

AN ACT

To further amend title 30 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 5-122, 6-80, 6-109 and 7-25, by repealing all sections of chapter 1 of title 30 except section 122 thereof, renumbering and relocating said section 122 to a new chapter 2 of title 30 entitled "Investment Development Fund," and enacting new sections of chapter 1 of title 30 for the purpose of reorganizing the Federated States of Micronesia Development Bank, and for other purposes.

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

1 Section 1. All sections of chapter 1 of title 30 of the Code of
2 the Federated States of Micronesia, except section 122 thereof, are
3 hereby repealed in their entirety.

4 Section 2. Title 30 of the Code of the Federated States of
5 Micronesia is hereby further amended by the creation of a new chapter
6 2, entitled "Investment Development Fund."

7 Section 3. Section 122 of title 30 of the Code of the Federated
8 States of Micronesia, entitled "Investment Development Fund," as
9 established by section 2 of Public Law No. 5-122 and amended by
10 Public Law No. 6-109, is hereby relocated from chapter 1 to chapter 2
11 of title 30 and renumbered as section 201.

12 Section 4. Title 30 of the Code of the Federated States of
13 Micronesia is hereby further amended by adding a new section 101 of
14 chapter 1 to read as follows:

15 "Section 101. Establishment of the Federated States of
16 Micronesia Development Bank. There is hereby established a
17 body corporate to be known as the Federated States of
18 Micronesia Development Bank, hereinafter referred to as the
19 'Bank.' The Bank shall not be deemed to be a legal
20 successor of either the Micronesia Development Bank or the
21 Bank of Micronesia."

22 Section 5. Title 30 of the Code of the Federated States of

1 Micronesia is hereby further amended by adding a new section 102 of
2 chapter 1 to read as follows:

3 "Section 102. Purpose. It is the intent of the Government
4 of the Federated States of Micronesia to establish an
5 independent financial institution operating under its
6 own Board of Directors but conducting its activities
7 within the framework of the National Government's
8 general economic plans, policies and priorities."

9 Section 6. Title 30 of the Code of the Federated States of
10 Micronesia is hereby further amended by adding a new section 103 of
11 chapter 1 to read as follows:

12 "Section 103. Principal place of business and branch
13 offices. The principal place of business of the Bank shall
14 be located within the Federated States of Micronesia at a
15 place to be designated by the Board of Directors of said
16 Bank. The Board may designate other branch offices in the
17 States of the Federated States of Micronesia, or abroad,
18 based on the needs of the Bank."

19 Section 7. Title 30 of the Code of the Federated States of
20 Micronesia is hereby further amended by adding a new section 104 of
21 chapter 1 to read as follows:

22 "Section 104. Functions of the Bank.

23 (1) Subject to any existing limitation or limitations
24 hereafter created, the Bank is authorized to engage in all
25 banking functions that will assist in the economic

1 advancement of the Federated States of Micronesia.

2 (2) Such functions shall include but are not limited
3 to the following:

4 (a) To mobilize, from both within and outside of
5 the Federated States of Micronesia, additional financial
6 resources for development;

7 (b) To provide short, medium and long-term loans
8 for high-priority projects, with special emphasis on and
9 attention to the needs of the Federated States of
10 Micronesia;

11 (c) To provide technical assistance and services
12 for project identification and project formulation, and to
13 perform investment studies;

14 (d) To administer trust funds and special funds
15 available to the Federated States of Micronesia on a grant
16 or loan basis; and

17 (e) To foster economic activities and cooperate
18 with other lending institutions within and outside of the
19 Federated States of Micronesia in supporting activities for
20 its development."

21 Section 8. Title 30 of the Code of the Federated States of
22 Micronesia is hereby further amended by adding a new section 105 of
23 chapter 1 to read as follows:

24 "Section 105. Powers of the Bank. In performing the
25 functions authorized pursuant to section 104 of this

1 chapter, the Bank shall have and exercise all powers
2 normally exercised by a banking corporation, including but
3 not limited to the following:

4 (1) To adopt, alter and use a corporate seal;

5 (2) To adopt and amend bylaws governing the
6 conduct of its business and the exercise of its powers;

7 (3) To sue and be sued in its corporate name;

8 (4) To acquire in any lawful manner, real,
9 personal, or mixed property, either tangible or intangible;
10 to hold, maintain, use, and operate such property; and to
11 sell, lease, or otherwise dispose of such property;

