To further amend Title 29 of the Code of the Federated States of Micronesia, as amended, by amending sections 101, 102, 103, 104, 105, 106, 107, 201, 202, 203, 204, 205, 206, 207, 208, 209, 301, 302, 303, 305, 306, 307, 308, 311, 402, 403, 404, 405, 406, 407, 408, 501, 502, 601, 602, 603, 604, 605, 606, 607, 608, 609, 611, 612, 613, 615, 616, 617, 618, 620, 621, 622, 623, 624, 625, 626, 627, 701, 702, 703, 704, 705, 801, 802, 803, 804 and 903 thereof, and by repealing sections 310 and 503, and by enacting a new section 626 and Chapter 10, in order to change the name of the Banking Board and the Banking Commissioner, to provide for regulation of credit unions, and to make certain other necessary changes, and to further amend title 36 of the Code of the Federated States of Micronesia, as amended, by amending section 107 to refer to title 29, and for other purposes.

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

1. Section 1. Section 101 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 101. Short title.
This title shall be known as the "Federated States of Micronesia Financial Institutions Act of 1980."

2. Section 2. Section 102 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 102. Definitions. As used in this title, unless it is otherwise provided or the context requires a different construction, application, or meaning:

(1) 'Agency' means a place of business where transactions are effected with customers on behalf of a branch or main office of a financial institution, but the accounting records for such transactions are
maintained at the branch or main office; includes a remote service facility.

(2) 'Article XI' means Article XI of the Programs and Services Agreement of the Compact of Free Association, as amended, entitled 'Federated Deposit Insurance Corporation [Programs and Service Agreement]' Service and Related Programs'.

(3) 'Bank' means any person or body of persons or a corporation authorized by [law this Title] to engage in the banking business[, and to accept from the public deposits which are withdrawable and transferable by check or other means of payment transfer.] 'Bank' includes a savings and loan association but does not include a credit union.

(4) 'Banking business' means the business of accepting deposits of money from the public, withdrawable or payable on demand or after a fixed period or after notice, or any similar operation through the frequent sale or placement of notes or other securities, and the use of such funds either in whole or part for loans, investments or any other operation either authorized by law or considered a generally accepted banking practice, for the account and at the risk of the person doing such business.

(5) 'Branch' means an office of a [bank financial
in institution where banking business is transacted and at
which accounting records are maintained.

(6) 'Credit union' means a financial cooperative
association organized in accordance with the provisions
of Chapter 10 for the purposes of engaging in banking
business.

(7) 'Demand deposit' means any deposit which is
repayable by its terms not more than three days after
the time it is made.

(8) 'Deposits' means money or other property
transferred or assigned to any person pursuant to an
agreement, expressed or implied, that the person shall
repay such moneys upon demand (whether in person or by
written order) or after a fixed or determinable period
of time. Money transferred to a credit union as a
purchase of its shares is deemed to be a deposit. Money
loaned to a [bank financial institution which is to be
repaid not sooner than five years from the date of loan,
and pursuant to a loan agreement under which the
obligation to repay is subordinate to the rights of
depositors, shall not be deemed to be a deposit. [Money
transferred to a credit union as a purchase of its
shares shall not be deemed to be a deposit].

(9) 'Domestic bank' means a bank organized under
the provisions of chapter 3 of this title.
'FDB' means a domestic bank that is unused by the Federal Deposit Insurance Corporation.

United States' Federated Deposit Insurance Act codified at 12 U.S.C. 1811-1831. 'Financial institution' means a bank or credit union.

'Banking Financial Institutions Board' means the Board established pursuant to section 201 of this title.

'Banking Financial Institutions Commissioner' means the Commissioner appointed pursuant to section 206 of this title.

'Foreign bank' means a corporation or other financial institution organized for the purpose of engaging in the banking business under the laws of a foreign country operating a bank in its home territory, state, or country and is authorized under this Title to operate in the FSM. The United States or of a territory or State of the United States, or of a foreign country, operating a bank in its home territory, State, or country and is authorized under this Title to operate in the FSM.
'IAP' or institution-affiliated party' means:

(a) any director, officer, employee, or controlling stockholder of, or agent for, an FDB;
(b) any other person who has filed or is required to file a change-in-control notice with the appropriate U.S. Federal banking agency under section 7(j) of the FDI Act;
(c) any shareholder (other than a bank holding company), consultant, joint venture partner, and any other person as determined by the appropriated U.S. Federal banking agency (by regulation or case-by-case) who participates in the conduct of the affairs of an FDB; (d) any independent contractor (including any attorney, appraiser, or accountant) who knowing or recklessly participates in (i) any violation of any law or regulation; (ii) any breach of fiduciary duty; or (iii) any unsafe or unsound practice, which caused or is likely to cause more than a minimal financial loss to, or a significant adverse affect on, the FDB.

'Legal reserve' means the sum which every financial institution shall at all times have available for the payment of their deposit liabilities pursuant to the provisions of this title.

'Member' means a person who shares in ownership
of credit union through purchase of one or more membership shares.

[(16)] (19) 'Paid-in capital, surplus, and undistributed profits' means,

[(a)] in the case of a foreign bank, the aggregate paid-in capital, surplus, and undistributed profits of such bank and not merely that allocated to, located in, or arising out of its operations in the Federated States of Micronesia [ ]; and

[(b)] in the case of a credit union, the aggregate surplus and undistributed profits excluding member withdrawable shares.

[(17)] (20) 'Person' includes individuals, corporations, partnerships, and any other business entity.

[(18)] (21) 'Public Auditor' means the Public Auditor appointed by the President of the Federated States of Micronesia with the advice and consent of the Congress pursuant to the Constitution.

[(19)] (22) 'Registrar of Corporations' means the Registrar of Corporations of the National Government of the Federated States of Micronesia.

[(20)] (23) 'Related person' with respect to any person means his spouse, child, parents, brothers, or sisters, or any partnership, corporation, or firm in which he owns more than a ten percent interest.
Section 3.  Section 103 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 103.  Application of title.  
This title shall apply to and govern all persons doing banking business in the Federated States of Micronesia; and any person doing banking business in the Federated States of Micronesia shall hereafter operate in accordance with the provisions of this title, and if not already licensed, shall be required to apply for a license pursuant to this title on or before the 31st day of December within 180 days following the effective date of this title."

Section 4.  Section 104 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-57, is hereby further amended to read as follows:

"Section 104.  Requirements for banking business.  
(1) No person shall engage in banking business [of accepting deposits] in the Federated States of Micronesia; and any person doing banking business in the Federated States of Micronesia shall hereafter operate in accordance with the provisions of this title, and if not already licensed, shall be required to apply for a license pursuant to this title on or before the 31st day of December within 180 days following the effective date of this title."
Micronesia or shall use the term 'bank' or 'savings and loan association' or 'credit union' or any form thereof in the conduct of its business unless it has been granted a license pursuant to the provisions of this title and such license has not expired and has not been canceled.

(2) Any person holding such a license shall engage in no business in the Federated States of Micronesia other than the banking business and shall engage in such business only at the locations authorized by the [Banking] Financial Institutions Board. Any such person shall give prior notice in writing to the [Banking] Financial Institutions Board of any intention to cease operations at such authorized location. Such notice should be given not later than 180 days prior to the proposed cessation date, and shall include details of alternative arrangements proposed for customers using such location.

(3) The Financial Institutions Board may approve the use of the terms 'bank', 'savings and loan association' or 'credit union' for the use of a business without a license under this title if the business does not provide financial services and the use of such a term will not mislead the public into believing that the business is one which is subject to license under this
Section 5. A new section 105 of title 29 of the Code of the Federated States of Micronesia is hereby enacted to read as follows:

"Section 105. Investigation of illegal banking business; penalties.

(1) Where the Financial Institutions Board has reason to believe that a person is engaging in deposit taking or banking business without a license in violation of this title, it may cause an examination of the books, accounts and records of such a person to determine if this is the case. The Financial Institutions Board may apply to the Supreme Court for a warrant to enter any premises belonging to or in the control of such a person and remove any document, material or other thing therein for the purposes in the warrant.

(2) A person doing banking business without a license in violation of this title shall be subject to a fine of not more than $50,000 and shall be required to repay any funds obtained as a result of such banking business, which penalty be imposed by the Financial Institutions Board in the same manner as in section 628(2) of this title. A failure to cease doing banking business as directed by the Financial Institutions Board shall be considered a new violation and subject to additional
(3) The Financial Institutions Board may apply to the Supreme Court of the Federated States of Micronesia for further relief against such a person as appropriate, including monetary and injunctive relief."

Section 6. Section 105 of title 29 of the Code of the Federated States of Micronesia is hereby renumbered as section 106 and amended to read as follows:

"Section [105]106. Application to existing charters, articles of incorporation, or bylaws.

(1) [Domestic and foreign banks] Financial institutions shall be subject to the applicable provisions of their existing charters, articles of incorporation, or bylaws only to the extent that such are compatible and do not conflict with the provisions of this title.

