

**TITLE 12  
BUSINESS ASSOCIATIONS**

**Chapter 1  
Corporations**

**Subchapter I  
General Provisions**

- § 101. Authority of President to grant corporate charters and establish public corporations.
- § 102. Scope and application of chapter; exceptions.
- § 103. Application for charter.
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- § 105. Use of the terms “cooperative” and “credit union” restricted.
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**§ 101. Authority of President to grant corporate charters and establish public corporations.**

- (a) The President may grant charters of incorporation for the establishment and functioning of business organizations, associations of persons for any lawful purpose other than pecuniary profit, cooperatives and credit unions.
- (b) The President may create and establish public corporations subject to approval and consent of the Olbiil Era Kelulau.

**Source**

(Code 1966, § 1116.) 37 TTC § 1, modified.

**§ 102. Scope and application of chapter; exceptions.**

- (a) The provisions of this chapter are applicable to every private corporation, profit or nonprofit, stock or non-stock, now existing or hereafter formed, and to the outstanding and future securities thereof, unless such corporation be expressly excepted from the operation thereof, or there be a special provision in relation to any class thereof inconsistent with some provision of this chapter, in which case the special provision prevails.
- (b) The existence of corporations heretofore formed or existing shall not be affected

by the enactment of this chapter, nor by any change in the requirements for the formation of corporations, nor by amendment or repeal of the laws under which they were formed or created.

**Source**

(Code 1966, § 1134.) 37 TTC § 2.

**Notes**

Ongalibang v. Palau Admin. Credit Union, 17 ROP 322, 324 (Tr. Div. 2010).

**§ 103. Application for charter.**

(a) An association of persons seeking a charter as a corporation shall submit for the approval of the President articles of incorporation which shall provide at least the following information:

- (1) proposed name of the corporation;
- (2) principal office or place of business;
- (3) proposed duration;
- (4) purposes;
- (5) powers;
- (6) capitalization;
- (7) names of incorporators;
- (8) number of directors, which shall be not less than three, and proposed officers;
- (9) names of directors and officers to serve until first election;
- (10) provisions for management, if any;
- (11) provisions for voting by members;
- (12) provisions for shareholding, if any;

- (13) disposition of financial surplus;
- (14) provisions for liquidation;
- (15) provisions for amendment of articles of incorporation.

(b) In addition to articles of incorporation, persons seeking a charter as a corporation shall submit for the approval of the President proposed bylaws governing the operation of the corporation.

**Source**

(Code 1966, § 1118.) 37 TTC § 3, modified.

**Cross-reference**

For title on business and business regulation, see Title 11; for chapter on business licenses, see chapter 15 of Title 40 and for complete listing of licensing provisions in this Code, see index listing, LICENSES.

**§ 104. Audits and inspections authorized.**

(a) The President may appoint officers to audit and report on the accounts of corporations authorized to do business within the Republic. Such officers shall have the right at any and all times to inspect, examine and audit the books and accounts of such corporations.

(b) Any member of a nonprofit corporation shall have the right to inspect and examine the books and accounts of the corporation of which he is a member, provided that such inspection and examination shall be held at the place where such books and accounts are normally kept, and shall take place on weekdays during normal business hours in such a manner as not to interfere with usual conduct of business or corporate affairs.

**Source**

(Code 1966, § 1119.) 37 TTC § 4, modified.

**§ 105. Use of the terms “cooperative” and “credit union” restricted.**

No person, firm, corporation or association hereafter organized or doing business in the Republic shall be entitled to use the terms “cooperative” or “credit union” as part of its corporate name or other business name or title, or otherwise represent itself to the public to be a nonprofit cooperative association or a credit union or cooperative savings and loan association, unless it has complied with the provisions of this chapter, except as provided in section 102.

**Source**

(Code 1966, § 1117.) 37 TTC § 5, modified.

**§ 106. Enjoinder of violations.**

Violations of the provisions of this chapter or regulations promulgated hereunder are hereby declared to be enjoinderable, and the Attorney General shall have the power to seek appropriate relief from such violations or from other corporate practices in violation of the law of the Republic or contrary to the public interest.

**Source**

(Code 1966, § 1135.) 37 TTC § 6, modified.

**Subchapter II  
Registrar of Corporations**

- § 121. Office created; duties.
- § 122. Authority to promulgate rules and regulations.
- § 123. Power to convene corporate meeting.
- § 124. Power to order production of records; penalty.

**§ 121. Office created; duties.**

There shall be in the Office of the Attorney General a Registrar of Corporations appointed by the President. The Registrar shall issue, receive, and hold as custodian all certificates, papers, statements, or other records or documents required by the provisions of this title or the rules or regulations promulgated hereunder to be distributed by, or filed with the national government. In addition, the Registrar shall perform such other duties as may from time to time be assigned to him by the President or the Attorney General.

