AN ACT

To further amend title 30 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 5-122, 6-80, 6-109 and 7-25, by repealing all sections of chapter 1 of title 30 except section 122 thereof, renumbering and relocating said section 122 to a new chapter 2 of title 30 entitled "Investment Development Fund," and enacting new sections of chapter 1 of title 30 for the purpose of reorganizing the Federated States of Micronesia Development Bank, and for other purposes.

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

1. Section 1. All sections of chapter 1 of title 30 of the Code of
2. the Federated States of Micronesia, except section 122 thereof, are
3. hereby repealed in their entirety.

4. Section 2. Title 30 of the Code of the Federated States of
5. Micronesia is hereby further amended by the creation of a new chapter
6. 2, entitled "Investment Development Fund."

7. Section 3. Section 122 of title 30 of the Code of the Federated
8. States of Micronesia, entitled "Investment Development Fund," as
9. established by section 2 of Public Law No. 5-122 and amended by
10. Public Law No. 6-109, is hereby relocated from chapter 1 to chapter 2
11. of title 30 and renumbered as section 201.

12. Section 4. Title 30 of the Code of the Federated States of
13. Micronesia is hereby further amended by adding a new section 101 of
14. chapter 1 to read as follows:
15. "Section 101. Establishment of the Federated States of
16. Micronesia Development Bank. There is hereby established a
17. body corporate to be known as the Federated States of
18. Micronesia Development Bank, hereinafter referred to as the
19. 'Bank.' The Bank shall not be deemed to be a legal
20. successor of either the Micronesia Development Bank or the

22. Section 5. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 102 of chapter 1 to read as follows:

"Section 102. Purpose. It is the intent of the Government of the Federated States of Micronesia to establish an independent financial institution operating under its own Board of Directors but conducting its activities within the framework of the National Government’s general economic plans, policies and priorities."

Section 6. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 103 of chapter 1 to read as follows:

"Section 103. Principal place of business and branch offices. The principal place of business of the Bank shall be located within the Federated States of Micronesia at a place to be designated by the Board of Directors of said Bank. The Board may designate other branch offices in the States of the Federated States of Micronesia, or abroad, based on the needs of the Bank."

Section 7. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 104 of chapter 1 to read as follows:

"Section 104. Functions of the Bank.

(1) Subject to any existing limitation or limitations hereafter created, the Bank is authorized to engage in all banking functions that will assist in the economic
advancement of the Federated States of Micronesia.

(2) Such functions shall include but are not limited to the following:

(a) To mobilize, from both within and outside of the Federated States of Micronesia, additional financial resources for development;

(b) To provide short, medium and long-term loans for high-priority projects, with special emphasis on and attention to the needs of the Federated States of Micronesia;

(c) To provide technical assistance and services for project identification and project formulation, and to perform investment studies;

(d) To administer trust funds and special funds available to the Federated States of Micronesia on a grant or loan basis; and

(e) To foster economic activities and cooperate with other lending institutions within and outside of the Federated States of Micronesia in supporting activities for its development."

Section 8. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 105 of chapter 1 to read as follows:

"Section 105. Powers of the Bank. In performing the functions authorized pursuant to section 104 of this
chapter, the Bank shall have and exercise all powers
normally exercised by a banking corporation, including but
not limited to the following:

(1) To adopt, alter and use a corporate seal;
(2) To adopt and amend bylaws governing the
conduct of its business and the exercise of its powers;
(3) To sue and be sued in its corporate name;
(4) To acquire in any lawful manner, real,
personal, or mixed property, either tangible or intangible;
to hold, maintain, use, and operate such property; and to
sell, lease, or otherwise dispose of such property;
(5) To acquire in any mode and take over the
whole or any part of the business, property, good will and
liabilities of any other bank or banks;
(6) To act as agent of and as correspondent for
other banks;
(7) To make, issue, and circulate notes upon
such terms and subject to such provisions and conditions as
may be prescribed by the Board;
(8) To guarantee or become liable for the
payment of money or for the performance of any obligations,
and generally to carry on guarantee and indemnity business
of all kinds and to effect counter guarantees;
(9) To take and otherwise acquire and hold
shares, stocks, mortgages, bonds, obligations, securities,
and investments of all kinds;

