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A BILL FOR AN ACT

To create The First National Bank of the Federated States of Micronesia, and for other purposes.

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

1 Section 1. Purpose. It is the intent of the Congress of
2 the Federated States of Micronesia to create a financial
3 institution to provide the people of the Federated States of
4 Micronesia with adequate banking facilities and to promote
5 the general welfare of the people of the Federated States
6 of Micronesia.

7 Section 2. Creation of The First National Bank of the
8 Federated States of Micronesia. There is hereby created
9 a body corporate to be known as The First National Bank of the
10 Federated States of Micronesia, hereinafter referred to as
11 "The First National Bank."

12 Section 3. Duration. The First National Bank shall exist
13 until such time as it is dissolved by the Congress of the
14 Federated States of Micronesia.

15 Section 4. Place of business. The principal office of
16 The First National Bank shall be located in the Capital State
17 of the Federated States of Micronesia. The First National Bank
18 shall establish a branch office in each State's capital and such
19 other branch offices as the Board of Directors deems necessary,
20 including mobile branches providing regular banking services to
21 the outer islands of each State on field trip ships.

22 Section 5. Objects and purposes of the Bank. The objects
23 and purposes for which The First National Bank is formed are:

24 (1) To do, conduct, and transact generally the
25 business of a commercial bank and to do all things and

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- 1 exercise all powers and perform all functions which a
2 commercial bank is authorized or empowered to do, exercise,
3 or perform under and by virtue of the laws of the Federated
4 States of Micronesia, including to receive deposits
5 of money, deal in commercial paper, lend money on real or
6 personal property, discount bills, notes, or other commercial
7 paper, and to buy and sell securities, gold and silver
8 bullion, foreign coins, or bills of exchange;
- 9 (2) To do, conduct, and transact generally the
10 business of a savings bank, and to do all things, exercise
11 all powers, and perform all functions which a savings bank
12 is authorized or empowered to do, exercise, or perform
13 under and by virtue of the laws of the Federated States
14 of Micronesia; to accumulate, loan, and invest
15 the funds of its depositors; receive deposits of money;
16 loan, invest, and collect the same with interest; to repay
17 depositors with or without interest; invest such funds in
18 property, securities, and obligations; to declare and
19 pay dividends on its general deposits; and to pay a stipulated
20 rate of interest on deposits made for a stated period, or upon
21 special terms;
- 22 (3) To do, conduct, and transact generally the
23 business of a trust company and do all things, exercise all
24 powers, and perform all functions which a trust company
25 is authorized or empowered to do, exercise, or perform

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1 under and by virtue of the laws of the Federated States of
2 Micronesia; to take, receive, and hold in trust, property, both
3 real and personal, for individuals, firms, companies, associa-
4 tions, or corporations, and to accept and execute trusts of
5 every description which may be committed to it by any person,
6 executor, administrator, administrator with the will annexed,
7 guardian, trustee, assignee, receiver, or by any corporation,
8 or by any agency or branch of any State or the National Govern-
9 ment of the Federated States of Micronesia; to accept employ-
10 ment as and act as executor of any last will and testament and
11 as administrator, or administrator with the will annexed, of
12 the estates of deceased persons, and as assignee, receiver,
13 trustee, and depositary in all such matters, and in a legal
14 manner to attend to the management and settlement of estates,
15 guardianships, assigneeships, and receiverships, and to
16 act as trustee, agent, or attorney for individuals, firms,
17 companies, associations, or corporations, and to attend
18 to any and all manner of trusts; to act as agent for the
19 purpose of registering or countersigning the certificates
20 of stocks, bonds, or other indebtedness of any corporation,
21 company, association, municipality, State, or public authority
22 on such terms as may be agreed upon; to act as transfer
23 agent and registrar of certificates, stocks, or bonds; to
24 purchase, hold, sell, and take such property, real and
25 personal, as may be mortgaged, pledged, and hypothecated

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1 or conveyed to it in trust, or for its benefit for money
2 loaned in pursuance of its regular business, and as may
3 be purchased by it at sales under mortgages, pledges,
4 hypothecations, or deeds of trust made for its benefit for
5 money so loaned, or as may be conveyed to it by borrowers
6 of money in satisfaction or in discharge of loans made
7 thereon; to purchase, hold, own, and sell personal
8 property; and to do all of the things in this paragraph
9 set forth as such trust company;

