A BILL FOR AN ACT

To further amend title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 6-41 and 6-73, by repealing chapter 2 in its entirety and by amending sections 102, 104, 301, 302, 303, 305, 306, 307, 308, 310, 402, 403, 404, 405, 406, 407, 408, 501, 503, 504, 601, 602, 603, 604, 605, 608, 609, 611, 618, 620, 622, 623, 624, 625, 627, 801, 802 and 803 for the purpose of abolishing the Banking Board and transferring its functions to the Federated States of Micronesia Department of Finance, and for other purposes.

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

1. Section 1. Chapter 2 of title 29 of the Code of the Federated States of Micronesia is hereby repealed in its entirety.

2. Section 2. Section 102 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

   "Section 102. Definitions. As used in this title, 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 administrative head of the Federated States of Micronesia Department of Finance. 'Secretary of Finance' or 'Secretary' means the administrative head of the Federated States of Micronesia Department of Finance.

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

   (4) 'Demand deposit' means any deposit which is repayable by its terms not more than three days after the time it is made."

(5) '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. 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. Money transferred to a credit union as a purchase of its shares shall not be deemed to be a deposit.

(6) 'Domestic bank' means a bank organized under the provisions of chapter 3 of this title.

(7) '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.

(8) '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 title.

(9) '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.

(10) 'Person' includes individuals, corporations,
partnerships, and any other business entity.

(11) '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.

(12) 'Registrar of Corporations' means the Registrar
of Corporations of the National Government of the Federated
States of Micronesia.

(13) '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 ten percent interest."

Section 3. Section 104 of title 29 of the Code of the Federated
States of Micronesia is hereby amended to read as follows:

"Section 104. Requirements for banking business.

(1) No person shall engage in the business of
accepting deposits in the Federated States of Micronesia or
shall use the term 'bank' or 'savings and loan association'
or any form thereof in the conduct of its business unless
it has been granted a license pursuant to the provision of
this title and such license has not expired and has not
been cancelled.

(2) Any person holding such a license shall engage in
no business in the Federated States of Micronesia other
than the banking business and shall engage in such
business only at the locations authorized by the

Secretary of Finance.

Section 4. Section 301 of title 29 of the Code of the Federated
States of Micronesia is hereby amended to read as follows:

"Section 301. Organization - Permit required; Application.

(1) Any five or more persons of sufficient legal
capacity may organize a domestic bank, but for such purpose
they shall first apply in writing for a permit from the

Department of Finance.

(2) The application shall set forth and prove the
need of the services of a banking institution in the
locality wherein the bank is sought to be established, and
that the services rendered by other banking institutions do
not answer the needs of the locality."

Section 5. Section 302 of title 29 of the Code of the Federated
States of Micronesia is hereby amended to read as follows:

"Section 302. Application for permit - Secretary's investigation. It shall be the duty of the

Secretary, immediately after the

permit is

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Department of Finance receives an application for a permit, to make whatever investigations and hold such hearings as he deems may be necessary as to:

(1) the banking and commercial ability and experience of the applicants;

(2) whether such ability and experience are sufficient to warrant the efficient functioning and operation of the bank;

(3) whether local need justifies the application;

(4) the character and repute, as well as the banking and commercial experience of the prospective directors or officers who are to conduct the business of said bank;

(5) whether the bank shall be of benefit to the general public; and

(6) the capital which the bank has available for its operations."

Section 6. Section 303 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 303. Application for permit - Issuance by Secretary of Finance. The Secretary of Finance may issue the permit applied for if, in his judgment, the results of the investigations are satisfactory. Any permit may be granted subject to such conditions as the Secretary, in his discretion, deems necessary to protect the interests of the people of the Federated States..."
of Micronesia."

Section 7. Section 305 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 305. Certificate of incorporation; Beginning of corporate existence.

(1) Upon subscribing and swearing to the articles of incorporation, as provided in section 304 of this chapter, and upon submitting two copies of the same to the Registrar of Corporations together with the permit granted by the Banking Board Secretary of Finance authorizing the organization of the bank, and upon payment of the proper filing fee, and upon the issuance by the Registrar of Corporations, under his seal, of a certificate stating that the articles containing the statements required by section 304 of this chapter have been filed in his office, the existence of the bank named in the articles of incorporation shall begin.

