Dear Mr. Speaker and Mr. President:

This is to inform you that I have signed into law House Bill No. 147, H.D.1, S.D.1, C.D.1, entitled "AN ACT TO LICENSE AND REGULATE BANKS, TO PROVIDE PENALTIES, TO REPEAL SECTIONS 503 (d) (1) and (2) OF PUBLIC LAW 3-11, TO REPEAL SECTIONS 101 THROUGH 106 OF TITLE 29 OF THE TRUST TERRITORY CODE, AND FOR OTHER PURPOSES", passed by the Third Northern Marianas Commonwealth Legislature, Fourth Regular Session, 1984.

However, I do have some concerns with this public law which I believe should be addressed immediately. First, in my opinion, the law is unduly restrictive regarding new banking enterprises. Commonwealth banks which are also retail banks must obtain federal insurance for deposits. There is some question as to whether the Federal Deposit Insurance Corporation will provide insurance to such banks. State, national and foreign banks can establish a local office only if fifty-one percent or more of their shares are owned by residents of the Commonwealth. In contrast, existing Commonwealth banks need not have federal deposit insurance and existing state, national and foreign banks need not have fifty-one percent resident ownership.

Second, the definition of "Banking business" set forth in Section 102(c) should be re-drafted for clarity. At present, critics claim that it requires mortgage companies, finance companies, credit unions, stock brokers and retail stores which extend credit to secure a license to engage in the banking business. Our legal analysis concludes that occasional and incidental acts are not intended to be covered, such as those of a retail store which extends credit. Also, limited purpose brokers, such as stockbrokers, money exchanges and credit unions, are exempted. However, to avoid confusion and possible litigation, this section should be amended.
Third, Part C of Chapter II requires a license to engage in retail banking. This seems to merely repeat the procedures for receiving a banking license and require another $1,000 fee.

Finally, Section 107(b) provides for judicial review of orders issued by the Director of Commerce and Labor. Under the Administrative Procedures Act, such an order is factually reviewable only to the extent of determining whether there is substantial evidence in the record to support the order. (10MC §9112(f) (2) (E).) Section 107(b) (4) allows the court to require a trial de novo on disputed issues of fact. This procedure could result in costly government litigation and should be amended to conform to the Administrative Procedure Act.

If we can be of any assistance to the Fourth Northern Marianas Commonwealth Legislature when addressing the above mentioned concerns, please do not hesitate to contact us.


Sincerely,

[Signature]

PEDRO P. TENORIO
Governor

CC: Special Assistant for Programs and Legislative Review
AN ACT

To license and regulate banks, to provide penalties, to repeal Section 503(d)(1) and (2) of Public Law 3-11, to repeal Sections 101 through 106 of Title 29 of the Trust Territory Code, and for other purposes.

Offered by Representatives Renicno R. Fitial, Jose R. Lifoifo, and Vicente M. Sablan

Date: May 21, 1983

House Action:
Referred to: Committee on Resources and Development
Standing Committee Report No. 3-132
First and Second Reading: May 4, 1983
Final Reading: November 29, 1983
Recall Consideration: December 20, 1983
Conference Committee Report No. 3-12
Final Reading: January 4, 1984

Senate Action
Referred to: Committee on Resources, Economic Development and Programs
Standing Committee Report No. 3-259
First Reading: October 28, 1983
Second Reading: November 22, 1983
Recall Consideration: December 20, 1983
Conference Committee Report No. 3-12
Final Reading: January 5, 1984

Herbert S. Del Rosario
Chief Clerk
House of Representatives
AN ACT

To license and regulate banks, to provide penalties, to repeal Section 503(d)(1) and (2) of Public Law 3-11, to repeal Sections 101 through 106 of Title 29 of the Trust Territory Code, and for other purposes.

BE IT ENACTED BY THE NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

CHAPTER I

Short Title, Definitions, and Administration

Section 100. Short title. This Act may be cited as the "Commonwealth Banking Code of 1984."

Section 101. Purpose. It is the purpose of this Act to establish a comprehensive code for the regulation of the banking business within the Commonwealth which will protect depositers and consumers while also encouraging development of the banking, finance and investment industry and in particular locally owned and managed firms. The provisions of this Act shall apply to all banks doing banking business from within the Commonwealth, to the extent the provisions are not in contravention of any applicable federal law. This Act is meant to supplement the applicable federal laws, and, in particular, federal banking laws, which apply to the Northern Marianas Islands by virtue of Covenant Section 502, but only to the extent obligatory in the Commonwealth.

Section 102. Definitions. As used in this Act unless the context clearly requires otherwise:

(a) "Action" in the sense of a judicial proceeding includes recoupment, counter-claim, set-off, suit in equity and any other proceedings in which rights are determined.
(b) "Bank" means any person doing a banking business whether subject to the laws of the Commonwealth or the laws of any other jurisdiction. Bank includes off-shore, retail, state, national, foreign, Micronesian and Commonwealth banks but does not include the Development Bank of the Government of the Commonwealth.

(c) "Banking business" means engaging for profit but not on an occasional, incidental or fiduciary basis in the activity of accepting deposits, making secured or unsecured loans, extending credit on the credit of the extender, issuing credit instruments, purchasing and selling credit instruments, commercial paper, securities, coin, currency, and bullion, and generally dealing in finance on behalf of the business or of others, singularly or in conjunction with other financial institutions. Banking business does not include limited purpose brokers in money, security or credit, factors, and numismatic dealers, but none of such excepted enterprises may accept deposits on their own credit as defined herein.

(d) "Commonwealth" means the Commonwealth of the Northern Mariana Islands.

(e) "Commonwealth Bank" means any bank chartered by the Commonwealth.
(f) "Department" means the Department of Commerce and Labor.

(g) "Director" means the Director of Commerce and Labor or his authorized designee, unless the context indicates that "director" means the director of a bank.

(h) "Executive Officer" when referring to a bank, means any person designated as such in the by-laws and includes, whether or not to designated, the president, any vice-president, the treasurer, the cashier, the comptroller and the secretary, or any person who performs the duties appropriate to those offices.

(i) "Fiduciary" means trustee, agent, executor, administrator, committee, guardian or conservator for a minor or other incompetent person, receiver, trustee in bankruptcy, assignee for creditors or any holder of a similar position of trust.

(j) "Foreign bank" means a bank organized under the laws of a foreign state.

(k) "Foreign state" means any foreign government or any governmental organization or subdivision of a foreign government or any agency or instrumentality thereof.

(l) "Good faith" means honesty in fact in the transaction and some reasonable ground for belief that the transaction is rightful or authorized.
(m) "Item" means any instrument for the payment of money even though negotiable, but does not include money.

(n) "License" unless specifically qualified means the general license required of all Commonwealth, state, national, Micronesian or foreign banks by this Act as a prerequisite of engaging in any banking business in the Commonwealth.

(o) "Licensee" means any person holding a license under Act.

(p) "Micronesian bank" means any bank chartered under the banking laws of the Marshall Islands, Federated States of Micronesia or Palau; Provided that such bank is owned 51% or more by residents of the Commonwealth, Marshall Islands, Federated States of Micronesia, and Palau.

(q) "National Bank" means any bank chartered under the banking laws of the United States.

(r) "Officer" when referring to a bank means any person designated as such in the by-laws and includes, whether or not so designated, any executive officer, the chairman of the board of directors, the chairman of the executive committee, and any trust officer, assistant vice-president, assistant treasurer, assistant cashier, assistant comptroller, or any person who performs the duties appropriate to these offices.
"Off-shore bank" or "Off-shore banking corporation" means an entity incorporated in the Commonwealth whose purpose and activities are limited to:

1. negotiating, making and extending loans to borrowers who are not residents or citizens of the Commonwealth; and/or
2. borrowing from lenders who are not residents or citizens of the Commonwealth.

"Off-shore bank license" means a license granted under Section 800 of this Act.

"Person" means an individual, corporation, partnership, joint venture, trust, estate, unincorporated association, or other group or combination acting as a unit.

"Reason to know" means that upon the information available a person of ordinary intelligence in the particular business, or of the superior intelligence or experience which the person in question may have, would infer that the fact in question exists or that there is such a substantial chance of its existence that, if exercising reasonable care with reference to the matter in question, conduct would be predicated upon the assumption of its possible existence.
(w) "Retail Bank" means any bank authorized pursuant to this Act to accept or hold deposits from persons domiciled in, or formed pursuant, to laws of the Commonwealth.

(x) "Special License" means retail and other such special licenses that may be required in addition to a general license.

(y) "State Bank" means any bank chartered under the banking laws of one of the states of the United States or of the territories of the United States.

Section 103. Director of Banking.

(a) The Director of Commerce and Labor shall serve as the Director of Banking for purposes of this Act.

(b) The Director may delegate to any officer or employee of the Department any of his ministerial powers and duties.

(c) The Director shall provide as he deems necessary and sufficient for the bonding of any officers or employees handling money or securities in the course of their employment.

Section 104. Powers of the Director. The Director shall have the following powers:

(a) To administer and enforce the provisions of this Act as well as any applicable federal banking law for the protection of the general welfare of Commonwealth residents.
(b) To investigate the qualifications of each applicant before any license is issued and thereafter to observe the conduct of all licensees to the end that licenses are not issued to or held by unqualified or disqualified persons or by persons whose operations are conducted in contravention of this Act.

(c) To deny any application for a license not in compliance with the requirements of this Act.

(d) To limit, condition, restrict, revoke, or suspend any license pursuant to the procedure set forth in Section 501 herein.

(e) To conduct an annual audit of the banking operations of any licensee, in accordance with Sections 400 through 403 herein, and to conduct any special audit if there is cause to believe that the financial stability of the bank is in danger or the public interest otherwise demands.

(f) To restrict the withdrawal of deposits and request from a court of competent jurisdiction the appointment of a receiver to take possession of the assets, liabilities, books, records, papers, and files of every description belonging to the bank, and collect all loans, fees, and claims of the bank, and see to the payment of its obligations and debts if the Director determines or has reason to believe that a bank is not
in sound financial condition to continue doing business
or that its affairs are being conducted in such a manner
that the public or the persons having securities or funds
under its custody are in danger of being defrauded.

(g) To accept public comment and hold public
hearings on any bank application.

(h) To employ, retain or contract for the services
of qualified specialists or experts, as individuals or
as organizations, to advise and assist the Director.

(i) To have access at all reasonable times to such
books, records, vouchers, documents, cash, and securities
of any bank, and to call upon the manager or any officer
designated by the manager of any bank for such information
or explanation as the Director may reasonably require for
the purposes of enabling the Director to perform all
required functions under this law. However, the Director
shall only have access to the account of a depositor of a
bank or to any information, matter, or thing relating to
the affairs of any customer of a bank pursuant to an order
of the Commonwealth Trial Court made on the grounds that
there are no other means of obtaining the information
required by the Director.

