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AN ACT

To reorganize and rename the Micronesia Development Bank as the Federated States Development Bank, to reconstitute its Board of Directors, to amend public laws relating thereto, to appropriate funds for the Bank, and for other purposes.

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

1 Section 1. Section 51 of Title 29 of the Trust Territory Code, as it  
2 applies to the Federated States of Micronesia, is hereby amended to read as  
3 follows:

4 "Section 51. Purpose. It is the intent of the Congress of the  
5 Federated States of Micronesia to create a financial institution  
6 to provide the people of the Federated States of Micronesia with  
7 special facilities required to meet the needs of their developing  
8 economy."

9 Section 2. Section 52 of Title 29 of the Trust Territory Code, as it  
10 applies to the Federated States of Micronesia, is hereby repealed and a new  
11 Section 52 is enacted to read as follows:

12 "Section 52. Creation of the Federated States Development Bank.  
13 There is hereby created a body corporate to be known as the  
14 Federated States Development Bank, hereinafter referred to as the  
15 'Bank'. The Federated States Development Bank shall not be deemed  
16 to be the legal successor to either the Micronesia Development  
17 Bank or the Bank of Micronesia."

18 Section 3. Subsections 2 and 3 of Section 53 of Title 29 of the Trust  
19 Territory Code, as they apply to the Federated States of Micronesia, are  
20 hereby repealed and new Subsections 2 and 3 enacted to read as follows:

21 "(2) The principal office of the Bank shall be located within  
22 the territory of the Federated States of Micronesia, at a place to

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1 be designated by the Board of Directors of the Bank; there may be  
2 such subordinate or branch offices in such place or places in the  
3 other states as the Board of Directors of the Bank may deem  
4 necessary. There shall be such branch, subordinate, or representa-  
5 tive offices to be in the charge of such person or persons as may  
6 be appointed by the Board of Directors.

7 "(3) Subject to any existing limitation or limitations  
8 hereafter enacted, the Bank, through its officers and agents, is  
9 authorized to engage in all banking functions that will assist in  
10 the economic advancement of the Federated States of Micronesia.  
11 Such functions shall include but not be limited to the following:  
12 to mobilize, from both within and outside the Federated States of  
13 Micronesia, additional financial resources for development; to  
14 provide medium and long-term loans for high priority projects with  
15 special attention to the needs of the Federated States of Micro-  
16 nesia; to provide equity capital for financially sound enterprises  
17 of importance to the people of the Federated States of Micronesia;  
18 to provide technical assistance and services for project identifica-  
19 tion, project formulation, and pre-investment studies; to administer  
20 trust funds and special funds available to the Federated States of  
21 Micronesia on a grant or loan basis; to foster economic activities  
22 and cooperate with other institutions within and outside the  
23 Federated States of Micronesia in supporting activities for its  
24 development."

25 Section 4. Section 54 of Title 29 of the Trust Territory Code, as it

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1 applies to the Federated States of Micronesia, is hereby repealed and a new  
2 Section 54 enacted to read as follows:

3 "Section 54. Board of Directors. The affairs of the Bank shall be  
4 managed and its corporate powers exercised by a Board of Directors,  
5 seven in number, hereinafter referred to as the 'Board'. Four  
6 members of the Board shall be appointed by the President of the  
7 Federated States of Micronesia, with the advice and consent of the  
8 Congress of the Federated States of Micronesia; and two members shall  
9 be appointed by the High Commissioner of the Trust Territory of the  
10 Pacific Islands. The Executive Director of the Trust Territory  
11 Economic Development Loan Fund shall also be a member of the Board.  
12 The Board shall elect a Chairman from among its membership."

13 Section 5. Section 55 of Title 29 of the Trust Territory Code, as it  
14 applies to the Federated States of Micronesia, is hereby repealed and a new  
15 Section 55 enacted to read as follows:

16 "Section 55. Terms of Board Members. Members of the Board shall  
17 serve three-year terms; PROVIDED, that at the first meeting of the  
18 Board the four members appointed by the President of the Federated  
19 States of Micronesia shall, by lot, determine among them which two  
20 members shall have initial terms of one year, which member shall  
21 have an initial term of two years, and which member shall have an  
22 initial term of three years; and PROVIDED FURTHER, that the two  
23 members appointed by the High Commissioner shall separately determine,  
24 by lot, which member among them shall serve an initial term of  
25 one year, and which member shall serve an initial term of three years.

1           The first meeting of the Board shall be held not later than  
2           January 1, 1980. The initial terms of the Board members shall  
3           expire at noon on the day of the first meeting of the Board in the  
4           first, second, or third year, respectively, following the first  
5           meeting."

