

## Title 29.

### Banks and Financial Institutions.

- Chap. 1. Micronesia Development Bank, §§ 51 to 64.  
2. Commercial Bank Disclosures, §§ 101 to 106.

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#### CHAPTER 1.

##### MICRONESIA DEVELOPMENT BANK.

Sec.	Sec.
51. Purpose.	57. Examination and audit of books and records.
52. Creation.	58. Costs of administration.
53. Charter.	59. Tax exemptions; debts and obligations.
54. Board of directors; created; composition; officers; compensation; conflict of interests.	60. Annual report.
55. Same; terms; vacancies; travel expenses.	61. Defrauding bank.
56. Same; adoption of bylaws.	62 to 64. [Repealed.]

**§ 51. Purpose.** — It is the intent of the Congress of Micronesia to create a financial institution to provide the people of Micronesia with special facilities required to meet the needs of their developing economy. (P.L. No. 5-88, § 1.)

**§ 52. Creation.** — There is hereby created a body corporate to be known as the Micronesia Development Bank, hereinafter referred to as the "bank." (P.L. No. 5-88, § 2.)

**§ 53. Charter.** — The charter of the bank shall be as follows:

(1) The existence of the bank shall be perpetual.

(2) The principal office of the bank shall be located in Saipan, Mariana Islands District; there may be such subordinate or branch offices in such place or places in the other districts as the board of directors of the bank may deem necessary. There shall be such branch, subordinate or representative offices to be in the charge of such person or persons as may be appointed by the board of directors.

(3) Subject to any existing limitation or limitations hereafter enacted, the bank, through its officers and agents, is authorized to engage in all banking functions that will assist in the economic advancement of Micronesia. Such functions shall include but not be limited to the following: to mobilize, from both within and outside Micronesia, additional financial resources for development; to provide medium and long-term loans for high priority projects with special attention to the needs of Micronesia; to provide equity capital for financially sound enterprises of importance to the people of Micronesia; to provide technical assistance and services for project identification, project formulation, and pre-investment studies; to administer trust funds and special funds available to Micronesia on a grant or loan basis; to foster economic activities and cooperate with other institutions within and outside Micronesia in supporting activities for Micronesia's development.

(4) In performing the functions authorized in subsection (3) of this section, the bank shall have and exercise all powers normally exercised by a banking corporation, including but not limited to the following:

- (a) To adopt, alter, and use a corporate seal;
- (b) To adopt and amend its bylaws governing the conduct of its business and the exercise of its powers;
- (c) To sue and be sued in its corporate name;
- (d) To acquire in any lawful manner, real, personal, or mixed property either tangible or intangible, to hold, maintain, use, and operate such property and to sell, lease, or otherwise to dispose of such property;
- (e) To acquire in any mode and take over the whole or any part of the business, property, goodwill, and liabilities of any other bank or banks; to administer and manage the Trust Territory economic development loan fund upon the granting of such authority by the United States government including debts, liabilities, and obligations incurred prior to the time the fund is actually transferred to the bank;
- (f) To act as agents of and as correspondents for other banks;
- (g) To make, issue, and circulate notes upon such terms and subject to such provisions and conditions as may be prescribed by the board of directors;
- (h) To guarantee or become liable for the payment of money or for the performance of any obligations, and generally to carry on guarantee an indemnity business of all kinds and to effect counter guarantees;
- (i) To take and otherwise acquire and hold shares, stocks, mortgages, bonds, obligations, securities, and investments of all kinds;
- (j) To lend money either with or without security, and if with security upon such security and upon such terms as may from time to time seem expedient.
- (k) To borrow or raise any sum or sums of money on such security and, upon such terms as to interest or otherwise, as may from time to time seem expedient;
- (l) To buy, sell, and deal in bullion, specie, precious metals, currencies, and exchange of and with all countries;
- (m) To lend and advance money to or negotiate loans or discount promissory notes or other negotiable instruments for, or on behalf of, or otherwise financially assist, persons, firms, or companies concerned in any way whatever in the sale or purchase of any property, real or personal, for cash or on credit or on hire purchase, hire agreement, time payment, installment system, or otherwise, and generally to transact or engage in any class of business commonly undertaken by financiers;
- (n) To establish agencies or connections in relation to the business of the bank in any part of the world;
- (o) To give letters of credit on agents and banking connections in any part of the world;
- (p) To buy, sell, discount, and rediscount bills of exchange, promissory notes, and treasury bills;
- (q) To buy and sell securities issued by any government agency, international organization, companies, institutions, or otherwise;
- (r) To form or assist in forming any company for the purpose of carrying on any business which the bank is authorized to carry on, or any other business which may seem conducive to any of the interests of the bank, or to acquire by purchase or otherwise the whole or any part of the business, property, and liabilities, or the whole or any part of the shares or stock of any company carrying on or proposing to carry on any such businesses as aforesaid; to hold shares, stock, debentures, debenture stock, or any interest in any such company and to dispose of such shares, stock, debentures, debenture stock, or interest and to make or carry out arrangements for giving the bank the entire or partial control and management or benefit of the business of any such company and to guarantee dividends and interest on shares, stock, debentures, debenture stock, mortgages, bonds, or securities of any such company;
- (s) To issue corporate bonds for various periods of time, upon such terms and with such conditions and provisions as are deemed necessary and desirable by