(j) To order any person to cease violating a
provision of this Act or a regulation issued thereunder
or to cease engaging in any unsound banking practice.
(k) To adopt such policies, rules, and regulations as may be necessary for the exercise of the powers and duties conferred on the Director by this Act, in accordance with Title 17 of the Trust Territory Code.

Section 105. Additional Banking Powers of the Director. In addition to the powers conferred by Section 104, the Director shall have the power to require a bank to:

(a) Maintain its accounts in accordance with such regulations as he may prescribe having regard to the size of the organization.

(b) Observe methods and standards which he may prescribe for determining the value of various types of assets.

(c) Charge off the whole or part of an asset which at the time of the Director's action could not lawfully be acquired.

(d) Write down an asset to its market value.

(e) Record liens and other interests in property.

(f) Obtain a financial statement from a prospective borrower to the extent that the bank can do so.

(g) Obtain insurance against damage to real estate taken as security.

(h) Search, or obtain insurance for, the title to real estate taken as security.
(i) Maintain adequate insurance against such other
risks as the Director may determine to be necessary and
appropriate for the protection of depositors and the
public.

Section 106. Additional Adjudicatory Powers.

(a) The Director shall have the power to subpoena
witnesses, compel their attendance, require the production
of evidence, administer an oath, and examine any person
under oath in connection with any investigation, hearing,
or other subject relating to a duty imposed upon or a
power vested in the Director. These powers shall be
enforced by the Commonwealth Trial Court. An individual
who claims a privilege against self incrimination may
nevertheless be compelled to testify, but he shall not
be prosecuted or subjected to a penalty or forfeiture on
account of anything concerning which he has testified
under such compulsion, except for perjury committed in
his testimony. Removal from an office or employment with
a Commonwealth bank is not the imposition of a penalty or
forfeiture.

(b) The Director may, on petition of any
interested person and after hearing, issue a declaratory
order with respect to the applicability to any person,
property or state of facts of this Act or rule issued
by the Director. The order shall bind the Director
and all parties to proceeding on the state of facts alleged, unless it is modified or reversed by a court having jurisdiction. A declaratory order may be reviewed and enforced in the same manner as other orders of the Director, and the refusal to issue a declaratory order shall be reviewable.

(c) No person shall be subjected to any civil or criminal liability for any act or omission to act in good faith in reliance upon a subsisting order, regulation or definition of the Director notwithstanding a subsequent decision by a court invalidating the order, regulation or definition.

Section 107. Court Review.

(a) Any person aggrieved and directly affected by an order of the Director may appeal to the Commonwealth Trial Court within thirty (30) days after issuance and notice of the order is served upon the party. The validity of an order may be tested only by such an appeal and may not be placed in issue in an action to enforce it or in a prosecution for its violation except where substantial rights of the complainant are involved. The filing of a petition for review shall not stay enforcement of an order, but the Court may order a stay upon such terms as it deems proper.

(b) The Court may affirm the order of the Director, may direct the Director to take action unlawfully withheld, or may reverse or modify the order of the Director if it
(1) was issued pursuant to an unconstitutional statutory provision; (2) was in excess of statutory authority; (3) was issued upon unlawful procedure; or (4) is not supported by the evidence in the record and the Court may require a trial de novo on disputed issues of fact.

Section 108. Legal Assistance. The Director shall utilize the Office of the Attorney General or its designee for legal assistance and representation in carrying out the provisions of this Act.

Section 109. Banking Interest of Officers and Employees. No officer or employee of the Department shall be an officer, director, trustee, attorney, owner, shareholder or partner in any bank, or, except as hereinafter provided, receive, directly or indirectly, any payment or gratuity from any such organization, or be indebted to any bank, or engaged in the negotiation of loans for others with any such bank. This provision shall not prohibit being a depositor or borrower on the same terms as are available to the public generally, or in the case of the Director being indebted to a bank upon (1) a mortgage loan upon the mortgagor's own home, (2) upon installment debt transferred to a bank in regular course of business by a seller of household goods or automobiles purchased by the employee, or other installment debt of a personal nature, not to exceed twenty-five thousand dollars ($25,000.00) without approval of the Commonwealth Attorney General.

CHAPTER II

Banking Organization

Part A. Organization and Corporate Structure of Commonwealth Bank

Section 200. Part A Applicability. Unless otherwise specified,
the provisions of this Part A of Chapter II shall apply only to
Commonwealth banks. For purposes of this Part, "bank" means a bank
c chartered by the Commonwealth.

Section 201. General Corporate Powers.

(a) A Commonwealth bank may be organized to
exercise the powers provided in this Act and such
general corporate powers as are appropriate to its
purpose and contained in its charter.

(b) A Commonwealth bank shall, without specific
mention thereof in its charter, have all the powers
conferred by this Act and the following additional
general corporate powers:

(1) To continue perpetually as a
corporation,

(2) To sue and be sued, complain and
defend, in its corporate name.

(3) To have a corporate seal, which may
be altered at pleasure, and to use the same
by causing it or a facsimile thereof to be
impressed or affixed, or in any manner
reproduced.

(4) To make, alter, amend, and repeal
by-laws, not inconsistent with its charter
or with law, for the administration and
regulation of the affairs of the corporation.
(5) To elect or appoint and remove officers and agents of the bank and to define their duties and fix their compensation.

(6) To adopt and operate reasonable bonus and pension plans for officers and employees.

(7) To make contributions to or for the use or benefit of:

   (A) the United States, any state, territory, or political subdivision thereof, or the District of Columbia or any possession of the United States for exclusively public purposes; or

   (B) a corporation, trust or community chest fund, or foundation created or organized in the United States or of any state or territory or of the District of Columbia, or of any possession of the United States including the Marshall Islands Federated States of Micronesia and Palau and organized and operated exclusively for religious, charitable, scientific, veteran rehabilitation service, literary or educational purposes, or for the prevention of cruelty to children or animals, no substantial part of the net
earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda or otherwise attempting to influence legislation; to the extent authorized, approved or ratified by action of the board of directors of the corporation, except as otherwise specifically provided or limited by its articles of incorporation, or its by-laws or by resolution duly adopted by its stockholders.

(C) In addition to its other powers, a Commonwealth bank which is authorized by its charter to exercise trust powers shall, upon proper qualification under this Act, have the power to act as a fiduciary in any capacity, including but without limitation as registrar or transfer agent, as fiscal agent or attorney-in-fact and the power to receive, manage and apply sinking funds.

(D) Any Commonwealth bank desiring to engage in the business of banking in the Commonwealth shall make application for Charter and licenses to the Director pursuant to Chapter II of this Act.
Section 202. Other Powers. A Commonwealth bank operating under this Act shall, in addition to specific powers conferred by this Act, have such powers as may be necessary to qualify as a trustee or custodian under Northern Mariana Islands Retirement Fund, Mariana Public Land Trust Fund, Northern Mariana Islands Social Security Fund, the Federal Self-Employed Individuals Tax Retirement Act of 1962, as amended, and the Employee Retirement Income Security Act of 1974; provided, that any funds held in such capacity shall be invested only in a savings account or time deposit of the institution.

Section 203. Capital Structure. A bank shall at all times have paid-in-cash capital of not less than $500,000.

Section 204. Incorporators. A Commonwealth bank may be organized by three (3) or more persons, acting on their own behalf or by an attorney licensed to practice in the Commonwealth.

Section 205. Shareholders. At all times fifty-one percent 51% or more of the shares of any bank shall be owned legally and beneficially by residents of the Commonwealth, and if the Marshall Islands, Federated States of Micronesia, or Palau accord the privilege of owning bank shares equivalent to the Commonwealth, then residents of the Marshall Islands, Federated States of Micronesia or Palau shall be deemed to hold shares as residents of the Commonwealth. To the extent shareholders in banks are corporations or other entities then the ultimate personal shareholder or owner must be considered in determining residency for purposes of this Act. Retail state banks licensed, having at least five resident employees, and doing business open to the general public on the effective date of this Act shall be deemed to have met the requirements under this Section.
Section 206. Notice of Intention.

(a) The incorporators shall file with the Director a notice of intention to organize a Commonwealth bank. The notice shall state:

(1) The name, residence and occupation of each incorporator, and the amount of stock subscribed and paid for by each.

(2) The name and address of an individual within the Commonwealth to whom notice to all the incorporators may be sent.

(3) The total capital, the number of shares of each class and the par value of the shares of each class of the proposed Commonwealth bank.

(4) Whether it is intended that the proposed Commonwealth bank shall have trust powers.

(5) The municipality in which the proposed Commonwealth bank is to be located.

(6) The requirement of Section 205 has or will be complied with.

(b) The Director may order the incorporators not to accept any stock subscriptions or to cease accepting subscriptions if he shall determine that the notice does not comply with the provisions of this section, or that
the incorporators are proceeding unlawfully or are not
acting in good faith. If the notice of intention or any
accompanying documents do not comply with the requirements
of this section, the Director shall within twenty (20) days
after the receipt thereof return them to the incorporators,
calling attention to the defect or defects therein.

(c) On every stock certificate of any bank chartered by
the Commonwealth the following notice shall appear "According
to the laws of the Commonwealth fifty-one (51%) or more of
the shares of any bank shall be owned by residents of the
Commonwealth as required in Section 205 of the Commonwealth
Banking Code of 1984."

(d) It shall be a criminal offense against this Act
to accept any stock subscription until thirty (30) days
after filing a notice of intention or in violation of an
order of the Director; and any such subscription shall be
enforceable only by the Director and only to the extent
he determines it to be necessary to protect depositors or
the public.

Section 207. Organization Expenses.

(a) Each subscriber at the time he subscribes to
the stock of a proposed Commonwealth bank shall pay in
cash a sum at least equal to five percent (5%) of the
par value of such stock into a fund to be used to defray
the expenses of organization. No organization expense
shall be paid out of any other funds of the bank. Upon
the grant of a charter any unexpended balance shall be
transferred to surplus. If no application for a charter
has been made within six (6) months of the filing of a
notice of intention, or any additional period allowed
by the Director, or if the application has been finally
denied, any unexpended balance shall be distributed
among the contributors in proportion to their respective
payments. The Director may require an account of
disbursements from the fund and may order the
incorporators to restore any sum which has been expended
for other than proper organization expenses.

(b) No payment shall be made from the organization
expense fund for securing subscriptions to stock.

(c) Organizational expenses may be counted as part
of paid-in capital under Section 203(a)(2).

Section 208. Application for Charter.