6           Section 6. Section 57 of Title 29 of the Trust Territory Code, as it  
7           applies to the Federated States of Micronesia, is hereby repealed and a new  
8           Section 57 enacted as follows:

9           "Section 57. President, Officers, and Employees of the Bank.

10           "(1) The Board shall select a President of the Bank; PROVIDED,  
11           HOWEVER, that the President of the Federated States of Micronesia and  
12           the High Commissioner shall jointly select the first President of the  
13           Bank, after consultation with the Board. The first President of the  
14           Bank shall not be removed without the approval of the President of  
15           the Federated States of Micronesia and the High Commissioner.

16           "(2) The President shall manage the operations of the Bank,  
17           with the assistance of a Vice President and a Secretary-Treasurer.  
18           The President shall select the Vice President and Secretary-  
19           Treasurer of the Bank, subject to approval by the Board.

20           "(3) Officers and employees of the Bank shall be exempt from  
21           the provisions of the Trust Territory Merit System Law and Compensa-  
22           tion Plan, and similar laws and plans of the Government of the  
23           Federated States of Micronesia.

24           "(4) The salary of the President shall be set by the Board;  
25           PROVIDED, HOWEVER, that the salary of the first President appointed

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1 jointly by the President of the Federated States of Micronesia and  
2 the High Commissioner shall be set by them, in consultation with  
3 the Board. The salary of the Vice President shall be set by the  
4 President with the approval of the Board and shall not exceed a sum  
5 equal to 90% of the salary of the President. The salary of all the  
6 other officers and employees of the Bank shall be established by the  
7 President, with the approval of the Board.

8 "(5) No member of the Board shall be an officer or employee  
9 of the Bank, except that the President of the Bank shall be an ex  
10 officio member of the Board, without the power to vote."

11 Section 7. Section 58 of Title 29 of the Trust Territory Code, as it  
12 applies to the Federated States of Micronesia, is hereby repealed and a new  
13 Section 58 enacted to read as follows:

14 "Section 58. Professional Qualifications of Members of the Board  
15 and Officers of the Bank. Board members of the Bank shall be  
16 persons experienced in the conduct of business, commerce, finance,  
17 banking, accounting, or developmental economics. The President,  
18 Vice President and Secretary-Treasurer of the Bank shall have had  
19 not less than three years' experience in the banking profession,  
20 or the equivalent experience in a related profession."

21 Section 8. Section 59 of Title 29 of the Trust Territory Code, as it  
22 applies to the Federated States of Micronesia, is hereby repealed and a new  
23 Section 59 enacted to read as follows:

24 "Section 59. Disqualifications. No member of the Board or  
25 officer of the Bank, during the term for which he was appointed or

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11 reappointed and during two years following the expiration of the  
12 term for which he was appointed or reappointed, shall be eligible  
13 either to borrow money from, or through, the Bank or to assume  
14 responsibility in whole or in part under a guarantee or indemnity  
15 or by the deposit of a security to the Bank in respect of a debt or  
16 obligation of a third party."

7 Section 9. Section 60 of Title 29 of the Trust Territory Code, as it  
8 applies to the Federated States of Micronesia, is hereby repealed and a new  
9 Section 60 enacted to read as follows:

10 "Section 60. Books and Records of the Bank. The books and records  
11 of the Bank shall be thoroughly examined and audited at such times  
12 as the Board may provide, by qualified independent examiners  
13 appointed by the Board. Upon the establishment of the office of the  
14 Public Auditor, pursuant to Article XII, Section 3, of the Constitu-  
15 tion of the Federated States of Micronesia, this function shall be  
16 performed by the office of the Public Auditor."

17 Section 10. Section 61 of Title 29 of the Trust Territory Code, as it  
18 applies to the Federated States of Micronesia, is hereby repealed and a  
19 new Section 61 enacted to read as follows:

20 "Section 61. Costs of Administration. There is hereby authorized  
21 to be appropriated from the General Fund of the Congress of the  
22 Federated States of Micronesia such amount of funds necessary to  
23 carry out the cost of administration of this Chapter. The Board of  
24 Directors of the Bank shall, to the extent feasible, forecast the  
25 needed appropriations for the fiscal year and request the funds from

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1 the Congress of the Federated States of Micronesia. Nothing  
2 herein contained shall prohibit the Board from seeking or  
3 soliciting funds for its operation and capitalization from addi-  
4 tional sources within and outside the Federated States of Micro-  
5 nesia."

6 Section 11. A new Section 62 of Title 29 of the Trust Territory Code  
7 is hereby enacted to read as follows:

8 "Section 62. Expenses. All members of the Board shall be entitled  
9 to necessary travel expenses and to per diem at standard Trust  
10 Territory rates, while on the business of the Bank. Board members  
11 who are neither employees nor officials of the Trust Territory  
12 Government or the Government of the Federated States of Micronesia  
13 shall, in addition, be paid \$30 per day while on the business of  
14 the Bank."