12 (5) To acquire in any mode and take over the
13 whole or any part of the business, property, good will and
14 liabilities of any other bank or banks;

15 (6) To act as agent of and as correspondent for
16 other banks;

17 (7) To make, issue, and circulate notes upon
18 such terms and subject to such provisions and conditions as
19 may be prescribed by the Board;

20 (8) To guarantee or become liable for the
21 payment of money or for the performance of any obligations,
22 and generally to carry on guarantee and indemnity business
23 of all kinds and to effect counter guarantees;

24 (9) To take and otherwise acquire and hold
25 shares, stocks, mortgages, bonds, obligations, securities,

1 and investments of all kinds;

2 (10) To lend money either with or without
3 security, and if with security upon such terms as may from
4 time to time seem expedient;

5 (11) To borrow or raise any sum or sums of money
6 on such security and, upon such terms as to interest or
7 otherwise, as may from time to time seem expedient;

8 (12) To buy, sell and deal in bullion, specie,
9 precious metals, currencies, and exchange of and with all
10 countries;

11 (13) To lend and advance money to or negotiate
12 loans or discount promissory notes or other negotiable
13 instruments for, or on behalf of, or otherwise financially
14 assist, persons, firms or companies concerned in any way
15 whatever in the sale or purchase of any property, real or
16 personal, for cash or on credit or on hire purchase, hire
17 agreement, time payment, installment system, or otherwise,
18 and generally to transact or engage in any class of
19 business commonly undertaken by financiers;

20 (14) To establish agencies or connections in
21 relation to the business of the Bank in any part of the
22 world;

23 (15) To give letters of credit on agents and
24 banking connections in any part of the world;

25 (16) To buy, sell, discount, rediscount, and

1 hedge bills of exchange, promissory notes and treasury
2 securities;

3 (17) To buy and sell securities issued by any
4 government agency, international organization, company,
5 institution, or otherwise;

6 (18) To form or assist in forming any company
7 for the purpose of carrying on any business which the Bank
8 is authorized to carry on, or any other business which may
9 seem conducive to any of the interests of the Bank, or to
10 acquire by purchase or otherwise the whole or any part of
11 the business, property, and liabilities, or the whole or
12 any part of the shares or stock of any company carrying on
13 or proposing to carry on any such business as aforesaid; to
14 hold shares, stock, debentures, debenture stock, or any
15 interest in any such company and to dispose of such shares,
16 stock, debenture, debenture stock, or interest and to make
17 or carry out arrangements for giving the Bank the entire or
18 partial control and management or benefit of the business
19 of any such company and to guarantee dividends and interest
20 on shares, stock, debentures, debenture stock, mortgages,
21 bonds, or securities of any such company;

22 (19) To issue corporate bonds for various periods
23 of time, upon such terms and with such conditions and
24 provisions as are deemed necessary and desirable by the
25 Board for the sale to the general public or to other

1 financial institutions and government agencies;

2 (20) To permit the Bank to be registered or
3 recognized in any country, state, or place outside of the
4 Federated States of Micronesia, and to comply with any
5 conditions necessary or expedient in order to enable the
6 Bank to carry on business in any such country, state, or
7 place, and to establish or guarantee local companies or
8 branch offices constituted or regulated under or by local
9 laws for carrying on any business which the Bank is
10 authorized to carry on;

11 (21) To sell or otherwise dispose of, with or
12 without recourse, loans or other assets of any kind, or
13 interests therein; and

14 (22) To do all such other things as may be
15 deemed incidental or conducive to the attainment of the
16 above objects or any of them."

17 Section 9. Title 30 of the Code of the Federated States of
18 Micronesia is hereby further amended by adding a new section 106 of
19 chapter 1 to read as follows:

20 "Section 106. Capitalization.

21 (1) The authorized capital stock of the Bank
22 shall be \$60,000,000 divided into 12,000,000 shares of
23 common stock of par value of five dollars per share, but
24 said authorized capital stock may be increased or decreased
25 from time to time upon approval of the Board. If issued

1 capital stock is to be increased by the sale of additional
2 shares, each existing shareholder shall be entitled to
3 subscribe for such additional shares in proportion to the
4 number of shares of said issued capital stock owned by said
5 shareholder at the time the increase is authorized by the
6 Board, or at such other time thereafter but before the
7 increase is effectuated as the Board may specify. The
8 Board shall prescribe a reasonable period of time within
9 which the preemptive rights to subscribe to the new shares
10 of stock must be exercised. The Board, at any time and
11 from time to time, may authorize and issue debt
12 obligations, whether or not subordinated, without the
13 approval of the shareholders.

