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:

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

"Section 501. Annual licensing of banks.

(1) The Banking Board 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 2. Section 504 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 504. Licenses—Board review.

(1) 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 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 Banking Board 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.

(3) In making the foregoing determination, due con-
sideration 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 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 a written explanation setting
forth causes, factors, or other reasons which prevented the
bank's full compliance. The Banking Board 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 may still determine
that the bank has served the needs of the communities in
which it maintains branches or offices."

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

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

Section 4. Sections 617 through 626 of title 29 of the Code of the Federated States of Micronesia are hereby renumbered as sections 618, 619, 620, 621, 622, 623, 624, 625, 626 and 627, respectively.

Section 5. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

John R. Hagelberg
President
Federated States of Micronesia