

**NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS
46TH CONSTITUTIONAL REGULAR SESSION, 2025**



Republic of the Marshall Islands
Jepilpilin Ke Ejukaan

MONETARY AUTHORITY ACT 2025

AN ACT to create a new Chapter 4 of Title 17 of MIRC in order to establish the Monetary Authority (MA) to regulate and supervise banks and other financial service providers in the Republic of the Marshall Islands; to deal with financing sector challenges and developments; to promote a safe efficient payment, clearing and settlement and regulating payment system; to facilitate the Government accounts handled by private banks, concentration risk and confidentiality; to conduct market operations to help achieve price stability and liquidity level in the economy; to ensure effective circulation of US Dollar and coins in the Republic to allow smooth economic, financial activities and regular supply of notes and coins for the banks; and for related purposes.

BE IT ENACTED BY THE NITIJELA OF THE REPUBLIC OF THE MARSHALL ISLANDS

§401. Short title.

This Act may be cited as the Monetary Authority Act 2025.

§402. Interpretation.

In this Chapter unless the context otherwise requires:

- (a) "Bank" has the same meaning as defined in the Banking Act 1987;
- (b) "Financial Institution" has the same meaning as defined in the Banking Act 1987;
- (c) "Financial Service Provider" has the same meaning as defined in the Banking Act 1987;

- (d) "Minister" or "Ministry" means the Minister of Finance or the Ministry of Finance;
- (e) "Monetary Authority" means the Monetary Authority established by this Act;
- (f) "Monetary liabilities" means deposits, financial claims by residents against the Monetary Authority, except the monetary authority liabilities to the local and central government;
- (g) "US dollars" means currency issued by the United States of America;
- (h) "President" means the President of the Republic of the Marshall Islands.

§403. Application of Article VII of the Constitution; Autonomy

- (1) Pursuant to Section (1)(3) and Section (9)(2) of Article VII of the Constitution of the Marshall Islands, the Public Service Commission does not apply in relation to the Monetary Authority.
- (2) The Monetary Authority, the members of the monetary authority decision-making bodies, and employees and agents, shall exercise their functions independently, shall not seek or receive instructions from any person or entity, including the Government or entities under government control.
- (3) No person or entity shall seek to influence the members of the Monetary Authority's decision-making bodies, employees and agents in the exercise of their functions or to interfere in the activities of the Monetary Authority. For the purpose of this section, decision-making bodies mean the Board of Directors including the Governor.

PART II – ESTABLISHMENT, OBJECTIVES AND FUNCTIONS

§404. Establishment.

- (1) There is hereby established for the purposes of this Chapter a monetary authority which shall be called the Marshall Islands Monetary Authority also referred to as "Monetary Authority" in this Chapter.
- (2) The Authority shall have its head office at Majuro, Marshall Islands.
- (3) The Authority may establish branches, foreign representative offices and operations facilities at such places as it may deem necessary.

§405. Incorporation.

- (1) The Monetary Authority shall be a body corporate having perpetual succession and a common seal and may sue and be sued in its corporate name.
- (2) The Monetary Authority shall have in particular the capacity to:
 - (a) enter into contracts and incur obligations;
 - (b) institute legal proceedings and be subject to such proceedings;
 - (c) acquire, administer, hold and dispose of movable and immovable property; and
 - (d) act in any other way necessary for, or incidental to, the discharge of its functions under this Chapter.

§406. Objectives.

The objectives of the establishment of the Monetary Authority are:

- (a) To provide central banking services to the Republic of the Marshall Islands and participate in the payment clearing system;
- (b) To foster a sound and reputable financial system and maintain financial stability while promoting the continued development of the financial system;
- (c) To contribute to achieving and maintaining domestic price stability;
- (d) Without prejudice to the attainment of other objectives, to support the general economic policy of the Government including promoting financial inclusion.

§407. Functions of the Authority.

- (1) To provide central banking services to the Republic, including providing banking services to RMI Government and other financial service providers, acting as a fiscal agent for Government, providing a payments system, and managing currency in circulation, the MA shall:
 - (a) act as a banker, financial advisor and fiscal agent for the Government and to any other public bodies and public organizations in the Republic of the Marshall Islands;

