A BILL FOR AN ACT

To create the First National Bank of the Federated States of Micronesia, and for other purposes.

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

1. Section 1. Purpose. It is the intent of the Congress of the Federated States of Micronesia to create a financial institution to provide the people of the Federated States of Micronesia with adequate banking facilities and to promote the general welfare of the people of the Federated States of Micronesia.

2. Section 2. Creation of the First National Bank of the Federated States of Micronesia. There is hereby created a body corporate to be known as the First National Bank of the Federated States of Micronesia, hereinafter referred to as "the First National Bank."

3. Section 3. Duration. The First National Bank shall exist until such time as it is dissolved by the Congress of the Federated States of Micronesia.

4. Section 4. Place of business. The principal office of the First National Bank shall be located in the Capital State of the Federated States of Micronesia. The First National Bank shall establish a branch office in each State's capital and such other branch offices as the Board of Directors deemed necessary, including mobile branches providing regular banking services to the outer islands of each State on field trip ships.

5. Section 5. Object and purposes of the Bank. The object and purposes for which the First National Bank is formed are:

   (1) to do, conduct, and transact generally the business of a commercial bank and to do all things and
exercise all powers and perform all functions which a
commercial bank is authorized or empowered to do, exercise,
or perform under and by virtue of the laws of the Federated
States of Micronesia, including to receive deposits
of money, deal in commercial paper, lend money on real or
personal property, discount bills, notes, or other commercial
paper, and to buy and sell securities, gold and silver
bullion, foreign coins, or bills of exchange;
(2) To do, conduct, and transact generally the
business of a savings bank, and to do all things, exercise
all powers, and perform all functions which a savings bank
is authorized or empowered to do, exercise, or perform
under and by virtue of the laws of the Federated States
of Micronesia; to accumulate, loan, and invest
the funds of its depositors; receive deposits of money;
loan, invest, and collect the same with interest; to repay
depositors with or without interest; invest such funds in
property, securities, and obligations; to declare and
pay dividends on its general deposits; and to pay a stipulated
rate of interest on deposits made for a stated period, or upon
special terms;
(3) To do, conduct, and transact generally the
business of a trust company and do all things, exercise all
powers, and perform all functions which a trust company
is authorized or empowered to do, exercise, or perform
under and by virtue of the laws of the Federated States of Micronesia; to take, receive, and hold in trust, property, both real and personal, for individuals, firms, companies, associations, or corporations, and to accept and execute trusts of every description which may be committed to it by any person, executor, administrator, administrator with the will annexed, guardian, trustee, assignee, receiver, or by any corporation, or by any agency or branch of any State or the National Government of the Federated States of Micronesia; to accept employment as and act as executor of any last will and testament and as administrator, or administrator with the will annexed, of the estates of deceased persons, and as assignee, receiver, trustee, and depository in all such matters, and in a legal manner to attend to the management and settlement of estates, guardianships, assigneeships, and receiverships, and to act as trustee, agent, or attorney for individuals, firms, companies, associations, or corporations, and to attend to any and all manner of trusts; to act as agent for the purpose of registering or countersigning the certificates of stocks, bonds, or other indebtedness of any corporation, company, association, municipality, State, or public authority on such terms as may be agreed upon; to act as transfer agent and registrar of certificates, stocks, or bonds; to purchase, hold, sell, and take such property, real and personal, as may be mortgaged, pledged, and hypothecated
or conveyed to it in trust, or for its benefit for money
loaned in pursuance of its regular business, and as may
be purchased by it at sales under mortgages, pledges,
hypothecations, or deeds of trust made for its benefit for
money so loaned, or as may be conveyed to it by borrowers
of money in satisfaction or in discharge of loans made
thereon; to purchase, hold, own, and sell personal
property; and to do all of the things in this paragraph
set forth as such trust company;