10 (4) To conduct a safe deposit business, and in
11 the conduct of said safe deposit business, store and
12 hold for others personal property and securities with or
13 without compensation, and to maintain vaults and safes
14 and receptacles therein for the storage, safe-depositing,
15 and safe-keeping of personal property and securities, and
16 to rent and hire such safes and receptacles to others upon
17 such terms and conditions as the corporation may deem
18 advisable;

19 (5) To conduct the business of a commercial bank,
20 savings bank, and trust company, as hereinbefore set forth,
21 in and as separate or different departments of The First
22 National Bank, in a manner not inconsistent with the laws of
23 the Federated States of Micronesia; and

24 (6) To indemnify any and all of its directors
25 or officers or former directors or officers or any person

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- 1 who may have served at its request as a director or
2 officer of another corporation in which it owns shares
3 of capital stock or of which it is a creditor, against
4 expenses actually and necessarily incurred by them in
5 connection with the defense of any action, suit, or
6 proceeding in which they, or any of them are made parties,
7 or a party, by reason of being or having been directors
8 or officers or a director or officer of The First National
9 Bank, or of such other corporation, except in relation to
10 matters as to which any such director or officer or
11 former director or officer or person shall be adjudged
12 in such action, suit, or proceeding, to be liable for
13 negligence or misconduct in the performance of duty.
14 Such indemnification shall not be deemed exclusive of
15 any other rights to which those indemnified may be
16 entitled, under any bylaw, agreement, or otherwise.
- 17 Section 6. Power to hold real property. The
18 First National Bank may purchase, acquire, hold, sell, lease,
19 and convey or otherwise dispose of real property whenever
20 appropriate to the purposes for which The First National Bank
21 was formed.
- 22 Section 7. Ownership of The First National Bank.
- 23 (1) The First National Bank shall issue share
24 accounts as provided in this section.
- 25 (2) All share accounts shall be represented by

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1 share account books containing a certificate of membership
2 and evidencing the participation value of the share account.
3 Share accounts may be purchased by any person who is a
4 Micronesian citizen or by any corporation wholly owned by
5 Micronesians. Share accounts shall not be transferable or
6 assignable.

7 (3) Share accounts shall be sold for \$10 or
8 multiples thereof.

9 (4) The Board of Directors may declare a
10 dividend at the end of any fiscal year from the net earnings
11 remaining after providing for an adequate reserve, which
12 shall not be less than that required by law.

13 All holders of share accounts shall participate equally in
14 dividends pro rata to the participation value of their
15 share accounts. In the case of any share account which has
16 been held for less than one full fiscal year, the holder
17 shall be entitled to receive a proportional part of said
18 dividend calculated on the number of months for which the
19 share account was held.

20 (5) At any time adequate funds are on hand for this
21 purpose, The First National Bank shall redeem any share
22 account upon application by the holder of the share account.
23 The redemption price of share accounts shall be the full value
24 of the share account.

25 (6) Interest shall be paid on all share accounts

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1 at the same rate and on the same basis as is paid on all
2 other deposits held by The First National Bank.

3 Section 8. Management of The First National Bank.

4 (1) The affairs of The First National Bank shall be
5 managed and its corporate powers exercised by the Board of
6 Directors which shall consist of five members, hereinafter
7 referred to as the "Board." The members of the Board shall
8 be appointed by the President of the Federated States of
9 Micronesia, with the advice and consent of the Congress of
10 the Federated States of Micronesia.

11 (2) Members of the Board shall serve four-year
12 terms; PROVIDED that at the first meeting of the Board the
13 members shall, by lot, determine among them which member shall
14 have an initial term of one year, which member shall have an
15 initial term of two years, which member shall have an initial
16 term of three years; and which two members shall have an
17 an initial term of four years. The initial terms of the Board
18 members shall expire at noon on the day of the first meeting
19 of the Board in the first, second, third, or fourth year
20 respectively, following the first meeting.

21 (3) Any interim vacancy on the Board of Directors of
22 the five appointed directors shall be filled by appointment
23 by the remaining directors, and any director so appointed
24 shall serve for the unexpired term of the director he
25 replaces.

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1 (4) Any director may be removed from office by
2 the affirmative vote of two-thirds of the Board of Directors.

3 (5) The First National Bank shall have at least the
4 following officers: a President, a Vice President, a treasurer,
5 and a secretary. These officers shall be appointed by the
6 Board of Directors for a term of office which shall not exceed
7 four years. The officers of The First National Bank may be
8 removed from office as provided in the bylaws of The First
9 National Bank.

