12 No domestic bank or credit union may merge or consolidate  
13 with, or sell a substantial portion of its assets to,  
14 another [~~bank~~] financial institution without the approval of  
15 the [~~Banking~~] Financial Institutions Board. No foreign bank  
16 may make any arrangement or enter into any agreement for the  
17 sale or disposal of its business, or part thereof, in the  
18 Federated States of Micronesia to any other person without  
19 the prior approval in writing of the [~~Banking~~] Financial  
20 Institutions Board."

21 Section 58. Section 623 of title 29 of the Code of the  
22 Federated States of Micronesia, as amended by Public Law No. 9-130  
23 is hereby further amended to read as follows:

24 "Section 623. Deposit and other insurance.

25 (1) If and while it is available under the laws of

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1 the United States, all domestic banks and foreign  
2 banks, as a condition to operating an office or branch  
3 in the Federated States of Micronesia, shall secure  
4 their depositors by deposit insurance of the Federal  
5 Deposit Insurance Corporation or the Federal Savings  
6 and Loan Insurance Corporation of the United States, or  
7 their successor entities.

8 (2) If and while it is available, all credit unions  
9 shall secure their depositors by deposit insurance from  
10 any insurer.

11 [~~(2)~~] (3) All [~~domestic and foreign banks~~] financial  
12 institutions operating an office or branch in the  
13 Federated States of Micronesia shall provide themselves  
14 with protection and indemnity against burglary,  
15 embezzlement, and other similar insurable loss. If a  
16 [~~bank~~] financial institution refuses to comply with this  
17 requirement, the [~~Banking~~] Financial Institutions  
18 Commissioner shall have the right to make arrangements  
19 to furnish such protection and indemnity, charging the  
20 cost thereof to said [~~bank~~] financial institution."

21 Section 59. Section 624 of title 29 of the Code of the  
22 Federated States of Micronesia is hereby further amended to read  
23 as follows:

24 "Section 624. Prohibited interests of Government  
25 officials in [~~banks~~] financial institutions; Removal  
26 from office.

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1           (1) No board member of the [~~Banking~~] Financial  
2           Institutions Board nor the Public Auditor nor any  
3           representative of the [~~Banking~~] Financial Institutions  
4           Board or the Public Auditor nor any [~~bank~~] financial  
5           institutions examiner shall, during the discharge of his  
6           office:

7                   (a) be an officer, director, or employee in any  
8           [~~bank~~] financial institution or affiliated company  
9           ~~therewith with the~~ exception of [~~owning~~] member shares  
10           in a credit union;

11                   (b) own or deal directly or indirectly in the  
12           shares or obligations of such [~~bank~~] financial  
13           institution or affiliated company with the exception of  
14           owning member shares in a credit union;

15                   (c) be interested in or receive directly or  
16           indirectly from such [~~bank~~] financial institution or  
17           affiliated company, or from any of its officers,  
18           directors, or employees, any salary, gratuity,  
19           compensation, or other thing of value by way of gift,  
20           credit, compensation for services, or for any other  
21           reason; or

22                   (d) be interested in or under obligation to  
23           negotiate any loan, obligation, or settlement for  
24           another person with such [~~bank~~] financial institution or  
25           affiliated company.

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1           (2) Any violation of this section by any official or  
2           employee referred to herein shall be sufficient cause  
3           for his removal from office by the President."

4           Section 60. Section 625 of title 29 of the Code of the  
5 Federated States of Micronesia is hereby further amended to read  
6 as follows:

7           "Section 625. Permissible interests of Government  
8           officials. Notwithstanding the provisions of section  
9           624 of this chapter, any official or employee referred  
10          to in such section may own or keep one or more [~~bank~~]  
11          accounts with a financial institution, either commercial  
12          or [~~savings~~] personal, and may rent safe-deposit boxes  
13          in any [~~bank referred to in such section and doing~~  
14          ~~business in the Federated States of Micronesia~~]  
15          financial institution, and may obtain a loan from any  
16          [~~such bank, foreign bank, or affiliated company~~]  
17          financial institution; provided, that such official or  
18          employee makes full disclosure thereof to the [~~Banking~~]  
19          Financial Institutions Board and, in the case of each of  
20          the members of the [~~Banking~~] Financial Institutions  
21          Board, he shall make the disclosure to the President of  
22          the Federated States of Micronesia."

23          Section 61. Section 626 of title 29 of the Code of the  
24 Federated States of Micronesia, as amended by Public Law Nos. 9-  
25 130 and 12-57, is hereby renumbered as section 627 and further



1 amended to read as follows:

2 "Section [~~626~~] 627. Filing fees; Disposition of fines.

