

Federated States of Micronesia Office
of the Registrar of Corporations
Department of Economic Affairs
Filed on this 20th day of December
2006

FEDERATED STATES OF MICRONESIA

TITLE 29 - BANKING BOARD

Valens Akel
Registrar

DORMANT ACCOUNT REGULATIONS

PART 1. GENERAL PROVISIONS

1.1 **Authority.** These regulations are promulgated by the Banking Board pursuant to the authority granted by 29 FSMC 106, and in accordance with the requirements of the FSM Administrative Procedures Act, 17 FSMC §102.

1.2 **Purpose.** These regulations implement the provisions of Section 106 of Title 29, Dormant and Inactive Accounts.

1.3 **Force and Effect.** These regulations and any amendments hereto shall have the force and effect of law.

1.4 **Severability.** If any parts of these Regulations are held ineffective, void or otherwise inactive, the remaining regulations shall continue unaffected.

1.5 **Definitions.** For purposes of these regulations, the following terms shall have the following meaning:

"Dormant Accounts" shall mean accounts referred to in Title 29 106(1) and (2).

PART 2. NOTICE OF DORMANCY

2.1 **Letter Notice.** Dormant accounts shall be identified annually by each bank during the month of June. Upon identification of a dormant account, the bank shall send written notice to the depositor at the depositor's last known address, informing the depositor that the depositor's account will be closed and the funds therein transferred to the Secretary of Finance if the depositor does not claim the funds in the dormant account by December 31 of that calendar year. The notice shall be sent no later than October 1 of that calendar year. A record that such notice was sent shall be maintained by the bank.

2.2 **Public Notice.**

a. Between November 1 and November 15 and between December 1 and December 15 of each year, each bank shall publish a "Notice of Inactive Bank Accounts".

b. The Notice shall contain the names, in alphabetical order, and last known addresses of depositors of dormant accounts; and a statement that, if not claimed, such

funds shall be transferred to the Secretary of Finance during the month of January of the following year.

c. The Notice of Inactive Bank Accounts shall be published in a newspaper of general circulation and by radio. The Notice shall also be posted at bank offices and post offices. The Notice shall be published in English and the local language.

d. A record of the Notice and where and when it was published shall be maintained by the banks.

PART 3. TRANSFER TO SECRETARY OF FINANCE

3.1 **Transfer.** During the month of January of the calendar year immediately following the notification and publication of dormant accounts, each bank shall transfer to the Secretary of Finance, for the account of the depositor, the full balance of each dormant account. In addition, the bank shall provide a list of accounts transferred; the list shall include the names of the account holders, the bank account number, and the balance transferred, as well as the signature cards and any other documents relating to identification of the account holder(s). The bank may also transfer funds pursuant to 29 FSMC §106(9) at this time.

3.2 **Publication costs.** Prior to transferring dormant account funds, the bank may deduct costs of notice and publication as follows: \$1 per account for labor and materials plus a per account charge for publication, obtained by dividing the total cost of publication by the number of accounts. A record of the costs and the deductions shall be provided to the Secretary of Finance and the Banking Board upon transferring the account funds.

3.3 **Receipt.** Upon receiving sums of money pursuant to this section, the Secretary of Finance shall furnish the transferring bank with a receipt for such transferred funds. The receipt shall include the name of the transferring bank, date of transfer, aggregate amount transferred, that the transfer was made pursuant to Title 29, Section 106, and the signature of the parties. The receipt shall also include an acknowledgement that the list of accounts transferred as required by 3.1 was received.

3.4 **Custodial account.** The funds shall be deposited into a custodial interest bearing account.

3.5 **Records.** There shall be a database in the Department of Finance and Administration for administering the custodial account. The database shall include the following information:

- i. The name, identification number, bank of transfer and dormant bank account number of each sub account.
- ii. The balance at transfer, the date of transfer, and the date of escheat

- of each sub account.
- iii. A record of all payments made out of the account to individual sub account holders.
- iv. A record of all payments made out of the account to the General Fund.
- v. A record of all interest payments made into the account.
- vi. A record of all service charges paid out of the account.