(2) From and after the date of such filing, the bank shall constitute a body corporate under the name set forth in the articles. Before such bank may commence business it shall comply with the other requirements of this title and all other applicable provisions of law."

Section 8. Section 306 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 306. Issuance of certificate; Transmittal to
chairman Secretary. Upon the issuance by the Registrar of
Corporations of a certificate of incorporation, as provided
in section 305 of this title, the Registrar of Corporations
shall so notify the chairman Secretary of Finance and at
the same time shall transmit to the chairman Secretary a
duplicate copy of the articles of incorporation."

Section 9. Section 307 of title 29 of the Code of the Federated
States of Micronesia is hereby amended to read follows:

"Section 307. Examination for compliance.

(1) When the duplicate copy is received by the
chairman Secretary, he shall notify the corporation, and
the corporation shall then file with the chairman Secretary
a statement of all the facts necessary to enable him to
determine whether the bank has in fact complied with all
the requirements of law and is lawfully entitled to
commence business, such statement to be sworn to by a
majority of the directors and by the president or the
manager of the bank.

(2) Upon receipt of such statement by the chairman
Secretary, he shall examine the condition of the
corporation and ascertain specifically the amount of its
capital paid in; the names and places of residence of its
stockholders, directors, and officers; the amount of the
capital stock which each owns in good faith; and,
generally, whether such corporation has complied with all
the provisions of law required to entitle it to a license
to engage in the business of banking."

Section 10. Section 308 of title 29 of the Code of the
Federated States of Micronesia is hereby amended to read as follows:
"Section 308. Issuance of bank license.

(1) If, upon careful examination of the facts so
reported, or of any other relevant facts which may come to
his knowledge, the Secretary is satisfied that
such bank has complied with all the applicable provisions
of this title and other laws required to be complied with
before a bank shall be authorized to commence the business
of banking, he shall issue an initial license to engage in
the banking business, valid until it must be renewed
according to section 501 of this title.

(2) The Secretary may withhold from a bank
the license authorizing it to commence business whenever he
is satisfied that the shareholders have organized the bank
for any other than the legitimate objects determined by
this title.

(3) The expenses incurred by the Secretary
in connection with such investigations shall be paid by the
corporation in conformity with the regulations the Secretary of Finance may promulgate for that purpose."

Section 11. Section 310 of title 29 of the Code of the
Federated States of Micronesia is hereby amended to read as follows:
"Section 310. Amendment of articles of incorporation.

(1) Every bank organized under this title may amend its articles of incorporation with the approval of the Secretary of Finance for any lawful purposes.

(2) No amendment may contain a provision which it would not have been lawful and proper to insert in the original articles of incorporation.

(3) No change shall be made in the articles of incorporation by which the rights or security of the existing depositors or creditors of the bank shall be impaired."

Section 12. Section 402 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 402. Establishment - Application for permit required.

(1) No foreign bank may open any branch or office or change the location of any branch or office in the Federated States of Micronesia without a permit to do so from the Secretary of Finance.

(2) An application to the Secretary of Finance for such permit shall state the benefit to the public expected to result from the granting of the permit applied for.

(3) The Secretary of Finance, upon receipt of such application, may require the submittal of
such additional information as may be necessary in order
for it to make the necessary investigations."

Section 13. Section 403 of title 29 of the Code of the
Federated States of Micronesia is hereby amended to read as follows:

"Section 403. Application for permit — Chaitedča
Secretary's investigation. It shall be the duty of the
Chaitedča Secretary, immediately after the banking testé
Department of Finance receives an application for a permit,
to make whatever investigations may be necessary as to:

(1) the overall financial condition of the
application;

(2) whether or not granting the application would
reasonably be apt to result in an over-extension of
applicant's resources or facilities;

(3) the character and repute, as well as the banking
and commercial experience, of applicant and the bank's
directors and executive officers;

(4) whether the bank shall be of benefit to the
general public; and

(5) the investment which the bank has made or has
available for its operations in the Federated States of
Micronesia."