10 (6) At the first meeting of the Board of Directors
11 the members shall proceed to elect a chairman by majority
12 vote. The chairman may be removed from office by the
13 affirmative vote of two-thirds of the members of the Board
14 of Directors.

15 Section 9. Bank Act applies. The operations of the First
16 National Bank shall be subject to the provisions of the Federated
17 States of Micronesia Bank Act of 1980, as amended from time to
18 time, and any successor or related law of the Federated States
19 of Micronesia regulating the formation, licensing, and operations
20 of commercial banks within the Federated States of Micronesia.

21 Section 10. Bylaws. The Board of Directors, by an
22 affirmative vote of a majority of the whole Board, may adopt,
23 amend, alter, or repeal such bylaws for The First National Bank
24 as are not inconsistent with this act providing for the manage-
25 ment of the business of The First National Bank, the regulation

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1 of its affairs, the organization, conduct, and meetings of
2 the Board of Directors, the duties of the officers of The First
3 National Bank, the officers required to furnish bonds and
4 amounts thereof, and any other matter not inconsistent with
5 the purposes of The First National Bank; PROVIDED that the bylaws
6 shall not be adopted, amended, altered, or repealed at any
7 meeting of the Board of Directors unless written notice
8 of any proposed action to change the bylaws has been sent
9 by certified mail to each director two weeks prior to such
10 meeting.

11 Section 11. Professional qualifications of members
12 of the Board and officers of The First National Bank. Board
13 members of The First National Bank shall be persons experienced
14 in the conduct of business, commerce, finance, banking, and
15 accounting. The President, Vice President, treasurer, and
16 secretary of The First National Bank shall have had not less
17 than five years' experience in the banking profession, or the
18 equivalent experience in a related profession.

19 Section 12. Disqualifications.

20 (1) Except as provided in subsections (2) and (3) of
21 this section, no member of the Board or officer of the First
22 National Bank during his membership on the Board or employment
23 as an officer and for a period of four years following termination
24 of such membership or employment shall be eligible either to
25 borrow money from or through The First National Bank or to

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1 assume responsibility in whole or in part under a guarantee
2 or indemnity or by the deposit of a security to The First
3 National Bank in respect of a debt or obligation of a third
4 party.

5 (2) After the expiration of one year following
6 termination of such membership or employment, a former member
7 of the Board or officer of The First National Bank may borrow
8 money for personal use from The First National Bank up to a
9 maximum of \$5,000.

10 (3) After the expiration of two years following
11 termination of such membership or employment, a former member
12 of the Board or officer of The First National Bank may borrow
13 money for his personal use from The First National Bank
14 without limit.

15 Section 13. Books and records of The First National Bank.

16 The books and records of The First National Bank shall be
17 thoroughly examined and audited at such times as the Board may
18 provide, by qualified independent examiners appointed by the
19 Board. Upon the establishment of the Office of the Public
20 Auditor, pursuant to article XII, section 3, of the Constitution
21 of the Federated States of Micronesia, this function shall be
22 performed by the Office of the Public Auditor.

23 Section 14. Costs of administration. There is hereby
24 authorized to be appropriated from the General Fund of the
25 Federated States of Micronesia such amount of funds as is

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1 necessary to carry out the cost of administration of this
2 act. The Board of Directors of The First National Bank shall,
3 to the extent feasible, forecast the needed appropriations
4 for the fiscal year and request the funds from the Congress
5 of the Federated States of Micronesia. Nothing herein
6 contained shall prohibit the Board from seeking or soliciting
7 funds for its operation and capitalization from additional
8 sources within or without the Federated States of Micronesia.

9 Section 15. Expenses. All members of the Board shall
10 be entitled to necessary travel expenses and per diem at
11 standard rates of the National Government of the Federated
12 States of Micronesia while on the business of The First National
13 Bank. Board members who are neither employees nor officials
14 of a State government or the National Government of the
15 Federated States of Micronesia shall, in addition, be paid
16 \$35 per day while on the business of The First National Bank.

17 Section 16. Tax exemption. It is hereby found and
18 declared that the purpose for which The First National Bank is
19 created is a public purpose for the benefit of the people
20 of the Federated States of Micronesia, and that, therefore,
21 The First National Bank shall not be required to pay any taxes
22 or assessments on any of the property acquired or to be
23 acquired by it or on its operations or activities.