3 (1) Every [~~domestic bank or foreign bank~~] financial  
4 institution in the Federated States of Micronesia shall,  
5 upon filing its articles of incorporation in the Office  
6 of the Registrar of Corporations, pay a filing fee of  
7 fifty dollars.

8 (2) Every [~~domestic or foreign bank~~] financial  
9 institution desiring to file in the Office of the  
10 Registrar of Corporations articles amendatory or  
11 supplementary or a certificate of increase or decrease  
12 of capital stock shall pay a fee of twenty-five dollars.

13 (3) The fee for furnishing a certified copy of any of  
14 the documents referred to in the preceding subsections  
15 of this section shall be fifty cents per folio, but not  
16 less than five dollars.

17 (4) All fees required under the provisions of this  
18 title shall be paid to the Office of the Registrar of  
19 Corporations and shall be accounted for and deposited  
20 into the General Fund of the Federated States of  
21 Micronesia.

22 (5) All fines under this title shall be paid to the  
23 [~~Banking~~] Financial Institutions Commissioner and shall  
24 be accounted for and deposited into the General Fund of  
25 the Federated States of Micronesia."

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1 Section 62. Section 626 of title 29 of the Code of the  
2 Federated States of Micronesia is hereby enacted to read as  
3 follows:

4 "Section 626. Amendment of articles of incorporation  
5 and bylaws.

6 (1) Every financial institution organized under this  
7 Title may amend its articles of incorporation and, in  
8 the case of a credit union, its bylaws, for any lawful  
9 purpose, after obtaining the approval of the Financial  
10 Institutions Board.

11 (2) No amendment may contain a provision which would  
12 not have been lawful and proper to insert in the  
13 original articles of incorporation or bylaws.

14 (3) No change shall be made in the articles of  
15 incorporation or bylaws by which the rights or security  
16 of the existing depositors, creditors or members of the  
17 financial institution shall be impaired."

18 Section 63. Section 627 of title 29 of the Code of the  
19 Federated States of Micronesia, as amended by Public Law No. 12-  
20 57, is hereby renumbered as section 628 and amended to read as  
21 follows:

22 "Section [~~627~~] 628. General penalties.

23 (1) For any violation of this title, license  
24 conditions imposed by the [~~Banking~~] Financial  
25 Institutions Board pursuant to section 501 of this

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1 title, directives issued by the [~~Banking~~] Financial  
2 Institutions Board pursuant to section 701 of this  
3 title, or the regulations prescribed pursuant to section  
4 601 of this chapter, the delinquent [~~domestic or foreign~~  
5 ~~bank~~] financial institution shall be subject to a fine  
6 of not more than \$5,000 and if the violation is a  
7 continuing one, to a further fine not exceeding \$1,000  
8 for every day during which the violation continues; and,  
9 in the case of a material violation, to the cancellation  
10 of its license.

11 (2) The [~~Banking~~] Financial Institutions Board must  
12 give notice to the [~~bank~~] financial institution  
13 concerned of the intention to impose a penalty pursuant  
14 to subsection (1) of this section, and allow it a  
15 hearing in respect to the alleged violation. The  
16 [~~Banking~~] Financial Institutions Board must take into  
17 account the outcome of the hearing in its final  
18 decision.

19 (3) The [~~Banking~~] Financial Institutions Commissioner  
20 shall immediately notify the Bank concerned in writing  
21 of any penalty imposed pursuant to subsections (1) and  
22 (2) of this section. If the penalty involves  
23 cancellation of license, the [~~bank~~] financial  
24 institution must immediately cease to carry on banking  
25 business, the [~~Banking~~] Financial Institutions

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1 Commissioner must notify the Registrar of Corporations  
2 of the cancellation, and the provisions of section 801  
3 of this title shall apply."

4 Section 64. Chapter 7 of title 29 of the Code of the  
5 Federated States of Micronesia is hereby renamed "Control over  
6 Financial Institutions."

7 Section 65. Section 701 of title 29 of the Code of the  
8 Federated States of Micronesia, as amended by Public Laws Nos. 12-  
9 57 and 13-56, is hereby further amended to read as follows:

10 "Section 701. Unsafe or unsound practices.