- (b) provide liquidity to banking system;
 - (c) operate and promote a safe, sound and efficient payment, clearing and securities settlement systems and oversee these systems;
 - (d) maintain an appropriate supply of banknotes and coins in the Republic of the Marshall Islands.
- (2) To foster a safe, sound, and reputable financial system and the continued development of this system, and maintain financial stability, the MA shall:
 - (a) formulate and implement financial system stability policy;
 - (b) formulate and implement financial system development policy;
 - (c) regulate, license, register and supervise banks and other financial service providers, payment systems, systems for the clearing and settlement of securities and other financial market infrastructures, as further specified in the Banking Act;
 - d) act as a lender of last resort for banks under the limits provided for in this Law;
- (3) To contribute to achieving and maintaining domestic price stability, the MA shall:
 - (a) conduct market operations and other tools to maintain US dollars liquidity in the market;
 - (b) hold and manage all the official international reserves of the Republic of the Marshall Islands;
 - (c) collect and produce statistics from banks, financial services providers, and other entities for the purposes of implementing its objectives under this Act.
- (4) Without prejudice to the attainment of other objectives, the Monetary Authority shall support the general economic policy of the Government, the MA shall:
 - (a) cooperate with and participate in international councils and organizations, including public international financial institutions, and cooperate with domestic and

foreign public entities, concerning matters related to its objectives and functions;

- (b) carry out ancillary activities incidental to the exercise of its functions under this Chapter or any other law.

PART III – RELATIONSHIP BETWEEN NITIJELA AND GOVERNMENT

§409. Relationship with Nitijela

- (1) The Monetary Authority shall, at a minimum once a year and at such additional times as may be necessary, inform the Parliament and the public regarding the achievement of its objectives.
- (2) The Governor, with due observance of Section 406, may, at the request of the Nitijela or on his own initiative, periodically be heard by the Nitijela or its committees concerning financial policy, and the state of the economy.
- (3) Within three months after the close of its financial year, the Monetary Authority shall publish, and submit to the Nitijela, one or more reports, approved by the Board of Directors, on the state of the economy during the financial year that just ended, including an outlook for the economy for the coming year, emphasizing its policy objectives and the condition of the financial system. The report(s) should also include an assessment of the Monetary Authority's policies followed during the financial year that just ended, and a description and explanation of the Monetary Authority's policies to be followed during the financial year of publication of such report(s).
- (4) The Monetary Authority shall, on an annual basis, publish reports on financial stability that provide information on developments in the current year.

§410. Financial advisor and fiscal agent for the Cabinet

- (1) The Monetary Authority shall, at a minimum once a year and at such additional times as may be necessary, inform the Nitijela and the public regarding the achievement of its objectives.
- (2) The Governor, with due observance of Section 406, may, at the request of the Nitijela or on his own initiative, periodically be heard by the

Nitijela or its committees concerning financial policy, and the state of the economy.

- (3) Within three months after the close of its financial year, the Monetary Authority shall publish, and submit to the Nitijela, one or more reports, approved by the Board of Directors, on the state of the economy during the financial year that just ended, including an outlook for the economy for the coming year, emphasizing its policy objectives and the condition of the financial system. The report(s) should also include an assessment of the Monetary Authority's policies followed during the financial year that just ended, and a description and explanation of the Monetary Authority's policies to be followed during the financial year of publication of such report(s).
- (4) The Monetary Authority shall, on an annual basis, publish reports on financial stability that provide information on developments in the current year.

§411. Financial advisor to the Secretary of Finance and fiscal agent for the Government

- (1) The Monetary Authority shall act as financial advisor to the Secretary of Finance and Minister of Finance and be the fiscal agent for the Government.
- (2) The Monetary Authority shall hold the Single Treasury account and will act, on such terms and conditions as it shall agree with the Cabinet, as the Government's fiscal agent or for any State-owned entity. The Monetary Authority shall be reimbursed at market rates for its services as fiscal agent for the Government and any State-owned entity.
- (3) The Monetary Authority shall be the depository and fiscal agent for all the Government's transactions with the international financial institutions of which the Republic of the Marshall Islands is a member.
- (4) The Monetary Authority may accept deposits in any currency from, or on behalf of, the Government or from any State-owned entity or any other public entity. As depository, the Monetary Authority shall receive and disburse monies, keep account thereof, and provide other financial services related thereto. The Monetary Authority shall pay up to the limits of the deposited amounts against payment orders on such accounts.

- (5) The Monetary Authority shall be entrusted with the issue and management of the Government securities issued in the Republic of the Marshall Islands upon such terms and conditions as may be agreed between the Minister of Finance and the Monetary Authority.
- (6) The Monetary Authority shall not grant any direct or indirect credit to the Government, to any State-owned entity or to any other public entity, with the exception of lending, for the purposes of clearing and settling Government transactions which shall be fully repaid on maturity up to a maximum of seven days.
- (7) The Monetary Authority shall not purchase securities issued by the Government, and any state-owned entity, or any other public entity on the primary market. The Monetary Authority may purchase such securities in the secondary market provided that these purchases do not circumvent the prohibition laid down in this Section.