24 Section 17. Debts of The First National Bank not public debts.
25 The debts or obligations of The First National Bank shall not

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1 be debts or obligations of the National Government of the
2 Federated States of Micronesia, nor shall the National
3 Government of the Federated States of Micronesia be
4 responsible for the same.

5 Section 18. Annual reports. The First National Bank
6 shall file with the President of the Federated States of Micro-
7 nesia and the Congress of the Federated States of Micronesia,
8 within 90 days after the close of its fiscal year, a report
9 sworn to by the members of the Board of Directors stating
10 the name and address of The First National Bank, containing a
11 profit and loss statement of the last fiscal year and a
12 statement of its assets and liabilities as of the close
13 of such year, and stating the names and addresses of all
14 directors and officers of The First National Bank. Such report
15 shall be made available to the general public without charge.

16 Section 19. Willfully defrauding The First National Bank.
17 Any Board member, director, officer, employee, or agent of The
18 First National Bank who embezzles, abstracts, or willfully mis-
19 applies any moneys, funds, credits, or securities of The First
20 National Bank or who willfully makes any false entry in any
21 book, report, or statement of The First National Bank, or who
22 does any other act, with intent to injure or defraud The First
23 National Bank; or any individual who, with like intent, aids
24 or abets any director, officer, employee, or agent in any

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1 violation of this section; or any individual who makes a false
2 statement with the intent of defrauding The First National
3 Bank of moneys, funds, credits, or securities, shall be fined
4 not more than \$20,000, or imprisoned for not more than 10
5 years, or both.

4 Section 20. Organization of The First National Bank.

6 The First National Bank shall begin its operation in the
7 following manner:

8 (1) Within 20 days after the fifth director is
9 appointed to the Board of Directors in accordance with this
10 act, the President of the Federated States of Micronesia shall
11 call the first meeting of the Board of Directors.

12 (2) From the date of the first meeting mentioned
13 in subsection (1) of this section until October 10, 1982, the
14 Board of Directors shall make such studies, investigations,
15 and preparations as are necessary for The First National Bank
16 to begin operations by January 1, 1983. Such studies and
17 investigations shall include, but not be limited to, the
18 financial and other resources necessary for The First National
19 Bank to begin operations, a review of this act with regard to
20 any amendments the Board of Directors may wish to propose to
21 the Congress of the Federated States of Micronesia, and a study
22 of the merits of either a joint venture with an established
23 bank or an independent bank affiliated with an established bank.
25 The Board of Directors shall not, however, enter into any

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1 binding contracts or other obligations during this period
2 except as are necessary to complete the studies and investi-
3 gations referred to above. The Board of Directors may
4 employ such persons or organizations as it feels are
5 necessary to perform such studies and investigations, within
6 the limits of the appropriation provided herein. The Board
7 of Directors shall attempt to obtain the consulting ser-
8 vices of the World Bank, other appropriate United Nations
9 agencies, and other organizations.

10 (3) On or before October 30, 1982, the Board
11 of Directors shall make a report to the Congress of the
12 Federated States of Micronesia indicating the results of its
13 studies and investigations and specifically stating the
14 funding and other resources that will be required for
15 The First National Bank to begin operations.

16 (4) After December 31, 1982, the Board of Directors
17 shall commence the operation of The First National Bank in
18 accordance with the provisions of this act.

19 Section 21. Appropriating of funds. The sum of \$75,000,
20 or so much thereof as may be necessary, is hereby appropriated from
21 the General Fund of the Federated States of Micronesia
22 for the fiscal year ending September 30, 1983, for the
23 purpose of carrying out this act. The Board shall be the
24 allottee of the funds.

25 Section 22. Allotment of funds. All funds appropriated

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1 by this act shall be allotted, managed, administered, and
2 accounted for in accordance with applicable law, including
3 but not limited to, the Financial Management Act of 1979.
4 The allottee shall be responsible for ensuring that these
5 funds, or so much thereof as may be necessary, are used
6 solely for the purpose specified in this act, and that
7 no obligations are incurred in excess of the sum
8 appropriated. The authority of the allottee to obligate
9 funds appropriated by this act shall lapse as of
10 September 30, 1983.

11 Section 23. Effective date. This act shall become
12 law upon approval by the President of the Federated
13 States of Micronesia or upon its becoming law without
14 such approval.

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16 Date: 5/28/84

Introduced by:

Elias H. Thomas
Elias Thomas

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