Section 14. Section 404 of title 29 of the Code of the
Federated States of Micronesia is hereby amended to read as follows:

"Section 404. Application for permit — Issuance by čačhaté

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Secretary. The Secretary may issue the permit applied for if, in his judgment, the results of the investigations are satisfactory. The decision of the Secretary shall be final. All expenses incurred by the Department of Finance in connection with such investigations shall be paid by the applicant in conformity with regulations which the Secretary of Finance may make."

Section 15. Section 405 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 405. Issuance of permit - Transmittal to Registrar of Corporations. Upon the issuance of a permit to an applicant, the Secretary shall forthwith transmit a certified copy thereof to the Registrar of Corporations who shall file it along with such other documents submitted to him."

Section 16. Section 406 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 406. Examination for compliance.
(1) When the permit of the Secretary of Finance is received by the foreign bank, as provided in section 405, it shall proceed to comply with all applicable provisions of law so as to place it in readiness to commence operations upon issuance to it of the license provided by section 501 of this title."
(2) When such foreign bank is in such position of readiness, it shall notify the Secretary by means of a statement of all facts necessary to enable the Secretary to determine whether such foreign bank has, in fact, complied with all the requirements of law and is lawfully entitled to commence operations, such statement to be sworn to by a majority of the directors or by the president or manager of such foreign bank.

(3) Upon receipt of such statement, the Secretary shall make such investigations as may be necessary to assure himself that the foreign bank has, in fact, complied with all the provisions of law to entitle it to a license to engage in the business of banking."

Section 17. Section 407 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 407. Issuance of bank license.

(1) If, upon a careful examination of the facts so reported or any other relevant facts which may come to his knowledge, he is satisfied that the foreign bank has complied with all of the provisions of this title required before a foreign bank shall be authorized to open or operate a branch or office in the Federated States of Micronesia, the Secretary shall issue an initial license to engage in the banking business valid until it must be renewed according to section 501 of this title."
(2) The Secretary may withhold from a foreign bank the license authorizing it to commence operations whenever he is satisfied that the foreign bank seeks to operate in the Federated States of Micronesia for any other than the legitimate objects determined by this title.

(3) The expenses incurred by the Secretary in connection with such investigation shall be paid by the foreign bank in conformity with regulations which the Secretary may make and issue for that purpose."

Section 18. Section 408 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 408. Appointment of agent for service of process. Before commencing business in the Federated States of Micronesia, a foreign bank shall file with the Department of Finance an appointment of the Secretary as its agent upon whom all process in any action or proceeding against it arising out of the operations or activities of its office or offices in the Federated States of Micronesia may be served, which appointment shall be by its terms perpetual and irrevocable."

Section 19. Section 501 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 6-41, is hereby further amended to read as follows:

"Section 501. Annual licensing of Banks."
(1) The Banking Board Secretary of Finance shall issue annual licenses to engage in the business of banking, which licenses shall be effective for the calendar year for which they are granted, or a shorter period as provided for in this chapter.

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

(3) 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."

Section 20. Section 503 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 503. Extension of license - Grace period. The Banking Board Secretary of Finance shall grant a grace period not exceeding thirty days, during which an existing license may be continued in effect after the 31st day of December, to any domestic bank or foreign bank which shows good cause thereafter to the Banking Board Secretary, when the Banking Board Secretary considers such action to be in
Section 21. Section 504 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 6-41, is hereby further amended to read as follows:

"Section 504. Licenses — Standard of review.

(1) The Secretary of Finance, 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 the communities in which it maintains branches or offices.