11 (1) This section shall apply when the [~~Banking~~]  
12 Financial Institutions Board has determined that a  
13 [~~Bank~~] [~~licensed under this title~~] financial  
14 institution:

15 (a) is following unsafe or unsound practices in  
16 the conduct of its business that if continued may  
17 jeopardize its obligations to its depositors, or  
18 adversely affect the operation or stability of the  
19 [~~banking system of~~] financial institutions in the FSM;  
20 or

21 (b) has contravened or failed to comply with the  
22 terms and conditions of its license or the provisions of  
23 this title.

24 (2) When a [~~bank~~] financial institution is engaged in  
25 practices described in subsection (1) of this section, the

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1           ~~[Banking]~~ Financial Institutions Board:

2                   (a) shall issue a directive to such ~~[Bank]~~  
3           financial institution to cease and desist from such  
4           practice, contravention or non-compliance or to take  
5           such other action as the ~~[Banking]~~ Financial  
6           Institutions Board determines is necessary;

7                   (b) shall issue a directive to such ~~[Bank]~~  
8           financial institution to take such action (including  
9           action to replace or strengthen officers or directors)  
10          as may be specified in such directive in order to  
11          correct the conditions resulting from such practices,  
12          contravention or non-compliance; and

13                  (c) may appoint a qualified person to advise the  
14          ~~[Bank]~~ financial institution on the proper conduct of  
15          its business and measures to be taken to rectify its  
16          situation; the remuneration to be paid to such advisor  
17          shall be fixed by the ~~[Banking]~~ Financial Institutions  
18          Board and paid by the ~~[Bank]~~ financial institutions."

19          Section 66. Section 702 of title 29 of the Code of the  
20          Federated States of Micronesia, as amended by Public Laws Nos. 12-  
21          57 and 13-56, is hereby further amended to read as follows:

22                  "Section 702. Enforcement of directives.

23                  (1) The ~~[Banking]~~ Financial Institutions Commissioner  
24          shall promptly and fully enforce all FDIC directives and  
25          orders against or involving any FDB or any IAP, except

1 to the extent that such directives or orders conflict  
2 with the Constitution of the FSM.

3 (2) If a [~~Bank~~] financial institution to which section  
4 701 of this title has been applied fails to comply  
5 promptly with any directive or order of the FDIC or  
6 [~~Banking~~] Financial Institutions Commissioner, such  
7 failure shall constitute grounds for an application  
8 under section 801 of this title."

9 Section 67. Section 703 of title 29 of the Code of the  
10 Federated States of Micronesia, as amended by Public Law No. 12-  
11 57, is hereby further amended to read as follows:

12 "Section 703. Prevention [~~against~~] of money laundering.

13 (1) Any director, manager or other officer of a [~~Bank~~]  
14 financial institution in the Federated States of  
15 Micronesia who makes or authorizes, or permits to be  
16 made or authorized by any officer of the [~~Bank~~]  
17 financial institution any transaction:

18 (a) without taking or causing to be taken all  
19 reasonable steps to establish the true identity of the  
20 persons concerned in the transaction; or

21 (b) when he or the officer concerned doubts or  
22 has reason to doubt the authenticity of documents and  
23 the truth of written or oral statements material to the  
24 transaction; or

25 (c) when he or the officer concerned knows or has

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1 reason to suspect that any of the funds involved in the  
2 transaction have been obtained by any party as the  
3 direct or indirect result of activity that is illegal  
4 inside or outside the Federated States of Micronesia;  
5 is guilty of an offense and upon conviction, shall be  
6 fined not more than \$10,000 or imprisonment for not more  
7 than one year or both.

8 (2) No director, manager or other officer concerned in  
9 the management of a financial institution who discloses  
10 in good faith to the ~~[Banking]~~ Financial Institutions  
11 Commissioner information regarding any customer or  
12 transaction which he believes to be connected to illegal  
13 activity, shall incur any liability as a result of such  
14 disclosure."

15 Section 68. Section 704 of title 29 of the Code of the  
16 Federated States of Micronesia, as amended by Public Law No. 12-  
17 57, is hereby further amended to read as follows:

18 "Section 704. Prohibition on disclosure.

19 (1) No person who, in his past or current capacity as  
20 a director, manager, officer, employee or agent of any  
21 ~~[licensed bank]~~ financial institution, has acquired  
22 information concerning a customer of a ~~[licensed bank]~~  
23 financial institution shall disclose such information  
24 except:

25 (a) with the written authorization of the

1 customer or his legal personal representative;

2 (b) for the purpose of performing his duties  
3 under this title;

4 (c) when required to do so by a court in the  
5 Federated States of Micronesia;

6 (d) in order to comply with the provisions of  
7 this title or any other written law; or

8 (e) to provide to a person, upon a legitimate  
9 business request, a general credit rating, a copy of  
10 which shall be provided to the subject of the credit  
11 rating upon his request.