(10) To lend money either with or without
security, and if with security upon such terms as may from
time to time seem expedient;

(11) To borrow or raise any sum or sums of money
on such security and, upon such terms as to interest or
otherwise, as may from time to time seem expedient;

(12) To buy, sell and deal in bullion, specie,
precious metals, currencies, and exchange of and with all
countries;

(13) To lend and advance money to or negotiate
loans or discount promissory notes or other negotiable
instruments for, or on behalf of, or otherwise financially
assist, persons, firms or companies concerned in any way
whatever in the sale or purchase of any property, real or
personal, for cash or on credit or on hire purchase, hire
agreement, time payment, installment system, or otherwise,
and generally to transact or engage in any class of
business commonly undertaken by financiers;

(14) To establish agencies or connections in
relation to the business of the Bank in any part of the
world;

(15) To give letters of credit on agents and
banking connections in any part of the world;

(16) To buy, sell, discount, rediscount, and
hedge bills of exchange, promissory notes and treasury

securities;

(17) To buy and sell securities issued by any
government agency, international organization, company,
institution, or otherwise;

(18) To form or assist in forming any company
for the purpose of carrying on any business which the Bank
is authorized to carry on, or any other business which may
seem conducive to any of the interests of the Bank, or to
acquire by purchase or otherwise the whole or any part of
the business, property, and liabilities, or the whole or
any part of the shares or stock of any company carrying on
or proposing to carry on any such business as aforesaid; to
hold shares, stock, debentures, debenture stock, or any
interest in any such company and to dispose of such shares,
stock, debenture, debenture stock, or interest and to make
or carry out arrangements for giving the Bank the entire or
partial control and management or benefit of the business
of any such company and to guarantee dividends and interest
on shares, stock, debentures, debenture stock, mortgages,
bonds, or securities of any such company;

(19) To issue corporate bonds for various periods
of time, upon such terms and with such conditions and
provisions as are deemed necessary and desirable by the
Board for the sale to the general public or to other
financial institutions and government agencies;

(20) To permit the Bank to be registered or recognized in any country, state, or place outside of the Federated States of Micronesia, and to comply with any conditions necessary or expedient in order to enable the Bank to carry on business in any such country, state, or place, and to establish or guarantee local companies or branch offices constituted or regulated under or by local laws for carrying on any business which the Bank is authorized to carry on;

(21) To sell or otherwise dispose of, with or without recourse, loans or other assets of any kind, or interests therein; and

(22) To do all such other things as may be deemed incidental or conducive to the attainment of the above objects or any of them."

Section 9. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 106 of chapter 1 to read as follows:

"Section 106. Capitalization.

(1) The authorized capital stock of the Bank shall be $60,000,000 divided into 12,000,000 shares of common stock of par value of five dollars per share, but said authorized capital stock may be increased or decreased from time to time upon approval of the Board. If issued
capital stock is to be increased by the sale of additional
shares, each existing shareholder shall be entitled to
subscribe for such additional shares in proportion to the
number of shares of said issued capital stock owned by said
shareholder at the time the increase is authorized by the
Board, or at such other time thereafter but before the
increase is effectuated as the Board may specify. The
Board shall prescribe a reasonable period of time within
which the preemptive rights to subscribe to the new shares
of stock must be exercised. The Board, at any time and
from time to time, may authorize and issue debt
obligations, whether or not subordinated, without the
approval of the shareholders.

(2) Shares of stock may only be purchased with cash
except as described in section 136 of this chapter."