(2) In determining that a bank has served the needs of the communities in which it maintains branches or offices, the Secretary shall consider other factors customarily examined, and in addition must find that:

(a) 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, and to maximize the number of such positions filled by citizens and residents of the Federated States of Micronesia;

(b) the percentage of loans made by such bank to citizens and residents of, and business entities located in the Federated States of Micronesia relative to such bank's deposits accepted in the Federated States of Micronesia..."
exceeds fifty percent; and

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

2) In making the foregoing determination, due
consideration shall be given to the herein stated goals of
the Federated States of Micronesia that:

a) 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;

b) at least seventy-five percent 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

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

4) Should the Banking Board Secretary of Finance
find that an applicant bank has failed to satisfy any of
the three conditions set forth in subsection (2) of this
section, the bank shall submit to the Banking Board
Secretary a written explanation setting forth causes,
factors, or other reasons which prevented the bank’s full
compliance. The Banking Board Secretary shall consider
such statement and such other information as it may deem
appropriate, and, upon finding that the reasons presented
describe exceptional circumstances beyond the control of
the applicant bank, the Banking Board Secretary may still
determine that the bank has served the needs of the
communities in which it maintains branches or offices."

Section 22. Section 601 of title 29 of the Code of the
Federated States of Micronesia is hereby amended to read as follows:

"Section 601. Regulation and supervision of banks by
Banking Board Secretary of Finance - General policies.

All domestic banks and, to the extent of and with respect
to business done at any branches established in the
Federated States of Micronesia, all foreign banks doing
business in the Federated States of Micronesia shall be
regulated and supervised by the Banking Board Secretary of
Finance in such manner as to secure the safe and sound
conduct of such business, to prevent unsound practices, and
to maintain the public confidence in such business and
protect the public interest and the interests of
depositors, creditors, and stockholders."

Section 23. Section 602 of title 29 of the Code of the
Federated States of Micronesia is hereby amended to read as follows:

"Section 602. Regulations - Issuance and promulgation.

(1) For the purpose of effectuating the policy
declared in section 601 of this chapter, the Banking Board
Secretary of Finance, with the approval of the President of
the Federated States of Micronesia, may adopt regulations consistent with law and sound banking practice.

(2) Such regulations shall be brought to the attention of those affected thereby in the manner that the Banking Board Secretary may prescribe."

Section 24. Section 603 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 603. Examination of banks - Authority; Testimony; Fees.

(1) The Banking Board Secretary of Finance may examine, or cause to be examined, every domestic or foreign bank for the purpose of ascertaining whether it has complied with this title and other applicable laws and for such other purposes and such other matters as the Banking Board Secretary of Finance may prescribe.

(2) The Banking Board Secretary shall cause every examiner appointed by him to administer an oath to any person whose testimony may be required on the examination of any bank and summon and compel the appearance and attendance of any person for the purpose of the examination.

(3) As an examination fee, each bank so examined shall pay the total cost of such examination, and the sum so paid shall be covered into the General Fund of the Federated States of Micronesia."

Section 25. Section 604 of title 29 of the Code of the

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Federated States of Micronesia is hereby amended to read as follows:

"Section 604. Reports of banks.

(1) Every domestic or foreign bank shall make at least one report of its condition each year to the Secretary within ninety days after the close of the bank’s fiscal year, and according to forms to be prescribed by him, verified by the oath of the chief executive officer or chief financial officer 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.

(2) Such reports shall exhibit in detail and under appropriate heads the total resources and liabilities of the bank, and, in the case of a foreign bank, shall show separately the resources, liabilities, and operations in the Federated States of Micronesia.

(3) The Secretary shall have the right to require that any such reports be audited at the bank’s expense by independent accountants approved by the Secretary."

Section 26. Section 605 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 605. Special reports.

(1) The Secretary 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.

(2) During the first five years of operations in the
Federated States of Micronesia by any domestic bank, the
Secretary shall call for special reports of its
condition not less frequently than each calendar quarter."

Section 27. Section 608 of title 29 of the Code of the
Federated States of Micronesia is hereby amended to read as follows:

"Section 608. Alternative examination and reports.

(1) The Secretary may accept, in lieu of the
examination required or authorized by section 603 of this
title, the most current examination made by the Federal
Deposit Insurance Corporation, the Board of Governors of
the Federal Reserve System, or a Federal Reserve Bank, or in
case of a foreign bank not examined by such agencies, an
examination acceptable by the appropriate government agency
in the home jurisdiction of that bank.