(2) In the event of any conflict or incompatibility between this title and provisions of said charter, articles of incorporation, or bylaws with respect to any [domestic or foreign bank] financial institution, the provisions of this title shall prevail."

Section 7. Section 106 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 13-56, is hereby renumbered as section 107 and amended to read as follows:

(1) In the event there has been no activity of deposits or withdrawals in a savings account or a member's withdrawable share account and no contact has been made with the account holder of such savings account for at least ten (10) years, the account shall be deemed a 'dormant account' and the bank financial institution in which such account is kept shall act to close the dormant account in accordance with the procedures set forth below in this section.

(2) In the event there has been no activity of deposits or withdrawals in a checking account and no contact has been made with the account holder of such checking account for at least two (2) years, the account shall be deemed a 'dormant account' and the bank financial institution in which such account is kept shall act to close the dormant account in accordance with the procedures set forth below in this section.

(3) Bank financial institution actions in crediting interest payments to an account or assessing service charges against an account shall not count as activity for the purposes of determining dormancy.

(4) Dormant accounts shall be identified annually by each bank financial institution during the month of June. Any dormant account with a balance of $25.00 or less is not
subject to the procedures required by this section.

(5) Upon identification of a dormant account, the [bank] financial institution shall send written notice to the [depositor] account holder at the [depositor's] account holders last known address, informing the [depositor] account holder that the [depositor's] account holder's account will be closed and the funds therein transferred to the Secretary of Finance if the [depositor] account holder 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.

(6) Between November 1 and November 15 and between December 1 and December 15 of each year, each [bank] financial institution shall publish a "Notice of Inactive [Bank] Accounts", which shall contain:

(a) the names, in alphabetical order, and last known addresses of [depositors] account holders of dormant accounts; and

(b) 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. The Notice of Inactive Bank Accounts shall be published in a newspaper of general circulation or by other means as determined by the [Banking] Financial Institutions Board.

(7) During the month of January of the calendar year
immediately following the notification and publication required by subsections (4) and (5) above, each [bank] financial institution shall transfer to the Secretary of Finance, for the account of the [depositor] account holder, the full balance of each dormant account, provided however, that the [bank] financial institution may deduct costs of notice and publication in a manner to be determined by the [Banking] Financial Institutions Board in regulations.

(8) Except as provided for in this section, no [bank] financial institution shall assess any fee against any [bank] account for reasons of inactivity.

(9) In the event that a [bank] financial institution holds, for three (3) years or more, any funds for which the owner or payor cannot be determined by the [bank] financial institution or for which the owner or payor cannot be located by the [bank] financial institution, the [bank] financial institution shall transfer such funds to the Secretary of Finance for the account of the owner or payor, in the event such owner or payor is determined or located at a later date.

(10) Upon receiving sums of money pursuant to this section, the Secretary of Finance shall furnish the transferring [bank] financial institution with a receipt for such transferred funds and shall deposit such sums
into a custodial interest bearing account separate and apart from the General Fund of the FSM National Government. Interest earned on funds deposited with the Secretary of Finance pursuant to this section shall be deemed the property of the FSM National Government and shall not be paid to the owner of the funds.

(11) The Secretary of Finance shall be responsible for maintaining accurate records of funds received pursuant to this section in accordance with any regulations adopted by the Banking Financial Institutions Board.

(12) 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 by furnishing proof of his, her or their right to such funds, which proof is deemed satisfactory to the Secretary of Finance.

(13) All funds transferred to the Secretary of Finance pursuant to this section shall escheat to the National Government of the Federated States of Micronesia twenty (20) years following the date of such transfer.

(14) Each banking financial institution shall hold the FSM National Government harmless for any liability incurred due to the handling of an account by the banking financial institution. The FSM National Government shall not be liable for any transaction on an account.
made by any financial institution, including the transfer of the balance of the account to the Secretary of Finance pursuant to this section. The FSM National Government shall not be liable for damages or penalties for any payment to a claimant of funds deposited pursuant to this section.

(15) The financial institution shall not be liable for any mishandling of an account by the Secretary of Finance.

(16) The Financial Institutions Board may adopt such rules and regulations as may be necessary to implement the provisions of this section."

Section 8. Chapter 2 of title 29 of the Code of the Federated States of Micronesia is hereby renamed "Financial Institutions Board."

Section 9. Section 201 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 9-130 and 13-56, is hereby further amended to read as follows:

"Section 201. Creation.

(1) There is hereby established a Financial Institutions Board which shall be composed of three board members appointed by the President and with the advice and consent of the Congress of the Federated States of Micronesia.

(2) All appointments shall be for a term of four
years, provided however, that, unless otherwise provided by the President, all rights and powers of a [Banking Financial Institutions] Board member shall be maintained by each board member until the appointment of such board member's successor. [Banking Financial Institutions] Board members shall be eligible for reappointment.

(3) The Chairman of the [Banking] Financial Institutions Board shall be appointed by the President from among the board members appointed pursuant to subsection (1) of this section."

Section 10. Section 202 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 202. Principal purposes. The principal purposes of the [Banking] Financial Institutions Board shall be:

(1) To undertake the licensing and supervision of financial institutions;

(2) To protect the interests of depositors; and

(3) To promote the soundness, stability, and development of [the banking system of] financial institutions in the Federated States of Micronesia."

Section 11. Section 203 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:
"Section 203.  Powers.  The [Banking] Financial Institutions Board shall be responsible for upon it by this title and may issue directives for the purpose of giving effect to the provisions of this act."

Section 12.  Section 204 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 204.  Meetings; Quorum; Majority.

(1) The [Banking] Financial Institutions Board shall meet as often as may be required, at such times, places and with such prior notice as the board members thereof shall fix, but not less frequently than once in every three months; provided that any board member thereof may request a special meeting upon giving at least twenty-four hours' notice to the Chairman. A majority of the board members of the [Banking] Financial Institutions Board shall constitute a quorum. Decisions shall be adopted by a simple majority of the votes of the board members present.

(2) No act or proceeding of the [Banking] Financial Institutions Board shall be invalidated merely by reason of the existence of a vacancy among the board members thereof."

Section 13.  Section 205 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 9-130 and 12-57, is hereby further amended to read as follows:
"Section 205. Reports.

(1) The [Banking] Financial Institutions Board shall prepare a report each year on the condition of [the banking system of] financial institutions in the Federated States of Micronesia and on the operations of the Financial Institutions Board during the year. Copies of the report shall be submitted to the President and the Speaker of the Congress within three months of the end of each year. The report shall also be published.

(2) The [Banking] Financial Institutions Board shall also compile and publish a consolidated statement of assets and liabilities of financial institutions in the Federated States of Micronesia [banking system] not less frequently than quarterly, and send copies of the statement to the President and the Speaker of the Congress. The [Banking] Financial Institutions Board may also publish from time to time a consolidated statement of assets and liabilities of financial institutions in the Federated States of Micronesia [banking system] showing figures separately by state."

Section 14. Section 206 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 206. [Banking] Financial Institutions
(1) The President shall appoint a person to be the [Banking] Financial Institutions Commissioner, who shall serve as the Chief Executive Officer of the [Banking] Financial Institutions Board, responsible to it for the execution of its policy and the performance of duties and exercise of powers conferred by this title.

(2) The [Banking] Financial Institutions Commissioner shall be a person of recognized experience in banking and financial matters and shall be eligible for reappointment. The [Banking] Financial Institutions Commissioner shall not hold or occupy any other office unless approved in writing by the President.

(3) The remuneration and other terms and conditions of employment of the [Banking] Financial Institutions Commissioner shall be determined from time to time by the [Banking] Financial Institutions Board.

(4) The [Banking] Financial Institutions Commissioner shall, except as may otherwise be provided in this title or the resolutions of the [Banking] Financial Institutions Board, have the power to act and sign instruments and documents on behalf of the [Banking] Financial Institutions Board.

(6) During any period when there is no duly appointed person serving as [Banking] Financial Institutions Commissioner, the Chairman of the [Banking] Financial Institutions Board shall perform the duties and exercise the rights of the [Banking] Financial Institutions Commissioner."

Section 15. Section 207 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 207. Services of Public Auditor and others. The [Banking] Financial Institutions Board and the [Banking] Financial Institutions Commissioner shall be entitled to utilize the services of the Public Auditor and such independent accountants, lawyers, and other experts as they may select in carrying out their powers and duties under this title. The President of the Federated States of Micronesia shall provide such administrative support and staff as may be needed to conduct the business of the [Banking] Financial Institutions Board."

Section 16. Section 208 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 208 Court review. Any person aggrieved by an order of the [Banking]
Financial Institutions Board may appeal to the Trial Division of the Supreme Court of the Federated States of Micronesia within thirty days after the issuance of the order. The filing of such appeal shall not stay enforcement of an order but the Court may order a stay upon such terms as it deems proper."

Section 17. Section 209 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-57, is hereby amended to read as follows:

"Section 209. Indemnity.