(a) After the capital stock has been fully
subscribed, the incorporators may apply to the Director
for the charter. The incorporators shall submit:

(1) A proposed charter in triplicate in
such form as the Director shall prescribe
containing the following information:

(A) the name of a Commonwealth bank;
(B) if the Commonwealth bank is to exercise trust powers, a statement to that effect;

(C) the island on which it is to be located;

(D) the amount of capital, the number of shares of each class, the relative preferences, powers and rights of each class, the par value of the shares of each class and the amount of the paid-in surplus;

(E) a statement whether voting for directors shall or shall not be cumulative and the extent of the preemptive rights of stockholders;

(F) such other proper provisions to govern the business and affairs of the Commonwealth bank as may be desired by the incorporators.

(2) An application in such form and containing such information as the Director requires, including the following:

(A) the name, residence and occupation of each subscriber and the number of shares for which he has subscribed;
(B) the past and present connections
with any bank other than as a customer on
terms generally available to the public,
of each director and each subscriber to
more than five percent (5%) of the
capital stock;
(C) the address at which it is
proposed that the Commonwealth bank do
business, or, if such address is not
known, the area within the municipality
in which it is proposed that the business
be located.
(D) all information necessary to
sustain the applicant's burden of showing
the requirements of Section 210 subsections
(4) and (5) are met.
(b) If the application, the proposed charter or
any other accompanying documents do not comply with the
requirements of this Act, the Director shall within
twenty (20) days after the receipt thereof, return them
to the incorporators, calling attention to the defect or
defects therein. If such application, proposed charter
and accompanying documents, if any, are not so returned
by the Director within twenty (20) days of the receipt
thereof they shall be deemed to have been filed with the
Director.
(c) The incorporators shall mail such notice of
the application to each bank doing business in the
island in which the proposed bank is to be located,
and also to such persons and organizations as he
may designate. The Director shall also require
publication of the notice. The application shall be
public information.

Section 209. Public Hearing. In the event there are objections
to the application based on the fact the applicant does not meet the
requirements of this Commonwealth Banking Code, the Director shall
hold a hearing limited to issues necessary to determining whether the
application meets all the requirements of this Act.

Section 210. Determination on Application for Charter.
(a) When an application for a charter has been
filed with the Director, he shall make or cause to be
made a careful investigation and examination relative
to the following:

(1) The character, reputation, and financial
standing of the organizers or incorporators and
their motives in seeking to organize the proposed
Commonwealth bank.

(2) The character, financial responsibility,
banking or trust experience, and business
qualifications of those proposed as officers of
the bank.
(3) The character, financial responsibility, business experiences and standing in the community of the prospective stockholders and of those proposed as directors of the bank.

(4) The need in the island where the bank would be located for banking or banking and trust facilities, or additional banking or banking and trust facilities, as the case may be, giving particular consideration to the adequacy of existing banking and trust facilities therein.

(5) The ability of the Commonwealth to support the proposed bank, giving consideration to (a) the competition offered by existing banks and other financial institutions, (b) the banking history of the Commonwealth, (c) the opportunities for profitable employment of bank funds as as indicated by the average demand for credit, the number of potential depositors, the volume of bank transactions, and the business and industries of the territory, with particular regard to their stability, diversification and size; and (d) if the bank is to exercise trust powers, the opportunities for profitable employment of fiduciary services.

(6) That the requirements of Section 205 are met.
(7) Such other facts and circumstances bearing on the proposed bank and its relation to the Commonwealth as in the opinion of the Director may be relevant.

(b) The Director shall compile a report of the results of his investigation, together with all papers, correspondence and information in his possession relating to the application for a charter.

(c) Within ninety (90) days after the filing of the application, the Director shall consider the findings and all other relevant information available to him, and shall in his discretion approve or disapprove the application, but he shall not approve the application until he has ascertained to his satisfaction:

   (1) That conditions in the Commonwealth and on the island in which the bank would transact business afford reasonable promise of successful operation.

   (2) That the bank is being formed for no other purpose than the legitimate objects contemplated by this Act.

   (3) That the proposed capital is not less than the minimum required under this Act.
(4) That those proposed as officers and directors have sufficient experience, ability and standing to afford reasonable promise of successful operation.

(5) That the name of the proposed bank does not resemble, so closely as to be likely to cause confusion, the name of any other bank transacting business in the Commonwealth or which previously had transacted business in the Commonwealth during the last twenty (20) years; and

(6) That the applicants have complied with all applicable provisions of this Act including making a showing to allow the Director to find a need for an additional bank as set forth in Section 210 (4) and (5).

(d) If the Director shall approve the application he shall grant a charter by indorsing his approval on all copies thereof, retaining one copy in the department's files, and returning one copy to the incorporators within twenty (20) days of his action approving the application.

(e) If the Director shall disapprove the application he shall make public such disapproval and shall mail notice of such disapproval to the incorporators within twenty (20) days after his action disapproving the application.
Section 211. Reimbursement of Officer, Director or Employee for Expenses in Defending Suits. The by-laws of a Commonwealth bank may provide that it shall indemnify every officer, director or employee, his heirs, executors and administrators, against judgments resulting from and the expenses reasonably incurred by him in connection with any action based upon any alleged act or omission on his part as an officer, director or employee of the Commonwealth bank, including any action based upon any alleged act or omission on his part as an officer, director or employee of the Commonwealth bank, except in relation to matters as to which he shall be finally adjudged in such action to be liable for his negligence or his misconduct, and except that, in the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Commonwealth bank is advised by counsel that in the opinion of counsel the person to be indemnified was not liable for such negligence or misconduct. The foregoing right of indemnification shall not be exclusive of other rights to which such officer, director or employee may be entitled.

Section 212. Banking License.

(a) It shall be a criminal offense against this Act for a Commonwealth bank to perform any act other than to perfect its organization, obtain and equip a place of business and otherwise prepare to do business before receiving a banking license.
(b) Application for a banking license shall be made to the Director and shall contain:

(1) A statement that the minimum capital has been paid in.

(2) The name, address and business and professional affiliations of each Director and executive officer.

(3) The name and address of each stockholder of a legal or beneficial interest of more than five percent (5%) and the number of shares held by him.

(4) The address at which the bank will operate.

(5) A statement that all of the by-laws adopted have been attached as an exhibit to the application.

(6) A verified statement that the bank meets the requirements of Sections 205 and 235(g).

(7) Such other information as the Director may require to enable him to determine whether the conditions for the issuance of a banking license have been met.

(8) An initial application fee of five thousand dollars ($5,000); Provided, that the application fee shall be a one-time fee applicable only to Commonwealth banks chartered after the effective date of this Act.
(c) If the application for a banking license or any accompanying documents do not comply with the requirements of this Act the Director shall within twenty (20) days after the receipt thereof return them to the incorporators, calling attention to the defect or defects therein. If the application and accompanying documents are not so returned within such twenty (20) day period they shall be deemed to have been filed with the Director.

(d) The Director shall approve or deny the application for a banking license within thirty (30) days after the application is deemed complete. He shall approve the application if:

1. The minimum capital has been fully paid in cash.
2. Appropriate by-laws have been adopted.
3. Any conditions imposed by the Director in granting the charter have been fulfilled.
4. The requirements of this Act have been satisfied including the requirement of Section 205.

(e) If the Director shall approve such application he shall within twenty (20) days of such action collect an annual banking license fee of one thousand dollars ($1,000), issue the banking license, and mail the same to the incorporators. If the Director shall deny the
If no application for a banking license is filed within one year following the grant of a charter or any additional period allowed by the Director for good cause or if a banking license has been finally denied, or if the bank shall fail to commence business within one year after the issuance of a certificate of authority or any additional period allowed by the Director, the charter shall be forfeited, and the bank shall be liquidated in accordance with the orders of the Director. If an improper expenditure has been made, the Director may order the persons who were incorporators or directors at the time to restore the sum by equal contributions.

(g) Notwithstanding compliance with the licensing requirements of this Section, a Commonwealth Bank that is a retail bank shall also comply with the provisions of Part C of Chapter II of this Act.

Section 213. Amendment of Charter; Change of Location.
(a) A Commonwealth bank may apply to the Director to amend its charter.
(b) An application for an amendment of the charter changing the authorized capital or the number and par
value of the shares or to acquire or abandon trust
powers must be authorized by the vote of two-thirds
(2/3) of the outstanding voting stock voted at a
meeting of the stockholders. Any other application
may be authorized by the vote of a majority of the
outstanding voting stock voted at a meeting of the
stockholders.

(c) Notice of the application shall be sent to
such persons and organizations as the Director may
require.

(d) The Director shall approve an application:
(1) To change the name of the corporation if
the proposed name is not deceptive or misleading.
(2) To change the number and par value of
the shares without altering the total capital
unless such change will inequitably affect the
interest of any stockholder and the bank does
not have sufficient surplus and undivided
profits to pay dissenting shareholders the
fair value of their shares determined in
accordance with regulations of the Director.
(3) To increase the total capital by
increasing the amount of common stock, but an
amendment increasing the total capital shall not
become effective until the Director finds that
the new capital has been fully paid in cash.
(e) In making his determination the Director shall be guided by the standards prescribed for the approval of an application for a charter, insofar as they are reasonably applicable.

Section 214. Directors and Officers.

(a) The affairs of a Commonwealth bank shall be managed by a board of directors which shall exercise its powers and be responsible for the discharge of its duties. The number of directors, not less than five (5) not more than twenty-five (25), shall be fixed by the by-laws and the number so fixed shall be the board, regardless of vacancies.

(b) The Board of Directors shall meet at least semi-annually. Such meeting shall be in the Commonwealth.

Section 215. Deposit Insurance: Membership in Federal Reserve System. Except for those banks covered by Section 216, a Commonwealth bank which is also a retail bank shall obtain insurance of its deposits by the United States or any agency thereof prior to conducting any banking business and may acquire and hold membership in the Federal Reserve System.

Section 216. Transition Provision.

(a) Commonwealth banks which have a valid banking license meeting the present requirements of regulations issued by the Department of Commerce and Labor covering bank licensing, have at least five resident employees,
open to the general public, and are actively conducting
a banking business with at least 50 depositors and
borrowers as of the effective date of this Act shall
comply with Sections 203, 205, 212, and 214, and of
this Chapter as of February 1, 1984; Provided, the
Director may extend the time for compliance for up to
one year upon a showing of good cause. Such banks
need not comply with Section 215.

(b) If the Director certifies that Commonwealth
Government or private depositor insurance or bonding
is available to Commonwealth banks, they shall obtain
such bonding or insurance within six months of such
certification. In addition any such Commonwealth
bank may secure deposits of less than five thousand
($5,000.00) by obligations of the Governments of the
Commonwealth and the United States, its agencies, or
chartered corporations and such security shall have
the highest priority lien that the Commonwealth can
lawfully accord in the event of a bank failure or
bankruptcy.