(4) To conduct a safe deposit business, and in
the conduct of said safe deposit business, store and
hold for others personal property and securities with or
without compensation, and to maintain vaults and safes
and receptacles therein for the storage, safe-depositing,
and safe-keeping of personal property and securities, and
to rent and hire such safes and receptacles to others upon
such terms and conditions as the corporation may deem
advisable;

(5) To conduct the business of a commercial bank,
savings bank, and trust company, as hereinbefore set forth,
in and as separate or different departments of The First
National Bank, in a manner not inconsistent with the laws of
the Federated States of Micronesia; and

(6) To indemnify any and all of its directors
or officers or former directors or officers or any person

4 of 15
who may have served at its request as a director or officer of another corporation in which it owns shares of capital stock or of which it is a creditor, against expenses actually and necessarily incurred by them in connection with the defense of any action, suit, or proceeding in which they, or any of them, are made parties, or a party, by reason of being or having been directors or officers or a director or officer of The First National Bank, or of such other corporation, except in relation to matters as to which any such director or officer or former director or officer or person shall be adjudged in such action, suit, or proceeding, to be liable for negligence or misconduct in the performance of duty. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled, under any bylaw, agreement, or otherwise.

Section 6. Power to hold real property. The First National Bank may purchase, acquire, hold, sell, lease, and convey or otherwise dispose of real property whenever appropriate to the purposes for which The First National Bank was formed.

Section 7. Ownership of The First National Bank. (1) The First National Bank shall issue share accounts as provided in this section. (2) All share accounts shall be represented by
share account books containing a certificate of membership and evidencing the participation value of the share account. Share accounts may be purchased by any person who is a Micronesian citizen or by any corporation wholly owned by Micronesians. Share accounts shall not be transferable or assignable.

(3) Share accounts shall be sold for $10 or multiples thereof.

(4) The Board of Directors may declare a dividend at the end of any fiscal year from the net earnings remaining after providing for an adequate reserve, which shall not be less than that required by law. All holders of share accounts shall participate equally in dividends pro rata to the participation value of their share accounts. In the case of any share account which has been held for less than one full fiscal year, the holder shall be entitled to receive a proportional part of said dividend calculated on the number of months for which the share account was held.

(5) At any time adequate funds are on hand for this purpose, The First National Bank shall redeem any share account upon application by the holder of the share account. The redemption price of share accounts shall be the full value of the share account.

(6) Interest shall be paid on all share accounts
1 at the same rate and on the same basis as is paid on all
2 other deposits held by The First National Bank.
3
5
6 (1) The affairs of The First National Bank shall be
7 managed and its corporate powers exercised by the Board of
8 directors which shall consist of five members, hereinafter
9 referred to as the "Board." The members of the Board shall
10 be appointed by the President of the Federated States of
11 Micronesia, with the advice and consent of the Congress of
12 the Federated States of Micronesia.
13
14 (2) Members of the Board shall serve four-year
15 terms; PROVIDED that at the first meeting of the Board the
16 members shall, by lot, determine among them which member shall
17 have an initial term of one year, which member shall have an
18 initial term of two years, which member shall have an initial
19 term of three years; and which two members shall have an
20 an initial term of four years. The initial terms of the Board
21 members shall expire at noon on the day of the first meeting
22 of the Board in the first, second, third, or fourth year
23 respectively, following the first meeting.
24
25 (3) Any interim vacancy on the Board of Directors or
26 the five appointed directors shall be filled by appointment
27 by the remaining directors, and any director so appointed
28 shall serve for the unexpired term of the director he
29 replaces.
(4) Any director may be removed from office by the affirmative vote of two-thirds of the Board of Directors.

(5) The First National Bank shall have at least the following officers: a President, a Vice President, a treasurer, and a secretary. These officers shall be appointed by the Board of Directors for a term of office which shall not exceed four years. The officers of The First National Bank may be removed from office as provided in the bylaws of The First National Bank.

(6) At the first meeting of the Board of Directors the members shall proceed to elect a chairman by majority vote. The chairman may be removed from office by the affirmative vote of two-thirds of the members of the Board of Directors.

