

AN ACT

To amend Public Law No. 1-94 to alter the composition of the Banking Board, to alter the requirements regarding the amount of capital stock, and for other purposes.

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

1 Section 1. Section 102 of Public Law No. 1-94 is hereby amended to  
2 read as follows:

3 "Section 102. Definitions. As used in this act, unless it is  
4 otherwise provided or the context requires a different con-  
5 struction, application, or meaning:

6 (1) "Bank" means a stock or mutual corporation or  
7 unincorporated association with sufficient capital, authorized  
8 by law to receive deposits of money or securities, to open  
9 credits, checking accounts, and savings accounts, to make loans,  
10 and in general to engage in all kinds of banking transactions,  
11 but does not mean a national banking association established by  
12 the Federated States of Micronesia. "Bank" includes a savings  
13 and loan association but does not include a credit union.

14 (2) "Banking Board" means the board established pursuant  
15 to Section 201 of this act.

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

18 (4) "Director" means the Director of Finance of the  
19 Federated States of Micronesia.

20 (5) "Demand Deposit" means any deposit which is repayable  
21 by its terms not more than 3 days after the time it is made.

22 (6) "Deposits" means money or other property transferred

1 or assigned to any person pursuant to an agreement, expressed or  
2 implied, that the person shall repay such moneys upon demand  
3 (whether in person or by written order) or after a fixed or  
4 determinable period of time; PROVIDED, HOWEVER, that money  
5 loaned to a bank which is to be repaid not sooner than five years  
6 from the date of the loan, and pursuant to a loan agreement under  
7 which the obligation to repay is subordinate to the rights of  
8 depositors, shall not be deemed to be a deposit; and PROVIDED  
9 FURTHER, that money transferred to a credit union as a purchase  
10 of its shares shall not be deemed to be a deposit.

11 (7) "Domestic bank" means a bank organized under the  
12 provisions of Chapter 3 of this act.

13 (8) "Foreign bank" means a corporation or other financial  
14 institution organized for the purpose of engaging in the  
15 banking business under the laws of the United States or of a  
16 territory or state of the United States, or of a foreign country,  
17 operating a bank in its home territory, state or country.

18 (9) "Legal reserve" means the sum which every domestic  
19 bank and foreign bank shall at all times have available for the  
20 payment of their deposit liabilities pursuant to the provisions  
21 of this act.

22 (10) "Paid in capital, surplus, and undistributed profits"  
23 means, in the case of a foreign bank, the aggregate paid in  
24 capital, surplus, and undistributed profits of such bank and  
25 not merely that allocated to, located in, or arising out of

1 its operations in the Federated States of Micronesia.

2 (11) "Person" includes individuals, corporations, partner-  
3 ships and any other business entity.

4 (12) "Public Auditor" means the Public Auditor appointed by  
5 the President of the Federated States of Micronesia with the  
6 advice and consent of the Congress pursuant to the Constitution.

7 (13) "Registrar of Corporations" means the Registrar of  
8 Corporations of the National Government of the Federated States  
9 of Micronesia.

10 (14) "Related Person", with respect to any person, means  
11 his spouse, child, parents, brothers or sisters, or any partner-  
12 ship, corporation or firm in which he owns more than a 10 percent  
13 interest."

14 Section 2. Section 201 of Public Law No. 1-94 is repealed in its  
15 entirety and a new Section 201 is hereby enacted to read as follows:

16 "Section 201. Creation. There is hereby established a Banking  
17 Board which shall be composed of two members appointed by the  
18 President of the Federated States of Micronesia and one member  
19 appointed by the Speaker of the Congress of the Federated States  
20 of Micronesia. All appointments shall be for a term of two  
21 years. The Chairman of the Board shall be elected by the members  
22 of the Board. The Chairman shall also act as the Board's chief  
23 executive."

24 Section 3. Section 304 of Public Law No. 1-94 is hereby amended to  
25 read as follows:

1 "Section 304 Amount of ownership of capital stock. No domestic  
2 bank shall be organized and established in the Federated States of  
3 Micronesia with a capital stock less than \$500,000, not less than  
4 50 percent of which shall be paid in cash before the bank shall be  
5 authorized to commence business, and at least two-thirds of which  
6 shall be owned by persons who are citizens of the Federated States  
7 of Micronesia and who shall have resided in the Federated States  
8 of Micronesia for at least one year prior to the application."

9 Section 4. This act shall take effect upon approval by the President  
10 of the Federated States of Micronesia, or upon its becoming law without  
11 such approval.

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March 3, 1981

Tosiwo Nakayama

Tosiwo Nakayama  
President  
Federated States of Micronesia