(2) The Secretary may accept, in lieu of any
report of condition which may be required by sections 604
or 605 of this chapter, a report of condition obtained by
said Corporation, Board of Governors, Federal Reserve Bank,
or government agency."

Section 28. Section 609 of title 29 of the Code of the
Federated States of Micronesia is hereby amended to read as follows:

"Section 609. Legal reserve - Domestic banks.
(1) Subject to such additional requirements as the Banking Board Secretary of Finance may impose, every domestic bank shall maintain a legal reserve which shall not be less than twenty percent of its demand deposits and not less than five percent of its other deposits. Said reserve shall consist of United States currency or demand deposits in the name of such bank deposited in another bank approved for such purpose by the Banking Board Secretary.

(2) The Banking Board Secretary may increase or decrease the minimum legal reserve for demand deposits established in this section up to not more than thirty percent or down to not less than fifteen percent of the total demand deposits of a domestic bank, when in his judgment the circumstances so require it; but the order increasing or decreasing the minimum legal reserve shall not be effective until thirty days after it is entered. This time might be extended by the Banking Board Secretary."

Section 29. Section 611 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 611. Legal reserve - Notification. The Banking Secretary shall notify any domestic or foreign bank whose legal reserve is less than that required by this title of its obligations to make up the full amount. If such bank fails to do so within a period of thirty days, it may be declared in liquidation by the Banking Board Secretary. In
such event, the Secretary shall apply to the Trial
Division of the Supreme Court of the Federated States of
Micronesia for the appointment of a receiver to take charge
of and wind up the affairs of such bank and thereafter the
matter shall be governed by the provisions of section 302
of this title."

Section 30. Section 618 of title 29 of the Code of the
Federated States of Micronesia, as amended by Public Law No. 6-41, is
hereby further amended to read as follows:

"Section 618. Prohibited Investments by Domestic Banks.

No domestic bank shall invest in the stock of any other
corporation, acquire any real estate, except with the
approval of the Secretary of Finance for use
as its principal office in the Federated States of
Micronesia, or pledge any of its assets as security for or
guaranty any obligations of others except for the issuance
of its letters of credit in connection with the shipment of
goods.";

Section 31. Section 620 of title 29 of the Code of the
Federated States of Micronesia, as amended by Public Law No. 6-41, is
hereby further amended to read as follows:

"Section 620. Declaration of Dividends - Requirements. No
domestic bank shall declare any dividend or make any other
distribution to its stockholders except:

(1) out of earnings for the current and next
preceeding year; or

(2) with the approval of the Secretary of Finance."

Section 32. Section 621 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 6-41, is hereby further amended to read as follows:

"Section 621. Bank stock - Ownership limitations. No person may acquire twenty-five percent or more of the stock of a domestic bank without the approval of the Secretary of Finance."

Section 33. Section 622 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 6-41, is hereby further amended to read as follows:

"Section 622. Limitations on sale of assets, merger, etc. No domestic bank may merge or consolidate with, or sell a substantial portion of its assets to, another bank without the approval of the Secretary of Finance."

Section 34. Section 623 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 6-41, is hereby further amended to read as follows:

"Section 623. Deposit and other insurance.

(1) At such time as it becomes available under the laws of the United States, all domestic banks and foreign banks, as a condition to operating an office or branch in the Federated States of Micronesia, shall secure their
depositors by deposit insurance of the Federal Deposit Insurance Corporation of the United States.

(2) All domestic and foreign banks operating an office or branch in the Federated States of Micronesia shall provide themselves with protection and indemnity against burglary, embezzlement, and other similar insurable loss. If a domestic or foreign bank refuses to comply with this requirement, the Secretary shall have the right to make arrangements to furnish such protection and indemnity, charging the cost thereof to said bank.”

Section 35. Section 624 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 6-41, is hereby further amended to read as follows:

"Section 624. Prohibited interests of Government officials in banks; Removal from office.