Neither the [Banking] Financial Institutions Board nor any of its board members, the [Banking] Financial Institutions Commissioner, employee or any person duly appointed to assist the [Banking] Financial Institutions Board in carrying out its powers and duties under this title shall incur any liability as a result of anything done in good faith in the exercise of any power or the performance of any duty under this title."

Section 18. Section 301 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-57, is hereby further amended to read as follows:

"Section 301. Organization - Permit required; Application.

(1) Any five or more persons of sufficient legal capacity may organize a domestic bank, but for such purpose they shall first apply in writing for a permit

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from the Financial Institutions Board.

(2) The application shall set forth and prove the need of the services of a banking institution in the locality wherein the bank is sought to be established, and that the services rendered by other financial institutions do not answer the needs of the locality.

(3) The application shall also set forth the following:

(a) A business plan showing the intended strategy for the first three years of operation, including the administrative and organizational structure of the bank, internal controls, and projected balance sheet, profit and loss and cash flow statements for each of the three years, together with the assumptions on which they are based;

(b) The structure and adequacy of the proposed capital in relation to the projected volume of risk assets detailed in the business plan;

(c) The financial capacity, history, qualifications and experience of the applicants and the proposed management."

Section 19. Section 302 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 302. Application for permit - Financial Institutions."

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Financial Institutions Commissioner's investigation. It shall be the duty of the Financial Institutions Commissioner, immediately after the Banking Financial Institutions Board receives an application for a permit, to make whatever investigations and hold such hearings as he deems may be necessary as to:

(1) the banking and commercial ability and experience of the applicants;

(2) whether such ability and experience are sufficient to warrant the efficient functioning and operation of the bank;

(3) whether local need justifies the application;

(4) the character and repute, as well as the banking and commercial experience of the prospective directors or officers who are to conduct the business of said bank;

(5) whether the bank shall be of benefit to the general public; and

(6) the capital which the bank has available for its operations[≠], and

(7) the matters set out in Section 601 of this Title."

Section 20. Section 303 of title 29 of the Code of the Federated States of Micronesia is hereby further amended to read as follows:

"Section 303. Application for permit - Issuance by
The Banking Financial Institutions Board may issue the permit applied for if, in its judgment, the results of the investigations are satisfactory. Any permit may be granted subject to such conditions as the Banking Financial Institutions Board, in its discretion, deems necessary to protect the interests of the people of the Federated States of Micronesia.

Section 21. Section 305 of title 29 of the Code of the Federated States of Micronesia is hereby further amended to read as follows:

"Section 305. Certificate of incorporation; Beginning of corporate existence.

(1) Upon subscribing and swearing to the articles of incorporation, as provided in section 304 of this chapter, and upon submitting two copies of the same to the Registrar of Corporations together with the permit granted by the Banking Financial Institutions Board authorizing the organization of the bank, and upon payment of the proper filing fee, and upon the issuance by the Registrar of Corporations, under his seal, of a certificate stating that the articles containing the statements required by section 304 of this chapter have been filed in his office, the existence of the bank named in the articles of incorporation shall begin."
(2) From and after the date of such filing, the bank shall constitute a body corporate under the name set forth in the articles. Before such bank may commence business it shall comply with the other requirements of this title and all other applicable provisions of law."

Section 22. Section 306 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 306. Issuance of certificate; Transmittal to [Banking] Financial Institutions Commissioner. Upon the issuance by the Registrar of Corporations of a certificate of incorporation, as provided in section 305 of this title, the Registrar of Corporations shall so notify the [Banking] Financial Institutions Commissioner and at the same time shall transmit to the [Banking] Financial Institutions Commissioner a duplicate copy of the articles of incorporation."

Section 23. Section 307 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 307. Examination for compliance. (1) When the duplicate copy is received by the [Banking] Financial Institutions Commissioner, he shall notify the corporation, and the corporation shall then
file with the Banking Financial Institutions Commissioner a statement of all the facts necessary to enable him to determine whether the bank has in fact complied with all the requirements of law and is lawfully entitled to commence business, such statement to be sworn to by a majority of the directors and by the president or the manager of the bank.

(2) Upon receipt of such statement by the Banking Financial Institutions Commissioner, he shall examine the condition of the corporation and ascertain specifically the amount of its capital paid in; the names and places of residence of its stockholders, directors, and officers, the amount of the capital stock which each owns in good faith; and, generally, whether such corporation has complied with all the provisions of law required to entitle it to a license to engage in the business of banking."

Section 24. Section 308 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 308. Issuance of bank license.

(1) If, upon careful examination of the facts so reported, or of any other relevant facts which may come to his knowledge, the Banking Financial Institutions Commissioner is satisfied that such bank has complied with all the applicable provisions of this title, with
any conditions in the [Banking] Financial Institutions Board permit required to be satisfied prior to licensing, and with other laws required to be complied with before a bank shall be authorized to commence the business of banking, he shall issue a license to engage in the banking business pursuant to section 501 of this title. The license shall contain any conditions of the [Banking] Financial Institutions Board permit intended to survive past issuance of the license.

(2) The [Banking] Financial Institutions Commissioner may withhold from a bank the license authorizing it to commence business whenever he is satisfied that the shareholders have organized the bank for any other than the legitimate objectives determined by this title.

(3) The expenses incurred by the [Banking] Financial Institutions Commissioner in connection with such investigations shall be paid by the corporation in conformity with the regulations the [Banking] Financial Institutions Board may promulgate for that purpose."

Section 25. Section 310 of title 29 of the Code of the Federated States of Micronesia is hereby repealed in its entirety.

Section 26. Section 311 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 31[±]0. Establishment of offices abroad. Except with the consent in writing of the [Banking]
Financial Institutions Board, no domestic bank licensed under this title shall establish a branch, agency or office outside the Federated States of Micronesia."

Section 27. Section 402 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-57, is hereby amended to read as follows:

"Section 402. Establishment - Application for permit required.

(1) No foreign bank may open any branch or office or change the location of any branch or office in the Federated States of Micronesia without a permit to do so from the [Banking] Financial Institutions Board.

(2) An application to the [Banking] Financial Institutions Board for such permit shall state the benefit to the public expected to result from the granting of the permit applied for.

(3) The [Banking] Financial Institutions Board, upon receipt of such application, may require the submittal of such additional information as may be necessary in order for it to make the necessary investigations.

(4) An application by a foreign bank to open a new branch in the FSM must be accompanied by written confirmation from the supervisory authority in the applicants' country of incorporation that the supervisory authority has no objection to the proposal
to establish the branch in the FSM; and that the foreign
bank is subject to consolidated supervision and
regulation in its country of incorporation."

Section 28. Section 403 of title 29 of the Code of the
Federated States of Micronesia, as amended by Public Laws Nos. 9-
130 and 12-57, is hereby further amended to read as follows:

"Section 403. Application for permit – [Banking]
Financial Institution Commissioner's investigation. It
shall be the duty of the [Banking] Financial
Institutions Commissioner, immediately after the
[Banking] Financial Institutions Board receives an
application for a permit, to make whatever
investigations may be necessary as to:

(1) the overall financial condition of the
application;

(2) whether or not granting the application would
reasonably be apt to result in an over-extension of
applicant's resources or facilities;

(3) the character and repute, as well as the banking
and commercial experience, of applicant and the bank's
directors and executive officers;

(4) whether the bank shall be of benefit to the
general public;

(5) the investment which the bank has made or has
available for its operations in the Federated States of
Micronesia; and

(6) whether the bank will maintain insurance or other deposit protection at least equivalent to that offered by a bank which is a member of the Federal Deposit Insurance Corporation of the United States."

Section 29. Section 404 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 9-130 and 12-57, is hereby further amended to read as follows:

"Section 404. Applicant for permit - Issuance by Board. The [Banking] Financial Institutions Board may issue the permit applied for if, in its judgement, the results of the investigations are satisfactory; PROVIDED that, in no event shall the [Banking] Financial Institutions Board issue a permit until the applicant provides incontrovertible evidence that the applicant has and will maintain continuing insurance or other deposit protection at least equivalent to that offered by a bank which is a member of the Federal Deposit Insurance Corporation of the United States. Any permit may be granted subject to such conditions as the [Banking] Financial Institutions Board, in its discretion, deems necessary to protect the interests of the people of the Federated States of Micronesia. The decision of the [Banking] Financial Institutions Board shall be final. All expenses incurred by the [Banking] Financial
Institutions Board in connection with such investigations shall be paid by the applicant in conformity with regulations which the [Banking]
Financial Institutions Board may make."

Section 30. Section 405 of title 29 of the Code of the Federated States of Micronesia is hereby further amended to read as follows:

"Section 405. Issuance of permit -- Transmittal to Registrar of Corporations.
Upon the issuance of a permit to an applicant, the [Banking] Financial Institutions Board shall forthwith transmit a certified copy thereof to the Registrar of Corporations who shall file it along with such other documents submitted to him."

