

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:

1 Section 1. Section 201 of Public Law No. 1-94, as amended by Public Law
2 No. 1-154 is hereby further amended to read as follows:

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

11 Section 2. Section 501 of Public Law No. 1-94, as amended by Public Law No.
12 1-155, is hereby further amended to read as follows:

13 "Section 501. Annual licenses for banks.

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

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

24 (a) Banks with a paid-in capital, surplus, and undivided profits
25 aggregating \$1,000,000 or less shall pay the sum of ~~\$500~~ \$1,000.

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

3 (3) The Banking Board ~~shall~~ may grant a grace period not exceeding
4 30 days, during which an existing license may be continued in effect
5 after the 31st day of December, to any domestic of bank or foreign bank
6 which shows good cause thereafter to the Banking Board, when the Banking
7 Board considers such action to be in the public interest.

8 (4) The Banking Board, in determining whether to issue an annual
9 license to engage in the business of banking, shall consider and determine
10 whether the bank applying for the license has, in its lending and operating
11 practices, served the needs of its community. In determining whether a
12 bank has served the needs of its community, the Banking Board shall, in
13 addition to other factors customarily examined, examine whether (i) such
14 bank has used its best efforts to hire, train and promote citizens and
15 residents of the Federated States of Micronesia for executive positions
16 in the bank, (ii) the loans made by such bank in the Federated States
17 of Micronesia, in view of demand for loans and number of prudent loan
18 opportunities available, bear a reasonable relationship to such bank's
19 deposits in the Federated States of Micronesia and (iii) such bank has
20 abstained from any unfair discrimination among its customers and the
21 people it serves. In making the foregoing determination, due con-
22 sideration shall be given to the herein stated goals of the Federated
23 States of Micronesia that (i) executive positions in all banks operating
24 in the Federated States of Micronesia shall be occupied by citizens and
25 residents of the Federated States of Micronesia, (ii) at least 75% of

1 the total amount of deposits taken by a bank in the Federated States
2 of Micronesia should be loaned to citizens and residents of and business
3 entities located in the Federated States of Micronesia and (iii) no
4 bank should discriminate unfairly among its customers and the people it
5 serves."

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

8 "Section 603. Reports of banks, penalties.

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

24 (2) The Director may also call for special reports from any domestic
25 or foreign bank whenever in his judgment the same are necessary in order

1 to obtain full knowledge of its condition. During the first five years
2 of operations in the Federated States of Micronesia ~~by~~ of any domestic
3 bank, the Director shall call for special reports of its condition not
4 less frequently than each calendar quarter.

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

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

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

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16 Date: May 25, 81

Introduced by: Jack Fritz
Jack Fritz

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