A BILL FOR AN ACT

To further amend title 34 of the Code of the Federated States of Micronesia, as amended by Public Law No. 7-135, by repealing and reenacting sections 203, 204 and 205, and by amending section 208, as established by Public Law No. 7-135, for the purpose of permitting the Banking Board to determine minimum and maximum interest rates for banks, to change the usury rate for other lenders, and for other purposes.

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

1. Section 203 of title 34 of the Code of the

2. Federated States of Micronesia is hereby repealed and reenacted

3. to read as follows:

"Section 203. Credit transactions - Banks.

(1) The Banking Board constituted pursuant to title

29 of the Code of the Federated States of Micronesia

may, with the approval of the President, from time to

time specify the maximum and/or minimum rates of

interest chargeable in respect to credit extended by

banks holding a current, valid license issued pursuant

to title 29 of the Code of the Federated States of

Micronesia.

(2) Any specification made under subsection (1) of

this section shall be notified in writing by the Banking

Board to every bank.

(3) The rates of interest specified under

subsection (1) of this section shall apply to credit

transactions entered into on or after the date the

specification is to take effect."

Section 2. Section 204 of title 34 of the Code of the

Federated States of Micronesia is hereby repealed and reenacted

to read as follows:

"Section 204. Credit transactions - Non-banks.

(1) No person may directly or indirectly receive or

charge interest for the extension of credit that exceeds
an annual percentage rate of 15 percent or such higher maximum rate, if any, as shall be applicable to banks pursuant to section 203 of this title.

(2) The provisions of subsection (1) of this section do not apply to any bank holding a current valid license issued pursuant to title 29 of the Code of the Federated States of Micronesia."

Section 3. Section 205 of title 34 of the Code of the Federated States of Micronesia is hereby repealed and reenacted to read as follows:

"Section 205. Interest margin - Banks.

(1) The Banking Board shall review from time to time, and in any event not less frequently than once each quarter, the margin between the average rate of interest paid on all interest bearing deposits and the average rate of interest charged on the extension of credit, by each bank holding a current valid license issued pursuant to title 29 of the Code of the Federated States of Micronesia.

(2) The banks referred to in subsection (1) of this section shall furnish to the Banking Board such information as the Board may require for the purposes of this title, in such format and at such times as may be specified by the Board by notice in writing to such banks.

2 of 4
(3) The Banking Board shall submit a report at the end of June and December each year to the President and the Speaker of the Congress of the Federated States of Micronesia on the interest margins referred to in subsection (1) of this section, and if the statement of policy referred to in section 201 of this title is being met, taking into account any specifications made by the Board pursuant to section 203(1) of this title."

Section 4. Section 208 of title 34 of the Code of the Federated States of Micronesia, as established by Public Law No. 7-135, is hereby amended to read as follows:

"Section 208. Current interest rates. Every bank shall post in a public place within each of its branches located in the Federated States of Micronesia the current rate of interest paid on deposits held, including demand deposits, savings deposits, and certificates of deposit, by such bank and the prime minimum lending rate currently in effect for loans. In any loan in which an adjustable interest rate is used, the lender shall notify the borrower by mail of any changes in the rate of interest applicable to the loan, at least 10 days in advance of such changes taking effect."
Section 5. 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: 12/30/94

Introduced by: Joseph D. Urusemal (by request)