(1) No employee or official of the Department of Finance nor the Public Auditor nor any representative of the Department of Finance or the Public Auditor nor any bank examiner shall, during the discharge of his office:

(a) be an officer, director, or employee in any bank or company affiliated therewith;

(b) own or deal directly or indirectly in the shares or obligations of such bank or affiliated company;

(c) be interested in or receive directly or
indirectly from such bank or affiliated company, or from
any of its officers, directors, or employees, any salary,
gratuity, compensation, or other thing of value by way of
gift, credit, compensation for services, or for any other
reason; or

(d) be interested in or under obligation to
negotiate any loan, obligation, or settlement for another
person with such bank or affiliated company.

(2) Any violation of this section by any official or
employee referred to herein shall be sufficient cause for
his removal from office by the President."

Section 36. Section 625 of title 29 of the Code of the
Federated States of Micronesia, as amended by Public Law No. 6-41, is
hereby further amended to read as follows:

"Section 625. Permissible interests of Government
officials. Notwithstanding the provisions of section 624
of this chapter, any official or employee referred to
in such section may own or keep one or more bank accounts,
either commercial or savings, and may rent safe deposit
boxes in any bank referred to in such section and doing
business in the Federated States of Micronesia, and may
obtain a loan from any such bank, foreign bank, or
affiliated company; provided, that such official or
employee makes full disclosure thereof to the Banking Board
Secretary of Finance and, in the case of each of the
Section 37. Section 627 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 6-41, is hereby further amended to read as follows:

"Section 627. General penalties.

(1) For any violation of this title or the regulations prescribed pursuant to section 602 of this title, the delinquent domestic or foreign bank shall be subject to a fine of not more than $1,000 for each day that the violation continues and, in the case of a material violation, to the cancellation of its license.

(2) Such fine or cancellation shall be imposed by the Secretary of Finance only with the approval of the President of the Federated States of Micronesia and after notice to the delinquent bank and a hearing concerning the alleged violation.

(3) In any such case, the Secretary shall send written notice of his action to the bank affected as quickly as circumstances will allow, and if the cancellation of the bank's license has been decided upon, shall transmit a written order to that effect to the Registrar of Corporations for appropriate action."

Section 38. Section 801 of title 29 of the Code of the
Federated States of Micronesia, as amended by Public Law No. 6-73, is hereby further amended to read as follows:

"Section 801. Receivership - Application by Secretary of Finance. If, in consequence of an examination or report made by an examiner, or otherwise, the Secretary of Finance should have reason to believe that a bank or foreign bank is not in sound financial condition to continue doing business; or that its affairs are being conducted in such a manner that the public or the persons or entities having securities or funds under its custody are in danger of being defrauded; or if any such bank shall violate its charter or any law relative thereto, or this title in any material respect; or if it becomes insolvent, the Secretary shall apply to the Trial Division of the Supreme Court of the Federated States of Micronesia, for the appointment of a receiver to take charge of and wind up the affairs of such bank."

Section 39. Section 802 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 802. Receivership - Appointment and duties of receiver.

(1) If the Court, after hearing all parties concerned, determines that the facts alleged by the Secretary of Finance are supported by the evidence, it shall appoint a receiver."
(2) Upon his appointment the receiver shall, under
the direction of the Secretary, take possession of
the assets and liabilities, books, records, papers, and
files of every description belonging to the bank; and
collect all loans, fees, and claims of the bank; and see to
the payment of its obligations and debts, and to the
necessary expenses of receivership.

(3) The receiver shall proceed to liquidate the
affairs of the bank as soon as possible, and to this end
may sell the personal and real property and other assets of
the bank, but subject to the approval of the Secretary. The receiver shall continue to perform his
duties in the manner prescribed herein until the bank or
foreign bank is fully liquidated."

Section 40. Section 803 of title 29 of the Code of the
Federated States of Micronesia is hereby amended to read as follows:

"Section 803. Voluntary liquidation. Any bank may
terminate its business in the Federated States of
Micronesia with the approval and under the supervision of
the Secretary of Finance in such event. The
business and assets of the bank in the Federated States of
Micronesia shall be liquidated in an orderly manner so as
to fully protect all of the creditors, depositors, and
stockholders of the bank in the Federated States of
Micronesia."
Section 41. 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: October 30, 1990

Introduced by: Redley Killion