Section 10. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 107 of
chapter 1 to read as follows:

"Section 107. Corporate bylaws. The Board shall, by
majority vote of its entire membership, adopt, amend, or
repeal bylaws of the Bank providing for the management
of the business of the Bank, the organization, meetings,
and procedures of the Board, designating the officers of
the Bank and the duties thereof, the form of the seal of
the Bank, and the preparation and submission of required
reports. Bylaws may not be adopted, amended, or repealed except after 1 week's written notice to each director."

Section 11. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 108 of chapter 1 to read as follows:

"Section 108. Annual shareholders meeting.

(1) There shall be an annual shareholders meeting to be held on the second Tuesday in April of each year or such other date as the Board may prescribe. The purpose of the meeting shall be to elect directors and to transact whatever other business may be brought before the meeting. The meeting shall be held at the main office of the Bank, or at such other place as the Board may designate. Notice of the meeting shall be mailed, postage prepaid, at least 30 days prior to the date of the meeting, addressed to each shareholder at his or her address appearing on the books of the Bank. Alternatively, such notice may be sent by fax, receipt confirmed by telephone at least 10 days prior to the date of the meeting, to a shareholder at his or her fax number, if any, appearing on the books.

(2) Nominations for election to the Board may be made by the Board or by any stockholder of any issued share of the Bank entitled to vote for election of directors. Nominations by a shareholder shall be made in writing and delivered, faxed, or mailed to the President of the Bank
not less than 14 days (30 days in the case of mailing) nor
more than 50 days prior to any annual stockholders
meeting. Such notification shall contain the following
information to the extent known to the nominating
shareholder:

(a) The name and address of each nominee;
(b) The principal occupation of each nominee;
(c) The name and address of the nominating
shareholder; and
(d) The number of shares of capital stock of the
Bank owned by the nominating shareholder."

Section 12. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 109 of
chapter 1 to read as follows:

"Section 109. Special shareholders meeting. Special
meetings of the shareholders may be called for any purpose
at any time by the Board or by any three or more
shareholders owning, in the aggregate, not less than 25
percent of the issued stock of the Bank. Every such
special meeting, unless otherwise provided by law to the
contrary, shall be called by mailing a notice, postage
prepaid, stating the purpose of the meeting, not less than
30 days prior to the date fixed for such meeting, to each
shareholder at his or her address appearing on the books of
the Bank. Alternatively, such notice may be sent by fax,
receipt confirmed by telephone at least 10 days prior to
the date of the meeting, to a shareholder at his or her fax
number, if any, appearing on the books of the Bank."

Section 13. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 110 of
chapter 1 to read as follows:

"Section 110. Proxies. Shareholders may vote at any
meeting of the shareholders personally or by proxies duly
authorized in writing, but no officer or employee of the
Bank shall act as proxy. Proxies shall be valid only for
one meeting, to be specified therein, and any adjournments
of such meeting. Proxies shall be dated and shall be filed
with the record of the meeting."

Section 14. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 111 of
chapter 1 to read as follows:

"Section 111. Quorum. A majority of the issued stock
of the Bank represented in person or by proxy shall
constitute a quorum at any meeting of shareholders, unless
otherwise provided by law; but less than a quorum may
adjourn any meeting, from time to time, and the meeting may
be held, as adjourned, without further notice. A majority
of the votes cast shall decide every question or matter
submitted to the shareholders at any meeting, unless
otherwise provided by law to the contrary."
Section 15. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 112 of chapter 1 to read as follows:

"Section 112. Voting rights; Cumulative voting.

(1) Only shareholders in whose names shares entitled to vote stand on the stock record of the Bank on the day of any meeting of shareholders, unless some other record date be fixed by the Board for the determination of shareholders of record and then on such other day, shall be entitled to vote at such meeting.

(2) Any shareholder entitled to vote at any election for directors may vote cumulatively and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shares are entitled, or distribute that shareholder's vote on the same principal among as many candidates as that shareholder thinks fit. The candidates receiving the highest number of votes up to the number of directors to be elected are elected."