Part B. General Licensing of Banks.

Section 230. Banking License Required. No person shall operate
a bank or engage in banking business from within the Commonwealth,
whether or not such business is carried on in the Commonwealth,
without having been issued such licenses as may be required by this
Act. Every person who knowingly and willfully violates the provisions of this section shall be guilty of a misdemeanor punishable by a fine not exceeding fifty thousand dollars ($50,000) or imprisonment for a period not exceeding one year or both.

Section 231. State, National, Micronesian, and Foreign Banks.
Subject to the approval of the Director pursuant to this Act, a state, national, Micronesian, or foreign bank may establish an office in the Commonwealth and engage in the business of banking in the Commonwealth; Provided, it meets the requirements of a Commonwealth bank as found in Sections 205, 209, and 210.

Section 232. Qualifications for Issuance of State or National Bank License. The Director shall issue a banking license when a state or national bank has complied with the following requirements:
(a) The Director has approved the application submitted by the bank pursuant to Section 235.
(b) The annual license fee of $1,000 has been paid to the Director.
(c) The Director finds that the bank meets the requirements found in Sections 205, 209, and 210.

Section 233. Qualifications for Issuance of a Foreign Bank License. The qualifications, fees, and conditions of a foreign bank license shall be pursuant to Chapter III of this Act.

Section 234. Qualifications for Issuance of a Commonwealth Bank License. The qualifications, fees, and conditions for a Commonwealth Bank license shall be pursuant to Section 212 of this Act.
Section 235. Application for Banking License. Except as otherwise specifically provided in Sections 212 and 243 of this Act, an application for any type of banking license shall be made to the Director on forms furnished by the Director and in accordance with the regulations of the Director. The application shall include the following:

(a) The name of the applicant.

(b) The location of the principal place of business of the applicant.

(c) A copy of the articles of incorporation, by-laws, and corporate charter of the applicant.

(d) The name of one of the applicant's officer who shall be the bank's authorized agent in the Commonwealth and the name of an alternate officer who shall serve in that capacity in the absence of the first nominee.

(e) Complete information and details with respect to the character, criminal record, business activities, financial affairs, and business associates of the directors, officers, and shareholders owning more than five percent (5%) of the stock of the applicant, which information and details shall cover at least a 10-year period immediately preceding the date of filing of the application.

(f) A verified statement that the applicant has complied with Section 205 of this Act.
(g) That the applicant in his initial license
application made a sufficient showing that the Director
found the application met the requirements of Section
210 of this Act unless the applicant was excused from
the finding by Sections 216 or 236 of this Act. If no
determination has been made under Section 210, the
applicant must file an application and meet all the
requirements of Sections 205, 209, and 210 of this Act.

(h) Such other information and details as the
Director may require.

(i) An application fee of five-thousand dollars
($5,000); Provided, that the application fee shall be
a one-time fee applicable only to state national, or
Micronesian banks applying for a banking license under
this section after the effective date of this Act.

Section 236. Transition of Existing License. Every state and
national bank which has a valid Commonwealth banking license has at
least five resident employees and is actively conducting business on
the effective date of this Act may continue conducting banking
business from within the Commonwealth without making application to
the Director pursuant to Section 235 of this Act. Such banks shall
no later than sixty (60) days from the effective date of this Act
satisfy the Director that they are in compliance with Section 232
(a) and (b) of this Act except such banks shall be deemed to meet
the requirements of Section 235(f) and (g). Banks subject to this
Section 236 shall comply with this Act and renew their licenses pursuant to Section 252 including payment of annual renewal fees. No application fee pursuant to Section 235 shall be required of banks subject to this Section 236.

Part C. Special Licenses

Section 240. Retail Banking License Required. Any Commonwealth chartered or state, national, Micronesian or foreign bank otherwise licensed to do banking business in the Commonwealth may apply for a retail license pursuant to this Part C. The purpose of a retail license is to protect depositors and borrowers. No bank shall accept or hold deposits except in compliance with and licensed pursuant to this Part C. Every person who knowingly and wilfully violates the provisions of this Section 240 shall be guilty of a misdemeanor punishable by fine not exceeding fifty thousand dollars ($50,000) or imprisonment for a period not exceeding one year or both.

Section 241. Qualification for Retail Banking License. A Commonwealth-chartered bank or a state, national, or foreign bank shall be issued a retail banking license by the Director upon proof of the following:

(a) Capital stock paid-up-in-cash of not less than five hundred thousand dollars ($500,000);
(b) Insurance of deposits of less than five thousand dollars ($5,000) by the United States or any agency thereof including but not limited to the Federal Deposit Insurance Corporation unless exempted by Section 216 of this Act;
(c) Payment of an annual license fee of one thousand dollars ($1,000.00);
(d) Compliance with Section 205 of this Act.

Section 242. Applications for Special Licenses. Application for retail and other special licenses required in this Part C shall be made to the Director on forms furnished by the Director in accordance with regulations of the Director and shall include the following:
(a) The name of the applicant;
(b) Whether a retail or other special license is sought;
(c) Copies of existing licenses and charters if the application is for a retail banking license;
(d) The location of the principal place of business within the Commonwealth;
(e) A verified statement the applicant is in compliance with Section 205 of this Act.
(f) Such other information as the Director may at his discretion require.

Section 243. Transition.
(a) Any state, national, or Micronesian bank operating as a retail bank at the effective date of this Act provided such bank meets the Section 235 of this Act shall comply with the license and fee requirements of this Part C simultaneously with the next annual renewal of banking licenses required pursuant to Section 252 of this Act.
Part D. Restrictions on Licenses

Section 250. Assignment of Bank License. No banking license shall be purchased by a bank broker, or assigned in whole or in part without the prior approval of the Director.

Section 251. Posting and Inspecting of Licenses. All licenses issued under the provisions of this Act shall be posted by the licensee and kept posted at all times in a conspicuous place in the bank for which such license was issued until replaced by a succeeding license. In addition, licensed retail banks shall post in a conspicuous place in the bank the nature of the required deposit insurance.

Section 252. Annual Fees; Renewal of Licenses.

(a) A bank shall pay an annual fee of one thousand dollars ($1,000) to the Director for issuance of any type of banking license and for each renewal thereafter.

(b) Subject to the power of the Director to deny, revoke, suspend, condition, or limit licenses, any license in force shall be renewed by the Director upon proper application for renewal and payment of license fees as required by law and the regulations of the Director. The Director may require by regulation such other information as he deems necessary and consistent with this Act for renewal. A bank license shall be valid for one year from the date of its issuance and must be renewed on or before its expiration date.
Part E. Merger, Consolidation, Conservation, Liquidation, Disolution, and Reorganization

Section 260. Regulations for Mergers, Liquidations, and Other Significant Events.

(a) The Director shall provide by regulation administrative procedures and depositor protections for banks which desire to undertake mergers, conversions, or consolidations.

(b) The Director shall provide by regulation administrative procedures and depositor protections for the liquidation, dissolution, and reorganization of banks.

Part F. Branch Banks

Section 270. Branch Banks. A bank engaging in the banking business in the Commonwealth may operate such branch banks as the Director determines is in the public interest according to the standards set forth in Section 210 (4) and (5) of this Act. State banks may only operate branches in the Commonwealth if the state or territory of their incorporation authorizes a Commonwealth bank to engage in branch banking in its territory and that such bank demonstrates that the branch is in the public interest and meets the criteria set forth in Section 210 (4) and (5) of this Act.

CHAPTER III

Foreign Banking Corporations and Foreign Exchange

Part A. Foreign Banking Corporations

Section 300. Foreign Banking Corporations. The Director may specifically provide for the operation of foreign banking corporations
1 within the Commonwealth provided such foreign bank meets the
2 requirements for a Commonwealth bank. The Director may establish
3 by regulation such conditions and restrictions upon the business of
4 foreign banking corporations as he deems consistent with this Act
5 and in the public interest. Notwithstanding compliance with any
6 regulations, conditions, or restrictions promulgated pursuant to this
7 Section, any foreign bank that is a retail bank must also be licensed
8 pursuant to Part C of Chapter II of this Act and must in its initial
9 application have met the requirements of Sections 205, 208, 209, and
10 210 of this Act.
11 Section 301 - 339. [RESERVED.]
12 Part B. Foreign Exchange
13 Section 340. Foreign Exchange. The Director may specifically
14 provide for the operation of the business of selling foreign currency
15 notes or receiving money for the purpose of transmitting the money or
16 its equivalent to foreign countries. The Director may establish by
17 regulation such conditions and restrictions upon the foreign exchange
18 business as he deems consistent with this Act and in the public
19 interest.
20 CHAPTER IV
21 Examination and Reports
22 Section 400. Required Reports.
23 (a) Annual Report. The Director may examine the
24 condition of any bank conducting banking business from
25 within the Commonwealth at any time each bank shall
26 annually submit consolidated written financial statements
and a separate annual report covering the financial
condition and activities of the bank from within the
Commonwealth. The documents shall be signed by the
bank's chief financial officer and certified to be true
and correct and in accordance with generally accepted
accounting principles by a firm of independent certified
public accountants. Only summary examinations and
reports shall be required in respect of fiduciary
activities which are subject to court accountings. A
report of examination shall be sent by the Director to
the bank examined.

(b) Bank Related Corporation. The Director may
annually examine any corporation, the majority of the
stock of which is owned by or which is found by the
Director to be controlled by a bank licensed by the
Commonwealth.

(c) Substitute Reports. The Director may accept
the reports of state, national, Federal Reserve, Federal
Deposit Insurance Corporation, Federal Savings and Loan
Insurance Corporation examiners or nationally recognized
auditing firm found by the Director to be capable of
auditing a bank in lieu of a separate examination.

Section 401. Notice of Sale of Stock. Every bank shall within
sixty (60) days notify the Director of any sale or transfer of ten
percent (10%) or more of the voting stock in the bank and shall
provide the information required in Section 235(e) as to the transferee
of the shares, in addition the bank must certify that the bank is in
continuing compliance with Section 205 of this Act.

Section 402. Audit Fees. The Director shall charge an
examination fee based on cost per hour per examiner and other related
reasonable expenses for any banks examined by the Director or his
staff. Such fees shall be established by regulation and shall be paid
to the General Fund.

Section 403. Powers and Duties of Director in Connection with
Examinations.

(a) In the performance of his functions under this
law and subject to the provisions of subsection (b) of
this section herein, the Director shall be entitled at
all reasonable times to have access to such books,
records, vouchers, documents, cash and securities of
any bank, and to call upon the manager or any officer
designated by the manager of any bank for such
information or explanation as the Director may
reasonably require for the purpose of enabling it
to perform its functions under this law.

