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A BILL FOR AN ACT

To amend title 29 of the Code of the Federated States of Micronesia by amending sections 501 and 504 and by adding a new section 617 for the purpose of clarifying the licensing requirement for banks doing business in the Federated States of Micronesia, modifying the criteria to be reviewed by the Banking Board in its annual examination of such banks, by renumbering sections 617 through 626, and for other purposes.

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

1 Section 1. Section 501 of title 29 of the Code of the Federated  
2 States of Micronesia is hereby amended to read as follows:

3 "Section 501. Annual licensing of banks.

4 (1) The Banking Board shall issue annual licenses to  
5 engage in the business of banking, which licenses shall be  
6 effective for the calendar year for which they are granted,  
7 or a shorter period as provided for in this chapter.

8 (2) Initial licenses shall be issued to banks  
9 authorized to commence business pursuant to section 306  
10 or section 309 of this title for the remainder of the  
11 calendar year.

12 (3) Every domestic or foreign bank at present  
13 operating a branch or office in the Federated States of  
14 Micronesia, or that may hereafter do so, shall obtain on or  
15 before the 31st day of December of each calendar year a  
16 renewal license for each office or branch to be operated in  
17 the Federated States of Micronesia during the succeeding  
18 calendar year."

19 Section 2. Section 504 of title 29 of the Code of the Federated  
20 States of Micronesia is hereby amended to read as follows:

21 "Section 504. Licenses - Board review.

22 (1) The Banking Board, in determining whether to issue  
23 an annual license to engage in the business of banking,  
24 shall consider and determine whether the bank applying for  
25 the license has, in its lending and operating practices,

1 served the needs of ~~its community~~ the communities in which  
2 it maintains branches or offices.

3 (2) In determining ~~whether~~ that a bank has served the  
4 needs of ~~its community~~ the communities in which it maintains  
5 branches or offices, the Banking Board shall, ~~in addition to~~  
6 consider other factors customarily examined, ~~examine whether~~  
7 and in addition must find that:

8 (a) such bank has used its best efforts to  
9 hire, train, and promote citizens and residents of the  
10 Federated States of Micronesia for executive positions in  
11 the bank, and to maximize the number of such positions  
12 filled by citizens and residents of the Federated States of  
13 Micronesia;

14 (b) the percentage of loans made by such  
15 bank to citizens and residents of, and business entities  
16 located in the Federated States of Micronesia, ~~in view of~~  
17 ~~demand for loans and number of prudent loan opportunities~~  
18 ~~available, bear a reasonable relationship~~ relative to such  
19 bank's deposits accepted in the Federated States of  
20 Micronesia exceeds fifty percent; and

21 (c) such bank has abstained from any unfair  
22 discrimination among its customers and the people it serves.

23 (3) In making the foregoing determination, due con-  
24 sideration shall be given to the herein stated goals of the  
25 Federated States of Micronesia that:

1 (a) executive positions in all banks operating in  
2 the Federated States of Micronesia shall be occupied by  
3 citizens and residents of the Federated States of  
4 Micronesia;

5 (b) at least seventy-five percent of the total  
6 amount of deposits taken by a bank in the Federated States  
7 of Micronesia should be loaned to citizens and residents of,  
8 and business entities located in, the Federated States of  
9 Micronesia; and

10 (c) no bank should discriminate unfairly among  
11 its customers and the people it serves.

12 (4) Should the Banking Board find that an applicant  
13 bank has failed to satisfy all three of the conditions set  
14 forth in subparagraph (2) of this section, the bank may  
15 submit to the Banking Board a written explanation setting  
16 forth causes, factors, or other reasons which prevented the  
17 bank's full compliance. The Banking Board shall consider  
18 such statement and such other information as it may deem  
19 appropriate, and, upon finding that the reasons presented  
20 describe exceptional circumstances beyond the control of  
21 the applicant bank, the Banking Board may still determine  
22 that the bank has served the needs of the communities in  
23 which it maintains branches or offices."

24 Section 3. Title 29 of the Code of the Federated States of  
25 Micronesia is hereby amended by adding a new section 617 to read as

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1 follows:

2           "Section 617. Disclosure of grounds for denial of requests  
3           for extension of credit. Each bank must provide an  
4           applicant with a written explanation of the basis on which  
5           a decision is made to deny a loan application, credit card  
6           application, or other request for extension of credit."

7           Section 5. Sections 617 through 626 of title 29 of the Code  
8 of the Federated States of Micronesia are hereby renumbered as  
9 sections 618, 619, 620, 621, 622, 623, 624, 625, 626 and 627,  
10 respectively.

11           Section 6. This act shall become law upon approval by the  
12 President of the Federated States of Micronesia or upon its becoming  
13 law without such approval.

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Date: May 24, 1989

Introduced by:   
Redley Killion