**Source**

(Code 1966, § 1115(a).) 37 TTC § 51, modified.

**§ 122. Authority to promulgate rules and regulations.**

The Registrar, with the approval of the Attorney General and the President, shall have the power

to prescribe such rules and regulations as are deemed advisable to administer and carry into effect the provisions of this title. Such rules and regulations shall have the force and effect of law. The Registrar shall file a copy of such rules and regulations with the Clerk of Courts.

**Source**

(Code 1966, § 1115(b).) 37 TTC § 52, modified.

**Notes**

Ongalibang v. Palau Admin. Credit Union, 17 ROP 322, 324 (Tr. Div. 2010).

**§ 123. Power to convene corporate meeting.**

The Registrar may, when he deems it in the public interest, convene a special meeting of the members, board of directors, or officers of any corporation organized or existing under the provisions of this title, by giving notice, not less than ten (10) days prior to the date of such meeting, to the members, directors, or officers, as the case might be. Such notice shall state the purpose of the meeting and the subject or subjects to be discussed.

**Source**

(Code 1966, § 1115(c).) 37 TTC § 53, modified.

**§ 124. Power to order production of records; penalty.**

(a) In connection with the duties prescribed in this chapter the Registrar is authorized and empowered to order the production of books of account, papers and documents of any corporation or company authorized to do business within the Republic.

(b) Refusal, without a showing of good cause, to produce books of account, papers or documents within thirty (30) days after an order for the production thereof shall be a misdemeanor punishable by a maximum fine of fifty dollars (\$50), or, when the order is directed to an individual, imprisonment of such individual for a period not to exceed ninety (90) days, or both.

**Source**

(Code 1966, § 115(d).) 37 TTC § 54, modified.

**Chapter 2**  
**Issuance of Securities**

- § 201. Definitions.
- § 202. Registration required.
- § 203. Method of registration.
- § 204. Contents of registration statement.
- § 205. Stop orders.
- § 206. Review of orders.
- § 207. Exemptions.
- § 208. Right to sue for damages incurred through misrepresentation.

**§ 201. Definitions.**

In this chapter, unless the context otherwise requires:

- (a) “Issuer” means any person who issues or proposes to issue any security, except that:
  - (1) With respect to certificates of deposit, voting trust certificates, or collateral-trust certificates of interest or shares in an unincorporated investment trust not having a board of directors or persons performing similar functions or of the fixed, restricted management, or unit type, the term “issuer” means the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which the security is issued; and
  - (2) With respect to certificates of interest or participation in oil, gas or mining titles or leases or in payments out of production under such titles or leases, there is not considered to be any “issuer.”
- (b) “Person” means an individual, a corporation, a partnership, an association, a joint-stock company, a trust where the interest of the beneficiaries are evidenced by a security, an unincorporated organization, a government, or a political subdivision of a government.
- (c) “Sale or sell” means every contract of sale or disposition of a security or interest in a security, for value.
- (d) “Security” means any note, stock, treasury stock, bond, debenture, evidence of

indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting trust certificate, certificate of deposit for a security, certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease, or, in general, any interest or instrument commonly known as a “security,” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. “Security” does not include any insurance or endowment policy or annuity contract under which an insurance company promises to pay a fixed sum of money either in a lump sum or periodically for life or for some other specified period.

**Source**

71 TTC § 8, modified.

**§ 202. Registration required.**

It shall be unlawful for any person, directly or indirectly, to issue, sell, exchange or transfer any security, as defined in section 201 of this chapter, in the Republic unless or until such security has been registered with the Registrar of Corporations or, if the relevant entity is subject to the provisions of Title 26 Chapter 10, Financial Institutions Commission and approval of the registered security has been granted by the President.

**Source**

71 TTC § 1, modified. The term “Financial Institutions Commission” read “Registrar of Corporations” in the original legislation and was amended by RPPL 6-3 § 2[76]. Amended by RPPL 7-41 § 2[77], modified.

**Cross-reference**

For statutory provisions on corporations and the Registrar of Corporations, see chapter 1 of this title.

**§ 203. Method of registration.**

Any security may be registered by filing a registration statement signed by each issuer, its principal executive officer or officers and the majority of its board of directors or persons performing similar functions, and in case the issuer is a noncitizen, as that term is defined in section 102 of Title 28 of this Code, by its duly authorized representative in the Republic; provided, that in the case of a security issued by a foreign government, the United States or any political subdivision thereof, the statement may be signed by the underwriter of such security.