14 (2) Shares of stock may only be purchased with cash
15 except as described in section 136 of this chapter."

16 Section 10. Title 30 of the Code of the Federated States of
17 Micronesia is hereby further amended by adding a new section 107 of
18 chapter 1 to read as follows:

19 "Section 107. Corporate bylaws. The Board shall, by
20 majority vote of its entire membership, adopt, amend, or
21 repeal bylaws of the Bank providing for the management
22 of the business of the Bank, the organization, meetings,
23 and procedures of the Board, designating the officers of
24 the Bank and the duties thereof, the form of the seal of
25 the Bank, and the preparation and submission of required

1 reports. Bylaws may not be adopted, amended, or repealed
2 except after 1 week's written notice to each director."

3 Section 11. Title 30 of the Code of the Federated States of
4 Micronesia is hereby further amended by adding a new section 108 of
5 chapter 1 to read as follows:

6 "Section 108. Annual shareholders meeting.

7 (1) There shall be an annual shareholders meeting to
8 be held on the second Tuesday in April of each year or such
9 other date as the Board may prescribe. The purpose of the
10 meeting shall be to elect directors and to transact
11 whatever other business may be brought before the meeting.
12 The meeting shall be held at the main office of the Bank,
13 or at such other place as the Board may designate. Notice
14 of the meeting shall be mailed, postage prepaid, at least
15 30 days prior to the date of the meeting, addressed to each
16 shareholder at his or her address appearing on the books of
17 the Bank. Alternatively, such notice may be sent by fax,
18 receipt confirmed by telephone at least 10 days prior to the
19 date of the meeting, to a shareholder at his or her fax
20 number, if any, appearing on the books.

21 (2) Nominations for election to the Board may be made
22 by the Board or by any stockholder of any issued share of
23 the Bank entitled to vote for election of directors.
24 Nominations by a shareholder shall be made in writing and
25 delivered, faxed, or mailed to the President of the Bank

1 not less than 14 days (30 days in the case of mailing) nor
2 more than 50 days prior to any annual stockholders
3 meeting. Such notification shall contain the following
4 information to the extent known to the nominating
5 shareholder:

6 (a) The name and address of each nominee;

7 (b) The principal occupation of each nominee;

8 (c) The name and address of the nominating
9 shareholder; and

10 (d) The number of shares of capital stock of the
11 Bank owned by the nominating shareholder."

12 Section 12. Title 30 of the Code of the Federated States of
13 Micronesia is hereby further amended by adding a new section 109 of
14 chapter 1 to read as follows:

15 "Section 109. Special shareholders meeting. Special
16 meetings of the shareholders may be called for any purpose
17 at any time by the Board or by any three or more
18 shareholders owning, in the aggregate, not less than 25
19 percent of the issued stock of the Bank. Every such
20 special meeting, unless otherwise provided by law to the
21 contrary, shall be called by mailing a notice, postage
22 prepaid, stating the purpose of the meeting, not less than
23 30 days prior to the date fixed for such meeting, to each
24 shareholder at his or her address appearing on the books of
25 the Bank. Alternatively, such notice may be sent by fax,

1 receipt confirmed by telephone at least 10 days prior to
2 the date of the meeting, to a shareholder at his or her fax
3 number, if any, appearing on the books of the Bank."

4 Section 13. Title 30 of the Code of the Federated States of
5 Micronesia is hereby further amended by adding a new section 110 of
6 chapter 1 to read as follows:

7 "Section 110. Proxies. Shareholders may vote at any
8 meeting of the shareholders personally or by proxies duly
9 authorized in writing, but no officer or employee of the
10 Bank shall act as proxy. Proxies shall be valid only for
11 one meeting, to be specified therein, and any adjournments
12 of such meeting. Proxies shall be dated and shall be filed
13 with the record of the meeting."

14 Section 14. Title 30 of the Code of the Federated States of
15 Micronesia is hereby further amended by adding a new section 111 of
16 chapter 1 to read as follows:

17 "Section 111. Quorum. A majority of the issued stock
18 of the Bank represented in person or by proxy shall
19 constitute a quorum at any meeting of shareholders, unless
20 otherwise provided by law; but less than a quorum may
21 adjourn any meeting, from time to time, and the meeting may
22 be held, as adjourned, without further notice. A majority
23 of the votes cast shall decide every question or matter
24 submitted to the shareholders at any meeting, unless
25 otherwise provided by law to the contrary."