15 Section 12. A new Section 63 of Title 29 of the Trust Territory Code  
16 is hereby enacted to read as follows:

17 "Section 63. Tax exemptions; debts of the Bank.

18 "(1) The Bank shall exist and operate solely for the benefit  
19 of the public and shall be exempt from any taxes or assessments  
20 on any of its property, operations, or activities.

21 "(2) The debts and obligations of the Bank shall not be  
22 debts or obligations of the Government of the Trust Territory or  
23 the Government of the Federated States of Micronesia, nor shall  
24 either Government be responsible for any debts or obligations of  
25 the Bank."

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1 Section 13. A new Section 64 of Title 29 of the Trust Territory Code  
2 is hereby enacted to read as follows:

3 "Section 64. Annual reports. The Bank shall file with the High  
4 Commissioner, and the President and Congress of the Federated States  
5 of Micronesia annually, within 90 days after the close of its  
6 fiscal year, a report sworn to by an officer of the Bank stating:

7 (1) the name and address of the Bank;

8 (2) a profit and loss statement of the last fiscal year and a  
9 statement of its assets and liabilities as of the close of the  
10 year; and

11 (3) the names and addresses of all directors and officers of  
12 the Bank. The report shall be made available to the public by  
13 publication or otherwise."

14 Section 14. A new Section 65 of Title 29 of the Trust Territory Code is  
15 hereby enacted to read as follows:

16 "Section 65. Willfully defrauding Bank. Any Board member, Director,  
17 officer, employee or agent of the Bank who embezzles, abstracts, or  
18 willfully misapplies any moneys, funds, credits, or securities of  
19 the Bank, or who willfully makes any false entry in any book, report  
20 or statement of the Bank, or who does any other act, with intent to  
21 injure or defraud the Bank; or any individual who with like intent  
22 aids or abets any Board member, director, officer, employee or agent  
23 in any violation of this Section; or any individual who makes a  
24 false statement with the intent of defrauding the Bank of moneys,  
25 funds, credits or securities, shall be fined not more than \$20,000,



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1           or imprisoned for not more than 10 years, or both."

2           Section 15. Chapter 3 of Title 29 of the Trust Territory Code, as it  
3 applies to the Federated States of Micronesia, is retitled "Federated States  
4 Development Bank."

5           Section 16. The following appropriations are made subject to the  
6 reporting requirements contained herein:

7           (1) The sum of \$10,000, or so much thereof as may be necessary,  
8 is hereby appropriated from the General Fund of the Congress of the Federated  
9 States of Micronesia for the purpose of defraying the operating and contingent  
10 expenses of the Federated States Development Bank for Fiscal Year 1979.

11           (2) The sum of \$40,000, or so much thereof as may be necessary, is  
12 hereby appropriated from the General Fund of the Congress of the Federated  
13 States of Micronesia, or its successor, for the purpose of defraying the  
14 operating and contingent expenses of the Federated States Development Bank  
15 for Fiscal Year 1980.

16           (3) The sum appropriated by Subsections (1) and (2) of this  
17 Section shall be allotted by the Director of the Bureau of Finance, Depart-  
18 ment of Administrative Services, Trust Territory Government, or the Federated  
19 States of Micronesia Director of Finance to the President of the Federated  
20 States of Micronesia, or his designee, who shall be responsible for ensuring  
21 that these funds are used for the purposes specified in Subsections (1) and  
22 (2) above, and that no obligations are incurred in excess of the sum appro-  
23 priated.

24           (4) Any part of the appropriation for Fiscal Year 1979 not  
25 obligated as of September 30, 1979, and any part of the appropriation for

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1 Fiscal Year 1980 not obligated as of September 30, 1980, shall revert to the  
2 General Fund of the Congress of the Federated States of Micronesia, or its  
3 successor.

4 (5) The allottee specified in Subsection (3) shall submit a  
5 detailed report to the Congress of the Federated States of Micronesia before  
6 October 15, 1979 on expenditures of appropriations for Fiscal Year 1979, and  
7 before May 1, 1980 on expenditures of funds for Fiscal Year 1980. Each report  
8 shall provide for the full accounting by object class of the obligations  
9 incurred against the sum appropriated by Subsections (1) and (2), respectively.

10 Section 17. Public Law No. 1-36 is hereby repealed in its entirety.

11 Section 18. This act shall become law upon approval by the President of  
12 the Federated States of Micronesia, or upon its becoming law without such  
13 approval.

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August 15, 1979

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Tosiwo Nakayama  
President  
Federated States of Micronesia

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