Section 9. Bank Act applies. The operations of the First National Bank shall be subject to the provisions of the Federated States of Micronesia Bank Act of 1989, as amended from time to time, and any successor or related law of the Federated States of Micronesia regulating the formation, licensing, and operations of commercial banks within the Federated States of Micronesia.

Section 10. Bylaws. The Board of Directors, by an affirmative vote of a majority of the whole Board, may adopt, amend, alter, or repeal such bylaws for The First National Bank as are not inconsistent with this act providing for the management of the business of The First National Bank, the regulation
of its affairs, the organization, conduct, and meetings of
the Board of Directors, the duties of the officers of The First
National Bank, the officers required to furnish bonds and
amounts thereof, and any other matter not inconsistent with
the purposes of The First National Bank; PROVIDED that the bylaws
shall not be adopted, amended, altered, or repealed at any
meeting of the Board of Directors unless written notice
of any proposed action to change the bylaws has been sent
by certified mail to each director two weeks prior to such
meeting.

Section II. Professional qualifications of members

of the Board and officers of The First National Bank. Board
members of The First National Bank shall be persons experienced
in the conduct of business, commerce, finance, banking, and
accounting. The President, Vice President, Treasurer, and
Secretary of The First National Bank shall have had not less
than five years' experience in the banking profession, or the
equivalent experience in a related profession.

Section 12. Disqualifications.

(1) Except as provided in subsections (2) and (3) of
this section, no member of the Board or officer of the First
National Bank during his membership on the Board or employment
as an officer and for a period of four years following termination
of such membership or employment shall be eligible either to
borrow money from or through The First National Bank or to
1. Assume responsibility in whole or in part under a guarantee
2. or indemnity of, by the deposit of a security to The First
3. National Bank in respect of a debt or obligation of a third
4. party.

(2) After the expiration of one year following
5. termination of such membership or employment, a former member
6. of the Board or officer of The First National Bank may borrow
7. money for personal use from The First National Bank up to a
8. maximum of $5,000.

(3) After the expiration of two years following
9. termination of such membership or employment, a former member
10. of the Board or officer of The First National Bank may borrow
11. money for his personal use from The First National Bank
12. without limit.

14. The books and records of The First National Bank shall be
15. thoroughly examined and audited at such times as the Board may
16. provide, by qualified, independent examiners appointed by the
17. Board, upon the establishment of the Office of the Public
18. Auditor, pursuant to article XII, section 3, of the Constitution
19. of the Federated States of Micronesia, this function shall be
20. performed by the Office of the Public Auditor.

Section 14. Costs of administration. There is hereby
22. authorized to be appropriated from the General Fund of the
23. Federated States of Micronesia such amount of Funds as is

10 of
necessary to carry out the cost of administration of this act. The Board of Directors of The First National Bank shall, to the extent feasible, forecast the needed appropriations for the fiscal year and request the funds from the Congress of the Federated States of Micronesia. Nothing herein contained shall prohibit the Board from seeking or soliciting funds for its operation and capitalization from additional sources within or without the Federated States of Micronesia.

Section 15. Expenses. All members of the Board shall be entitled to necessary travel expenses and per diem at standard rates of the National Government of the Federated States of Micronesia while on the business of The First National Bank. Board members who are neither employees nor officials of a State government or the National Government of the Federated States of Micronesia shall, in addition, be paid $35 per day while on the business of The First National Bank.

Section 16. Tax exemption. It is hereby found and declared that the purpose for which The First National Bank is created is a public purpose for the benefit of the people of the Federated States of Micronesia, and that, therefore, The First National Bank shall not be required to pay any taxes or assessments on any of the property acquired or to be acquired by it or on its operations or activities.

Section 17. Debts of The First National Bank not public debts. The debts or obligations of The First National Bank shall not
1 be debts or obligations of the National Government of the
2 Federated States of Micronesia, nor shall the National
3 Government of the Federated States of Micronesia be
4 responsible for the same.