§412. Regular Meeting with the Ministry of Finance

- (1) With due observance of Section 410 and without prejudice to Section 403, the Monetary Authority shall hold regular meetings with the Ministry of Finance on financial stability, monetary stability, crisis prevention and crisis management as well as fiscal matters.
- (2) The Monetary Authority and the Secretary of Finance shall keep one another fully informed of all matters that affect the Monetary Authority and the Ministry jointly.
- (3) The Monetary Authority may render advice to the Ministry of Finance on any matter which, in its opinion, is likely to affect the attainment of the objectives of the Monetary Authority.
- (4) With due observance of Section 410 and without prejudice to Section 403, the Monetary Authority shall, on request of the Ministry of Finance, provide the Ministry of Finance with information regarding the exercise of the functions of the Monetary Authority. Specific information relating to supervised or overseen entities may only be provided for the purpose of the Government's functions with respect to financial stability, including crisis prevention and crisis management.

- (5) The Monetary Authority shall, on request of the Government, provide the Government with data on funds received by the Monetary authority acting as the fiscal agent of the Government.
- (6) The Monetary Authority shall be consulted by the Government on any draft laws concerning matters that relate to the objectives and functions of the Monetary Authority before such laws are submitted to the Parliament.
- (7) The requirements stemming for this Section shall be fulfilled in a timely manner.

PART IV – GOVERNANCE AND MANAGEMENT OF THE AUTHORITY

DIVISION 1 – GOVERNANCE OF THE AUTHORITY

§413. Decision-making bodies of the Authority; Board of Directors.

- (1) The decision-making bodies of the Monetary Authority shall be the Board of Directors and the Governor.
- (2) The Board of Directors also referred to as “the Board” shall comprise of the Governor who shall be the Chairperson, and three non-executive members
- (3) The Board of Directors shall be charged with the formulation of the policies of the Monetary Authority, the supervision of their implementation, and the supervision of the administration and the operations of the Authority.

§414. Functions and Powers of the Board of Directors.

The Board of Directors shall have the following functions and powers to:

- (a) formulate and adopt the financial stability policy,
- (b) define and adopt any other policies of the Monetary Authority, regarding the execution of its functions and powers, and to adopt internal rules for their implementation;
- (c) adopt the regulations issued by the Monetary Authority.
- (d) approve or deny the issuance of licenses for payment systems, clearing and settlement of securities systems and other financial market infrastructures;

- (e) approve or deny the issuance of licenses for banks and financial services providers and to revoke licenses and permits of these institutions in the events provided for in this Chapter;
- (f) determine the Monetary Authority's organization, including the establishment and location of branches, representative offices, and operations facilities;
- (g) appoint an Advisory Committee, Audit Committee or and Internal Auditor on the recommendation of the Governor.
- (h) determine the Monetary Authority's general terms and conditions of employment, including the remuneration policy;
- (i) approve the annual budget of the Monetary Authority;
- (j) creation of special reserves;
- (k) approve the audited annual report and other formal reports and financial statements of the Monetary Authority;
- (l) appoint and dismiss the external auditors of the Monetary Authority on a proposal of the Audit Committee;
- (m) adopt the external auditor selection and rotation policy;
- (n) oversee the Monetary Authority's system of financial reporting, risk management, compliance, IT, security and internal controls;
- (o) adopt the Monetary Authority's accounting policies and procedures in line with Generally Accepted Accounting Principle (GAAP);
- (p) approve the internal audit report prepared by the Audit Committee and monitor implementation of the internal auditor's recommendations in the Monetary Authority.
- (q) decide whether the Monetary Authority should take on debt in material amounts, and if so, the terms and conditions of such debt;

- (r) determine the categories of assets that shall constitute the official foreign reserves in accordance with Section 441 of this Chapter;
- (s) determine the categories of assets that shall be suitable for investment of the monetary authority's financial resources;
- (t) determine all matters relating to the handling and distribution of currency, including the exchange and replacement of damaged US dollar banknotes.
- (u) establish committees consisting of members of the Board of Directors and /or other persons, and to define their responsibilities;
- (v) adopt the rules of procedure for the Board of Directors operational procedures for the Monetary Authority; and
- (w) such other functions and powers as explicitly granted by this Chapter.

