

STANDING COMMITTEE REPORT NO. 17-62

RE: C.B. NO. 17-49/R&D

SUBJECT: AMENDMENTS TO SECTION 103 OF TITLE 36
OF THE FSM CODE REGARDING MAJOR CORPORATIONS

OCTOBER 04, 2011

The Honorable Isaac V. Figir
Speaker, Seventeenth Congress
Federated States of Micronesia
Second Regular Session, 2011

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was referred C.B. No. 17-49, entitled:

"A BILL FOR AN ACT TO FURTHER AMEND SECTION 103 OF TITLE 36 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED BY PUBLIC LAWS NOS. 15-75 AND 16-47, TO REQUIRE A INSTITUTIONALIZED FINANCIAL REPORT OR DOCUMENT BE SUBMITTED AND SPECIFY DOCUMENTS THAT REQUIRE NOTARIZATION FOR MAJOR CORPORATIONS, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The Bill, C.B. No. 17-49, was transmitted to Congress via Presidential Communication No. 17-95 on September 13, 2011 during the Second Regular Session of the Seventeenth Congress. In this communication, the President indicated that these amendments are proposed to make certain changes to the FSM Corporation Laws.

Your Committee conducted a hearing on C.B. No. 17-49 on Wednesday, September 28, 2011, commencing at 8:30 a.m. at the Committee hearing room. Senator Roger S. Mori, Chairman of the Standing Committee on Resources and Development chaired the meeting. Other committee members present were Senators Peter M. Christian, Joseph J. Urusemal, Florencio S. Harper and Vice Chairman Yosiwo P. George. Also in attendance were Senators Paliknoa K. Welly, Wesley Simina and Tony Otto. Staff Alik Jackson was also present at the hearing.

STANDING COMMITTEE REPORT NO. 17-62

RE: C.B. NO. 17-49/R&D

SUBJECT: AMENDMENTS TO SECTION 103 OF TITLE 36
OF THE FSM CODE REGARDING MAJOR CORPORATIONS

OCTOBER 04, 2011

Steve Y. George, Assistant Attorney General, Samari Suta, Registrar of Corporations and Berthold Edmund, Assistant Registrar of Corporations with the Department of Justice; Kembo Mida, Jr., a lawyer from the Law Firm of Ramp and Mida, Ieske Iehsi, representatives of Micronesian Registrar Advisor, Inc.; and Semeon Phillip from the Office of the President were present by invitation.

After welcoming remarks, Chairman Mori opened the hearing and gave an opportunity to the witnesses to comment on the bill. The Assistant Attorney General Steve George gave a brief explanation of the proposed amendment to section 103 of title 36 of the FSM Code.

The first proposed amendment in the bill is on subsection 103(2) of title 36 of the FSM Code. The intent of the proposed amendment is to allow a Major Corporation to submit an institutionalized financial report or document to show proof of its capital. According to the Registrar, Mr. Samari Suta, an institutionalized financial report of a Major Corporation is concrete evidence that the Registrar can review to ascertain that the Corporation has capital in a bank and the legitimacy of the Corporation.

Currently, subsection 103(2) requires that a Major Corporation shall submit an affidavit of stock to the Office of the Registrar to show proof of its capital. The proposed amendment in subsection 103(2) allows a Major Corporation to submit either an affidavit of stock or institutionalized financial report or document to show proof of its capital.

The rationale is that an institutionalized financial report or document can show proof of the Major Corporation's capital, and is more assuring to the Registrar than an affidavit in itself.

The second proposed amendment is on subsection 103(3) of title 36 of the FSM Code. The intent of the proposed amendment is to specify what documents are required to be notarized. Essentially these documents are for incorporation purposes, which include: articles of incorporation and subsequent documents, dissolution, liquidation and merger documents.

According to the Registrar, the filing of these documents in the Office of the Registrar of Corporations will ease the review process. Furthermore, he indicated that these proposed

STANDING COMMITTEE REPORT NO. 17-62

RE: C.B. NO. 17-49/R&D

SUBJECT: AMENDMENTS TO SECTION 103 OF TITLE 36
OF THE FSM CODE REGARDING MAJOR CORPORATIONS

OCTOBER 04, 2011

amendments will improve and strengthen the regulatory powers of the Registrar.

Your Committee received a communication from Alexander Narruhn, Chairman of the FSM Insurance Board. Mr. Narruhn supported the proposed amendments in section 103 of title 36 of the FSM Code. He indicated that these amendments will provide a tool for those that are in the decision making process to have some idea of the finances of a company that wishes to incorporate in the FSM.

Your Committee recommends the following amendments to the bill as follows:

1. Title, line 3, delete "require" and insert "allow a Major Corporation to submit; delete "a" and insert "an".
2. Title, line 4, after "document" delete "be submitted,"; and after "and" , insert "to".
3. Page 2, line 13, after "affidavit" insert "of stock".
4. Page 2, line 20, after "affidavit" insert "of stock".
5. Page 3, line 1, after "Corporations" insert "pursuant to Public Law No. 16-47".

Your Committee on Resources and Development is in accord with the intent and purpose of C.B. No. 17-49, as amended herein, and recommends its passage on First Reading, and that it be placed on the Calendar for Second and Final Reading in the form attached hereto as C.B. No. 17-49, C.D.1.

STANDING COMMITTEE REPORT NO. 17-62

RE: C.B. NO. 17-49/R&D

SUBJECT: AMENDMENTS TO SECTION 103 OF TITLE 36
OF THE FSM CODE REGARDING MAJOR CORPORATIONS

OCTOBER 04, 2011

Respectfully submitted,

/s/ Roger S. Mori
Roger S. Mori, chairman

/s/ Yosiwo P. George
Yosiwo P. George, vice chairman

/s/ Peter M. Christian
Peter M. Christian, member

/s/ Florencio S. Harper
Florencio S. Harper, member

/s/ Bonsiano F. Nethon
Bonsiano F. Nethon, member

/s/ David W. Panuelo
David W. Panuelo, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member