12 (2) No board member of the [~~Banking~~] Financial  
13 Institutions Board, [~~Banking~~] Financial Institutions  
14 Commissioner, employee or agent of the [~~Banking~~]  
15 Financial Institutions Board shall disclose to any  
16 person any information, returns or data whatsoever  
17 relating to any [~~licensed Bank~~] financial institution or  
18 to its customers that he has acquired in the performance  
19 of his duties under this title except:

20 (a) for the purpose of the performance of his  
21 duties or the exercise of his functions;

22 (b) when lawfully required to do so by any  
23 court, or in proceedings for an offense against this  
24 title;

25 (c) with the consent of the person to whom the



1 information relates;

2 (d) to the extent that the information is  
3 available under any other law or in a public document;

4 (e) in aggregated or summary form, in such a  
5 manner as to prevent any information disclosed from  
6 being identified by any person as being related to a  
7 particular person; or

8 (f) in confidence to a supervisory authority in  
9 any other country for the purposes of the exercise of  
10 functions corresponding to or similar to those conferred  
11 on the ~~[Banking]~~ Financial Institutions Board under this  
12 title, so long as the ~~[Banking]~~ Financial Institutions  
13 Board is reasonably satisfied the recipient of the  
14 information will maintain confidentiality."

15 Section 69. Section 705 of title 29 of the Code of the  
16 Federated States of Micronesia, as amended by Public Law No. 12-  
17 57, is hereby further amended to read as follows:

18 "Section 705. Retention of records.

19 (1) A ~~[licensed bank]~~ financial institution must  
20 retain, for a period of at least 5 years, checks and  
21 other negotiable instruments drawn on it and paid by it,  
22 and other items comprising records of transactions  
23 processed by it.

24 (2) It shall be sufficient compliance with the duty  
25 imposed by subsection (1) of this section if a copy of

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1 the item has been made by the [~~licensed Bank~~] financial  
2 institution on microfilm, microfiche, tape, disk, or  
3 electronic or photographic storage media, and is  
4 retained by the [~~licensed Bank~~] financial institution  
5 for the same period as the item is required to be  
6 retained pursuant to subsection (1) of this section.

7 (3) Notwithstanding the provisions of any other law, a  
8 copy of an item made pursuant to this section shall be  
9 admissible as evidence in any legal proceeding to the  
10 same extent as the item of which it is a copy would have  
11 been admissible."

12 Section 70. Section 801 of title 29 of the Code of the  
13 Federated States of Micronesia, as amended by Public Laws Nos. 9-  
14 130 and 13-56, is hereby further amended to read as follows:

15 "Section 801. Receivership - Application by [~~Banking~~  
16 Financial Institutions Commissioner. If, in consequence  
17 of an examination or report made by an examiner, or  
18 otherwise, the [~~Banking~~] Financial Institutions Board  
19 should have reason to believe that a [~~domestic bank or~~  
20 ~~foreign bank~~] financial institution is in an unsafe or  
21 unsound condition or is engaging in unsafe or unsound  
22 practices; or that its affairs are being conducted in  
23 such a manner that the public or the persons or entities  
24 having securities or funds under its custody are in  
25 danger of being defrauded; or if any such [~~bank~~]

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1           financial institution shall violate its charter or any  
2           law relative thereto, or this title in any material  
3           respect; or if it becomes insolvent, then, subject to  
4           Chapter 9 of this title, the [~~Banking~~] Financial  
5           Institutions Commissioner may apply to the Trial  
6           Division of the Supreme Court of the Federated States of  
7           Micronesia for the appointment of a receiver to take  
8           charge of and wind up the affairs of such [~~bank~~]  
9           financial institutions."

10           Section 71. Section 802 of title 29 of the Code of the  
11 Federated States of Micronesia, as amended by Public Laws Nos. 9-  
12 130 and 13-56, is hereby further amended to read as follows:

13           "Section 802. Receivership - Appointment and duties of  
14           receiver.

15           (1) If the Court, after hearing all parties concerned,  
16           determines that the facts alleged by the [~~Banking~~]  
17           Financial Institutions Commissioner are supported by the  
18           evidence, except in the event that the FDIC has  
19           appointed itself receiver pursuant to Chapter 9, the  
20           Court shall appoint a receiver.