the board of directors, for sale to the general public or to other financial institutions, and government agencies;

(t) To permit the bank to be registered or recognized in any country, state, or place outside Micronesia, and to comply with any condition necessary or expedient in order to enable the bank to carry on business in any such country, state, or place and to establish or guarantee local companies or branch offices constituted or regulated under or by local laws for carrying on any business which the bank is authorized to carry on;

(u) To do all such other things as may be deemed incidental or conducive to the attainment of the above objects or any of them. (P.L. No. 5-88, § 3; P.L. No. 6-57, § 2; P.L. No. 6-136, § 1.)

**§ 54. Board of directors; created; composition; officers; compensation; conflict of interests.** — The affairs of the bank shall be managed and its corporate powers exercised by a board of directors, ten in number, hereinafter referred to as the "board" which shall consist of three members to be appointed by and from the Congress of Micronesia or any authorized joint committee thereof, six members, one from each administrative district, who shall be appointed by the respective district legislature, or any authorized committee thereof, and the High Commissioner or his designee. The board shall select a chairman from among its membership and shall select a president, a vice-president, and a secretary-treasurer, who shall be the officers of the bank. The chairman of the board shall have no vote except when necessary to break tie votes. The president shall manage the operations of the bank, with the assistance of the other two officers and such employees as the board may authorize. Appointments of officers and employees of the bank shall be made without regard to the provisions of the Trust Territory merit system law and compensation plan. The salary of the president shall be set by the board and shall not be less than fifteen thousand dollars nor more than thirty thousand dollars a year, including benefits. The salary of the vice-president shall be set by the president with the approval of the board and shall not exceed a sum equal to ninety percent of the salary of the president. The salary of all the other officers and employees of the bank shall be established by the board. No member of the board shall be an officer of the bank except that the president of the bank shall be an ex officio member of the board, without the power to vote. No member of the board or officer of the bank, during the term for which he was appointed or reappointed and during six calendar months following the expiration of the term for which he was appointed or reappointed, shall be eligible either to borrow moneys from or through the bank, or to assume responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security to the bank in respect of a debt or obligation of a third party. (P.L. No. 5-88, § 4; P.L. No. 6-57, § 1.)

**§ 55. Same; terms; vacancies; travel expenses.** — Members of the board, except the bank president, the three members from the Congress of Micronesia and the High Commissioner or his designee, shall each serve for a period of five years; provided, that at the first meeting of the board, these members shall, by lot, determine which two members shall have terms of two years, which two members shall have terms of three years, which two members shall have terms of four years, and which two members shall have terms of five years. Vacancies in the membership of the board shall be filled in the same manner as the original appointment. Board members shall be eligible for reappointment. Any director may be removed from office by the affirmative vote of two-thirds of the board of directors. All members of the board shall be entitled to necessary travel expenses and to per diem at standard Trust Territory rates, while on the business of the bank. Board members who are neither employees of the Trust Territory government nor members of the Congress of Micronesia shall, in

addition, be paid thirty dollars per day while on the business of the bank. (P.L. No. 5-88, § 5; P.L. No. 6-57, § 1.)

**§ 56. Same; adoption of bylaws.** — The board may, by majority vote of its entire membership, adopt, amend, or repeal bylaws of the bank providing for the management of the business of the bank, the organization, meetings, and procedures of the board, the duties of the officers of the bank, the officers required to furnish bonds and the amounts thereof, the form of the seal of the bank, and the preparation and submission of required reports. Bylaws may not be adopted, amended, or repealed except after one week's written notice to each director. (P.L. No. 5-88, § 6.)

**§ 57. Examination and audit of books and records.** — The books and records of the bank shall be thoroughly examined and audited at such times as the board may provide, by qualified independent examiners appointed by the board. (P.L. No. 5-88, § 7.)