**Source**

71 TTC § 2, modified.

**Commission Comment**

Title 28 is the Foreign Relations and Trade title of this Code.

**§ 204. Contents of registration statement.**

The registration statement, when relating to a security other than a security issued by a foreign government, the United States or any political subdivision thereof, shall contain the information the Registrar of Corporations or, if the relevant entity is subject to the provisions of Title 26 Chapter 10, Financial Institutions Commission by rule or regulation shall require for the protection of investors, and shall contain the approval of the President for the issuance, sale, exchange or transfer of such security.

**Source**

71 TTC § 3, modified. The term “Financial Institutions Commission” read “Registrar of Corporations” in the original legislation and was amended by RPPL 6-3 § 2[76]. Amended by RPPL 7-41 § 2[77], modified.

**§ 205. Stop orders.**

The President may issue a stop order against any security transaction subject to this chapter if after approval of such transaction it appears that:

- (a) the registration statement includes any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading; or
- (b) upon examination by the Registrar of Corporations or, if the relevant entity is subject to the provisions of Title 26 Chapter 10, Financial Institutions Commission of the books, records, practices and management of the issuer, material misrepresentations or misleading statements were made at the time of registration and approval under the circumstances prevailing at the time of examination.

**Source**

71 TTC § 4, modified. The term “Financial Institutions Commission” read “Registrar of Corporations” in the original legislation and was amended by RPPL 6-3 § 2[76]. Subsection (b) amended by RPPL 7-41 § 2[77], modified.



**§ 206. Review of orders.**

- (a) Any person aggrieved by an order of the President may obtain review on the record upon which the order was based, by filing a petition for review in the Trial Division of the Supreme Court within sixty (60) days of entry of such order, asking that it be modified or set aside.
- (b) The findings of the Registrar of Corporations or, if the relevant entity is subject to the provisions of Title 26 Chapter 10, Financial Institutions Commission as to facts, if supported by evidence, shall be conclusive.
- (c) The decision of the Trial Division shall be subject to review by the Appellate Division of the Supreme Court on appeal in accordance with law or rule.

**Source**

71 TTC § 5, modified. The term “Financial Institutions Commission” read “Registrar of Corporations” in the original legislation and was amended by RPPL 6-3 § 2[76]. Subsection (b) amended by RPPL 7-41 § 2[77], modified.

**§ 207. Exemptions.**

- (a) The provisions of this chapter shall not apply to the following classes of securities:
- (1) any security issued or guaranteed by the United States or the Republic or any political subdivision thereof.
  - (2) any security issued by an entity organized and operated exclusively for religious, educational, benevolent, fraternal or charitable purposes and not for pecuniary profit, no part of the net earnings of which inures to the benefit of any person or individual.
  - (3) certificates issued by a receiver or trustee in bankruptcy, with the approval of the court.
  - (4) any security exchanged by the issuer with its existing security holders exclusively.
  - (5) any security which is issued in exchange for one or more bona fide outstanding securities, claims or property interest or partly in exchange and partly

for cash, when the terms and conditions of such issuance and exchange are approved by the President as to the fairness thereof.

(6) any commercial paper which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which evidences an obligation to pay cash within nine months of the date of issuance, exclusive of days of grace or any renewal thereof.

(7) any security that is listed on a securities exchange that has market capitalization in excess of \$500 billion and is supervised and regulated by a securities commission that is a member or working partner of the International Organization of Securities Commissions (IOSCO).

(b) The Registrar of Corporations or, if the relevant entity is subject to the provisions of Title 26 Chapter 10, Financial Institutions Commission may from time to time by rule and regulation, and subject to such terms and conditions as may be prescribed therein, add any class of securities exempted, if he finds that the enforcement of this chapter with respect such securities is not necessary in the public interest and for the protection of investors by reason of the small amount involved or the limited character of the public offering.

**Source**

(P.L. No. 4C-15, §§ 1, 2.) 71 TTC § 6, modified. Subsection (a)(7) was added by RPPL 6-3 § 2. The term “Financial Institutions Commission” read “Registrar of Corporations” in the original legislation and was amended by RPPL 6-3 § 2[76]. Subsection (b) amended by RPPL 7-41 § 2[77], modified.

**§ 208. Right to sue for damages incurred through misrepresentation.**

In the event any registration application contains a misrepresentation of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements not misleading, any person acquiring such security (unless it be proved that at the time of acquisition he knew of such misrepresentation or omission) may sue the issuer and every person who signed the registration application or any supporting document, or any officer or director of the issuer, for the recovery of such damages as shall represent the difference between the amount paid for the security and the value at the time of suit; provided however, that no such action shall be filed later than one (1) year after the discovery of the misrepresentation or omission.

**Source**

71 TTC § 7, modified.