21           (2) Upon his appointment the receiver shall, under the  
22           direction of the [~~Banking~~] Financial Institutions  
23           Commissioner, take possession of the assets and  
24           liabilities, books, records, papers, and files of every  
25           description belonging to the [~~bank~~] financial

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1           institution; and collect all loans, fees, and claims of  
2           the [~~bank~~] financial institution; and see to the payment  
3           of its obligations and debts, and to the necessary  
4           expenses of receivership.

5           (3) The receiver shall proceed to liquidate the  
6           affairs of the [~~bank~~] financial institution as soon as  
7           possible, and to this end may sell the personal and real  
8           property and other assets of the [~~bank~~] financial  
9           institution, but subject to the approval of the  
10          [~~Banking~~] Financial Institutions Commissioner. The  
11          receiver shall continue to perform his duties in the  
12          manner prescribed herein until the bank or foreign  
13          [~~bank~~] financial institution is fully liquidated."

14          Section 72. Section 803 of title 29 of the Code of the  
15          Federated States of Micronesia is hereby further amended to read  
16          as follows:

17                 "Section 803. Voluntary liquidation.

18                 (1) Any [~~bank~~] financial institution may terminate  
19                 its business in the Federated States of Micronesia with  
20                 the approval and under the supervision of the [~~Banking~~]  
21                 Financial Institutions Board in such event.

22                 (2) The business and assets of the [~~bank~~] financial  
23                 institution in the Federated States of Micronesia shall  
24                 be liquidated in an orderly manner so as to fully  
25                 protect all of the creditors, depositors, members and

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1 stockholders of the [~~bank~~] financial institution in the  
2 Federated States of Micronesia.

3 Section 73. A new section 804 of title 29 of the Code of the  
4 Federated States of Micronesia is hereby enacted to read as  
5 follows:

6 "Section 804. Priority of claims. In the event that  
7 the amount realized from the sale or disposal of assets  
8 in a liquidation is insufficient to cover all claims,  
9 the claims shall be paid with the following priority,  
10 notwithstanding any other law, unless the FDIC requires  
11 otherwise: (i) funds owed to depositors, less any  
12 claims covered by insurance (ii) cost of the  
13 liquidation (iii) wages of employees (iv) claims by  
14 government entities (v) secured creditors (vi)  
15 unsecured creditors (vii) stockholders and members."

16 Section 74. Section 903 of title 29 of the Code of the  
17 Federated States of Micronesia is hereby further amended to read  
18 as follows:

19 "Section 903. Receivership. If the FDB becomes  
20 'critically undercapitalized' as that term is used in  
21 Article XI, the [~~Banking~~] Financial Institutions  
22 Commissioner shall act to close the FDB.

23 (1) The FDIC has the authority to appoint itself  
24 receiver of the FDB under the circumstances provided in  
25 Article XI and to exercise all powers conferred by the

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1 FDIC Act.

2 (2) Upon closure of a FDB for any reason, the FDIC  
3 shall become the receiver of the FDB on the date of the  
4 closing unless the FDIC notifies the [~~Banking~~] Financial  
5 Institutions Commissioner in writing that it will not  
6 serve as receiver.

7 (3) A closed FDB shall pay the receiver's  
8 administrative expenses prior to the payment of any  
9 other claims of unsecured creditors. The subrogated  
10 claim of the FDIC as insurer of deposits shall have  
11 priority over the payment of any claims of general  
12 unsecured creditors of the FDB, other than the  
13 receiver's administrative expenses.

14 (4) No person alleging a claim against a FDB in  
15 receivership shall be permitted to bring an action in a  
16 court of law or other body (including any action that  
17 existed against the FDB prior to its failure) until such  
18 person has permitted the receiver a reasonable period to  
19 review such claim.

20 (5) No claim against a receiver arising prior to the  
21 failure of the FDB shall be valid unless it appears in  
22 the FDB's records.

23 (6) No claim against the receiver for its actions in  
24 liquidating the FDB shall prevail unless the plaintiff  
25 proves by clear and convincing evidence that the

1 receiver acted in willful disregard of the law.

2 (7) No court or administrative agency shall enjoin the  
3 operations of the receivership.

4 (8) Officers, directors and other professionals shall  
5 be liable to the receiver for any damages caused to the  
6 failed FDB.

7 (9) The receiver shall not be required to perform any  
8 executory contract that had been entered into by the FDB  
9 prior to its failure.

10 (10) Litigation between the receiver and the creditors  
11 or debtors of the FDB shall not be commenced until after  
12 the receiver has conducted a completed administrative  
13 review of the claim.

