

Proposal No.: CC-PR-64-65

Assigned to: Committee on GP

PROPOSAL TO AMEND CONSTITUTION

To amend Article XIII of the Constitution of the Federated States of Micronesia by adding a new section to prohibit the FSM national government from owning a bank or other financial institution.

Section . The national government shall not hold an ownership interest in, hold shares or stock of, or hold any equitable interest in a bank, including a depository bank, or other financial institution.

PURPOSE AND INTENT OF AMENDMENT:

The national government should act as a regulator to protect the interests of the FSM people and the economy of the FSM. The national government should not be a participant in the financial market. When the national government acts as both a regulator and a participant in the financial market, conflicts of interest are created, and the FSM people are not protected. When the government is both owner of the financial institution and regulator of the financial institution, then the government is in the position of regulating itself, issuing itself citations for failure to comply with the law; this is a situation that does not work because rarely will an entity punish itself.

The FSM Development Bank (FSMDB), a national government creation, is not regulated, but has been allowed to compete in the commercial sector. Both the FSM national government and FSMDB own shares in the Bank of the FSM, creating a situation where the national government is a shareholder and regulator of the Bank of the FSM (Bank). And, although FSMDB is a competitor of the Bank of the FSM, it owns shares of the Bank and sits on the Bank's Board and thus, has access to the Bank's internal documents, creating a situation where FSMDB as a competitor has an advantage over the Bank. If the FSM national government acted solely as a regulator, these types of conflicts would not occur.

The national government should focus on creating an environment conducive to economic growth and should not be competing with private sector businesses.

Introducer: _____


Yoslyn G. Sgrah

Date: _____

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