5 Section 18. Annual reports. The First National Bank
6 shall file with the President of the Federated States of Micro-
7 nesia and the Congress of the Federated States of Micronesia,
8 within 90 days after the close of its fiscal year, a report
9 sworn to by the members of the Board of Directors stating
10 the name and address of The First National Bank, containing a
11 profit and loss statement of the last fiscal year and a
12 statement of its assets and liabilities as of the close
13 of such year, and stating the names and addresses of all
14 directors and officers of The First National Bank. Such report
15 shall be made available to the general public without charge.

18 Any Board member, director, officer, employee, or agent of The
19 First National Bank who embezzles, abstracts, or willfully mis-
20 applies any money, funds, credits, or securities of The First
21 National Bank or who willfully makes any false entry in any
22 book, report, or statement of The First National Bank, or who,
23 does any other act, with intent to injure or defraud The First
24 National Bank; or any individual who, with like intent, aids
25 or abets any director, officer, employee, or agent in any
1. violation of this section; or any individual who makes a false
2. statement with the intent of defrauding The First National
3. Bank of moneys, funds, credits, or securities, shall be fined
4. not more than $20,000, or imprisoned for not more than 10
5. years, or both.

6. The first National Bank shall begin its operation in the
7. following manner:
8. (1) Within 20 days after the fifth director is
9. appointed to the Board of Directors in accordance with this
10. act, the president of the Federated States of Micronesia shall
11. call the first meeting of the Board of Directors.
12. (2) From the date of the first meeting mentioned
13. in subsection (1) of this section until October 10, 1982, the
14. Board of Directors shall make such studies, investigations,
15. and preparations as are necessary for The First National Bank
16. to begin operations by January 1, 1983. Such studies and
17. investigations shall include, but not be limited to, the
18. financial and other resources necessary for the First National
19. Bank to begin operations, a review of this act with regard to
20. any amendments the Board of Directors may wish to propose to
21. the Congress of the Federated States of Micronesia, and a study
22. of the merits of either a joint venture with an established
23. bank or an independent bank affiliated with an established bank.
24. The Board of Directors shall not, however, enter into any
binding contracts or other obligations during this period
except as are necessary to complete the studies and investi-
gations referred to above. The Board of Directors may
employ such persons or organizations as it feels are
necessary to perform such studies and investigations, within
the limits of the appropriation provided herein. The Board
of Directors shall attempt to obtain the consulting ser-
ves of the World Bank, other appropriate United Nations
agencies, and other organizations.

(3) On or before October 30, 1982, the Board
of Directors shall make a report to the Congress of the
Federated States of Micronesia indicating the results of its
studies and investigations and specifically stating the
funding and other resources that will be required for
the First National Bank to begin operations.

(4) After December 31, 1982, the Board of Directors
shall commence the operations of the First National Bank in
accordance with the provisions of this act.

Section 21. Appropriating of Funds. The sum of $75,000,
or so much thereof as may be necessary, is hereby appropriated from
the General Fund of the Federated States of Micronesia
for the fiscal year ending September 30, 1983, for the
purpose of carrying out this act. The Board shall be the
allottee of the funds.

Section 22. Allotment of Funds. All funds appropriated
by this act shall be allotted, managed, administered, and
accounted for in accordance with applicable law, including
but not limited to, the Financial Management Act of 1979.
The allottee shall be responsible for ensuring that these
funds, or so much thereof as may be necessary, are used
solely for the purpose specified in this act, and that
no obligations are incurred in excess of the sum
appropriated. The authority of the allottee to obligate
funds appropriated by this act shall lapse as of
September 30, 1981.

Section 23. Effective date. This act shall become
law upon approval by the President of the United
States of Micronesia or upon its becoming law without
such approval.

Date: 9/28/81

Introduced by: Elias Thomas