Section 31. Section 406 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 406. Examination for compliance.
(1) When the permit of the [Banking] Financial Institutions Board is received by the foreign bank, as provided in section 405 of this chapter, it shall proceed to comply with all applicable provisions of law so as to place it in readiness to commence operations upon issuance to it of the license provided by section 501 of this title."
(2) When such foreign bank is in such position of readiness, it shall notify the Banking Financial Institutions Commissioner by means of a statement of all facts necessary to enable the Banking Financial Institutions Commissioner to determine whether such foreign bank has, in fact, complied with all the requirements of law and is lawfully entitled to commence operations, such statement to be sworn to by a majority of the directors or by the president or manager of such foreign bank.

(3) Upon receipt of such statement, the Banking Financial Institutions Commissioner shall make such investigations as may be necessary to assure himself that the foreign bank has, in fact, complied with all the provisions of law to entitle it to a license to engage in the business of banking."

Section 32. Section 407 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 407. Issuance of bank license.

(1) If, upon a careful examination of the facts so reported or any other relevant facts which may come to his knowledge, he is satisfied that the foreign bank has complied with all of the provisions of this title and the Banking Financial Institutions Board permit required before a foreign bank shall be authorized to
open or operate a branch or office in the Federated States of Micronesia, the [Banking] Financial Institutions Commissioner shall issue a license to engage in the banking business pursuant to section 501 of this title.

(2) The [Banking] Financial Institutions Commissioner may withhold from a foreign bank the license authorizing it to commence operations whenever he is satisfied that the foreign bank seeks to operate in the Federated States of Micronesia for any other than the legitimate objectives determined by this title.

(3) The expenses incurred by the [Banking] Financial Institutions Commissioner in connection with such investigation shall be paid by the foreign bank in conformity with regulations which the Banking Board may make and issue for that purpose."

Section 33. Section 408 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 408. Appointment of agent for service of process.
Before commencing business in the Federated States of Micronesia, a foreign bank shall file with the [Banking] Financial Institutions Board an appointment of the [Banking] Financial Institutions Commissioner as its agent upon whom all process in any action or proceeding
against it arising out of the operations or activities of its office or offices in the Federated States of Micronesia may be served, which appointment shall be by its terms perpetual and irrevocable."

Section 34. Chapter 5 of title 29 of the Code of the Federated States of Micronesia is hereby renamed "Licensing of Financial Institution."

Section 35. Section 501 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 6-41 and 9-130, is hereby further amended to read as follows:

"Section 501. Licensing of financial institution.

(1) The Financial Institution Commissioner shall issue licenses to engage in banking business to banks pursuant to sections 308 and 407 of this title. A license shall be in writing and subject to such terms and conditions, including but not limited to capital which a financial institution shall maintain in relation to the size and nature of its business, with which the bank shall comply, as may be specified in its license.

(2) A copy of the license issued under this section shall be displayed and kept displayed conspicuously in a public part of all places of business of the financial institutions in the Federated States of Micronesia.
(3) The Financial Institutions Board may from time to time, by notice in writing to a financial institution [holding a license issued, or deemed to have been issued, under this section], impose new or additional conditions of the license or vary or remove any conditions already imposed.

(4) The Financial Institutions Board shall not take any action under subsection (3) of this section without first consulting the financial institutions concerned and affording it an opportunity to make submissions to the Financial Institutions Board.

(5) A license issued under this section shall remain valid unless canceled in accordance with the provisions of this title."

Section 36. Section 502 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 502. License fees. Financial Institutions holding a valid license issued pursuant to section 501 of this title shall pay an annual license fee as established by regulation [of $2,000] for each office or branch to be operated in the Federated States of Micronesia during the succeeding calendar year. The license fee shall be paid before the 31st day of December each year, in respect of the next succeeding
1 calendar year."

Section 37. Section 503 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby repealed in its entirety.

Section 38. Chapter 6 of title 29 of the Code of the Federated States of Micronesia is hereby renamed "Regulation and Supervision of Financial Institutions."

Section 39. Section 601 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 9-130, 12-57 and 13-56, is hereby further amended to read as follows:

"Section 601. Regulation and supervision of [banks] financial institutions - General policies.

(1) All [domestic banks and,] financial institutions, including foreign banks to the extent of and with respect to business done at any branches established in the Federated States of Micronesia, [all foreign banks doing business in the Federated States of Micronesia] shall be regulated and supervised by the [Banking] Financial Institutions Board in such manner as to secure the safe and sound conduct of such business, to prevent unsound practices, and to maintain the public confidence in such business and protect the public interest and the interests of depositors.

(2) In determining if a [bank] financial institutions is carrying on its business in a prudent manner, the [Banking] Financial Institutions Board will have regard to the
following:

(a) capital adequacy in relation to the size and nature of the business;
(b) asset concentration and risk exposure;
(c) separation of banking business from other business and from other interests of any person owning or controlling the [bank] financial institutions;
(d) adequacy of liquidity in relation to liabilities;
(e) asset quality and adequacy of provisions for losses;
(f) internal controls, risk management and accounting systems;
(g) adequacy of governance arrangements (including Directors and senior management) in relation to the nature and scale of the business; and
(h) such other matters as the [Banking] Financial Institutions Board considers relevant.

(3) Every foreign bank licensed pursuant to section 501 of this title shall, with the concurrence of the [Banking] Financial Institutions Commissioner, designate the branch in the Federated States of Micronesia which may be used as the channel of communication between the [Banking] Financial Institutions Board and the [bank] financial institutions with respect to the application
of this title to its business throughout the Federated States of Micronesia. Such branch shall be responsible for the timely provision of reports and information by other branches requested under this title. The head office of a domestic bank or credit union shall be the channel of communication between the [Banking] Financial Institutions Board and its branches, and shall be responsible for the timely provision of reports and information by other branches requested under this title.

(4) All FDBs shall comply with all existing and future banking and banking-related laws, rules and regulations of the United States relating to supervision, regulatory, and resolution and receivership matters, except any portions of such laws, rules and regulations that conflict with Section 4 or 5 of Article XIII of the FSM Constitution."

Section 40. Section 602 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 602 Regulations -- Issuance and promulgation.

(1) For the purpose of effectuating the policy declared in section 601 of this chapter, the [Banking] Financial Institutions Board, with the approval of the President of the Federated States of Micronesia, may
adopt regulations consistent with law and sound banking practice.

(2) Such regulations shall be brought to the attention of those affected thereby in the manner that the Banking Financial Institutions Board may prescribe."

Section 41. Section 603 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 9-130, and 13-56, is hereby further amended to read as follows:

"Section 603. Examination of banks financial institutions — Authority; Testimony; Document Production; Fees.

(1) The Banking Financial Institutions Commissioner may examine, or cause to be examined, every domestic or foreign bank for the purpose of ascertaining whether it has complied with this title and other applicable laws and for such other purposes and such other matters as the Banking Financial Institutions Board may prescribe.

(2) The Banking Financial Institutions Commissioner and every examiner appointed by him may administer an oath any person whose testimony may be required on the examination of any bank financial institution and summon and compel the appearance and attendance of any person for the purpose of the examination.

(3) As part of any examination, the Banking Financial Institutions Commissioner may also require the production
of books, records or other documents in whatever form.

(4) As an examination fee, each [bank] financial institution and so examined shall pay the total cost of such examination, the sum so paid shall be deposited into the General Fund of the Federated States of Micronesia."

Section 42. Section 604 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 9-130 and 12-57, is hereby further amended to read as follows:

"Section 604. Reports of [banks] financial institutions.

(1) Every [domestic or foreign bank] financial institution shall make at least one report of its condition each year to the [Banking] Financial Institutions Commissioner within ninety days after the close of the [bank's] financial institutions fiscal year, and according to forms to be prescribed by him, verified by the oath of the chief executive officer or chief financial officer and attesting officer, certifying and subscribing under oath that each of them has personal knowledge of the facts stated therein and that the same are true.

(2) Such reports shall exhibit in detail and under appropriate heads the total resources and liabilities of the [banking] financial institution, and, in the case of a foreign bank, shall show separately the resources, liabilities, and operations in the Federated States of Micronesia.
(3) The [Banking] Financial Institutions Commissioner shall have the right to require that any such reports be audited at the [bank's] financial institution's expense by independent accountants approved by the [Banking] Financial Institutions Commissioner.

(4) Every [domestic and foreign bank holding a license under this title] Financial Institution shall forward to the [Banking] Financial Institutions Commissioner no later than the 31st day of December each year a report outlining the bank's policy regarding employment of citizens of the Federated States of Micronesia in executive positions in the [bank] financial institution, and the steps being taken to maximize such employment.

(5) Every [domestic and foreign bank] financial institution shall publish in such manner as the [Banking] Financial Institutions Commissioner shall direct, within 4 months after the close of its fiscal year, an audited report of its condition as described in subsections (1) and (2) of this section.

(6) Each [Banking] financial institution shall deliver to the [Banking] Financial Institutions Board within such period as may be specified and in such form as the Board may from time to time approve, a periodic statement of its:

(a) assets and liabilities;

(b) earnings and expenses;
(c) loans and advances; and

(d) such other data as the Board may deem necessary
to carry out the purpose of this act."