(b) The Director shall only have access to the
account of a customer of a bank or to any information,
matter, or thing relating to or concerning the affairs
of any customer of a bank only pursuant to Chapter VII
of this Act.
Section 404. Penalties for Violation of Sections 400 through 403.

(a) Any person who knowingly and wilfully fails to comply with any requirement of Sections 400 through 403 herein shall be guilty of a misdemeanor punishable by a fine not exceeding fifty thousand dollars ($50,000) and imprisonment for a term not exceeding one year; Provided, that if the act or omission was intended to defraud, the person shall be guilty of a felony punishable by a fine not exceeding one hundred thousand dollars ($100,000) and imprisonment for a term not exceeding two (2) years.

Section 405. Preservation of Bank Records.

(a) Every bank shall retain its business records for such periods as are or may be prescribed by or in accordance with the terms of this section.

(b) Each bank shall retain permanently the minute books of meetings of its stockholders and directors, its capital stock ledger and capital stock certificate ledger or stubs, its general ledger, its investment ledger, its copies of bank examination reports, and all records which the Director shall in accordance with the terms of this section require to be retained permanently. The Director in his discretion may require that certain records be reproduced and stored in a safe deposit either within or without the Commonwealth.
(c) All other bank records shall be retained for such periods as the Director shall from time to time require by regulations classifying all records kept by banks and prescribing the period for which records of each class shall be retained. Such periods may be permanent or for a lesser term of years. Such regulations may from time to time be amended or repealed. Prior to issuing any such regulation the Director shall consider:

(1) Actions at law and administrative proceedings in which the production of bank records might be necessary or desirable.

(2) Commonwealth, State, and Federal statutes of limitation applicable to such actions or proceedings.

(3) The availability of information contained in bank records from other sources.

(4) Such other matters as the Director shall deem pertinent in order that its regulations will require banks to retain their records for as short a period as is commensurate with the interests of bank customers and shareholders and of the people of the Commonwealth in having bank records available.
(d) Any bank may dispose of any records which has been retained for the period prescribed by or in accordance with the terms of this section for retention of records of its class, and shall thereafter be under no duty to produce such record in any action or proceeding.

(e) Any bank may cause any or all records at any time in its custody to be reproduced by the microphotographic process and any reproduction so made shall have the same force and effect as the original thereof and be admitted in evidence equally with the original.

CHAPTER V
Revocation of License
Section 500. Authority of Director. If in the opinion of the Director a bank in carrying on its business, in the Commonwealth or elsewhere, is contravening the provisions of any applicable law, order, or regulations made under this Act, the Director may request that the bank take steps to rectify the matter. If the bank fails to rectify the matter, the Director may after notice and hearing in accordance with the provisions of the Administrative Procedure Act, 17 T.T.C. Sections 1 through 15, issue an order revoking, suspending, limiting, or restricting any license of the bank and may proceed to request the Commonwealth trial court to appoint a receiver to wind up the business of the bank in the Commonwealth.
Section 501. Hearings. The Director shall conduct hearings pursuant to the provisions of Title 17 of the Trust Territory Code prior to ordering any action under Section 500 where the legal rights, duties, or privileges of specific banks are conditioned, limited, suspended or revoked.

CHAPTER VI
Retail Banking Practices
Part A. Accounts

Section 600. Chapter Applicability. Unless otherwise specified the provisions of this Chapter VI apply to all banks and banking.

Section 601. Interest on Accounts. A bank may maintain deposit accounts and pay interest on balances therein at rates which need not be uniform.

Section 602. Payment of Items. So long as the balance in any account subject to withdrawal by or upon the order of a depositor shall equal or exceed the amount of any item presented for payment, a bank may select from items which in the aggregate exceed the balance, the items to be paid in any order convenient to the bank.

Section 603. Transactions Outside the Regular Banking Hours or on Holidays. Nothing in any law of the Commonwealth shall in any manner whatsoever affect the validity of or render void or voidable, the payment, certification, or acceptance of a check or other negotiable instrument or any other transaction by a bank because done or performed on any holiday or half-holiday or during any time other than regular banking hours; Provided, that nothing herein shall be construed to compel any bank to operate outside of normal business hours.
Section 604. Deposit of Minor; School or Institutional Deposits.

(a) A bank may operate a deposit account in the name of a minor or in the names of two or more persons, one or more of whom are minors, with the same effect upon its liability as if such minors were of full age.

(b) Subject to such regulations as the Board may prescribe for the protection of depositors, a bank may contract with the proper authorities of any elementary or secondary school, or of any institution caring for minors, for the participation by the bank in any school or institutional thrift or savings plan, and it may accept deposits at such a school or institution, either by its own collector or by any representative of the school or institution who becomes the agent of the bank for such purpose.

Section 605. Deposits in Two Names.

(a) When a deposit has been made or shall hereafter be made, in any bank in the names of two (2) persons, payable to either, or payable to either or survivor, such deposit, or any part thereof, or any interest or dividend thereon, may be paid to either of said persons, whether the other be living or not; and the receipt of acquittance of the person so paid shall be a valid and sufficient release and discharge to the bank for any payment so made.
(b) No bank so paying any such survivor shall thereby be liable for any estate, inheritance or succession taxes due this Commonwealth.

Section 606. Deposits in Trust.

(a) Whenever any deposit shall be made in any bank by any person in trust for another, and no other or further notice of the existence and terms of a legal and valid trust shall have been given in writing to the bank; in the event of the death of the trustee, the same, or any part thereof, together with the dividends or interest thereon, may be paid to the person for whom the deposit was made.

(b) No bank so paying any such survivor shall thereby be liable for any estate, inheritance, or succession taxes due this Commonwealth.

Section 607. Final Adjustment of Statement of Account.

(a) When a statement of account has been rendered by a bank to a depositor accompanied by vouchers, if any, which are the basis for debit entries in such account, or the depositor's passbook has been written up by the bank showing the condition of the depositor's account and delivered to such depositor with like accompaniment of vouchers, if any, such account shall after the period of one year from the date of its rendition, in the event no objection thereto has been
theretofore made by the depositor, be deemed finally
adjusted and settled and its correctness conclusively
presumed and such depositor shall thereafter be barred
from questioning the correctness of such account for
any cause.

(b) Nothing herein shall be construed to relieve
the depositor from the duty now imposed by law of
exercising due diligence in the examination of such
account and vouchers, if any, when rendered by the bank
and of immediate notification to the bank upon discovery
of any error therein, nor from the legal consequences
of neglect of such duty; nor to prevent the application
of Sections 3406 and 4406 of the Northern Marianas
Commercial Code to cases governed thereby.

(c) A statement of account may be rendered to a
depositor by mailing such statement with supporting
vouchers, if any, to his address as shown on the books
of the bank.

Section 608. Adverse Claim to Bank Deposit. Notice to any bank
of an adverse claim to a deposit standing on its books to the credit
of any person shall not be effectual to cause the bank to recognize
the adverse claimant unless the adverse claimant shall also either
procure a restraining order, injunction, or other appropriate process
against the bank from a court of competent jurisdiction in a cause
therein instituted by him wherein the person to whose credit the
deposit stands is made a party and served with summons or shall execute to the bank in form and in such sureties acceptable to it, a bond, indemnifying the bank from any and all liability, loss, damage, costs and expenses, for and on account of the payment of such adverse claim or the dishonor of the check or other order of the person to whose credit the deposit stands on the books of the bank; Provided, that this Section shall not apply in any instance where the person to whose credit the deposit stands is a fiduciary for such adverse claimant, and the facts constituting such relationship are also the facts showing reasonable cause for relief on the part of the claimant that the fiduciary is about to misappropriate the deposit, are made to appear by the affidavit of such claimant.

Section 609. Powers of Attorney.

(a) A bank may continue to recognize the authority of an attorney authorized in writing to operate, in whole or in part, the account of a depositor, until it receives written notice of the revocation of his authority.

(b) Written notice of the death or adjudication of incompetency of such depositor shall constitute written notice of revocation of the authority of his attorney.

(c) Notwithstanding that a bank has received written notice of revocation of the authority of such attorney, it may, until thirty (30) days after receipt of such notice, pay any item made, drawn, accepted or indorsed by such attorney prior to such revocation; Provided, that such item is otherwise properly payable.
(d) No bank shall be liable for damages, penalty or tax by reason of any payment made pursuant to this section.

Section 610. Payment from Account when no Executor or Administrator has Qualified.

(a) Where no executor or administrator of a deceased depositor has qualified and given notice of his qualifications to a bank, it may in its discretion and at any time after thirty (30) days from the death of the depositor pay out of all accounts maintained with it by him in his individual capacity all sums which do not exceed five thousand dollars ($5,000.00) in the aggregate

(1) to the executor named in any will known to the bank

or (2) in the absence of knowledge of a purported will naming a surviving executor to (A) the surviving spouse, (B) the next of kin, or (C) a creditor for expenses of the last illness or funeral, in the above order or priority in the case of conflicting claims.

(b) A bank may in its discretion and at any time after sixty 60 days from the death of a depositor, whose residence address according to the books of the bank is outside the Commonwealth, pay the balance of his accounts, not exceeding five thousand dollars ($5,000.00) in the aggregate, to an executor or administrator who has qualified in another territory or state unless the bank
has received written notice of the appointment of an
executor or administrator in the Commonwealth.

(c) No bank shall be liable for damages, penalty
or tax by reason of any payment made pursuant to this
section.

Section 611. Transmitting Money: Foreign Exchange.

(a) Any bank may accept money for transmissions
and may transmit money.

(b) Any bank may buy and sell foreign exchange to
the extent necessary to meet the needs of customers.

Section 612. Dormant and Inactive Accounts and Unclaimed Funds.

(a) In the event a savings account is inactive for
ten (10) years and the passbook has not been presented
for the posting of earned interest during the period,
a bank may transfer the balance of such account to
the Treasurer of the Commonwealth for the account of
the depositor. For the purposes of this section, an
account shall be considered inactive if no deposits or
withdrawals are made from such account.

(b) In the event a savings account is inactive for
five (5) years, and the passbook has not been presented
for the posting of earned interest during the period, a
bank may cease paying interest on the account until
advised by the depositor or his representative that the
account is active.
(c) In the event a checking account is inactive for two (2) years and the depositor cannot be located, a bank may transfer the balance of the account to the Treasurer of the Commonwealth for the account of the depositor.

(d) Prior to transferring the balance of any accounts to the Treasurer of the Commonwealth as provided in Paragraphs (a) and (c) of this section, the Director shall notify the depositor in writing that such funds shall be transferred to the Treasurer of the Commonwealth within sixty (60) days from the date of notification, and such transfer shall not occur prior to the sixty (60) day period. If the whereabouts and address of the depositor cannot be ascertained, the Director shall publish notice in a newspaper of general circulation for sixty (60) days to the effect that such funds shall be transferred to the Treasurer of the Commonwealth and such transfer shall not occur prior to the 60-day period.

