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A BILL FOR AN ACT

To further amend title 34 of the Code of the Federated States of Micronesia, as amended by Public Law No. 7-135, by repealing and reenacting sections 203, 204 and 205, and by amending section 208, as established by Public Law No. 7-135, for the purpose of permitting the Banking Board to determine minimum and maximum interest rates for banks, to change the usury rate for other lenders, and for other purposes.

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

1 Section 1. Section 203 of title 34 of the Code of the
2 Federated States of Micronesia is hereby repealed and reenacted
3 to read as follows:

4 "Section 203. Credit transactions - Banks.

5 (1) The Banking Board constituted pursuant to title
6 29 of the Code of the Federated States of Micronesia
7 may, with the approval of the President, from time to
8 time specify the maximum and/or minimum rates of
9 interest chargeable in respect to credit extended by
10 banks holding a current, valid license issued pursuant
11 to title 29 of the Code of the Federated States of
12 Micronesia.

13 (2) Any specification made under subsection (1) of
14 this section shall be notified in writing by the Banking
15 Board to every bank.

16 (3) The rates of interest specified under
17 subsection (1) of this section shall apply to credit
18 transactions entered into on or after the date the
19 specification is to take effect."

20 Section 2. Section 204 of title 34 of the Code of the
21 Federated States of Micronesia is hereby repealed and reenacted
22 to read as follows:

23 "Section 204. Credit transactions - Non-banks.

24 (1) No person may directly or indirectly receive or
25 charge interest for the extension of credit that exceeds

1 an annual percentage rate of 15 percent or such higher
2 maximum rate, if any, as shall be applicable to banks
3 pursuant to section 203 of this title.

4 (2) The provisions of subsection (1) of this
5 section do not apply to any bank holding a current valid
6 license issued pursuant to title 29 of the Code of the
7 Federated States of Micronesia."

8 Section 3. Section 205 of title 34 of the Code of the
9 Federated States of Micronesia is hereby repealed and reenacted
10 to read as follows:

11 "Section 205. Interest margin - Banks.

12 (1) The Banking Board shall review from time to
13 time, and in any event not less frequently than once
14 each quarter, the margin between the average rate of
15 interest paid on all interest bearing deposits and the
16 average rate of interest charged on the extension of
17 credit, by each bank holding a current valid license
18 issued pursuant to title 29 of the Code of the Federated
19 States of Micronesia.

20 (2) The banks referred to in subsection (1) of this
21 section shall furnish to the Banking Board such
22 information as the Board may require for the purposes of
23 this title, in such format and at such times as may be
24 specified by the Board by notice in writing to such
25 banks.

1 (3) The Banking Board shall submit a report at the
2 end of June and December each year to the President and
3 the Speaker of the Congress of the Federated States of
4 Micronesia on the interest margins referred to in
5 subsection (1) of this section, and if the statement of
6 policy referred to in section 201 of this title is being
7 met, taking into account any specifications made by the
8 Board pursuant to section 203(1) of this title."

9 Section 4. Section 208 of title 34 of the Code of the
10 Federated States of Micronesia, as established by Public Law No.
11 7-135, is hereby amended to read as follows:

12 "Section 208. Current interest rates. Every bank shall
13 post in a public place within each of its branches
14 located in the Federated States of Micronesia the
15 current rate of interest paid on deposits held,
16 including demand deposits, savings deposits, and
17 certificates of deposit, by such bank and the *prime*
18 minimum lending rate currently in effect for loans. In
19 any loan in which an adjustable interest rate is used,
20 the lender shall notify the borrower by mail of any
21 changes in the rate of interest applicable to the loan,
22 at least 10 days in advance of such changes taking
23 effect."

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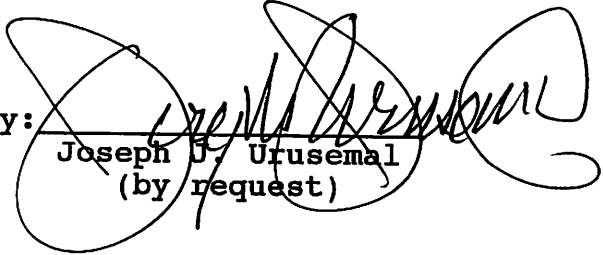
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1 Section 5. This act shall become law upon approval by the
2 President of the Federated States of Micronesia or upon its
3 becoming law without such approval.

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5 Date: 9/30/94

Introduced by:


Joseph U. Urusemal
(by request)

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