1 Section 15. Title 30 of the Code of the Federated States of
2 Micronesia is hereby further amended by adding a new section 112 of
3 chapter 1 to read as follows:

4 "Section 112. Voting rights; Cumulative voting.

5 (1) Only shareholders in whose names shares entitled
6 to vote stand on the stock record of the Bank on the day of
7 any meeting of shareholders, unless some other record date
8 be fixed by the Board for the determination of shareholders
9 of record and then on such other day, shall be entitled to
10 vote at such meeting.

11 (2) Any shareholder entitled to vote at any election
12 for directors may vote cumulatively and give one candidate
13 a number of votes equal to the number of directors to be
14 elected multiplied by the number of votes to which the
15 shares are entitled, or distribute that shareholder's vote
16 on the same principal among as many candidates as that
17 shareholder thinks fit. The candidates receiving the
18 highest number of votes up to the number of directors to be
19 elected are elected."

20 Section 16. Title 30 of the Code of the Federated States of
21 Micronesia is hereby further amended by adding a new section 113 of
22 chapter 1 to read as follows:

23 "Section 113. Record date. The Board may fix a time in
24 the future not exceeding 40 days preceding the date of any
25 meeting of shareholders or the date fixed for the allotment

1 of rights, or when any change or conversion or exchange of
2 shares shall go into effect, as a record date for the
3 determination of shareholders entitled to receive notice of
4 and to vote at such meeting, or to receive any allotment of
5 rights, or to exercise the rights with respect to any such
6 change, conversion or exchange of shares. In such case
7 only shareholders of record on the date so fixed shall be
8 entitled to notice of and to vote at such meeting, or to
9 receive such allotment of rights, or to exercise such
10 rights, as the case may be, notwithstanding any transfer of
11 any share on the books of the Bank after any record date
12 fixed as aforesaid. The Board may close the books of the
13 Bank against transfer of shares during the whole or any
14 part of such period."

15 Section 17. Title 30 of the Code of the Federated States of
16 Micronesia is hereby further amended by adding a new section 114
17 of chapter 1 to read as follows:

18 "Section 114. Board of Directors.

19 (1) There shall be a Board of Directors of the Bank
20 consisting of seven members (one of whom shall be the
21 President of the Bank ex officio) elected at the annual
22 shareholders meeting by the shareholders by the plurality
23 of votes thereof. A director shall serve until his term is
24 expired or his successor is elected and qualified,
25 whichever is later, and shall be eligible for reelection.

1 Membership on the Board shall not be restricted to
2 shareholders or to citizens of the Federated States of
3 Micronesia. Any vacancy in the Board may be filled by
4 action of the Board.

5 (2) Directors shall serve staggered terms of 3
6 years. At the first organizational meeting of the Board,
7 the six elected directors shall, by lot, determine among
8 themselves which two directors shall have initial terms of
9 1 year, which two directors shall have initial terms of 2
10 years, and which two directors shall have initial terms of
11 3 years. Thereafter all terms shall be 3 years.

12 (3) Until a new Board shall have been elected and
13 qualified as provided in this chapter the Board in
14 existence immediately prior to the time that the act
15 establishing this chapter becomes law shall continue to
16 serve as the Board of Directors of the Bank, subject to the
17 same quorum standard as was in existence immediately prior
18 to said time."

19 Section 18. Title 30 of the Code of the Federated States of
20 Micronesia is hereby further amended by adding a new section 115 of
21 chapter 1 to read as follows:

22 "Section 115. Professional qualifications of directors and
23 officers of the Bank.

24 (1) Board members of the Bank shall be persons
25 experienced in the conduct of business, commerce, finance,

1 banking, accounting, or development economics.

2 (2) The President and senior Vice President of the
3 Bank shall each have had not less than 5 years experience
4 in the banking profession, or the equivalent experience in
5 a related profession."

6 Section 19. Title 30 of the Code of the Federated States of
7 Micronesia is hereby further amended by adding a new section 116 of
8 chapter 1 to read as follows:

9 "Section 116. Organizational meeting. Upon receipt of the
10 result of the election at the shareholders meeting, the
11 President of the Bank shall forthwith notify the
12 directors-elect of their election and of the time at which
13 they are required to meet at the office of the Bank for the
14 purpose of organizing the new Board. Such meeting shall be
15 held on the date of the election or as soon thereafter as
16 practicable, and, in any event, within 30 days thereof."