(e) In the event a bank holds unidentified deposits or other funds for three (3) years, the owner of which cannot be determined by the bank, a bank may transfer the balance of such account to the Treasurer of the Commonwealth for the account of the depositor, in the event such depositor is determined at a later date.
(f) In the event a bank holds exchanges, bank drafts, cashier's checks, or drafts which have not been presented for payment for ten (10) years, a bank may, if the owner cannot be located, transfer the balance of such account to the Treasurer of the Commonwealth for the account of the owner in the event such owner is located at a later date.

(g) In the event a bank holds unidentified loan payments for three (3) years, a bank may transfer the balances of such account to the Treasurer of the Commonwealth for the account of the payor, in the event such payor is later determined.

(h) Prior to transferring funds to the Treasurer of the Commonwealth pursuant to the provisions of this section, the transferring bank may deduct all sums or costs due the bank, including cost of publication or other notice required by this section. Receipt by the Treasurer of the Commonwealth for such deposits shall be a full discharge to the transferring bank of all liabilities to the depositor or owner of such funds.

(i) The Treasurer of the Commonwealth upon receiving sums of money pursuant to this section shall furnish the transferring bank with a receipt for such sums transferred, and shall deposit such sums in the General Fund.
(j) The Treasurer of the Commonwealth shall maintain accurate records of such sums in accordance with regulations adopted by the Director. Such sums may be claimed at any time by the rightful owner or owners of such sums upon furnishing proof satisfactory to the Treasurer of the Commonwealth of their right to such funds. Funds deposited with the Treasurer of the Commonwealth pursuant to this section shall not accrue interest. The Treasurer of the Commonwealth shall not be liable for damages or penalties for any payment to a claimant of funds deposited pursuant to this section.

(k) The Director may adopt such rules and regulations as may be necessary to implement the provisions of this section.

Section 613. Disclosure Requirement. Each retail bank shall comply with the Truth in Lending Act and all laws obligatory on the Commonwealth.

Section 614. Fees and Other Charges. Fees and other charges assessed by a retail bank for depositor and other customer services shall be made available to the depositor or customer.

Part B. Safe Deposit and Safekeeping

Section 620. Definitions for Part B. As used in this Part:

(a) "Lessee" means a person contracting with a lessor for the use of a safe deposit box.
(b) "Lessor" means a bank, trust company, or subsidiary renting safe deposit facilities, and includes a safe deposit company organized and operating under the jurisdiction of the Department solely for the purpose of leasing safe deposit facilities.

(c) "Safe Deposit Box" means a safe deposit box, vault, or other safe deposit receptacle maintained by a lessor and the rules relating thereto apply to property or documents kept in safekeeping in the bank's vault.

Section 621. Authority to Engage in Leasing Safe Deposit Facilities: Subsidiary Company.

(a) Subject to such regulations as the Director may prescribe, a bank, trust company or safe deposit company may maintain and lease safe deposit boxes and may accept property or documents for safekeeping if, except in the case of night depositories, it issues a receipt therefor.

(b) A Commonwealth bank or trust company may own stock in safe deposit companies.

Section 622. Access by Fiduciaries. Where a safe deposit box is made available by a lessor to one or more persons acting as fiduciaries, the lessor may, except as otherwise expressly provided in the lease or the writings pursuant to which such fiduciaries are acting, allow access thereto as follows:

(1) By any one or more of the persons acting as executors or administrators.
(2) By any one or more of the persons otherwise acting as fiduciaries when authorized in writing signed by all other persons so acting.

(3) By any agent authorized in writing signed by all of the persons acting as fiduciaries.

Section 623. Effect of Lessee's Death or Incompetence. Where a lessor without knowledge of the death or of an adjudication of legal incompetence of the lessee, deals with his agent pursuant to a written power of attorney signed by such lessee, the transaction binds the 'lessee's estate and the lessee.

Section 624. Lease to Minor. A bank may lease a safe deposit box to, and in connection therewith deal with, a minor with the same effect as if leasing to and dealing with a person of full legal capacity.

Section 625. Search Procedure on Death. A lessor shall permit the person named in a court order for the purpose, or if no order has been served upon the lessor, the spouse, a parent, an adult descendant or a person named as an executor in a copy of a purported will produced by him, to open and examine the contents of a safe deposit box leased by a decedent or any documents delivered by a decedent for safekeeping, in the presence of an officer of the lessor; and the lessor, if so requested by such person, shall deliver:

(1) Any writing purporting to be a will of the decedent to the court having jurisdiction of the decedent's estate according to his residence declared in such writing; and
Any writing purporting to be a deed to a burial plot or to give burial instructions to the person making the request for a search; and

Any document purporting to be an insurance policy on the life of the decedent to the beneficiary named therein.

But no other contents shall be removed, pursuant to this section until an executor or administrator qualifies and makes claim to the contents.

Section 626. Adverse Claims to Contents of Safe Deposit Box.

(a) An adverse claim to the contents of a safe deposit box, or to property held in safekeeping, is not sufficient to require the lessor to deny access to its lessee unless:

(1) The lessor is directed to do so by a court order issue in an action in which the lessee is served with process and named as a party by a name which identifies him with the name in which the safe deposit box is leased or the property held, or

(2) The safe deposit box is leased or the property is held in the name of a lessee with the addition of words indicating that the contents or property is held in a fiduciary
capacity, and the adverse claim is supported by a written statement of facts disclosing that it is made by or on behalf of a beneficiary and that there is a reason to know that the fiduciary will misappropriate the trust property.

(b) A claim is also an adverse claim where one of several lessees claims, contrary to the terms of the lease, an exclusive right of access, or where one or more persons claim a right of access as agents or officers of a lessee to the exclusion of others as agents or officers, or where it is claimed that a lessee is the same person as one using another name.

Section 627. Special Remedies for Nonpayment of Rent.

(a) If the rental due on a safe deposit box has not been paid for one (1) year, the lessor may send a notice by registered mail to the last known address of the lessee stating that the safe deposit box will be opened and its contents stored at the expense of the lessee unless payment of the rental is made within thirty (30) days. If the rental is not paid within thirty (30) days from the mailing of the notice, the box may be opened in the presence of an officer of the lessor and of a notary public who is not a director, officer, employee, or stockholder of the lessor. The
contents shall be sealed in a package by the notary public who shall write on the outside the name of the lessee and the date of the opening. The notary public shall execute a certificate reciting the name of the lessee, the date of the opening of the box, and a list of its contents. The certificate shall be included in the package and a copy of the certificate shall be sent by registered mail to the last known address of the lessee. The package shall then be placed in the general vaults of the lessor at a rental not exceeding the rental previously charged for the box.

(b) If the contents of the safe deposit box have not been claimed within two (2) years of the mailing of the certificate, the lessor may send a further notice to the last known address of the lessee stating that, unless the accumulated charges are paid within thirty (30) days, the contents of the box will be sold at public auction at a specified time and place, or, in the case of securities listed on a stock exchange, will be sold upon the exchange on or after a specified date and that unsalable items will be destroyed. The time, place and manner of sale shall also be posted conspicuously on the premises of the lessor and advertised once in a newspaper of general circulation in the Commonwealth. If the articles are not claimed, they may then be sold in accordance with the notice.
The balance of the proceeds, after deducting accumulated charges, including the expense of advertising and conducting the sale, shall be deposited to the credit of the lessee in any account maintained by him, or if none, shall be deemed a deposit account with the bank or trust company operating the safe deposit facility, or in the case of a subsidiary safe deposit company, a bank or trust company owning stock therein, and shall be identified on the books of the bank as arising from the sale of contents of a safe deposit box. When any such deposit is surrendered as unclaimed deposits, the lessor shall also send to the Director a copy of the certificate and an itemized statement of the amount received and the deductions. Any items remaining unsold may be destroyed.

(c) Any documents or writings of a private nature, having little or no apparent value need not be offered for sale, but shall be retained, unless claimed by the owner, for the period specified for unclaimed deposits, after which they may be destroyed.

Part C. Trust Business

Section 630. Qualification and Fiduciary powers: Deposit of Securities.

(a) It shall be a criminal offense against this Act for a bank to act as fiduciary unless it is authorized by its charter to exercise trust powers and has qualified by
depositing with the Director evidences of indebtedness acceptable to him which:

1. Are payable to bearer or recorded in the Director's name;
2. Constitute readily marketable legal investments for funds held by a bank as a fiduciary; and
3. Have a value equal to ten percent (10%) of the minimum capital and surplus requirements set forth in Section 203 of this Act.

(b) A bank shall have the right to receive the income on evidences of the indebtedness deposited with the Director as long as the bank continues to conduct its business in the ordinary course.

(c) A bank which fails to maintain its deposit in conformity with this section shall, upon order of the Director, resign its fiduciary positions.

(d) Upon liquidation, abandonment of trust, or resignation from all fiduciary positions, the deposit shall be made available for the ratable satisfaction of claims involving fiduciary accounts. Any surplus remaining after the satisfaction of all such claims shall be returned to the bank.
Section 631. Fiduciary Bond or Oath Excused. No oath or bond shall be required of a bank to qualify upon appointment as a fiduciary, unless the instrument creating a fiduciary position expressly otherwise provides.

Section 632. Identification and Segregation of Fiduciary Assets; Investment and Deposit of Cash; Nominee for Securities.

(a) A bank holding any asset as a fiduciary shall:

(1) Segregate all such assets from any other assets of the bank and from the assets of other trusts, except as may be expressly provided otherwise by law or by the writing creating the trust.

(2) Record such assets in a separate set of books maintained for fiduciary activities.

(b) Cash held by a bank as fiduciary may be deposited to credit of the bank as such fiduciary, and the funds may be invested as provided for in Section 633. The Director may pursuant to regulation provide what investments cash held by the bank as a fiduciary may be invested in.

(c) A bank, when acting in the Commonwealth as a fiduciary or a co-fiduciary with others, or as an agent for other fiduciaries, may with the consent of its co-fiduciary or co-fiduciaries, if any (who are hereby authorized to give such consent), or the fiduciaries,
for whom it is acting, cause any investment held in any such capacity, to be registered and held in the name of a nominee or nominees of such bank. Such bank shall be liable for the acts of any such nominee with respect to any investment so registered. The records of such bank shall at all times show the trust for which any such investment is held and the securities shall be in the possession and control of such bank and be kept separate and apart from the assets of such bank.

Section 633. Investment of Funds Held as Fiduciary. A bank acting as fiduciary shall have the same investment powers as an individual fiduciary under like circumstances.

