AN ACT

To amend Public Law No. 1-94 to alter the composition of the Banking Board, to alter the requirements regarding the amount of capital stock, and for other purposes.

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

Section 1. Section 102 of Public Law No. 1-94 is hereby amended to read as follows:

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

(1) "Bank" means a stock or mutual corporation or unincorporated association with sufficient capital, authorized by law to receive deposits of money or securities, to open credits, checking accounts, and savings accounts, to make loans, and in general to engage in all kinds of banking transactions, but does not mean a national banking association established by the Federated States of Micronesia. "Bank" includes a savings and loan association but does not include a credit union.

(2) "Banking Board" means the board established pursuant to Section 201 of this act.

(3) "Branch" means an office of a bank at which deposits are received or checks paid or money lent.

(4) "Director" means the Director of Finance of the Federated States of Micronesia.

(5) "Demand Deposit" means any deposit which is repayable by its terms not more than 3 days after the time it is made.

(6) "Deposits" means money or other property transferred
or assigned to any person pursuant to an agreement, expressed or
implied, that the person shall repay such moneys upon demand
(whether in person or by written order) or after a fixed or
determinable period of time; PROVIDED, HOWEVER, that money
loaned to a bank which is to be repaid not sooner than five years
from the date of the loan, and pursuant to a loan agreement under
which the obligation to repay is subordinate to the rights of
depositors, shall not be deemed to be a deposit; and PROVIDED
FURTHER, that money transferred to a credit union as a purchase
of its shares shall not be deemed to be a deposit.

(7) "Domestic bank" means a bank organized under the
provisions of Chapter 3 of this act.

(8) "Foreign bank" means a corporation or other financial
institution organized for the purpose of engaging in the
banking business under the laws of the United States or of a
territory or state of the United States, or of a foreign country,
operating a bank in its home territory, state or country.

(9) "Legal reserve" means the sum which every domestic
bank and foreign bank shall at all times have available for the
payment of their deposit liabilities pursuant to the provisions
of this act.

(10) "Paid in capital, surplus, and undistributed profits"
means, in the case of a foreign bank, the aggregate paid in
capital, surplus, and undistributed profits of such bank and
not merely that allocated to, located in, or arising out of
its operations in the Federated States of Micronesia.

(11) "Person" includes individuals, corporations, partnerships and any other business entity.

(12) "Public Auditor" means the Public Auditor appointed by the President of the Federated States of Micronesia with the advice and consent of the Congress pursuant to the Constitution.

(13) "Registrar of Corporations" means the Registrar of Corporations of the National Government of the Federated States of Micronesia.

(14) "Related Person", with respect to any person, means his spouse, child, parents, brothers or sisters, or any partnership, corporation or firm in which he owns more than a 10 percent interest."

Section 2. Section 201 of Public Law No. 1-94 is repealed in its entirety and a new Section 201 is hereby enacted to read as follows:

"Section 201. Creation. There is hereby established a Banking Board which shall be composed of two members appointed by the President of the Federated States of Micronesia and one member appointed by the Speaker of the Congress of the Federated States of Micronesia. All appointments shall be for a term of two years. The Chairman of the Board shall be elected by the members of the Board. The Chairman shall also act as the Board's chief executive."

Section 3. Section 304 of Public Law No. 1-94 is hereby amended to read as follows:
"Section 304  Amount of ownership of capital stock. No domestic bank shall be organized and established in the Federated States of Micronesia with a capital stock less than $500,000, not less than 50 percent of which shall be paid in cash before the bank shall be authorized to commence business, and at least two-thirds of which shall be owned by persons who are citizens of the Federated States of Micronesia and who shall have resided in the Federated States of Micronesia for at least one year prior to the application."

Section 4. This act shall take effect upon approval by the President of the Federated States of Micronesia, or upon its becoming law without such approval.

March 3, 1981

Tosiwo Nakayama
President
Federated States of Micronesia