17 Section 20. Title 30 of the Code of the Federated States of
18 Micronesia is hereby further amended by adding a new section 117 of
19 chapter 1 to read as follows:

20 "Section 117. Regular meetings. Regular meetings of the
21 Board shall be held without notice, on the second Monday of
22 January, April, July and October of each year at the
23 principal office of the Bank or at such place as the Board
24 may designate. When any regular meeting of the Board falls
25 on a legal holiday, the meeting shall be held on the next

1 banking business day unless the Board designates a
2 different day."

3 Section 21. Title 30 of the Code of the Federated States of
4 Micronesia is hereby further amended by adding a new section 118 of
5 chapter 1 to read as follows:

6 "Section 118. Special meetings. Special meetings of the
7 Board may be called by the Chairman of the Board and shall
8 be called at the request of two or more directors. The
9 President shall give 10 days' written notice of any special
10 meeting. Each member of the Board shall be given notice
11 stating the time and place, by telegram, facsimile, letter,
12 or personal delivery, of each such special meeting. Only
13 matters set forth in the notice of special meeting shall be
14 considered at such meeting."

15 Section 22. Title 30 of the Code of the Federated States of
16 Micronesia is hereby further amended by adding a new section 119 of
17 chapter 1 to read as follows:

18 "Section 119. Quorum. Four directors shall constitute a
19 quorum at any meeting of the Board."

20 Section 23. Title 30 of the Code of the Federated States of
21 Micronesia is hereby further amended by adding a new section 120 of
22 chapter 1 to read as follows:

23 "Section 120. Removal of Directors. Any director may be
24 removed by the affirmative vote of the majority vote of the
25 shareholders present in person or by proxy at any meeting

1 duly called for such purpose."

2 Section 24. Title 30 of the Code of the Federated States of
3 Micronesia is hereby further amended by adding a new section 121 of
4 chapter 1 to read as follows:

5 "Section 121. Officers of the Board. The officers of the
6 Board shall consist of a Chairman and a Vice Chairman, each
7 of whom must be a member of the Board. Officers of the
8 Board shall be elected by the directors and shall serve for
9 1 year or until their successors are elected and qualified,
10 and they shall be eligible for reelection. The duties and
11 responsibilities of the officers of the Board include but
12 are not limited to the following:

13 (1) Chairman. The Chairman of the Board shall, if
14 present, preside at all meetings of the Board, and exercise
15 and perform such other powers and duties as may from time
16 to time be assigned by the Board.

17 (2) Vice Chairman. In the absence of the Chairman,
18 the Vice Chairman shall perform all the duties of the
19 Chairman, and when so acting shall have all the powers of,
20 and be subject to all the restrictions imposed upon, the
21 Chairman. The Vice Chairman shall have such other powers
22 and perform such other duties as from time to time may be
23 prescribed by the Board."

24 Section 25. Title 30 of the Code of the Federated States of
25 Micronesia is hereby further amended by adding a new section 122 of

1 chapter 1 to read as follows:

2 "Section 122. Officers of the Bank. The officers of the
3 Bank shall consist of a President, a senior Vice President,
4 a Secretary/Treasurer (or a Secretary and a Treasurer), and
5 such other officers, including one or more junior Vice
6 Presidents, as may be specified in the bylaws of the Bank.
7 The President and senior Vice President shall be appointed
8 by and serve at the pleasure of the Board. All other
9 officers shall be appointed and serve for such terms as may
10 be specified in the bylaws. The duties and
11 responsibilities of the President and Vice President(s)
12 include but are not limited to the following:

13 (1) President. Subject to the control of the Board,
14 and to the extent delegated by the Board, the Chairman, the
15 President shall be the chief executive officer of the Bank
16 and shall have the general supervision, direction and
17 control of the business and officers of the Bank. The
18 President shall be delegated the duties and
19 responsibilities of the day-to-day management and operation
20 of the Bank. The President shall be an ex officio member
21 of the Board, with full voting and other rights, except
22 that the President may not hold the office of Chairman or
23 Vice Chairman. The President shall have the general powers
24 and duties of management usually vested in the office of
25 the President of a corporation engaged in the banking

1 business.

2 (2) Vice President(s). In the absence of the
3 President, the senior Vice President, or any other Vice
4 President in the order specified in the bylaws, shall
5 perform all the duties of the President except that of ex
6 officio director, and when so acting shall have all the
7 powers of, and be subject to all the restrictions imposed
8 upon, the President."