Section 43. Section 605 of title 29 of the Code of the
Federated States of Micronesia, as amended by Public Laws Nos. 9-
130, 12-57 and 13-56, is hereby further amended to read as
follows:

"Section 605. Special reports.

(1) The [Banking] Financial Institutions Commissioner may
request from the [banks] financial institutions special
reports.

(2) The [Banking] Financial Institutions Commissioner may, from
time to time, by notice in writing, require any
domestic or foreign bank to submit such reports and returns
as he may require for the purposes of the administration and
enforcement of the provisions of this title and any
regulations made thereunder.

(3) Any [bank] financial institution notified in writing
under subsection (2) of this section shall comply with
accurate and timely submissions or be subject to a penalty
imposed by the [Banking] Financial Institutions Board in an
amount not to exceed $100 per day until the correct
information has been provided to the satisfaction of the
[Banking] Financial Institutions Commissioner."

Section 44. Section 606 of title 29 of the Code of the
Federated States of Micronesia, as amended by Public Law No. 12-57 is hereby further amended to read as follows:

"Section 606. Misleading or obstructive conduct an offense.

(1) Whoever, with intent to deceive:

(a) makes a false or misleading entry in any financial institution book or record;

(b) makes, provides or certifies any report required by section 604 or 605 of this title, or provides any information required under this title, which is false in any material particular;

(c) omits an entry or alters or conceals any entry in any financial institution book or record; or

(d) conceals or destroys any information, book, voucher, record, report, return, minutes or document relating to the accounts, transactions, affairs or business of a financial institution;

shall be fined not more than $1,000, or imprisoned for not more than 1 year, or both.

(2) Whoever obstructs, or endeavors to obstruct:

(a) the proper performance by an Auditor of a financial institution of his duties related to that financial institution;

(b) an examination of a financial institution conducted pursuant to section 603 of this title; or

(c) the proper performance of his duties by an
advisor appointed under section 701 of this title; shall be fined not more than $1,000, or imprisoned for not more than 1 year, or both."

Section 45. Section 607 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 607. Penalty for failure to report. Any financial institution which fails to make, transmit, and publish any report required under sections 604 or 605 of this chapter shall be subject to a fine of $100 per day for each day's delay after the period specified in this section."

Section 46. Section 608 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130 is hereby further amended to read as follows:

"Section 608. Alternative examination and reports. (1) The Banking Financial Institutions Commissioner may accept, in lieu of the examination required or authorized by section 603 of this title, the most current examination made by the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, or a Federal Reserve Bank, or in case of a foreign bank not examined by such agencies, an examination acceptable by the appropriate government agency in the home jurisdiction of that bank.
(2) The [Banking] Financial Institutions Commissioner may accept, in lieu of any report of condition which may be required by sections 604 or 605 of this chapter, a report of condition obtained by said Corporation, Board of Governors, Federal Reserve Bank, or government agency."

Section 47. Section 609 of title 29 of the Code of the Federated States of Micronesia, is hereby further amended to read as follows:

"Section 609. Legal reserve -- Domestic banks and credit unions.

(1) Subject to such additional requirements as the [Banking] Financial Institutions Board may impose, every domestic bank [and every credit union] shall maintain a legal reserve which shall not be less than twenty percent of its demand deposits and not less than five percent of its other deposits. Said reserve shall consist of United States currency or demand deposits in the name of such [bank] financial institution deposited in another [bank] financial institution approved for such purpose by the [Banking] Financial Institutions Board.

(2) The [Banking] Financial Institutions Board may increase or decrease the minimum legal reserve for demand deposits established in this section up to not more than thirty percent or down to not less than
fifteen percent of the total demand deposits of a domestic bank [or credit union], when in its judgment the circumstances so require it; but the order increasing or decreasing the minimum legal reserve shall not be effective until thirty days after it is entered. This time might be extended by the [Banking] Financial Institutions Board."

Section 48. Section 611 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130, is hereby further amended to read as follows:

"Section 611. Legal reserve - Notification. The [Banking] Financial Institutions Commissioner shall notify any [domestic or foreign bank] financial institution whose legal reserve is less than that required by this title of its obligations to make up the full amount. If such [bank] financial institution fails to do so within a period of thirty days, it may be declared in liquidation by the [Banking] Financial Institutions Board. In such event, the [Banking] Financial Institutions Commissioner shall apply to the Trial Division of the Supreme Court of the Federated States of Micronesia for the appointment of a receiver to take charge of and wind up the affairs of such [bank] financial institution and thereafter the matter shall be governed by the provisions of section 802 of
Section 49. Section 612 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-57, is hereby further amended to read as follows:

"Section 612. Limitations on loans – Maximum amounts.

(1) No domestic bank or credit union shall permit a person to become indebted or liable to it, either directly or indirectly, in an amount in excess of twenty percent of the aggregate paid-in and unimpaired capital, surplus, and undivided profits of the financial institution; PROVIDED however, that this subsection shall not apply to the following types of liabilities:

(a) transactions entered into with another a bank which is a member of the Federal Deposit Insurance Corporation of the United States, and for which quarterly reports of condition are monitored;

(b) securities issued, or guaranteed, by governments of the Federated States of Micronesia or the United States of America;

(c) obligations which are fully secured by a deposit held with the financial institution or another financial institution which can not be withdrawn without the approval of the financial institution.

(2) In computing the total liabilities, direct or indirect, of any person to a financial institution, there shall be included all liabilities to the financial institution.
financial institution of any related person and any [loans made] liabilities incurred for the benefit of the person or for the benefit of any related person.

(3) In computing the total liabilities of any sole proprietorship [firm], [co-]partnership, or unincorporated association to the financial institution, there shall be included all liabilities of its individual members and all [loans made] liabilities incurred for the benefit of the [co] sole proprietorship, partnership or unincorporated association or any members thereof.

(4) In computing the total liabilities of any corporation to a financial institution there shall be included all liabilities [of and all loans made] incurred by and for the benefit of the corporation and its majority owned subsidiaries and controlling entities.

(5) The Banking Board may authorize a credit union to exceed the amount specified in sub-section (1) for a strictly limited period during its formative years.

(6) No credit union shall allow to be outstanding at any one time loans for business and commercial purpose that exceed twenty percent of the total assets of the credit union."

Section 50. Section 613 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 12-57 and 13-56, is hereby further amended to read as follows:
"Section 613. Limitations on loans — Related persons.

(1) Except as herein provided, no domestic bank or credit union shall make any extension of credit to any of its officers, directors, agents, employees, or holders of more than ten percent (10%) of the outstanding stock of the [bank] financial institution, or to any related person, either directly or indirectly, except upon the written application of such person or related person stating the line of credit applied for, terms and security, if any, offered therefor to the board of directors or to the loan or executive committee of the board, and then only with the written approval of a majority of the board or a majority of the loan or executive committee of the board (excluding the person seeking the credit) before the loan is made; and the approval of the loan as allowed by the board or the loan or executive committee of the board shall be made a part of the minutes of the next directors’ meeting of the [bank] financial institution.

(2) Loans may be made to any officer, director, agent, employee, or shareholder of any domestic bank or credit union or any related person, without such application and approval, in amounts not in excess of $5,000 in aggregate principal owing by any such individual and related person at any one time.

(3) Extensions of credit may only be made pursuant to
subsections (1) and (2) of this section if they are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions by the [bank] financial institution with members of the general public or members; PROVIDED however, that a bank may offer preferential terms to employees under an internally established employee benefit program."

Section 51. Section 615 of title 29 of the Code of the Federated States of Micronesia is hereby further amended to read as follows:

"Section 615. Limitations on loans -- Liability for violations. Any officer, director, agent, or employee of any [bank] financial institution who knowingly permits the funds of the [bank] financial institution to be loaned in a dishonest manner or contrary to section 612, 613, or 614 of this chapter shall be held responsible in his individual capacity for all damages which the [bank] financial institution, its shareholders, depositors, creditors, or any persons shall have sustained in consequence thereof."

Section 52. Section 616 of title 29 of the Code of the Federated States of Micronesia is hereby further amended to read as follows:

"Section 616. Prohibited loans and withdrawals --
Penalties. Any director, officer, or employee of a financial institution or related person who asks for or receives any commission, money, property, or thing of value for his own personal benefit for procuring or assisting in procuring a loan from such financial institution or for permitting any person to overdraw any account with such bank shall be fined not more than $1,000, or imprisoned not more than one year, or both."

Section 53. Section 617 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 6-41 and 13-56, is hereby further amended to read as follows:

"Section 617. Applications for credit – denials and records. Each financial institution must provide an applicant with a written explanation of the basis on which a decision is made to deny a written application for a loan, a credit card, or other request for extension of credit within thirty (30) days from the date of receipt of such application by the financial institution. Each financial institution shall keep records of all applications for credit received and denials and written explanations given in the manner determined by the Financial Institutions Commissioner."

