A BILL FOR AN ACT

To amend Public Law No. 1-94, as amended by Public Law No. 1-154 and Public Law No. 1-155, the Federated States of Micronesia Bank Act of 1980, and for other purposes.

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

Section 1. Section 201 of Public Law No. 1-94, as amended by Public Law No. 1-154 is hereby further amended 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 the Speaker of the Congress of the Federated States of Micronesia two members of the Congress of the Federated States of Micronesia elected by the members of Congress. 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 2. Section 501 of Public Law No. 1-94, as amended by Public Law No. 1-155, is hereby further amended to read as follows:

"Section 501. Annual licenses for banks.

(1) The Banking Board shall issue licenses to engage in banking.

(2) Initial licenses shall be issued to banks authorized to commence business pursuant to Section 303 or Section 304 of this act for the remainder of the calendar year. Every domestic or foreign bank at present operating a branch or office in the Federated States of Micronesia, or that may hereafter do so, shall obtain on or before the 31st day of December of each calendar year a renewal license for each office or branch to be operated in the Federated States of Micronesia during the succeeding calendar year. Initial and renewal licenses shall be issued upon payment of the corresponding fees, as follows:

(a) Banks with paid-in capital, surplus, and undivided profits aggregating $1,000,000 or less shall pay the sum of $300 or $1,000.
(b) Banks with a paid-in capital, surplus, and undivided profits aggregating over $1,000,000 shall pay the sum of $1,000 / $2,000.

(3) The Banking Board shall may grant a grace period not exceeding 30 days, during which an existing license may be continued in effect after the 31st day of December, to any domestic of bank or foreign bank which shows good cause thereafter to the Banking Board, when the Banking Board considers such action to be in the public interest.

(4) The Banking Board, in determining whether to issue an annual license to engage in the business of banking, shall consider and determine whether the bank applying for the license has, in its lending and operating practices, served the needs of its community. In determining whether a bank has served the needs of its community, the Banking Board shall, in addition to other factors customarily examined, examine whether (i) such bank has used its best efforts to hire, train and promote citizens and residents of the Federated States of Micronesia for executive positions in the bank, (ii) the loans made by such bank in the Federated States of Micronesia, in view of demand for loans and number of prudent loan opportunities available, bear a reasonable relationship to such bank's deposits in the Federated States of Micronesia and (iii) such bank has abstained from any unfair discrimination among its customers and the people it serves. In making the foregoing determination, due consideration shall be given to the herein stated goals of the Federated States of Micronesia that (i) executive positions in all banks operating in the Federated States of Micronesia shall be occupied by citizens and residents of the Federated States of Micronesia, (ii) at least 75% of
the total amount of deposits taken by a bank in the Federated States of Micronesia should be loaned to citizens and residents of and business entities located in the Federated States of Micronesia and (iii) no bank should discriminate unfairly among its customers and the people it serves."

Section 3. Section 603 of Public Law No. 1-94 is hereby amended to read as follows:

"Section 603. Reports of banks, penalties.

(1) Every domestic or foreign bank shall make at least one report of its condition each year to the Director within 90 days after the close of the bank's fiscal year, and according to form to be prescribed by him and one report to the Congress of the Federated States of Micronesia. The reports shall be made in accordance with forms prescribed by the Director, verified by the oath of the chief executive officer or chief financial officer of the bank and attesting officer, certifying and subscribing under oath that each of them has personal knowledge of the facts stated therein and that the same are true. Such reports shall exhibit in detail and under appropriate headings the total resources and liabilities of the banks, and, in the case of a foreign bank, shall show separately the resources, liabilities, and operations in the Federated States of Micronesia. The Director shall have the right to require that any such reports be audited at the bank's expense by independent accountants approved by the Director.

(2) The Director may also call for special reports from any domestic or foreign bank whenever in his judgment the same are necessary in order
to obtain full knowledge of its condition. During the first five years
of operations in the Federated States of Micronesia by any domestic
bank, the Director shall call for special reports of its condition not
less frequently than each calendar quarter.

(3) Whoever willfully makes any false entry in any book, report,
or statement of a bank or certifies and subscribes to any report re-
quired by this section which is false in any material respect shall be
fined not more than $1,000 or imprisoned for not more than one year, or
both.

(4) Any bank which fails to make, transmit, and publish any report
required under this section shall be subject to a fine of $100 per day
for each day's delay after the period specified in this section."

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

Date: May 25, 81

Introduced by: Jack Fritz