Section 16. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 113 of chapter 1 to read as follows:

"Section 113. Record date. The Board may fix a time in the future not exceeding 40 days preceding the date of any meeting of shareholders or the date fixed for the allotment
of rights, or when any change or conversion or exchange of
shares shall go into effect, as a record date for the
determination of shareholders entitled to receive notice of
and to vote at such meeting, or to receive any allotment of
rights, or to exercise the rights with respect to any such
change, conversion or exchange of shares. In such case
only shareholders of record on the date so fixed shall be
entitled to notice of and to vote at such meeting, or to
receive such allotment of rights, or to exercise such
rights, as the case may be, notwithstanding any transfer of
any share on the books of the Bank after any record date
fixed as aforesaid. The Board may close the books of the
Bank against transfer of shares during the whole or any
part of such period."

Section 17. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 114
of chapter 1 to read as follows:

"Section 114. Board of Directors.

(1) There shall be a Board of Directors of the Bank
consisting of seven members (one of whom shall be the
President of the Bank ex officio) elected at the annual
shareholders meeting by the shareholders by the plurality
of votes thereof. A director shall serve until his term is
expired or his successor is elected and qualified,
whichever is later, and shall be eligible for reelection.
Membership on the Board shall not be restricted to shareholders or to citizens of the Federated States of Micronesia. Any vacancy in the Board may be filled by action of the Board.

(2) Directors shall serve staggered terms of 3 years. At the first organizational meeting of the Board, the six elected directors shall, by lot, determine among themselves which two directors shall have initial terms of 1 year, which two directors shall have initial terms of 2 years, and which two directors shall have initial terms of 3 years. Thereafter all terms shall be 3 years.

(3) Until a new Board shall have been elected and qualified as provided in this chapter the Board in existence immediately prior to the time that the act establishing this chapter becomes law shall continue to serve as the Board of Directors of the Bank, subject to the same quorum standard as was in existence immediately prior to said time."

Section 18. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 115 of chapter 1 to read as follows:

"Section 115. Professional qualifications of directors and officers of the Bank.

(1) Board members of the Bank shall be persons experienced in the conduct of business, commerce, finance,
banking, accounting, or development economics.

(2) The President and senior Vice President of the Bank shall each have had not less than 5 years experience in the banking profession, or the equivalent experience in a related profession."

Section 19. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 116 of chapter 1 to read as follows:

"Section 116. Organizational meeting. Upon receipt of the result of the election at the shareholders meeting, the President of the Bank shall forthwith notify the directors-elect of their election and of the time at which they are required to meet at the office of the Bank for the purpose of organizing the new Board. Such meeting shall be held on the date of the election or as soon thereafter as practicable, and, in any event, within 30 days thereof."

Section 20. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 117 of chapter 1 to read as follows:

"Section 117. Regular meetings. Regular meetings of the Board shall be held without notice, on the second Monday of January, April, July and October of each year at the principal office of the Bank or at such place as the Board may designate. When any regular meeting of the Board falls on a legal holiday, the meeting shall be held on the next
banking business day unless the Board designates a
different day."

Section 21. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 118 of
chapter 1 to read as follows:

"Section 118. Special meetings. Special meetings of the
Board may be called by the Chairman of the Board and shall
be called at the request of two or more directors. The
President shall give 10 days' written notice of any special
meeting. Each member of the Board shall be given notice
stating the time and place, by telegram, facsimile, letter,
or personal delivery, of each such special meeting. Only
matters set forth in the notice of special meeting shall be
considered at such meeting."

Section 22. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 119 of
chapter 1 to read as follows:

"Section 119. Quorum. Four directors shall constitute a
quorum at any meeting of the Board."

Section 23. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 120 of
chapter 1 to read as follows:

"Section 120. Removal of Directors. Any director may be
removed by the affirmative vote of the majority vote of the
shareholders present in person or by proxy at any meeting
duly called for such purpose."