9 Section 26. Title 30 of the Code of the Federated States of
10 Micronesia is hereby further amended by adding a new section 123 of
11 chapter 1 to read as follows:

12 "Section 123. Action by unanimous consent. Any action
13 required or permitted to be taken by the shareholders or
14 the Board may be taken without a meeting thereof if all the
15 shareholders or directors, as appropriate, shall
16 individually and collectively consent in signed writing to
17 such action. Such written consent or consents shall be
18 filed with the minutes of the proceedings of the
19 shareholders or the Board, as appropriate, and such action
20 by written consent shall have the same force and effect as
21 unanimous vote of such shareholders or directors."

22 Section 27. Title 30 of the Code of the Federated States of
23 Micronesia is hereby further amended by adding a new section 124 of
24 chapter 1 to read as follows:

25 "Section 124. Committees. The Board may designate one or

1 more committees, each consisting of two or more directors
2 and with such powers as the Board may designate to perform
3 the functions for which said committee is established.
4 Nondirectors may also serve on such a committee. Such a
5 committee shall continue to exist at the pleasure of the
6 Board."

7 Section 28. Title 30 of the Code of the Federated States of
8 Micronesia is hereby further amended by adding a new section 125 of
9 chapter 1 to read as follows:

10 "Section 125. Acts affecting personal financial interest.
11 No director or officer of the Bank shall participate
12 personally and substantially in the making of any decision
13 relating to any application for a loan or other commitment
14 from or through the Bank in which, to his knowledge, he,
15 his spouse, child, close relatives, partner, organization
16 in which he or she is serving as officer, director,
17 trustee, partner, or employee, or any person or
18 organization with whom he is negotiating or has any
19 arrangement concerning prospective employment has a
20 financial interest. No director or officer of the Bank
21 shall be eligible to borrow money from or through the Bank,
22 or to assume responsibility in whole or in part under a
23 guarantee or indemnity or by the deposit of a security to
24 the Bank in respect of a debt or obligation of a third
25 party."

1 Section 29. Title 30 of the Code of the Federated States of
2 Micronesia is hereby further amended by adding a new section 126 of
3 chapter 1 to read as follows:

4 "Section 126. Expenses and honoraria. Directors shall
5 be entitled to necessary travel expenses while on the
6 business of the Bank. Directors may receive an
7 honorarium of such amount as may be determined by the
8 Board. Government employees shall not be entitled to an
9 honorarium for attending Board meetings during normal
10 hours of employment."

11 Section 30. Title 30 of the Code of the Federated States of
12 Micronesia is hereby further amended by adding a new section 127 of
13 chapter 1 to read as follows:

14 "Section 127. Administration of funds. The Bank is
15 hereby authorized to administer such fund or funds as may
16 from time to time come into its possession and under its
17 management control. Except as may be more particularly
18 specified by law with respect to any particular fund, the
19 Bank shall charge a reasonable fee to administer such funds
20 and may, in the case of grant funds, waive any such fee."

21 Section 31. Title 30 of the Code of the Federated States of
22 Micronesia is hereby further amended by adding a new section 128 of
23 chapter 1 to read as follows:

24 "Section 128. Tax exemption; No dividends.

25 (1) The Bank shall exist and operate solely for the

1 benefit of the public and shall be exempt from any taxes or
2 assessments on any of its property, operations, or
3 activities. It is anticipated, although not required, that
4 continuation of this tax exemption will be periodically
5 reviewed by the Congress of the Federated States of
6 Micronesia on its own motion or as requested by the Bank.

7 (2) For so long as any part of the tax exemption
8 established in this section shall continue, the Bank shall
9 be prohibited from paying any dividend or making any other
10 distribution to its stockholders."

11 Section 32. Title 30 of the Code of the Federated States of
12 Micronesia is hereby further amended by adding a new section 129 of
13 chapter 1 to read as follows:

14 "Section 129. Debt of the Bank. Any debt or obligation
15 incurred by the Bank shall not be a debt or obligation of
16 the Government of the Federated States of Micronesia, nor
17 shall the Government of the Federated States of Micronesia
18 be responsible for any debt or obligation of the Bank
19 unless specifically authorized by statute."