14 (11) All suits of a civil nature to which the FDIC as  
15 receiver is a party must be brought pursuant to the  
16 provisions of Article XI."

17 Section 75. Title 29 of the Code of the Federated States of  
18 Micronesia is hereby amended by enacting a new Chapter 10 entitled  
19 "Credit Unions".

20 Section 76. Title 29 of the Code of the Federated States of  
21 Micronesia is hereby amended by enacting a new section 1001 to  
22 read as follows:

23 "Section 1001. Organization - Permit required;  
24 Application.

25 (1) Any twenty or more persons who are citizens of the

1 Federated States of Micronesia of sufficient legal  
2 capacity may organize a credit union, but for such  
3 purpose they shall first apply in writing for a permit  
4 from the Banking Board.

5 (2) The application shall set forth and prove the need  
6 of the services of a credit union in the locality  
7 wherein the credit union is seeking to be established  
8 including a statement that the services rendered by  
9 other financial institutions do not answer the needs of  
10 the locality.

11 (3) The application shall also set forth the  
12 following:

13 (a) A business plan showing the intended strategy  
14 for the first three years of operation, including the  
15 administrative and organizational structure of the  
16 credit union, internal controls, and projected balance  
17 sheet, profit and loss and cash flow statements for each  
18 of the three years, together with the assumptions on  
19 which they are based;

20 (b) The structure and adequacy of capital in  
21 relations to the projected volume of risk assets  
22 detailed in the business plan;

23 (c) The financial capacity, history,  
24 qualifications and experience of the applicants and the  
25 proposed management; and



1                   (d) The proposed bylaws and articles of  
2                   incorporation."

3           Section 77. Title 29 of the Code of the Federated States of  
4 Micronesia is hereby amended by enacting a new section 1002 to  
5 read as follows:

6                   "Section 1002. Application for permit - Financial  
7                   Institutions Commissioner's investigation. It shall be  
8                   the duty of the Financial Institutions Commissioner,  
9                   immediately after the Financial Institutions Board  
10                   receives an application for a permit, to make whatever  
11                   investigations and hold such hearings as he deems may be  
12                   necessary as to:

13                   (1) the financial and commercial ability and  
14                   experience of the applicants;

15                   (2) whether such ability and experience are sufficient  
16                   to warrant the efficient functioning and operation of  
17                   the credit union;

18                   (3) whether local need justifies the application;

19                   (4) the character and repute, as well as the financial  
20                   commercial experience of the prospective directors or  
21                   officers who are to conduct the business of said credit  
22                   union;

23                   (5) whether the credit union shall be of benefit to  
24                   the general public;

25                   (6) the capital which the credit union has available

1 for its operations;

2 (7) the matters set out in Section 601 of this Title;

3 and

4 (8) the appropriateness of the proposed bylaws and  
5 articles of incorporation."

6 Section 78. Title 29 of the Code of the Federated States of  
7 Micronesia is hereby amended by enacting a new section 1003 to  
8 read as follows:

9 "Section 1003. Application for permit - Issuance by  
10 Board. The Financial Institutions Board may issue the  
11 permit applied for if, in its judgment, the result of  
12 the investigations are satisfactory. Any permit may be  
13 granted subject to such conditions as the Financial  
14 Institutions Board, in its discretion, deems necessary  
15 to protect the interests of the people of the Federated  
16 States of Micronesia."

17 Section 79. Title 29 of the Code of the Federated States of  
18 Micronesia is hereby amended by enacting a new section 1004 to  
19 read as follows:

20 "Section 1004. Articles of incorporation. The articles  
21 of incorporation must be subscribed by each of the  
22 founding members referred to in Section 1001(1) and duly  
23 sworn to before a notary public. They shall  
24 specifically state:

25 (1) the name by which such credit union is to be

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1           known;

2           (2) the State where its main office is to be  
3           established, which shall be its legal domicile;

4           (3) the objects of the credit union;

5           (4) the term of duration of the credit union, which  
6           may be perpetual;

7           (5) a statement that only members shall conduct  
8           business with the credit union;

9           (6) the qualifications for membership;

10          (7) the value of a membership share of the proposed  
11          credit union, which should be at least \$5, and whether  
12          it may be subscribed by installments;

13          (8) whether the property right and interest of each  
14          member are equal or unequal and, if unequal, the rule or  
15          method of determining the rights and interests of  
16          members;

17          (9) the disposal of members interests on termination  
18          of membership for any reason;

