

EXECUTIVE ORDER NO. 197

*Establishing an Office of the Interim Financial Institution Regulatory Coordinator; creating an Interim Financial Institution Regulatory Advisory Panel; extending a moratorium on the approval of new banks in Palau pending appointment of the Financial Institutions Commission; authorizing preliminary work to be performed pending the appointment of The Financial Institution Commission; repealing Administrative Directive No. 02-98; repealing Executive Order No. 187; and requiring a review of investment and banking policies of governmental accounts and agencies.
(This Executive Order may be referred to as the "Interim Financial Institution Regulatory Executive Order".)*

WHEREAS, on June 19, 2001, several pieces of legislation, including the Financial Institutions Act of 2001, were signed by the President and enacted into law; and

WHEREAS, Executive Order No. 187 which established the Office of the National Bank Commissioner, among other things, expired by its own terms upon enactment of the Financial Institutions Act of 2001; and

WHEREAS, the Financial Institutions Act establishes a Financial Institutions Commission to license and supervise banks and other financial institutions operating under Palau laws; and

WHEREAS, the Financial Institutions Act requires the promulgation of regulations before banks and other financial institutions may be licensed and regulated; and

WHEREAS, the appointment and constitution of the Financial Institutions Commission is likely to take some time; and

WHEREAS, it is necessary to provide for interim provisions covering banks and other financial institutions in the interim,

NOW THEREFORE, by virtue of the authority vested in me as President, pursuant to the Constitution and the laws of the Republic of Palau, it is hereby ordered that the following actions be taken:

1. Establishment of an Interim Financial Institution Regulatory Coordinator -- The Office of the Interim Financial Institution Regulatory Coordinator within the Office of the President is hereby established for the purpose of serving as the coordinating focal point of the development of appropriate banking and related procedures and regulations until such time as the Financial Institutions Commission has been appointed and constituted under law. The Office of Interim Financial Institution Regulatory Coordinator shall cease upon the appointment of the Executive Commissioner as set forth in the Financial Institutions Act of 2001.

2. Creation of an Interim Financial Institution Regulatory Advisory Panel -- An Interim Financial Institution Regulatory Advisory Panel is hereby created consisting of the following individuals:

- The Interim Financial Institution Regulatory Coordinator;
- An attorney from either the Attorney General's Office or the Ministry of Administration; and
- Other members as determined necessary by the Interim Financial Regulatory Coordinator and as appointed by the President.

3. Duties and Powers of the Interim Financial Institution Regulatory Advisory Panel - The Interim Financial Institution Regulatory Advisory Panel shall have the following duties and powers:

- a) To review proposals for draft banking and related regulations;
- b) To prepare forms necessary to license banks and other financial institutions;
- c) To discuss and present information to consultants;
- d) To meet with banking industry officials and ascertain the nature and extent of the banking industry in the Republic;
- e) To attend conferences and meetings regarding issues of international banking and financial concern (including those dealing with "tax haven" status); and
- f) To prepare drafts of comprehensive banking and related regulations for presentation to the President.

4. Administrative Support -- Administrative support for the Interim Financial Institution Regulatory Advisory Panel shall be provided by the Office of the President and other government agencies in the Executive Branch, as appropriate.

5. Reports to the President -- The Interim Financial Institution Regulatory Advisory Panel shall periodically report to the President on the status of its activities.

6. Moratorium on New Banks in Palau -- A moratorium on the approval of new banks and related financial institutions is hereby imposed until such time as the Financial Institutions Commission has been appointed and constituted in accordance with law and has indicated to the President that it is ready to begin the licensing process.

7. Referral of pending applications for banks and other financial institutions -- Any pending applications for banks and other financial institutions, as well as inquiries from prospective applicants for such entities, shall be referred to the Interim Financial Institution Regulatory Coordinator until such time as the Financial Institutions Commission has been

constituted under law.

8. Term of Interim Financial Institution Regulatory Advisory Panel -- The Interim Financial Institution Regulatory Advisory Panel shall continue in existence until the first meeting of the newly appointed and constituted Financial Institutions Commission; or as otherwise ordered by the President.

9. Review of existing governmental policies regarding investment and deposits in banks and other financial institutions -- In light of the enactment of the Financial Institutions Act of 2001, it is incumbent upon the Administration to review its banking, investment, and deposit policies in line with safe and secure banking practices, support of the local economy, and other factors. Accordingly, the Ministry of Administration, the Social Security Administration, the Pension Plan, and other National Governmental agencies are hereby directed to review and recommend any policy changes that should be implemented in light of and in support of the implementation of the Financial Institutions Act of 2001. The said recommendations shall be made to the Office of the President on or before the 1st day of September 2001.

10. The Interim Financial Institution Regulatory Coordinator ("Interim Coordinator") -- The Interim Coordinator shall develop letters and forms to implement the initial licensing requirements of the Financial Institutions Act subject to final approval of the Financial Institutions Commission as to form. The Interim Coordinator shall send written notices to all current licensed banks and shall publish a notice in the local newspapers regarding the requirements of the Financial Institutions Act of 2001.

11. The Interim Financial Institution Regulatory Advisory Panel ("Advisory Panel") -- The Advisory Panel shall consult with any consultants regarding the development of banking regulations and related matters. Along with the Interim Coordinator, the Advisory Panel shall prepare any responses to inquiries from entities, including the Financial Advisory Task Force ("FATF") regarding Palau's banking and related laws. The Advisory Panel shall also develop, within the next twenty days, recommendations for criteria for selecting appointees to the Financial Institutions Commission.

12. Repeal of Administrative Directive No. 02-98 and Executive Order No. 187 -- Administrative Directive No. 02-98 and Executive Order No. 187 are hereby repealed.

13. Investment of Public Funds --

a) To the extent that there are no legal restrictions, existing policies, or other legal impediments to investing National Government funds in certain institutions, the fiscal officer or the Minister of Administration, as the case may be, may invest or deposit government funds in any duly licensed bank or similar financial institution under the Financial Institutions Act of 2001.

b) If there are legal restrictions, existing policies, or other legal impediments

which would limit or restrict the investment or deposit of government funds in any duly licensed bank or similar financial institution, a review shall be made of such by the fiscal officer or the Minister of Administration, as the case may be, and any recommendations be made with regard to whether or not such restrictions, policies or other impediments shall remain in effect, be removed, or otherwise modified.

c) Among the criteria to be considered in investing and depositing government funds, there shall be concern for safety and security of the funds, but also there shall be consideration given as to the investment or use of those funds within the Republic of Palau in accordance with the overall general welfare of the Republic.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 6th day of July, 2001, at the State of Koror, Republic of Palau.

Tommy E. Remengesau, Jr.
President of the Republic of Palau