

STANDING COMMITTEE REPORT NO. 16-101

RE: C.B. NO. 16-114

SUBJECT: AMENDING SECTION 103 OF TITLE 36 OF THE FSM CODE TO
CLARIFY THE APPLICATION OF THE 60-DAY PERIOD FOR
SUBMISSION OF STOCK AFFIDAVIT, AND TO MODIFY THE NOTARY
REQUIREMENT

SEPTEMBER 25, 2010

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Fifth Regular Session, 2010

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was
referred C.B. No. 16-114, entitled:

"A BILL FOR AN ACT TO FURTHER AMEND SECTION 103 OF TITLE
36 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS
AMENDED BY PUBLIC LAW NO. 15-75, TO CLARIFY THE
APPLICATION OF THE 60-DAY PERIOD FOR SUBMISSION OF STOCK
AFFIDAVIT OF AN APPROVED MAJOR CORPORATION, TO MODIFY THE
FSM NOTARY REQUIREMENT, AND FOR OTHER PURPOSES."

begs leave to report as follows:

The intent and purpose of the bill are expressed in its title.

Your Committee held a public hearing on C.B. No. 16-114 on May
26, 2010. Attending this hearing were Chairman Roger S. Mori,
Senators Peter Sitan, Paliknoa Welly, Dohsis Halbert, Joe N.
Suka, Dion G. Neth and Joseph J. Urusemal. Witnesses from the
Executive include Secretary Makoto Robert, Assistant Attorney Jun
Bacalando, Registrar of Corporation Sumari Suta, Assistant
Registrar of Corporation, Berthold Edmund, and Pelsesar Petrus
from the Office of the President.

During the hearing, your Committee was informed that the proposed
amendments to section 103 of title 36 of the FSM Code is to
expand the authority of the Registrar; to allow non-FSM citizens

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to apply for notary in the FSM; for the Registrar to prepare a list of notaries accredited by the Registrar; and for an affidavit of a major corporation as defined under chapter 3 of title 54 of the FSM Code to be submitted to the Office of Registrar. Generally, the proposed bill is to allow for more alternatives to meeting the notary requirement.

The current section 103(2) of title 36 of the FSM Code states: "An affidavit shall be submitted to the Office of the Registrar by the President and Secretary of the corporation as named in the articles of incorporation not later than sixty (60) days from the date of receipt of the certificate of incorporation." In regards to the proposed amendment to subsection 103(2), a "major corporation" must submit an affidavit to the Office of the Registrar. This implies that the President and the Secretary of the Corporation shall submit the affidavit and other documents to the Office of the Registrar.

The proposed amendment to subsection 103(3) of the same act proposes that an affidavit of a major corporation that require notarization shall be notarized by an authorized FSM notary or a notary public accredited by the Registrar of Corporation. The new proposal is for notary public accredited by the Registrar whether it be a FSM citizen or a non-FSM citizen can notarize affidavit.

The main concern is whether the Registrar can accredit non-FSM citizens as a notary. What is the risk involved? As the law is written only FSM citizens can be a notary and there is only one notary in the FSM Embassy office in Japan. That makes it very difficult for major corporations in Japan and other Asian countries to fly or drive to the Embassy office for the notary requirement. Information provided to the Committee revealed that the risk in allowing a non-FSM citizen to be a notary is low because a notary does not confirm the substance of the document but merely confirms that the person signing the document is that person based on identification. Also, because the Registrar can do background checks on a person applying for a notary by verifying the approved list of accredited notaries.

Your Committee on Resources and Development is in accord with the intent and purpose of C.B. No. 16-114, as amended herein, and recommends its passage on First Reading, and that it be placed on the calendar for Second and Final reading in the form attached hereto as C.B. No. 16-114

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Respectfully submitted,

/s/ Roger S. Mori
Roger S. Mori, chairman

/s/ Tony H. Otto
Tony H. Otto, vice chairman

/s/ Peter M. Christian
Peter M. Christian, member

/s/ Dion G. Neth
Dion G. Neth, member

/s/ Peter Sitan
Peter Sitan, member

Joseph J. Urusemal, member

Paliknoa K. Welly, member