

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3 hereby repealed in their entirety.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.

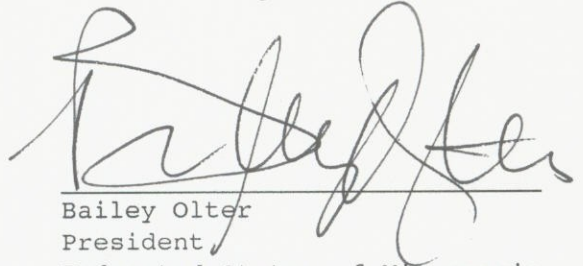
10 (3) For purposes of this section, a 'commitment' to a  
11 person or a project includes the current outstanding  
12 balance of any loan by the Bank to that person or for that  
13 project, the full remaining amount of exposure under any  
14 guarantee or letter of credit issued by the Bank at the  
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