Section 24. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 121 of chapter 1 to read as follows:

"Section 121. Officers of the Board. The officers of the Board shall consist of a Chairman and a Vice Chairman, each of whom must be a member of the Board. Officers of the Board shall be elected by the directors and shall serve for 1 year or until their successors are elected and qualified, and they shall be eligible for reelection. The duties and responsibilities of the officers of the Board include but are not limited to the following:

(1) Chairman. The Chairman of the Board shall, if present, preside at all meetings of the Board, and exercise and perform such other powers and duties as may from time to time be assigned by the Board.

(2) Vice Chairman. In the absence of the Chairman, the Vice Chairman shall perform all the duties of the Chairman, and when so acting shall have all the powers of, and be subject to all the restrictions imposed upon, the Chairman. The Vice Chairman shall have such other powers and perform such other duties as from time to time may be prescribed by the Board."

Section 25. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 122 of
chapter 1 to read as follows:

"Section 122. Officers of the Bank. The officers of the Bank shall consist of a President, a senior Vice President, a Secretary/Treasurer (or a Secretary and a Treasurer), and such other officers, including one or more junior Vice Presidents, as may be specified in the bylaws of the Bank.

The President and senior Vice President shall be appointed by and serve at the pleasure of the Board. All other officers shall be appointed and serve for such terms as may be specified in the bylaws. The duties and responsibilities of the President and Vice President(s) include but are not limited to the following:

(1) **President.** Subject to the control of the Board, and to the extent delegated by the Board, the Chairman, the President shall be the chief executive officer of the Bank and shall have the general supervision, direction and control of the business and officers of the Bank. The President shall be delegated the duties and responsibilities of the day-to-day management and operation of the Bank. The President shall be an ex officio member of the Board, with full voting and other rights, except that the President may not hold the office of Chairman or Vice Chairman. The President shall have the general powers and duties of management usually vested in the office of the President of a corporation engaged in the banking
business.

(2) **Vice President(s).** In the absence of the President, the senior Vice President, or any other Vice President in the order specified in the bylaws, shall perform all the duties of the President except that of ex officio director, and when so acting shall have all the powers of, and be subject to all the restrictions imposed upon, the President."

Section 26. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 123 of chapter 1 to read as follows:

"Section 123. **Action by unanimous consent.** Any action required or permitted to be taken by the shareholders or the Board may be taken without a meeting thereof if all the shareholders or directors, as appropriate, shall individually and collectively consent in signed writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the shareholders or the Board, as appropriate, and such action by written consent shall have the same force and effect as unanimous vote of such shareholders or directors."

Section 27. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 124 of chapter 1 to read as follows:

"Section 124. **Committees.** The Board may designate one or
more committees, each consisting of two or more directors
and with such powers as the Board may designate to perform
the functions for which said committee is established.
Nondirectors may also serve on such a committee. Such a
committee shall continue to exist at the pleasure of the
Board."

Section 28. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 125 of
chapter 1 to read as follows:

"Section 125. Acts affecting personal financial interest.
No director or officer of the Bank shall participate
personally and substantially in the making of any decision
relating to any application for a loan or other commitment
from or through the Bank in which, to his knowledge, he,
his spouse, child, close relatives, partner, organization
in which he or she is serving as officer, director,
trustee, partner, or employee, or any person or
organization with whom he is negotiating or has any
arrangement concerning prospective employment has a
financial interest. No director or officer of the Bank
shall be eligible to borrow money from or through the Bank,
or to assume responsibility in whole or in part under a
guarantee or indemnity or by the deposit of a security to
the Bank in respect of a debt or obligation of a third
party."
Section 29. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 126 of chapter 1 to read as follows:

"Section 126. Expenses and honoraria. Directors shall be entitled to necessary travel expenses while on the business of the Bank. Directors may receive an honorarium of such amount as may be determined by the Board. Government employees shall not be entitled to an honorarium for attending Board meetings during normal hours of employment."

Section 30. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 127 of chapter 1 to read as follows:

"Section 127. Administration of funds. The Bank is hereby authorized to administer such fund or funds as may from time to time come into its possession and under its management control. Except as may be more particularly specified by law with respect to any particular fund, the Bank shall charge a reasonable fee to administer such funds and may, in the case of grant funds, waive any such fee."