**§ 58. Costs of administration.** — There is hereby authorized to be appropriated from the general fund of the Congress of Micronesia such amount of funds necessary to carry out the cost of administration of this chapter. The board of directors of the bank shall, to the extent feasible, forecast the needed appropriations for the fiscal year and request the funds from the Congress of Micronesia. Nothing herein contained shall prohibit the board from seeking or soliciting funds for its operation and capitalization from additional sources within and outside the Trust Territory. (P.L. No. 5-88, § 8.)

**§ 59. Tax exemptions; debts and obligations.** — The bank shall exist and operate solely for the benefit of the public and shall be exempt from any taxes or assessments on any of its property, operations, or activities. The debts and obligations of the bank shall not be debts or obligations of the government of the Trust Territory, nor shall the government be responsible for any debts or obligations. (P.L. No. 5-88, § 9.)

**§ 60. Annual report.** — (1) The bank shall file with the High Commissioner and the Congress of Micronesia annually, within ninety days after the close of its fiscal year, a report sworn to by an officer of the bank stating:

- (a) The name and address of the bank;
  - (b) A profit and loss statement of the last fiscal year and a statement of its assets and liabilities as of the close of the year; and
  - (c) The names and addresses of all directors and officers of the bank.
- (2) The report shall be made available to the public by publication or otherwise. (P.L. No. 5-88, § 10.)

**§ 61. Defrauding bank.** — Any director, officer, employee or agent of the bank who embezzles, abstracts, or wilfully misapplies any moneys, funds, credits, or securities of the bank, or who wilfully makes any false entry in any book, report or statement of the bank, or who does any other act, with intent to injure or defraud the bank; or any individual who with like intent aids or abets any director, officer, employee or agent in any violation of this section; or any individual who makes a false statement with the intent of defrauding the bank of moneys, funds, credits or securities, shall be fined not more than twenty thousand dollars, or imprisoned for not more than ten years, or both. (P.L. No. 5-88, § 11.)

§§ 62 to 64. Repealed by P.L. No. 7142, § 4.

## CHAPTER 2.

## COMMERCIAL BANK DISCLOSURES.

Sec.

- 101. Savings disclosure.
- 102. Checking account disclosure.
- 103. Loan disclosure.
- 104. Shipping document fees disclosure.

Sec.

- 105. Form and copies of disclosure statements.
- 106. Civil penalty; punitive damages; right to bring action; attorney's fees and costs.

**§ 101. Savings disclosure.** — Each commercial bank shall, upon opening a savings account of whatever nature or issuing a certificate of deposit, inform the customer in simple and clear written language about the manner in which interest is calculated, the periods for which and circumstances under which interest is and is not payable, the rate of interest, and penalties and forfeitures, if any. (P.L. No. 7-105, § 1.)

**§ 102. Checking account disclosure.** — Each commercial bank shall, upon opening a checking account, inform the customer in simple and clear written language about all fees which may be charged. (P.L. No. 7-105, § 2.)

**§ 103. Loan disclosure.** — Each commercial bank shall, prior to entering into a loan agreement, inform the customer in simple and clear written language about the rate of interest and the dollar amount of interest which will be payable if the loan is repaid according to the contractual terms, and the manner in which interest is calculated; provided, that if the rate of interest is based upon the prime interest rate, only the method of interest computation need be disclosed. (P.L. No. 7-105, § 3.)

**§ 104. Shipping document fees disclosure.** — Each commercial bank, upon receipt of shipping documents relating to the release of cargo, shall notify the cargo purchaser in simple and clear written language about all fees and interests it may charge for holding or processing the documents. (P.L. No. 7-105, § 4.)

**§ 105. Form and copies of disclosure statements.** — Each written statement required by this act shall be written and provided to the customer both in English and the primary vernacular language of the district in which the bank is located. A bank shall furnish a copy of any such statement to any person upon request. (P.L. No. 7-105, § 5.)

**§ 106. Civil penalty; punitive damages; right to bring action; attorney's fees and costs.** — (1) A bank which violates any provision of this act shall be subject to a civil penalty of two hundred fifty dollars for each wilful violation and one hundred fifty dollars for each unwilful violation. The court may, in its discretion, award punitive damages for each wilful violation and may provide such equitable relief as it deems necessary or proper.

(2) The attorney general, or any person whose rights as established by this act have been violated, is entitled to bring an action. A person entitled to bring an action may do so on behalf of himself and other persons similarly situated.

(3) In any action the court may award, in addition to the relief provided for herein, reasonable attorney's fees and costs. (P.L. No. 7-105, § 6).