Section 54. Section 618 of title 29 of the Code of the Federated States of Micronesia is hereby amended to read as
Section 618. Prohibited investments by financial institutions.

No domestic bank or credit union shall invest in the stock of any other corporation, acquire any real estate, except with the approval of the Financial Institutions Board for use as its principal office in the Federated States of Micronesia, or pledge any of its assets as security for or guaranty any obligations of others except for the issuance of its letters of credit in connection with the shipment of goods.

Section 55. Section 620 of title 29 of the Code of the Federated States of Micronesia is hereby further amended to read as follows:

"Section 620. Declarations of dividends -- Requisites.

No domestic bank or credit union shall declare any dividend or make any other distribution to its stockholders or members except:

(1) out of earnings for the current year after allocating required amounts to the allowance for loan losses and reserves; or

(2) out of unimpaired reserves and accumulated profits with the approval of the Financial Institutions Board."

Section 56. Section 621 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 13-56...
is hereby further amended to read as follows:

"Section 621. Bank stock - Ownership limitations. No person or group of related persons (including entities that are affiliated as parent or subsidiary companies or are otherwise under common control) may acquire ten percent or more of the stock of a domestic bank without the prior approval of the [Banking] Financial Institutions Board."

Section 57. Section 622 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-57, is hereby further amended to read as follows:

"Section 622. Limitations on sale of assets, merger, etc. No domestic bank or credit union may merge or consolidate with, or sell a substantial portion of its assets to, another [bank] financial institution without the approval of the [Banking] Financial Institutions Board. No foreign bank may make any arrangement or enter into any agreement for the sale or disposal of its business, or part thereof, in the Federated States of Micronesia to any other person without the prior approval in writing of the [Banking] Financial Institutions Board."

Section 58. Section 623 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 9-130 is hereby further amended to read as follows:

"Section 623. Deposit and other insurance.

(1) If and while it is available under the laws of
the United States, all domestic banks and foreign
banks, as a condition to operating an office or branch
in the Federated States of Micronesia, shall secure
their depositors by deposit insurance of the Federal
Deposit Insurance Corporation or the Federal Savings
and Loan Insurance Corporation of the United States, or
their successor entities.

(2) If and while it is available, all credit unions
shall secure their depositors by deposit insurance from
any insurer.

[22] [3] All [domestic and foreign banks] financial
institutions operating an office or branch in the
Federated States of Micronesia shall provide themselves
with protection and indemnity against burglary,
embezzlement, and other similar insurable loss. If a
[bank] financial institution refuses to comply with this
requirement, the [Banking] Financial Institutions
Commissioner shall have the right to make arrangements
to furnish such protection and indemnity, charging the
cost thereof to said [bank] financial institution."

Section 59. Section 624 of title 29 of the Code of the
Federated States of Micronesia is hereby further amended to read
as follows:

"Section 624. Prohibited interests of Government
officials in [banks] financial institutions; Removal
from office."
(1) No board member of the Financial Institutions Board nor the Public Auditor nor any representative of the Financial Institutions Board or the Public Auditor nor any financial institutions examiner shall, during the discharge of his office:

(a) be an officer, director, or employee in any financial institution or affiliated company therewith with the exception of member shares in a credit union;

(b) own or deal directly or indirectly in the shares or obligations of such financial institution or affiliated company with the exception of owning member shares in a credit union;

(c) be interested in or receive directly or indirectly from such financial institution or affiliated company, or from any of its officers, directors, or employees, any salary, gratuity, compensation, or other thing of value by way of gift, credit, compensation for services, or for any other reason; or

(d) be interested in or under obligation to negotiate any loan, obligation, or settlement for another person with such financial institution or affiliated company.
(2) Any violation of this section by any official or employee referred to herein shall be sufficient cause for his removal from office by the President."

Section 60. Section 625 of title 29 of the Code of the Federated States of Micronesia is hereby further amended to read as follows:

"Section 625. Permissible interests of Government officials. Notwithstanding the provisions of section 624 of this chapter, any official or employee referred to in such section may own or keep one or more [bank] accounts with a financial institution, either commercial or [savings] personal, and may rent safe-deposit boxes in any [bank referred to in such section and doing business in the Federated States of Micronesia] financial institution, and may obtain a loan from any [such bank, foreign bank, or affiliated company] financial institution; provided, that such official or employee makes full disclosure thereof to the [Banking Financial Institutions Board and, in the case of each of the members of the [Banking] Financial Institutions Board, he shall make the disclosure to the President of the Federated States of Micronesia."

Section 61. Section 626 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law Nos. 9-130 and 12-57, is hereby renumbered as section 627 and further
amended to read as follows:

"Section [626] 627. Filing fees; Disposition of fines.

(1) Every [domestic bank or foreign bank] financial institution in the Federated States of Micronesia shall, upon filing its articles of incorporation in the Office of the Registrar of Corporations, pay a filing fee of fifty dollars.

(2) Every [domestic or foreign bank] financial institution desiring to file in the Office of the Registrar of Corporations articles amendatory or supplementary or a certificate of increase or decrease of capital stock shall pay a fee of twenty-five dollars.

(3) The fee for furnishing a certified copy of any of the documents referred to in the preceding subsections of this section shall be fifty cents per folio, but not less than five dollars.

(4) All fees required under the provisions of this title shall be paid to the Office of the Registrar of Corporations and shall be accounted for and deposited into the General Fund of the Federated States of Micronesia.

(5) All fines under this title shall be paid to the [Banking] Financial Institutions Commissioner and shall be accounted for and deposited into the General Fund of the Federated States of Micronesia."
Section 62. Section 626 of title 29 of the Code of the Federated States of Micronesia is hereby enacted to read as follows:

"Section 626. Amendment of articles of incorporation and bylaws.

(1) Every financial institution organized under this Title may amend its articles of incorporation and, in the case of a credit union, its bylaws, for any lawful purpose, after obtaining the approval of the Financial Institutions Board.

(2) No amendment may contain a provision which would not have been lawful and proper to insert in the original articles of incorporation or bylaws.

(3) No change shall be made in the articles of incorporation or bylaws by which the rights or security of the existing depositors, creditors or members of the financial institution shall be impaired."

Section 63. Section 627 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-57, is hereby renumbered as section 628 and amended to read as follows:


(1) For any violation of this title, license conditions imposed by the [Banking] Financial Institutions Board pursuant to section 501 of this
title, directives issued by the [Banking] Financial Institutions Board pursuant to section 701 of this title, or the regulations prescribed pursuant to section 601 of this chapter, the delinquent [domestic or foreign bank] financial institution shall be subject to a fine of not more than $5,000 and if the violation is a continuing one, to a further fine not exceeding $1,000 for every day during which the violation continues; and, in the case of a material violation, to the cancellation of its license.

(2) The [Banking] Financial Institutions Board must give notice to the [bank] financial institution concerned of the intention to impose a penalty pursuant to subsection (1) of this section, and allow it a hearing in respect to the alleged violation. The [Banking] Financial Institutions Board must take into account the outcome of the hearing in its final decision.

(3) The [Banking] Financial Institutions Commissioner shall immediately notify the Bank concerned in writing of any penalty imposed pursuant to subsections (1) and (2) of this section. If the penalty involves cancellation of license, the [bank] financial institution must immediately cease to carry on banking business, the [Banking] Financial Institutions
Commissioner must notify the Registrar of Corporations of the cancellation, and the provisions of section 801 of this title shall apply."

Section 64. Chapter 7 of title 29 of the Code of the Federated States of Micronesia is hereby renamed "Control over Financial Institutions."

Section 65. Section 701 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 12-57 and 13-56, is hereby further amended to read as follows:

"Section 701. Unsafe or unsound practices.

(1) This section shall apply when the Banking Financial Institutions Board has determined that a financial institution:

(a) is following unsafe or unsound practices in the conduct of its business that if continued may jeopardize its obligations to its depositors, or adversely affect the operation or stability of the banking system of financial institutions in the FSM; or

(b) has contravened or failed to comply with the terms and conditions of its license or the provisions of this title.

(2) When a financial institution is engaged in practices described in subsection (1) of this section, the
(a) shall issue a directive to such financial institution to cease and desist from such practice, contravention or non-compliance or to take such other action as the Banking Financial Institutions Board determines is necessary;

(b) shall issue a directive to such financial institution to take such action (including action to replace or strengthen officers or directors) as may be specified in such directive in order to correct the conditions resulting from such practices, contravention or non-compliance; and

(c) may appoint a qualified person to advise the financial institution on the proper conduct of its business and measures to be taken to rectify its situation; the remuneration to be paid to such advisor shall be fixed by the Banking Financial Institutions Board and paid by the financial institutions.

Section 66. Section 702 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 12-57 and 13-56, is hereby further amended to read as follows:

"Section 702. Enforcement of directives.

(1) The Banking Financial Institutions Commissioner shall promptly and fully enforce all FDIC directives and orders against or involving any FDB or any IAP, except
to the extent that such directives or orders conflict
with the Constitution of the FSM.