20 Section 33. Title 30 of the Code of the Federated States of
21 Micronesia is hereby further amended by adding a new section 130 of
22 chapter 1 to read as follows:

23 "Section 130. Audit. At such times as the Board may
24 provide, the books and records of the Bank shall be
25 thoroughly examined and audited by a qualified auditor

1 appointed by the Board, which may be the Public Auditor.
2 Such auditor shall also determine the book value of the
3 issued stock of the Bank, which information shall be made
4 available to the public."

5 Section 34. Title 30 of the Code of the Federated States of
6 Micronesia is hereby further amended by adding a new section 131 of
7 chapter 1 to read as follows:

8 "Section 131. Records and inspections.

9 (1) Records. The Bank shall maintain accurate and
10 correct accounts, books and records of its business and
11 properties. All such books, records and accounts shall be
12 kept at the principal place of business of the Bank, or at
13 such other place or places of business as may be designated
14 from time to time by the Board.

15 (2) Inspection of books and records. The books and
16 records of the Bank shall be open to the directors for
17 inspection from time to time upon 24 hours' notice to the
18 Bank of such intent to inspect."

19 Section 35. Title 30 of the Code of the Federated States of
20 Micronesia is hereby further amended by adding a new section 132 of
21 chapter 1 to read as follows:

22 "Section 132. Checks, drafts, etc. All checks, drafts or
23 other orders for payment of money, notes or other evidence
24 of indebtedness, issued in the name of or payable to the
25 Bank shall be signed or endorsed by such person or persons

1 and in such manner as shall be determined from time to time
2 by resolution of the Board."

3 Section 36. Title 30 of the Code of the Federated States of
4 Micronesia is hereby further amended by adding a new section 133 of
5 chapter 1 to read as follows:

6 "Section 133. Contracts; How executed. The Board may
7 authorize any officer, agent, or employee to enter into any
8 contract or execute any instrument in the name of and on
9 behalf of the Bank. Such authority may be general or
10 confined to specific instances. Unless so authorized by
11 the Board, no officer, agent or employee shall have any
12 power or authority to bind the Bank by any contract or
13 engagement, or to pledge its credit, or to render it liable
14 for any purpose or for any amount."

15 Section 37. Title 30 of the Code of the Federated States of
16 Micronesia is hereby further amended by adding a new section 134 of
17 chapter 1 to read as follows:

18 "Section 134. Annual report. The Bank shall as soon as
19 possible, but not exceeding 120 days after the conclusion
20 of each fiscal year, submit to its stockholders an annual
21 report containing:

22 (1) An account of its transactions throughout the
23 year;

24 (2) A statement of the accounts of the Bank duly
25 audited in accordance with the provisions of section 130 of

1 this chapter; and

2 (3) A list and brief description of all outstanding
3 loans or other commitments made to any director or officer
4 of the Bank, or to any other person or organization
5 described in section 125 of this chapter, including a
6 statement of whether the payment status is current or
7 delinquent."

8 Section 38. Title 30 of the Code of the Federated States of
9 Micronesia is hereby further amended by adding a new section 135 of
10 chapter 1 to read as follows:

11 "Section 135. Certificates and transfers of shares.

12 (1) Certificates for shares. Certificates for shares
13 shall be of such form and device as the Board may designate
14 and shall state the name of the record holder of the shares
15 represented thereby; its numbers; date of issuance; the
16 number of shares for which it is issued; the par value, if
17 any; a statement as to redemption or conversion, if any; a
18 statement of liens or restrictions upon transfer or voting,
19 if any; if the shares be assessable, or, if assessments are
20 collectible by personal acting, a plain statement of such
21 facts. Every certificate for shares must be signed by the
22 President and a Vice President or by either the President
23 or a Vice President and a member of the Board of Directors.

24 (2) Transfer on the books. Upon the surrender to the
25 Secretary of the Bank of a certificate for shares duly

1 endorsed or accompanied by proper evidence of succession,
2 assignment or authority to transfer, it shall be the duty
3 of the Bank to issue a new certificate and record the
4 transaction upon its books.

5 (3) Lost or destroyed certificates. Any person
6 claiming a certificate of stock to be lost or destroyed
7 shall make an affidavit or affirmation of that fact and
8 advertise the same in such manner as the Board may require,
9 and shall if the Board so requires give the Bank a bond of
10 indemnity, in form and with one or more sureties
11 satisfactory to the Board, in an amount of up to double the
12 value of the stock represented by said certificate,
13 whereupon a new certificate may be issued of the same tenor
14 and for the same number of shares as the one alleged to be
15 lost or destroyed."