Section 31. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 128 of chapter 1 to read as follows:

"Section 128. Tax exemption; No dividends.

(1) The Bank shall exist and operate solely for the
benefit of the public and shall be exempt from any taxes or
assessments on any of its property, operations, or
activities. It is anticipated, although not required, that
continuation of this tax exemption will be periodically
reviewed by the Congress of the Federated States of
Micronesia on its own motion or as requested by the Bank.

(2) For so long as any part of the tax exemption
established in this section shall continue, the Bank shall
be prohibited from paying any dividend or making any other
distribution to its stockholders."

Section 32. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 129 of
chapter 1 to read as follows:

"Section 129. Debt of the Bank. Any debt or obligation
incurred by the Bank shall not be a debt or obligation of
the Government of the Federated States of Micronesia, nor
shall the Government of the Federated States of Micronesia
be responsible for any debt or obligation of the Bank
unless specifically authorized by statute."

Section 33. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 130 of
chapter 1 to read as follows:

"Section 130. Audit. At such times as the Board may
provide, the books and records of the Bank shall be
thoroughly examined and audited by a qualified auditor
appointed by the Board, which may be the Public Auditor.

Such auditor shall also determine the book value of the
issued stock of the Bank, which information shall be made
available to the public."

Section 34. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 131 of
chapter 1 to read as follows:

"Section 131. Records and inspections.

(1) Records. The Bank shall maintain accurate and
correct accounts, books and records of its business and
properties. All such books, records and accounts shall be
kept at the principal place of business of the Bank, or at
such other place or places of business as may be designated
from time to time by the Board.

(2) Inspection of books and records. The books and
records of the Bank shall be open to the directors for
inspection from time to time upon 24 hours' notice to the
Bank of such intent to inspect."

Section 35. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 132 of
chapter 1 to read as follows:

"Section 132. Checks, drafts, etc. All checks, drafts or
other orders for payment of money, notes or other evidence
of indebtedness, issued in the name of or payable to the
Bank shall be signed or endorsed by such person or persons
and in such manner as shall be determined from time to time
by resolution of the Board."

Section 36. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 133 of
chapter 1 to read as follows:

"Section 133. Contracts; How executed. The Board may
authorize any officer, agent, or employee to enter into any
contract or execute any instrument in the name of and on
behalf of the Bank. Such authority may be general or
confined to specific instances. Unless so authorized by
the Board, no officer, agent or employee shall have any
power or authority to bind the Bank by any contract or
engagement, or to pledge its credit, or to render it liable
for any purpose or for any amount."

Section 37. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 134 of
chapter 1 to read as follows:

"Section 134. Annual report. The Bank shall as soon as
possible, but not exceeding 120 days after the conclusion
of each fiscal year, submit to its stockholders an annual
report containing:

(1) An account of its transactions throughout the
year;

(2) A statement of the accounts of the Bank duly
audited in accordance with the provisions of section 130 of
this chapter; and

(3) A list and brief description of all outstanding
loans or other commitments made to any director or officer
of the Bank, or to any other person or organization
described in section 125 of this chapter, including a
statement of whether the payment status is current or
delinquent."

Section 38. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 135 of
chapter 1 to read as follows:

"Section 135. Certificates and transfers of shares.

(1) Certificates for shares. Certificates for shares
shall be of such form and device as the Board may designate
and shall state the name of the record holder of the shares
represented thereby; its numbers; date of issuance; the
number of shares for which it is issued; the par value, if
any; a statement as to redemption or conversion, if any; a
statement of liens or restrictions upon transfer or voting,
if any; if the shares be assessable, or, if assessments are
collectible by personal acting, a plain statement of such
facts. Every certificate for shares must be signed by the
President and a Vice President or by either the President
or a Vice President and a member of the Board of Directors.