Section 634. Common Trust Funds. A bank or trust company may create one or more common trust funds in which individuals may participate and invest.

Part D. Loans, Investments, and Miscellaneous

Section 640. Loans.

(a) A bank may lend at a lawful rate of interest on the security of the personal obligation of the borrower.

(b) A retail bank may lend on the security of tangible and intangible personal property subject to regulations issued by the Director.
(c) A retail bank may lend at a lawful rate of interest on the security of a first mortgage on improved or unimproved real estate, when:

(1) The loan is fully guaranteed or insured by the United States or an agency thereof whether the insurance is payable in cash or in obligations of the United States; or

(2) The real estate is located within the Commonwealth or any State or Territory of the United States. The Director may issue regulations set requirements for real estate as collateral for loans.

(d) A bank may make the following loans which shall not be deemed loans on the security of real estate or leasehold interests therein within the meaning of this Act.

(1) A loan to provide working capital to an industrial or commercial enterprise.

(2) A loan under Title 1 of the National Housing Act.

(3) A loan on a leasehold mortgage, payment of which is guaranteed under the National Housing Act or any Act of Congress.

Section 641. Investments.

(a) In addition to other investments expressly
authorized by this Act a retail bank may purchase (or discount):

(1) Obligations which satisfy the requirements of this Act for loans and are acquired in full.

(2) Obligations of the United States, or states of the United States.

(3) Obligations of the International Bank for Reconstruction and Development.

(4) Obligations of a subdivision or instrumentality of a state or territory of the United States, an authority organized under state or territorial law, an interstate compact or by substantially identical legislation adopted by two (2) or more states.

(5) Obligations of a corporation chartered by the Commonwealth, United States or a state or territory thereof.

(6) Obligations of a corporation chartered by the Marshall Islands, Federated States of Micronesia or Palau; Provided, the Director finds that obligations of Commonwealth corporations are accorded similar borrowing rights.

(b) Retail bank may invest an amount not exceeding ten percent (10%) of its capital in the stock of a corporation exclusively engaged in a trust brokerage and
insurance company business and maintaining its offices on the premises used by the bank or another bank also owning part of its capital stock, and an amount not exceeding thirty-three and one third (33 1/3) of its capital in the stock and obligations of a corporation owning the premises occupied by the bank for the transaction of its business.

(c) A bank may purchase or sell without recourse any security upon the order of a customer and for his account.

(d) A bank or trust company may purchase and sell participations in:

(1) One or more evidences of indebtedness and agreements for the payment of money; and

(2) Pools of evidence of indebtedness and agreements for the payment of money subject to regulations by the Director.

(e) A bank, subject to regulation as provided by the Director, may acquire and lease personal property pursuant to a binding arrangement for the leasing of such property to a customer upon terms requiring payment to the bank, during the minimum period of the lease, or rental which in the aggregate will exceed the total expenditures by the bank for or in connection with the ownership, acquisition, maintenance and protection of the property.
Section 642. Acceptances.

(a) Retail banks may accept:

(1) A draft which has not more than six months sight to run, exclusive of days of grace, and is drawn to finance the purchase of goods with maturity in accordance with the original terms of purchase, or is secured by shipping documents transferring or securing title to goods or by receipt of a licensed or bonded warehouse or elevator transferring or securing title to readily marketable, nonperishable staples.

(2) A draft which has not more than three (3) months sight to run, exclusive of days of grace, and is drawn by a bank outside the continental limits of the United States for the purpose of furnishing dollar exchange for trade.

(b) A retail bank may issue a letter of credit, but unless the authority conferred to draw upon the bank or its correspondents is limited to such drafts as a bank is authorized by this section to accept, the amount of the credit outstanding at any one time shall be deemed to be a loan to the person for whose account the credit was issued.
Section 643. Diversification of Loans and Investments.

(a) The Director may issue regulations on the diversification of loans and investments.

Section 644. Acquisition of Property to Satisfy or Protect Previous Loan. A bank may take property of any kind to satisfy or protect a loan previously made in good faith and in the ordinary course of business. Property acquired in satisfaction of a loan shall be held subject to the following limitations:

(1) Real estate. A bank may hold title to real estate subject to all the restrictions of the Commonwealth Constitution regarding the ownership of real property by persons not of Northern Marianas descent.

(2) The property shall be entered on the books at cost or fair market value, whichever is less, and property which the bank is not otherwise authorized to acquire shall be charged off at a rate of not less than five percent (5%) per annum for real estate and twenty percent (20%) per annum for other property or at such lower rate not less than five percent (5%) and ten percent (10%) respectively, as the Director may allow.

Section 645. Acquisition of Banking Premises and Equipment.

(a) A bank may acquire real estate and equipment and improve real estate to be used in the transaction
of its business in the Commonwealth and may rent any
space so acquired in a building in excess of its
present actual need.

(b) The rate of depreciation of property so
acquired shall be in accord with generally accepted
accounting principles.

Section 646. Sale of Assets in Ordinary Course. A bank may sell
any asset in the ordinary course of business, or, with the approval of
the Director, in any other circumstance, but the sale of all or
substantially all of the assets of a bank or of a department thereof
shall be governed by regulation of the Director.

Section 647. Borrowing. A bank may borrow money and issue
evidence of indebtedness, subject to such regulations as the
Director may issue.

Section 648. Pledge of Assets. A bank may pledge its assets to:

(1) Enable it to act as agent for the sale
of obligations of the United States.

(2) Secure borrowed funds.

(3) Secure deposits.

Section 649. Indorsement and Signature Guaranty.

(a) A bank may assume secondary liability as an
endorser of a negotiable or nonnegotiable instrument
which it owns or has received for collection or that of
the guarantor of the genuineness of a signature.
(b) A guaranty of the signature means only that
(1) the signature is not forged; (2) the signer is the
holder or has the authority to sign in the name of the
holder; and (3) the signer has legal capacity to sign.
A guaranty of the signature does not otherwise guarantee
his rightfulness of the particular transfer. A bank may
disclaim all or any part of the foregoing obligation in
its guaranty.

CHAPTER VII
Confidentiality

Section 700. Confidentiality of Information. All information
not required to be published elsewhere by any other authority to whose
jurisdiction a licensee shall be subject, and all information other
than that required by the provisions of this Act to be made public by
the Director or whose disclosure is made pursuant to court order, shall
not be disclosed by any person employed or retained by the Department,
or any licensee into whose possession it shall come except as follows:

(a) All reports and information that have come into
the possession of the Director or the Department whether
required by this Act or not, shall be preserved for three
(3) years and thereafter until the Director orders them
destroyed.

(b) The Director and every employee of the
Department shall maintain the secrecy of all information
they receive as to matters relating to this Act or any
licensee or applicant for a license which comes into
their knowledge and they shall not communicate such
matters to any person outside the Department except
for the purpose of carrying into effect this Act and
only as provided by this Act.

(c) No employee, agent, representative of or
person retained by the Department shall be required
to produce in any court any matter or relating to the
licensees or applicants for a license pursuant to
this Act coming under his notice in the performance
of this duties in relation to the Department except
when it is necessary to so do for the purpose of
carrying into effect any provision of this Act.

(d) The Attorney General or his delegate may
inspect all relevant records of any taxpayer who
brings an action to set aside or review an action
of the Director or against whom an action or criminal
proceeding has been instituted pursuant to this Act.

(e) Any person who knowingly violates any
provision of this Section 700 shall be guilty of a
misdemeanor and shall be punished by a fine of not
more than fifty thousand dollars ($50,000) or
imprisonment for a period of not exceeding one (1)
year, or both such fine and imprisonment.
Section 701. Disclosure by the Director. The Director shall make the following disclosure of information supplied to it by an applicant or a licensee:

(a) The annual audited financial statements of each bank by publishing same in a newspaper of general circulation in the Commonwealth or or before sixty (60) days following the close of the end of the licensee's business year;

(b) Such statistical information as will assist the Government of the Commonwealth in planning and other functions of government.

Section 702. Right to Privacy. The right to privacy and the right to financial privacy protected by the Covenant incorporating the terms of Constitution of the United States and the Article I, Section 10, of the Constitution of the Commonwealth of the Northern Mariana Islands of every customer of every bank shall be respected by each director, officer, agent, employee or any person employed or retained in any capacity by the bank within or without the Commonwealth and they nor any one of them shall disclose any financial record of any customer that may come into their possession to any governmental authority or any other person, except in full compliance with the provisions of Section 703 of this Act. However nothing shall preclude a bank from sharing credit information normally shared between lenders nor sharing information with its chosen auditor as is necessary to conduct a bank audit according to generally accepted accounting principles.
Section 703. Financial Privacy Act Adopted. The United States Right to Financial Privacy Act of 1978, Chapter 35 of Title 12 of the United States Code, Public Law 95-630, is adopted as a statute of the Commonwealth in its entirety except that for purposes of application as a Commonwealth statute "government authority" as used in U.S. Public Law 95-630 means any agency or department of the Commonwealth or any officer, employee, or agent thereof.

CHAPTER VIII

Off-Shore Banks

Section 800. License required.

(a) Before any person may operate an Off-Shore Bank in the Commonwealth, a written license issued by the Director shall be obtained, except as specifically exempted by Subsection (b) of this section. Knowing and willful violation of this section shall be punishable by a civil fine not exceeding $50,000.00 or imprisonment for a period not exceeding one year or both.

(b) Every bank which has an Off-Shore Banking License upon the effective date of this Act is exempt from the requirement of this section, but upon the expiration of its Off-Shore Banking License or for a period of one year from the effective date of this Act whichever is first the bank shall pay the fee then imposed for renewal of an Off-Shore Banking License, at which time it shall be issued an
Off-Shore Banking License; Provided, that it has then complied with all other requirements of Section 801 of this Act. Off-Shore Banks shall be exempt from any other bank licensing provisions of this Act.

Section 801. Requirements for issuance of license. The Director shall promptly issue an Off-Shore Banking License when the applicant has met the following requirements:

(a) It is duly incorporated under the laws of the Commonwealth and has filed with the Director a certified copy of its Articles and By-Laws.

(b) It has submitted an application for an Off-Shore Banking License including proof of its paid-in capital, stock ownership, and management in such form as the Director may require.

(c) It has complied with all applicable requirements of the Commonwealth relating to domestic corporations.

(d) It has paid the license fee for an Off-Shore Bank of $5,000 for its first year of operation and thereafter an additional $5,000 for each successive year of operation; Provided, that the maximum license fee shall be $25,000. The term of an Off-Shore Bank license shall be for one calendar year.
(e) It has provided the names, addresses, and such other information regarding holders of five percent or more of an Off-Shore Bank's stock as the Director may reasonably require. In complying with this requirement, a review of the financial and criminal background of substantial stockholders for a period of seven years prior to the application by a reputable agency engaged in the business of investigation shall be sufficient.