16 Section 39. Title 30 of the Code of the Federated States of
17 Micronesia is hereby further amended by adding a new section 136 of
18 chapter 1 to read as follows:

19 "Section 136. FSM National Government shares and FSM State
20 governments shares.

21 (1) It is hereby authorized that the Trust Territory
22 Economic Development Loan Fund and all of the funds (except
23 the Investment Development Fund) appropriated by the
24 Congress of the Federated States of Micronesia which are
25 currently administered by the Federated States of

1 Micronesia Development Bank shall be, and the same hereby
2 are, dedicated to purchase shares of stock in the Bank for
3 the National Government of the Federated States of
4 Micronesia. All cash and the entire portfolio of loans in
5 said funds are hereby transferred to the Bank as capital in
6 return for the issuance of certificates of shares of stock
7 in the Bank in favor of the National Government of the
8 Federated States of Micronesia. All shares of stock shall
9 be issued to and in the name of the Secretary of the
10 Department of Finance as title trustee for the National
11 Government. The cash value of the loan portfolio
12 transferred by the National Government shall be appraised
13 by an independent appraiser prior to the purchase of the
14 stock in the Bank. The Secretary shall, through the
15 management and voting of shares held in the name of the
16 National Government, make every effort to ensure that at
17 least one citizen from each State serves on the Board of
18 Directors.

19 (2) Any fund currently administered by the Bank for
20 or on behalf of a State government shall, at the option of
21 that State, be similarly appraised and transferred to the
22 Bank in exchange for stock in the Bank. Such shares shall
23 be issued to and in the name of the chief financial officer
24 of said State, or such other State official as the State
25 may designate, as title trustee."

1 Section 40. Title 30 of the Code of the Federated States of
2 Micronesia is hereby further amended by adding a new section 137 of
3 chapter 1 to read as follows:

4 "Section 137. Foreign ownership. It is intended that the
5 Bank shall have and retain the legal capacity to acquire,
6 own title to, dispose of, and otherwise deal in land and
7 waters in the Federated States of Micronesia. Therefore no
8 stock in the Bank may be owned by any person or entity
9 whose partial ownership of the Bank would cause the Bank to
10 lose such capacity under applicable law. Any transfer of
11 stock in the Bank to such a person or entity shall be null,
12 void, and of no effect."

13 Section 41. Title 30 of the Code of the Federated States of
14 Micronesia is hereby further amended by adding a new section 138
15 of chapter 1 to read as follows:

16 "Section 138. Limit on commitments to single person or
17 project.

18 (1) The total commitment of the Bank to any single
19 person or project shall not exceed 15 percent of the
20 unimpaired shareholders' equity in the Bank.

21 (2) For purposes of this section, the term 'person'
22 includes individuals, corporations, partnerships, joint
23 ventures, trusts, governmental organizations, and all other
24 legal entities. A commitment to any individual includes
25 any commitment to that individual's parents, siblings,

1 children, or grandchildren and any commitment to the
2 co-partners or other close business associates of that
3 individual. A commitment to any other entity includes any
4 commitment to other persons controlling, controlled by, or
5 under common control with that entity; to directors or
6 officers of the entity if it is a corporation; to the
7 constituent partners of that entity if it is a partnership;
8 and to the co-partners or other close business associates
9 of that entity.

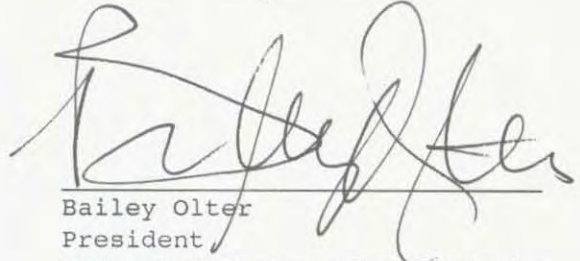
10 (3) For purposes of this section, a 'commitment' to a
11 person or a project includes the current outstanding
12 balance of any loan by the Bank to that person or for that
13 project, the full remaining amount of exposure under any
14 guarantee or letter of credit issued by the Bank at the
15 request of that person or for the benefit of that project,
16 the original face amount of any equity investment made by
17 the Bank in that person or project, and the amount of any
18 undisbursed loan commitment issued to or for that person or
19 project."

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1 Section 42. This act shall become law upon approval by the
2 President of the Federated States of Micronesia or upon its becoming
3 law without such approval.

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January 3rd, 1994



Bailey Olter
President
Federated States of Micronesia