(2) Transfer on the books. Upon the surrender to the
Secretary of the Bank of a certificate for shares duly

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endorsed or accompanied by proper evidence of succession,
assignment or authority to transfer, it shall be the duty
of the Bank to issue a new certificate and record the
transaction upon its books.

(3) Lost or destroyed certificates. Any person
claiming a certificate of stock to be lost or destroyed
shall make an affidavit or affirmation of that fact and
advertise the same in such manner as the Board may require,
and shall if the Board so requires give the Bank a bond of
indemnity, in form and with one or more sureties
satisfactory to the Board, in an amount of up to double the
value of the stock represented by said certificate,
whereupon a new certificate may be issued of the same tenor
and for the same number of shares as the one alleged to be
lost or destroyed."

Section 39. Title 30 of the Code of the Federated States of
Micronesia is hereby further amended by adding a new section 136 of
chapter 1 to read as follows:

"Section 136. FSM National Government shares and FSM State
governments shares.

(1) It is hereby authorized that the Trust Territory
Economic Development Loan Fund and all of the funds (except
the Investment Development Fund) appropriated by the
Congress of the Federated States of Micronesia which are
currently administered by the Federated States of
Micronesia Development Bank shall be, and the same hereby are, dedicated to purchase shares of stock in the Bank for the National Government of the Federated States of Micronesia. All cash and the entire portfolio of loans in said funds are hereby transferred to the Bank as capital in return for the issuance of certificates of shares of stock in the Bank in favor of the National Government of the Federated States of Micronesia. All shares of stock shall be issued to and in the name of the Secretary of the Department of Finance as title trustee for the National Government. The cash value of the loan portfolio transferred by the National Government shall be appraised by an independent appraiser prior to the purchase of the stock in the Bank. The Secretary shall, through the management and voting of shares held in the name of the National Government, make every effort to ensure that at least one citizen from each State serves on the Board of Directors.

(2) Any fund currently administered by the Bank for or on behalf of a State government shall, at the option of that State, be similarly appraised and transferred to the Bank in exchange for stock in the Bank. Such shares shall be issued to and in the name of the chief financial officer of said State, or such other State official as the State may designate, as title trustee."
Section 40. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 137 of chapter 1 to read as follows:

"Section 137. Foreign ownership. It is intended that the Bank shall have and retain the legal capacity to acquire, own title to, dispose of, and otherwise deal in land and waters in the Federated States of Micronesia. Therefore no stock in the Bank may be owned by any person or entity whose partial ownership of the Bank would cause the Bank to lose such capacity under applicable law. Any transfer of stock in the Bank to such a person or entity shall be null, void, and of no effect."

Section 41. Title 30 of the Code of the Federated States of Micronesia is hereby further amended by adding a new section 138 of chapter 1 to read as follows:

"Section 138. Limit on commitments to single person or project.

(1) The total commitment of the Bank to any single person or project shall not exceed 15 percent of the unimpaired shareholders' equity in the Bank.

(2) For purposes of this section, the term 'person' includes individuals, corporations, partnerships, joint ventures, trusts, governmental organizations, and all other legal entities. A commitment to any individual includes any commitment to that individual's parents, siblings,
children, or grandchildren and any commitment to the
coopartners or other close business associates of that
individ. A commitment to any other entity includes any
commitment to other persons controlling, controlled by, or
under common control with that entity; to directors or
officers of the entity if it is a corporation; to the
constituent partners of that entity if it is a partnership;
and to the co-partners or other close business associates
of that entity.

(3) For purposes of this section, a 'commitment' to a
person or a project includes the current outstanding
balance of any loan by the Bank to that person or for that
project, the full remaining amount of exposure under any
guarantee or letter of credit issued by the Bank at the
request of that person or for the benefit of that project,
the original face amount of any equity investment made by
the Bank in that person or project, and the amount of any
unabursed loan commitment issued to or for that person or
project."
Section 42. This act shall become law upon approval by the
President of the Federated States of Micronesia or upon its becoming
law without such approval.

January 3rd, 1992

Bailey Olter
President
Federated States of Micronesia