(f) It has at all times not less than the following capital structure:

(1) Capital consisting of common stock as follows:

   Paid-in-in-cash of not less than 500,000 dollars.

(2) Paid-in surplus amounting to not less than 200,000 dollars.

(g) Its manager or agent residing in the Commonwealth has taken an oath that he will diligently and honestly administer the affairs of the corporation and will not knowingly or willfully violate or permit to be violated any of the provisions of law applicable to the corporation. The oath shall be subscribed by the manager or agent taking it and shall be transmitted to the Director and filed in his office.
Section 802. Duty to report transfer. Upon any transfer of stock in an Off-Shore Bank which results in the ownership of more than 10% of the stock by a person for whom a report pursuant to Section 801(e) has not been done within the calendar year preceding such transfer, the Off-Shore Bank shall provide a report pursuant to the requirements of Section 801(e) within 30 days of the transfer. Failure to comply with this section shall be grounds for suspension of an Off-Shore Banking License.

Section 803. Reporting requirements; preservation of confidences. 
(a) Each Off-Shore Bank shall submit to the Director a report of its condition as of January 1 and June 1 of each year. The reports shall contain the names and addresses of the bank's beneficial shareholders and such other information as the Director may reasonably require to ascertain whether or not the Off-Shore Bank is being operated in accordance with this Act. The reports shall be personally signed by the resident agent of the Off-Shore Bank. 
(b) No information provided in compliance with this Act or obtained by the Director in the performance of his duties shall be furnished by the Director to any third party, except upon request of federal or local law enforcement or tax collection agencies, court order, subpoena, other judicial process, or the express written consent of the persons involved. The names of the
beneficial shareholders of an Off-Shore Bank shall be public information.

(c) The records of an Off-Shore Bank and its individual customers shall be confidential. An Off-Shore Bank shall not furnish to third parties records of any transaction between it and any of its borrowers, lenders or other customers except upon court order, subpoena, other judicial process, or the express written consent of all parties involved in the transaction. No process shall require disclosure sooner than 15 days from the date of service of such process upon the Off-Shore Bank.

(d) This Section shall not preclude the exchange of information between lenders and off-shore banks in the normal course of the credit business.

(e) Every person who knowingly and willfully violates the provisions of this section shall be guilty of a misdemeanor punishable by a fine not exceeding $2,000 or imprisonment for a period not exceeding one year or both.

Section 804. Prohibited act. An Off-Shore Bank shall not make loans, accept deposits, or borrow funds in any form from a resident of the Commonwealth.

Section 805. Accounts to be kept. An Off-Shore Bank shall record in the Commonwealth, for accounting purposes, all its loans, borrowings and business transactions, in the English language.
(4) Has an interest adverse to the bank
   unless such interest is promptly and fully
   disclosed in writing to its board of directors
   or trustees.

Section 1003. Unlawful Gratitude or Compensation; Transactions
of Persons Connected with Commonwealth Bank.

(a) It shall be unlawful for an affiliate of a
bank or for an officer, director or employee of a bank
or affiliate of a bank:

(1) To solicit, accept or agree to
   accept, directly or indirectly, from any
   person other than the institution any
   gratuity, compensation or other personal
   benefit for any action taken by the
   institution or for endeavoring to procure
   any such action.

(2) To have any interest, directly or
   indirectly, in the proceeds of a loan or of a
   purchase or sale made by the bank, unless such
   loan, purchase or sale is expressly authorized
   by this Title or by rule of the Board and is
   approved in advance by vote of two-thirds (2/3)
   of all the director of the bank, any interested
   director or trustee taking no part in such vote.
(3) To have any interest, direct or indirect, in the purchase at less than its face value of any evidence of indebtedness issued by the institution.

(4) To discount or make any loan, directly or indirectly, upon any note or other evidence of indebtedness known to have been offered to the institution for discount or as security for a loan and to have been refused by it.

(b) In this section the term "affiliate" shall include:

(1) Any person who holds a majority of the stock of a bank or has been determined by the Board to hold a controlling interest therein, any other corporation in which such person owns a majority of the stock and any partnership in which he has an interest.

(2) Any corporation in which the institution or an officer, director or employee thereof holds a majority of the stock and any partnership in which such person has an interest.

(3) Any corporation of which a majority of the directors are officers, directors or employees of the institution or of which officers, directors, trustees or employees constitute a majority of the directors of the institution.
1 reimburse directly or indirectly any person by whom such fine,
2 penalty, or judgment has been paid, except in settlement of its own
3 liability or in connection with the acquisition of property against
4 which such judgment is a lien, or as provided in this Act.

Section 1007. Unlawful Use of Words "Safe Deposit". It is a
criminal offense against this Act for any person to use the words
"safe deposit", "safety deposit", or other words deceptively similar
thereof in connection with the rental of storage space, or in the
title or name under which business was done, except (1) a person
subject to the jurisdiction of the Department; or (2) a manufacturer
or dealer in safe deposit facilities or equipment; or (3) an
association, the membership of which is composed of officers or
institutions subject to the jurisdiction of the Department of
Commerce and Labor or of the banking department of other territories
or states.

Section 1008. Unlawful Operation of Bank. It shall be unlawful
for any person to operate a bank without a valid license.

Section 1009. Unlawful Solicitation or Negotiation for Off-shore
Bank Loans. It shall be unlawful for any person who is an officer,
employee or agent in the Commonwealth of any off-shore bank to
actively solicit or negotiate with any person for a loan with that
off-shore bank.

Section 1010. Unauthorized Disclosure of Information.
(a) Except for the purpose of the performance of
his duties, compliance with any public law, or when
lawfully required to do so by any court of competent jurisdiction, no government employee or other person shall disclose any information relating to the affairs of a bank or of any customer of a bank which he has acquired in the performance of his duties or the exercise of his functions unless the bank or customer consents in writing to the disclosure.

(b) Every person who knowingly and wilfully violates the provisions of this section shall be guilty of a misdemeanor punishable by imprisonment not exceeding one year or by a fine not exceeding five thousand dollars ($5,000) or both.

Section 1011. Prohibited Off-shore Acts. An off-shore bank shall not make loans, accept deposits or borrow funds in any form from a resident of the Commonwealth or a corporation chartered by the Commonwealth.

Section 1012. Criminal Sanctions, Violations of Rules and Orders.

(a) Any corporate entity responsible for an act or omission of a duty imposed by this Act shall be guilty:

(1) Of a misdemeanor punishable by a fine not exceeding fifty thousand dollars ($50,000.00).

(2) If the act or omission was intended to defraud, of a felony punishable by fine not exceeding one hundred thousand dollars ($100,000.00).
(b) knowing and willfull violation of this Act by an individual shall be a misdemeanor if the amount involved is less than one thousand dollars ($1,000.00). Knowing and willfull violations where the sum involved exceeds one thousand dollars ($1,000.00) shall be a felony. An individual convicted of a misdemeanor under this Act shall be imprisoned for not more than six (6) months or fined not more than one thousand dollars ($1,000) or both. An individual convicted of a felony under this Act shall be imprisoned for not more than two years or fined not more than twenty-five thousand dollars ($25,000) or both. Any prohibited act or offense against this Act not otherwise specified is a misdemeanor.

(c) An officer, director, employee, agent or attorney of a bank shall be responsible for an act or omission of the institution declared to be a criminal offense against this Act whenever, knowing that such act or omission is unlawful, he participates in authorizing, executing, ratifying or concealing such act, or in authorizing or ratifying such omission or, having a duty to take the required action, omits to do so.

A director shall be deemed to participate in any action of which he has knowledge taken or omitted to be taken by the board of which he is a member unless he dissents therefrom in writing and promptly notifies the Director of his dissent.
(d) It shall be a criminal offense against this Act to violate any lawful order of the Director, served upon it or knowingly violate any lawful rule, regulation, or order of the Director.

(e) Unless otherwise provided in this Act, it shall be no defense to a criminal prosecution hereunder that the defendant did not know the facts establishing the criminal character of the act or omission charged if he could and should have known such facts in the proper performance of his duty.

Section 1013. Injunction. Whenever a violation of this Act by a bank or an officer, director or employee thereof is threatened or impending and will cause substantial injury to the institution or to the depositors, creditors, or stockholders thereof, the Trial Court of the Commonwealth shall, upon suit instituted by the Director through the Attorney General, issue an injunction restraining such violation.

CHAPTER XI

Regulations and Miscellaneous

Section 1100. Rules and Regulations. The Director shall have broad authority to issue and adopt all necessary rules and regulations to carry out the purposes of this Act. In the exercise of his power to make rules and issue regulations pursuant to this Act, the Director shall act in the interests of promoting and maintaining a sound banking system, the security of deposits and depositors and other customers, the preservation of the liquid position of banks and in the
interest of preventing injurious credit expansions and contractions.
The Director may also impose additional filing fees, penalties and
interest for such actions as the late renewal of a license.

Section 1101. Effect on Existing Banks. All Commonwealth banks
and, to the extent applicable, all banks carrying on banking business
from within the Commonwealth shall hereafter be operated in accordance
with the provisions of this Act, subject to the provisions of Sections
216 and 243 and to the extent that the provisions of this Act are not
inconsistent with and do not infringe upon paramount federal laws
governing banks.

Section 1102. Annual Report. The Director shall report to the
Governor and the Legislature within sixty (60) days after the end of
each fiscal year. The report shall include a summary of all major
changes in the banking business since his last previous report and a
statement of the most recent reported condition of each bank. The
Director may also make recommendations for banking legislation.

Section 1103. Appeals from Determinations of the Director. Any
person aggrieved by a determination or failure to act of the Director
may appeal the matter to the Commonwealth Trial Court. The Court shall
uphold the action of the Director if it is supported by evidence found
in the record taken as a whole. The Court may hold a trial de novo on
disputed issues of fact.

Section 1104. Severability. If any provision of this Act or any
rule or regulation promulgated hereunder, or the application of any
such provision, rule or regulation to any person or circumstance shall
be provision, rule or regulation to any person or circumstance shall be held invalid by a court, the remainder of this Act or any rules or regulations promulgated pursuant thereto or the application of such provisions, regulations or rules to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 1105. Repealer. Sections 104(p) and 503(d)(1) and (2) of Public Law 3-11 and Sections 101 through 106 of Title 29 of the Trust Territory Code are hereby repealed in its entirety. Banks and off-shore banks shall be exempt from the provisions of Section 503 of Public Law 3-11. All banking regulations previously promulgated by the Commonwealth or any agent, or instrumentality thereof shall be null and void as of the effective date of this Act.

Section 1106. Effective Date. This Act shall take effect upon its approval by the Governor, or upon its becoming law without such approval.