19          (10) the names, ages and places of residence of the  
20          founding members, the manner by which each meets the  
21          qualifications for membership, and the number of shares  
22          subscribed by each;

23          (11) the number of directors of the bank, which shall  
24          not be less than five, and not less than two-thirds of  
25          the total number of whom shall be citizens of the

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1 Federated States of Micronesia and shall have resided in  
2 the Federated States of Micronesia for at least 1 year  
3 prior to the date of the application; the manner of  
4 their election, their terms of office, and the number  
5 necessary to constitute a quorum; and

6 (12) any other articles which the founding members may  
7 deem it advisable to insert for the regulation of the  
8 business and the conduct of the affairs of the credit  
9 union; provided, that such articles shall not be in  
10 conflict with this Title, or with any other laws of the  
11 Federated States of Micronesia."

12 Section 80. Title 29 of the Code of the Federated States of  
13 Micronesia is hereby amended by enacting a new section 1005 to  
14 read as follows:

15 "Section 1005. Incorporation.

16 (1) Upon subscribing and swearing to the articles of  
17 incorporation, as provided in Section 304 of this Title,  
18 and upon submitting two copies of the same to the  
19 Registrar of Corporations together with the permit  
20 granted by the Financial Institutions Board authorizing  
21 the organization of the credit union, and upon payment  
22 of the proper filing fee, and upon the issuance by the  
23 Registrar of Corporations, under his seal, of a  
24 certificate stating that the articles containing the  
25 statements required by Section 1005 of this Title have

1 been filed in his office, the existence of the credit  
2 union named in the articles of incorporation shall  
3 begin.

4 (2) Upon the issuance by the Registrar of Corporations  
5 of a certificate of incorporation the Registrar of  
6 Corporations shall transmit to the Financial  
7 Institutions Commissioner a duplicate copy of the  
8 articles of incorporation.

9 (3) From and after date of such filing, the credit  
10 union shall constitute a body corporate under the name  
11 set forth in the articles. However, before such credit  
12 union may commence business it shall comply with the  
13 other requirements of this Title and all other  
14 applicable provisions of law."

15 Section 81. Title 29 of the Code of the Federated States of  
16 Micronesia is hereby amended by enacting a new section 1006 to  
17 read as follows:

18 "Section 1006. Examination for compliance.

19 (1) When the duplicate copy is received by the  
20 Financial Institutions Commissioner, he shall notify the  
21 credit union, and the credit union shall then file with  
22 the Financial Institutions Commissioner a statement of  
23 all the facts necessary to enable him to determine  
24 whether the credit union has in fact complied with all  
25 the requirements of law and is lawfully entitled to

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1 commence business, such statement to be sworn to by a  
2 majority of the directors and by the president or the  
3 manager of the credit union.

4 (2) Upon receipt of such statement by the Financial  
5 Institutions Commissioner, he shall examine the  
6 condition of the corporations and ascertain specifically  
7 the amount of its capital; the names and places of  
8 residence of its directors and officers; and, generally,  
9 whether such corporation has complied with all the  
10 provisions of law required to entitle it to a license to  
11 operate as a credit union."

12 Section 82. Title 29 of the Code of the Federated States of  
13 Micronesia is hereby amended by enacting a new section 1007 to  
14 read as follows:

15 "Section 1007. Issuance of license.

16 (1) If, upon careful examination of the facts so  
17 reported, or of any other relevant facts which may come  
18 to his knowledge, the Financial Institutions  
19 Commissioner is satisfied that such credit union has  
20 complied with all the applicable provisions of this  
21 Title, with any conditions in the Financial Institutions  
22 Board permit required to be satisfied prior to  
23 licensing, and with other laws required to be complied  
24 with before a credit union shall be authorized to  
25 commence operations, he shall issue a license pursuant

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1 to section 501 of this title. The license shall contain  
2 any conditions of the Financial Institutions Board  
3 permit intended to survive past issuance of the license.

4 (2) The Financial Institutions Commissioners may  
5 withhold from a credit union the license authorizing it  
6 to commence business whenever he is satisfied that the  
7 incorporators have organized the credit union for any  
8 other than the legitimate objectives determined by this  
9 title.

10 (3) The expenses incurred by the Financial  
11 Institutions Commissioner in connection with such  
12 investigations shall be paid by the corporation in  
13 conformity with the regulations the Financial  
14 Institutions Board may promulgate for that purpose."