3.6 **Audit.** The custodial account shall be audited as part of any general audit of the Department of Finance. The Department of Finance shall provide a copy of the audit to the Banking Board.

PART 4. CLAIMS

4.1 At any time within twenty (20) years of the date of transfer of funds to the Secretary of Finance pursuant to this section, such funds may be claimed by their rightful owner or owners.

4.2 Any claim shall be submitted on an official form made available to the public and upon request by the Department of Finance, a sample of which is attached to these regulations. The sample form may be freely copied.

4.3 Upon determination that the claimant has made a valid claim for the funds, the Secretary of Finance shall disburse the funds. Such disbursement shall be made or denied within 30 days of the receipt by the Department of Finance of the claimants completed request. Where there are outstanding legal questions regarding validity of the claim, the Department of Finance may postpone disbursement of the funds until the Department of Finance is satisfied that the claim is valid.

Public Announcement

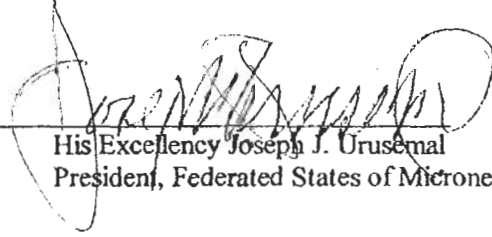
A change in legislation in late 2004 prohibited commercial banks charging an inactivity fee on deposit accounts after specified periods. Banks are required to take steps to contact depositors but if no contact can be established balances of inactive accounts are to be transferred into a special government account from which the rightful owner may still claim his/her balance for a period of 20 years. After this period, if no claim is made against the account, the balance in the account becomes the property of the FSM National Government.

The Banking Board is proposing to make regulations to facilitate this process and a copy of the proposed regulations may be obtained from the FSM Banking Board, P.O.Box 1887, Kolonia, Pohnpei State, FM 9594; Phone Number: 320-2015; and Fax Number: 320-5433. Additionally, copies of the proposed regulations are posted in the State's Administration Building, the Post Office, the Customs and Tax Administration Office, the Immigration and Labor Office, and the offices of the clerk of courts of the State and the National Courts.

ADOPTION

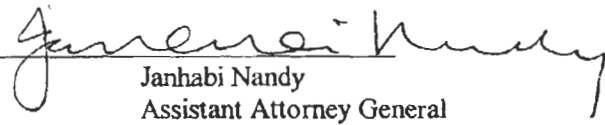
Pursuant to the authority vested in me by the Banking Act, 29 FSMC §106 (16) and 29 FSMC §602 and having complied with the Administrative Act, 17 FSMC §102, I hereby adopt these regulations.

Date 12/13/05


His Excellency Joseph J. Urusemal
President, Federated States of Micronesia

These regulations have been reviewed by the Department of Justice and are in the proper legal form.


Date: 12/13/05


Janhabi Nandy
Assistant Attorney General

EFFECTIVE DATE

The approval of the President having been obtained and Title 17 of the Code of the Federated States of Micronesia having been complied with, these Regulations became effective on 12/23/05, 2005.

Date: _____, 2005

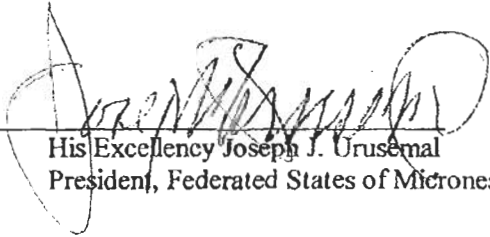

William Hawley
Chairman, Banking Board

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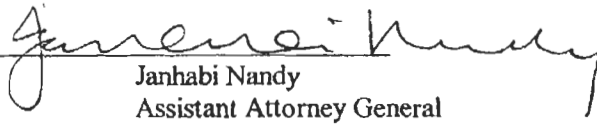


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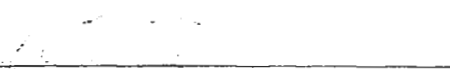
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William Hawley
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