

A BILL FOR AN ACT

To amend title 15 of the Code of the Federated States of Micronesia (Annotated), to require that any loan exceeding \$10,000,000 issued, guaranteed, or otherwise committed by the National Government of the Federated States of Micronesia, be subject to prior approval by the Congress of the Federated States of Micronesia, to require state legislation for loans to the states, and for other purposes.

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

1 Section 1. Title 15 of title 55 of the Code of the
2 Federated States of Micronesia (Annotated), is hereby amended by
3 creating a new chapter 15 thereof, entitled: "Large Scale Loan
4 Oversight Act".

5 Section 2. Title 15 of the Code of the Federated States of
6 Micronesia (Annotated), is hereby amended by inserting a new
7 section 1501 under chapter 15 thereof, to read as follows:

8 "Section 1501. Legislative Findings and Purpose. The
9 Congress finds that:

10 (a) Loans and financial commitments involving
11 repayment by the National Government in excess of ten
12 million dollars (\$10,000,000) pose significant fiscal
13 risk to the Nation;

14 (b) Legislative oversight is essential to promote
15 transparency, fiscal responsibility, and
16 accountability in the use of public credit and funds.

17 (c) It is therefore necessary to ensure that

1 Congress has authority over any such financial
2 commitment before it is finalized.

3 (d) In the case of loans where the ultimate
4 beneficiaries are the states of the FSM or agencies
5 thereof, there is a need to provide for security for
6 repayment to this National Government."

7 Section 3. Title 15 of the Code of the Federated States of
8 Micronesia (Annotated), is hereby amended by inserting a new
9 section 1502 under chapter 15 thereof, to read as follows:

10 "Section 1502. Congressional approval. Congressional
11 approval for Loans and Financial Assistance above
12 \$10,000,000.

13 (a) No loan, credit facility, financial guarantee,
14 or other financial assistance requiring repayment,
15 involving an aggregate principal or face value
16 exceeding \$10,000,000 may be:

17 (1) Entered into;

18 (2) Issue or guaranteed; or

19 (3) Disbursed, by any department, agency, or
20 instrumentality of the National Government, including
21 any state-owned financial institution, without prior
22 approval by Congress through legislation.

23 (b) Disaggregation of financial commitment into
24 smaller portions to avoid the threshold under
25 subsection (1) is prohibited.

1 (c) This requirement shall apply to:

2 (1) New loan or credit agreements;

3 (2) An amendment to the existing agreement that
4 increases exposure by above \$10,000,000; and

5 (3) Contingent liabilities incurred through
6 government guarantees or similar arrangements.

7 (d) The President may submit to Congress a request
8 for approval of such a loan or financial assistance,
9 including;

10 (1) Terms and conditions of the agreement;

11 (2) Identification of all recipients and
12 counterparties;

13 (3) Fiscal impact and risk assessment; and

14 (4) Policy rationale and expected public
15 benefit.

16 (e) Any loan or financial assistance made in
17 violation of this section shall be voidable, and any
18 official responsible may be subject to sanction in
19 accordance with applicable law."

20 Section 4. Title 15 of the code of the Federated States of
21 Micronesia (Annotated), is hereby amended by inserting a new
22 section 1503 under chapter 15 thereof to read as follows:

23 "Section 1503. Loans to the States requiring national
24 legislation.

25 No load, credit facility, financial guarantee, or

