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A BILL FOR 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:

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

3 "Section 501. Annual licensing of banks.

4 (1) The Banking Board shall issue annual licenses to
5 engage in the business of banking, which licenses shall be
6 effective for the calendar year for which they are granted,
7 or a shorter period as provided for in this chapter.

8 (2) Initial licenses shall be issued to banks
9 authorized to commence business pursuant to section 306
10 or section 309 of this title for the remainder of the
11 calendar year.

12 (3) Every domestic or foreign bank at present
13 operating a branch or office in the Federated States of
14 Micronesia, or that may hereafter do so, shall obtain on or
15 before the 31st day of December of each calendar year a
16 renewal license for each office or branch to be operated in
17 the Federated States of Micronesia during the succeeding
18 calendar year."

19 Section 2. Section 504 of title 29 of the Code of the Federated
20 States of Micronesia is hereby amended to read as follows:

21 "Section 504. Licenses - Board review.

22 (1) The Banking Board, in determining whether to issue
23 an annual license to engage in the business of banking,
24 shall consider and determine whether the bank applying for
25 the license has, in its lending and operating practices,

1 served the needs of ~~its community~~ the communities in which
2 it maintains branches or offices.

3 (2) In determining ~~whether~~ that a bank has served the
4 needs of ~~its community~~ the communities in which it maintains
5 branches or offices, the Banking Board shall, ~~in addition to~~
6 consider other factors customarily examined, ~~examine whether~~
7 and in addition must find that:

8 (a) such bank has used its best efforts, to
9 hire, train, and promote citizens and residents of the
10 Federated States of Micronesia for executive positions in
11 the bank, and to maximize the number of such positions
12 filled by citizens and residents of the Federated States of
13 Micronesia;

14 (b) the percentage of loans made by such
15 bank to citizens and residents of, and business entities
16 located in the Federated States of Micronesia, in view of
17 ~~demand for loans and number of prudent loan opportunities~~
18 ~~available, bear a reasonable relationship~~ relative to such
19 bank's deposits accepted in the Federated States of
20 Micronesia exceeds fifty percent; and

21 (c) such bank has abstained from any unfair discrim-
22 ination among its customers and the people it serves; and

23 (d) where such bank is a foreign bank, at least
24 fifty percent of the total amount of deposits taken by such
25 bank in the Federated States of Micronesia and not being

1 loaned to citizens and residents of, and business entities
2 located in the Federated States of Micronesia, shall be
3 invested within the Federated States of Micronesia.

4 (3) In making the foregoing determination, due con-
5 sideration shall be given to the herein stated goals of the
6 Federated States of Micronesia that:

7 (a) executive positions in all banks operating in
8 the Federated States of Micronesia shall be occupied by
9 citizens and residents of the Federated States of
10 Micronesia;

11 (b) at least seventy-five percent of the total
12 amount of deposits taken by a bank in the Federated States
13 of Micronesia should be loaned to citizens and residents of,
14 and business entities located in, the Federated States of
15 Micronesia; and

16 (c) no bank should discriminate unfairly among
17 its customers and the people it serves.

18 (4) Should the Banking Board find that an applicant
19 domestic bank has failed to satisfy the three conditions set
20 forth in subparagraphs (2)(a), (b), and (c) of this
21 section or that an applicant foreign bank has failed to
22 satisfy all four of the conditions set forth in subsection
23 (2) of this section, the bank may submit to the Banking
24 Board a written explanation setting forth causes, factors,
25 or other reasons which prevented the bank's full compliance.

1 The Banking Board shall consider such statement and such
2 other information as it may deem appropriate, and, upon
3 finding that the reasons presented describe exceptional
4 circumstances beyond the control of the applicant bank, the
5 Banking Board may still determine that the bank has served
6 the needs of the communities in which it maintains branches
7 or offices. In the case where a foreign bank has failed
8 to satisfy all four of the conditions set forth in
9 subsection (2), but the Banking Board determines that
10 the foreign bank has served the needs of the communities in
11 which it maintains branches or offices and issues to the
12 foreign bank an annual license, such license shall be
13 probationary and no annual license shall be issued
14 thereafter, unless the foreign bank satisfies all four of
15 the conditions set forth in subsection (2)."

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

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

24 Section 5. Sections 617 through 626 of title 29 of the Code
25 of the Federated States of Micronesia are hereby renumbered as

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1 sections 618, 619, 620, 621, 622, 623, 624, 625, 626 and 627,
2 respectively.

3 Section 6. This act shall become law upon approval by the
4 President of the Federated States of Micronesia or upon its becoming
5 law without such approval.

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7 Date: 7 June 89

Introduced by:

Wagner M. Lawrence

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