15 Section 83. Title 29 of the Code of the Federated States of  
16 Micronesia is hereby amended by enacting a new section 1008 to  
17 read as follows:

18 "Section 1008. By laws. It shall be a condition of the  
19 license that a credit union adopt by laws specifying the  
20 following matters:

21 (1) The procedure for admission of members;

22 (2) The procedure for withdrawal, transfer,  
23 expulsion, death or disqualification of members;

24 (3) A requirement for preparation of annual accounts  
25 and the auditing thereof;

1           (4) A requirement that the credit union shall hold an  
2           annual general meeting of all members at least once  
3           every 12 months in the place in which the credit union  
4           has it's principal place of business;

5           (5) The manner in which to convene special meetings;

6           (6) The method of providing notice of meetings and  
7           maintaining records of meetings;

8           (7) A requirement that each member is entitled to one  
9           vote on each matter voted on at a members meetings;

10          (8) Provisions for absentee voting, if any;

11          (9) Provisions relating to the board of directors;

12          (10) A requirement to set aside reserves each year as  
13          required by Chapter 6;

14          (11) Eligibility for loans subject to Chapter 6;

15          (12) Eligible investments subject to Chapter 6;

16          (13) Procedures regarding how the board shall make  
17          decisions regarding changes to the structure of the  
18          credit union, such as merger, closure or liquidation,  
19          including provisions on notice to the membership and  
20          voting rules;

21          (14) Any other matters as determined by the members."

22           Section 84. Title 29 of the Code of the Federated States of  
23   Micronesia is hereby amended by enacting a new section 1009 to  
24   read as follows:

25           "Section 1009. Member records. Every credit union



1           shall-

2           (1) Maintain an indexed register of members, showing  
3           the name and address of each member, the date on which  
4           the member joined the credit union or changed category  
5           as a member, the date on which any person ceased to be a  
6           member, whether the member is an ordinary or non-  
7           qualifying members, and any other information as may  
8           from time to time be prescribed by the Financial  
9           Institutions Commissioner;

10          (2) Keep a record of minutes of board and member  
11          meetings, resolutions adopted by the board of directors,  
12          and all written communication furnished to members."

13          Section 85. Title 29 of the Code of the Federated States of  
14          Micronesia is hereby amended by enacting a new section 1010 to  
15          read as follows:

16          "Section 1010. Information available to the public.

17          (1) Subject to subsection 2 of this section, any  
18          member of a credit union may inspect the books and  
19          accounts of the credit union at all reasonable hours at  
20          the registered office of the credit union or at any  
21          place where the books or accounts are kept.

22          (2) Unless he is an officer of, or is specially  
23          authorized by resolution of, the credit union to do so,  
24          a member of a credit union shall not have the right to  
25          inspect any account of any other member without the

1 written consent of that member.

2 (3) The annual return and all the information  
3 contained therein shall be public information and shall  
4 be provided free of charge upon request to any member of  
5 the public."

6 Section 86. Title 29 of the Code of the Federated States of  
7 Micronesia is hereby amended by enacting a new section 1011 to  
8 read as follows:

9 "Section 1011. Liability of members. The members of a  
10 credit union are to personally or individually liable  
11 for the payment of the credit union's debt in excess of  
12 the amount of their individual membership shares."

13 Section 87. Title 29 of the Code of the Federated States of  
14 Micronesia is hereby amended by enacting a new section 1012 to  
15 read as follows:

16 "Section 1012. Establishment of offices abroad. Except  
17 with the consent in writing of the Financial  
18 Institutions Board, not credit union shall establish a  
19 branch, agency or office outside the Federated States of  
20 Micronesia."

21 Section 88. Title 36 of the Code of the Federated States of  
22 Micronesia is hereby amended to read as follows:

23 "Section 107. Use of the terms 'cooperative' and  
24 'credit union' restricted. No person, firm,  
25 corporation, or association hereafter organized or doing

1 business in the Federated States of Micronesia shall be  
2 entitled to use the terms 'cooperative' or 'credit  
3 union' as part of its corporate name or other business  
4 name or title, or otherwise represent itself to the  
5 public to be a nonprofit cooperative association or  
6 credit union or cooperative savings and loan association  
7 unless it has complied with the provisions of this  
8 chapter, except as provided in section 102 above, and  
9 with the provisions of title 29."

10 Section 89. This act shall become law upon approval by the  
11 President of the Federated States of Micronesia or upon its  
12 becoming law without such approval.

13

14 Date: 1/25/06 Introduced by: /s/ Simiram Sipenuk  
15 Simiram Sipenuk  
16 (by request)

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