(2) If a [Bank] financial institution to which section
701 of this title has been applied fails to comply
promptly with any directive or order of the FDIC or
[Banking] Financial Institutions Commissioner, such
failure shall constitute grounds for an application
under section 801 of this title."

Section 67. Section 703 of title 29 of the Code of the
Federated States of Micronesia, as amended by Public Law No. 12-
57, is hereby further amended to read as follows:

"Section 703. Prevention [against] of money laundering.

(1) Any director, manager or other officer of a [Bank]
financial institution in the Federated States of
Micronesia who makes or authorizes, or permits to be
made or authorized by any officer of the [Bank]
financial institution any transaction:

(a) without taking or causing to be taken all
reasonable steps to establish the true identity of the
persons concerned in the transaction; or

(b) when he or the officer concerned doubts or
has reason to doubt the authenticity of documents and
the truth of written or oral statements material to the
transaction; or

(c) when he or the officer concerned knows or has
reason to suspect that any of the funds involved in the transaction have been obtained by any party as the direct or indirect result of activity that is illegal inside or outside the Federated States of Micronesia; is guilty of an offense and upon conviction, shall be fined not more than $10,000 or imprisonment for not more than one year or both.

(2) No director, manager or other officer concerned in the management of a financial institution who discloses in good faith to the Banking Financial Institutions Commissioner information regarding any customer or transaction which he believes to be connected to illegal activity, shall incur any liability as a result of such disclosure."

Section 68. Section 704 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-57, is hereby further amended to read as follows:

"Section 704. Prohibition on disclosure.

(1) No person who, in his past or current capacity as a director, manager, officer, employee or agent of any [licensed bank] financial institution, has acquired information concerning a customer of a [licensed bank] financial institution shall disclose such information except:

(a) with the written authorization of the
customer or his legal personal representative;
(b) for the purpose of performing his duties under this title;
(c) when required to do so by a court in the Federated States of Micronesia;
(d) in order to comply with the provisions of this title or any other written law; or
(e) to provide to a person, upon a legitimate business request, a general credit rating, a copy of which shall be provided to the subject of the credit rating upon his request.

(2) No board member of the Banking Financial Institutions Board, Banking Financial Institutions Commissioner, employee or agent of the Banking Financial Institutions Board shall disclose to any person any information, returns or data whatsoever relating to any licensed Bank financial institution or to its customers that he has acquired in the performance of his duties under this title except:
(a) for the purpose of the performance of his duties or the exercise of his functions;
(b) when lawfully required to do so by any court, or in proceedings for an offense against this title;
(c) with the consent of the person to whom the
Section 69. Section 705 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Law No. 12-57, is hereby further amended to read as follows:

"Section 705. Retention of records.

(1) A [licensed bank] financial institution must retain, for a period of at least 5 years, checks and other negotiable instruments drawn on it and paid by it, and other items comprising records of transactions processed by it.

(2) It shall be sufficient compliance with the duty imposed by subsection (1) of this section if a copy of
the item has been made by the financial institution on microfilm, microfiche, tape, disk, or electronic or photographic storage media, and is retained by the financial institution for the same period as the item is required to be retained pursuant to subsection (1) of this section.

(3) Notwithstanding the provisions of any other law, a copy of an item made pursuant to this section shall be admissible as evidence in any legal proceeding to the same extent as the item of which it is a copy would have been admissible."

Section 70. Section 801 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 9-130 and 13-56, is hereby further amended to read as follows:

"Section 801. Receivership — Application by Banking Financial Institutions Commissioner. If, in consequence of an examination or report made by an examiner, or otherwise, the Banking Financial Institutions Board should have reason to believe that a domestic bank or foreign bank financial institution is in an unsafe or unsound condition or is engaging in unsafe or unsound practices; or that its affairs are being conducted in such a manner that the public or the persons or entities having securities or funds under its custody are in danger of being defrauded; or if any such bank
financial institution shall violate its charter or any law relative thereto, or this title in any material respect; or if it becomes insolvent, then, subject to Chapter 9 of this title, the [Banking] Financial Institutions Commissioner may apply to the Trial Division of the Supreme Court of the Federated States of Micronesia for the appointment of a receiver to take charge of and wind up the affairs of such [bank] financial institutions."

Section 71. Section 802 of title 29 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 9-130 and 13-56, is hereby further amended to read as follows:

"Section 802. Receivership — Appointment and duties of receiver.

(1) If the Court, after hearing all parties concerned, determines that the facts alleged by the [Banking] Financial Institutions Commissioner are supported by the evidence, except in the event that the FDIC has appointed itself receiver pursuant to Chapter 9, the Court shall appoint a receiver.

(2) Upon his appointment the receiver shall, under the direction of the [Banking] Financial Institutions Commissioner, take possession of the assets and liabilities, books, records, papers, and files of every description belonging to the [bank] financial
institution; and collect all loans, fees, and claims of
the [bank] financial institution; and see to the payment
of its obligations and debts, and to the necessary
expenses of receivership.

(3) The receiver shall proceed to liquidate the
affairs of the [bank] financial institution as soon as
possible, and to this end may sell the personal and real
property and other assets of the [bank] financial
institution, but subject to the approval of the
[Banking] Financial Institutions Commissioner. The
receiver shall continue to perform his duties in the
manner prescribed herein until the bank or foreign
[bank] financial institution is fully liquidated."

Section 72. Section 803 of title 29 of the Code of the
Federated States of Micronesia is hereby further amended to read
as follows:

"Section 803. Voluntary liquidation.

(1) Any [bank] financial institution may terminate
its business in the Federated States of Micronesia with
the approval and under the supervision of the [Banking]
Financial Institutions Board in such event.

(2) The business and assets of the [bank] financial
institution in the Federated States of Micronesia shall
be liquidated in an orderly manner so as to fully
protect all of the creditors, depositors, members and
stockholders of the [bank] financial institution in the Federated States of Micronesia.

Section 73. A new section 804 of title 29 of the Code of the Federated States of Micronesia is hereby enacted to read as follows:

"Section 804. Priority of claims. In the event that the amount realized from the sale or disposal of assets in a liquidation is insufficient to cover all claims, the claims shall be paid with the following priority, notwithstanding any other law, unless the FDIC requires otherwise: (i) funds owed to depositors, less any claims covered by insurance (ii) cost of the liquidation (iii) wages of employees (iv) claims by government entities (v) secured creditors (vi) unsecured creditors (vii) stockholders and members."

Section 74. Section 903 of title 29 of the Code of the Federated States of Micronesia is hereby further amended to read as follows:

"Section 903. Receivership. If the FDB becomes 'critically undercapitalized' as that term is used in Article XI, the [Banking] Financial Institutions Commissioner shall act to close the FDB.

(1) The FDIC has the authority to appoint itself receiver of the FDB under the circumstances provided in Article XI and to exercise all powers conferred by the
FDIC Act.

(2) Upon closure of a FDB for any reason, the FDIC shall become the receiver of the FDB on the date of the closing unless the FDIC notifies the Financial Institutions Commissioner in writing that it will not serve as receiver.

(3) A closed FDB shall pay the receiver's administrative expenses prior to the payment of any other claims of unsecured creditors. The subrogated claim of the FDIC as insurer of deposits shall have priority over the payment of any claims of general unsecured creditors of the FDB, other than the receiver's administrative expenses.

(4) No person alleging a claim against a FDB in receivership shall be permitted to bring an action in a court of law or other body (including any action that existed against the FDB prior to its failure) until such person has permitted the receiver a reasonable period to review such claim.

(5) No claim against a receiver arising prior to the failure of the FDB shall be valid unless it appears in the FDB's records.

(6) No claim against the receiver for its actions in liquidating the FDB shall prevail unless the plaintiff proves by clear and convincing evidence that the
receiver acted in willful disregard of the law.

(7) No court or administrative agency shall enjoin the operations of the receivership.

(8) Officers, directors and other professionals shall be liable to the receiver for any damages caused to the failed FDB.

(9) The receiver shall not be required to perform any executory contract that had been entered into by the FDB prior to its failure.

(10) Litigation between the receiver and the creditors or debtors of the FDB shall not be commenced until after the receiver has conducted a completed administrative review of the claim.

(11) All suits of a civil nature to which the FDIC as receiver is a party must be brought pursuant to the provisions of Article XI."

Section 75. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new Chapter 10 entitled "Credit Unions".

Section 76. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 1001 to read as follows:

"Section 1001. Organization – Permit required; Application.

(1) Any twenty or more persons who are citizens of the
Federated States of Micronesia of sufficient legal capacity may organize a credit union, but for such purpose they shall first apply in writing for a permit from the Banking Board.

(2) The application shall set forth and prove the need of the services of a credit union in the locality wherein the credit union is seeking to be established including a statement that the services rendered by other financial institutions do not answer the needs of the locality.

(3) The application shall also set forth the following:

(a) A business plan showing the intended strategy for the first three years of operation, including the administrative and organizational structure of the credit union, internal controls, and projected balance sheet, profit and loss and cash flow statements for each of the three years, together with the assumptions on which they are based;

(b) The structure and adequacy of capital in relations to the projected volume of risk assets detailed in the business plan;

(c) The financial capacity, history, qualifications and experience of the applicants and the proposed management; and
(d) The proposed bylaws and articles of incorporation.

Section 77. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 1002 to read as follows:

"Section 1002. Application for permit - Financial Institutions Commissioner's investigation. It shall be the duty of the Financial Institutions Commissioner, immediately after the Financial Institutions Board receives an application for a permit, to make whatever investigations and hold such hearings as he deems may be necessary as to:

(1) the financial and commercial ability and experience of the applicants;

(2) whether such ability and experience are sufficient to warrant the efficient functioning and operation of the credit union;

(3) whether local need justifies the application;

(4) the character and repute, as well as the financial commercial experience of the prospective directors or officers who are to conduct the business of said credit union;

(5) whether the credit union shall be of benefit to the general public;

(6) the capital which the credit union has available
for its operations;

(7) the matters set out in Section 601 of this Title;

and

(8) the appropriateness of the proposed bylaws and

articles of incorporation."

Section 78. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 1003 to read as follows:

"Section 1003. Application for permit – Issuance by Board. The Financial Institutions Board may issue the permit applied for if, in its judgment, the result of the investigations are satisfactory. Any permit may be granted subject to such conditions as the Financial Institutions Board, in its discretion, deems necessary to protect the interests of the people of the Federated States of Micronesia."

Section 79. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 1004 to read as follows:

"Section 1004. Articles of incorporation. The articles of incorporation must be subscribed by each of the founding members referred to in Section 1001(1) and duly sworn to before a notary public. They shall specifically state:

(1) the name by which such credit union is to be
known;

(2) the State where its main office is to be established, which shall be its legal domicile;

(3) the objects of the credit union;

(4) the term of duration of the credit union, which may be perpetual;

(5) a statement that only members shall conduct business with the credit union;

(6) the qualifications for membership;

(7) the value of a membership share of the proposed credit union, which should be at least $5, and whether it may be subscribed by installments;

(8) whether the property right and interest of each member are equal or unequal and, if unequal, the rule or method of determining the rights and interests of members;

(9) the disposal of members interests on termination of membership for any reason;

(10) the names, ages and places of residence of the founding members, the manner by which each meets the qualifications for membership, and the number of shares subscribed by each;

(11) the number of directors of the bank, which shall not be less than five, and not less than two-thirds of the total number of whom shall be citizens of the
Federated States of Micronesia and shall have resided in the Federated States of Micronesia for at least 1 year prior to the date of the application; the manner of their election, their terms of office, and the number necessary to constitute a quorum; and

(12) any other articles which the founding members may deem it advisable to insert for the regulation of the business and the conduct of the affairs of the credit union; provided, that such articles shall not be in conflict with this Title, or with any other laws of the Federated States of Micronesia."

Section 80. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 1005 to read as follows:

"Section 1005. Incorporation.

(1) Upon subscribing and swearing to the articles of incorporation, as provided in Section 304 of this Title, and upon submitting two copies of the same to the Registrar of Corporations together with the permit granted by the Financial Institutions Board authorizing the organization of the credit union, and upon payment of the proper filing fee, and upon the issuance by the Registrar of Corporations, under his seal, of a certificate stating that the articles containing the statements required by Section 1005 of this Title have
been filed in his office, the existence of the credit
union named in the articles of incorporation shall
begin.

(2) Upon the issuance by the Registrar of Corporations
of a certificate of incorporation the Registrar of
Corporations shall transmit to the Financial
Institutions Commissioner a duplicate copy of the
articles of incorporation.

(3) From and after date of such filing, the credit
union shall constitute a body corporate under the name
set forth in the articles. However, before such credit
union may commence business it shall comply with the
other requirements of this Title and all other
applicable provisions of law."

Section 81. Title 29 of the Code of the Federated States of
Micronesia is hereby amended by enacting a new section 1006 to
read as follows:

"Section 1006. Examination for compliance.

(1) When the duplicate copy is received by the
Financial Institutions Commissioner, he shall notify the
credit union, and the credit union shall then file with
the Financial Institutions Commissioner a statement of
all the facts necessary to enable him to determine
whether the credit union has in fact complied with all
the requirements of law and is lawfully entitled to
commence business, such statement to be sworn to by a
majority of the directors and by the president or the
manager of the credit union.

(2) Upon receipt of such statement by the Financial
Institutions Commissioner, he shall examine the
condition of the corporations and ascertain specifically
the amount of its capital; the names and places of
residence of its directors and officers; and, generally,
whether such corporation has complied with all the
provisions of law required to entitle it to a license to
operate as a credit union."

Section 82. Title 29 of the Code of the Federated States of
Micronesia is hereby amended by enacting a new section 1007 to
read as follows:

"Section 1007. Issuance of license.

(1) If, upon careful examination of the facts so
reported, or of any other relevant facts which may come
to his knowledge, the Financial Institutions
Commissioner is satisfied that such credit union has
complied with all the applicable provisions of this
Title, with any conditions in the Financial Institutions
Board permit required to be satisfied prior to
licensing, and with other laws required to be complied
with before a credit union shall be authorized to
commence operations, he shall issue a license pursuant
to section 501 of this title. The license shall contain any conditions of the Financial Institutions Board permit intended to survive past issuance of the license.

(2) The Financial Institutions Commissioners may withhold from a credit union the license authorizing it to commence business whenever he is satisfied that the incorporators have organized the credit union for any other than the legitimate objectives determined by this title.

(3) The expenses incurred by the Financial Institutions Commissioner in connection with such investigations shall be paid by the corporation in conformity with the regulations the Financial Institutions Board may promulgate for that purpose."

Section 83. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 1008 to read as follows:

"Section 1008. By laws. It shall be a condition of the license that a credit union adopt by laws specifying the following matters:

(1) The procedure for admission of members;

(2) The procedure for withdrawal, transfer, expulsion, death or disqualification of members;

(3) A requirement for preparation of annual accounts and the auditing thereof;"
(4) A requirement that the credit union shall hold an annual general meeting of all members at least once every 12 months in the place in which the credit union has its principal place of business;

(5) The manner in which to convene special meetings;

(6) The method of providing notice of meetings and maintaining records of meetings;

(7) A requirement that each member is entitled to one vote on each matter voted on at a members meetings;

(8) Provisions for absentee voting, if any;

(9) Provisions relating to the board of directors;

(10) A requirement to set aside reserves each year as required by Chapter 6;

(11) Eligibility for loans subject to Chapter 6;

(12) Eligible investments subject to Chapter 6;

(13) Procedures regarding how the board shall make decisions regarding changes to the structure of the credit union, such as merger, closure or liquidation, including provisions on notice to the membership and voting rules;

(14) Any other matters as determined by the members."

Section 84. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 1009 to read as follows:

"Section 1009. Member records. Every credit union
shall-

(1) Maintain an indexed register of members, showing the name and address of each member, the date on which the member joined the credit union or changed category as a member, the date on which any person ceased to be a member, whether the member is an ordinary or non-qualifying members, and any other information as may from time to time be prescribed by the Financial Institutions Commissioner;

(2) Keep a record of minutes of board and member meetings, resolutions adopted by the board of directors, and all written communication furnished to members."

Section 85. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 1010 to read as follows:

"Section 1010. Information available to the public.

(1) Subject to subsection 2 of this section, any member of a credit union may inspect the books and accounts of the credit union at all reasonable hours at the registered office of the credit union or at any place where the books or accounts are kept.

(2) Unless he is an officer of, or is specially authorized by resolution of, the credit union to do so, a member of a credit union shall not have the right to inspect any account of any other member without the
written consent of that member.

(3) The annual return and all the information contained therein shall be public information and shall be provided free of charge upon request to any member of the public."

Section 86. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 1011 to read as follows:

"Section 1011. Liability of members. The members of a credit union are to personally or individually liable for the payment of the credit union's debt in excess of the amount of their individual membership shares."

Section 87. Title 29 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 1012 to read as follows:

"Section 1012. Establishment of offices abroad. Except with the consent in writing of the Financial Institutions Board, not credit union shall establish a branch, agency or office outside the Federated States of Micronesia."

Section 88. Title 36 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 107. Use of the terms 'cooperative' and 'credit union' restricted. No person, firm, corporation, or association hereafter organized or doing
business in the Federated States of Micronesia shall be entitled to use the terms 'cooperative' or 'credit union' as part of its corporate name or other business name or title, or otherwise represent itself to the public to be a nonprofit cooperative association or credit union or cooperative savings and loan association unless it has complied with the provisions of this chapter, except as provided in section 102 above, and with the provisions of title 29."

Section 89. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

Date: 1/25/06

Introduced by: /s/ Simiram Sipenuk

Simiram Sipenuk
(by request)