§415. RESERVED

§416. Appointment and term in office of the Board of Directors

- (1) The Board of Directors shall be appointed by the President and confirmed by the Nitijela as signified by resolution.
- (2) On the effective date this Chapter, all members of the Board of the Directors shall be appointed in accordance with this Section, the initial terms in office of Board of Directors shall be as follows:
 - (a) for the Governor, six years;
 - (c) for the non-executive members, three, five and six years respectively
- (3) The Board of Directors are subject to appointment of a five-year term following the initial term in office.

§417. Eligibility and disqualification criteria

- (1) The eligibility requirement for the Board of Directors shall include recognized integrity, technical and professional competence, must have a university degree or extensive previous experience in financial, banking, monetary or legal affairs.
- (2) shall have at least five years of recognized professional or academic experience in the fields of economics, finance, banking, accounting, audit, information technologies or the law.
- (3) No person shall be eligible to serve on the Board of Directors if he/she:
 - (a) has been a debtor in a bankruptcy or insolvency proceeding;
 - (b) has, on the grounds of personal misconduct, been disqualified or suspended by competent authority from practicing a profession or has been suspended or prohibited from being a director or officer of any public or commercial entity;
 - (c) has been convicted of a felony or a criminal offense; or
 - (d) has engaged in serious misconduct in office as determined by a court of law.
- (4) The Governor shall exercise his or her functions on an exclusive, full-time basis, and is prohibited to engage in any paid professional activity outside the Monetary Authority, unless exemption is exceptionally granted by the Board of Directors or unless such engagement involves community voluntary services.
- (5) No person shall serve on the Board of Directors while he/ or she is a member of the Nitijela, the national or local Government, an official of a political party, or a board member, director, employee, adviser of, or service provider to any public institution, semi-public institution, state owned enterprise, and generally any public agency created by law, nor hold an equity interest in a financial institution.
- (6) For the purpose of the previous paragraph, an officer or employee of a university or any academic organization or institution having

operational autonomy from the Government shall not be deemed to be an official or employee of the Government.

§418. Resignation.

- (1) The Governor may resign from office by giving not less than three months' notice in writing to the President.
- (2) The non-executive members of the Board of Directors may resign from office by giving not less than one month's notice in writing to the President.

§419. Removal

- (1) The members of the Board of Directors shall be removed from office only and when that member:
 - (a) become ineligible to serve on the Board of Directors pursuant to Section 417;
 - (b) abuses, or makes serious misconduct in the official duty;
 - (c) is permanently or mentally incapacitated to perform the tasks required of the office because the incapacity has lasted for more than three months;
 - (d) fails to perform their duties for a consecutive period of more than three months without approval of the Board of Directors.
- (2) Decision to remove a member of the Board of Directors from office shall be taken by the President with consultation with the Board of Directors.
- (3) No member of the Board of Directors can be removed from office for other reasons or following a procedure other than that stipulated under this Chapter.
- (4) In all events referred to in this Section, the removal decision may be appealed to the court, and must be filed within 15 days from the date the aggrieved party is advised of the decision.

§420. Post-Employment Restrictions for former Board Members.

Former members of the Board shall not serve in a professional capacity in a bank or other financial institution in the Marshall Islands for a period of one

year immediately following their departure from Monetary Authority, without obtaining the prior approval of the Board.

§421. Vacancy

Any vacancy on the Board of Directors shall be filled within 60 days by the appointment of a new member of the Board of Directors pursuant to Section 416(3) of this Chapter, unless a vacancy occurs within the initial term of which, a new member of the Board shall fill the remainder of the initial term.

§422. Remuneration and compensation

- (1) The remuneration and benefits of the Governor shall be an amount equivalent to that received by persons holding similar executive positions in licensed financial institutions or regional financial regulators.
- (2) The non-executive members of the Board of Directors are entitled to sitting allowance for each meeting, in an amount equivalent to that received by persons holding similar non-executive positions in financial institutions.

DIVISION 2 – MANAGEMENT OF THE AUTHORITY

§423. The Governor

- (1) The Governor shall serve as the chief executive officer of the Authority in charge of the day-to-day management of the Authority. The Governor may, pursuant to his or her appointment under Section 416 of this Chapter, pending such approval by the Nitijela, shall discharge his or her duties until the expiration of 30 days after the commencement of the next ensuing session of the Nitijela;
- (2) The Deputy Governor shall assist the Governor and shall carry out the functions of the Governor in the absence of the Governor.
- (3) The Deputy Governor shall be appointed by the Board of Directors on the recommendation of the Governor subject to the Monetary Authority's recruitment and other human resources policies and procedures.

§424. Functions and Powers of the Governor.

The Governor shall have the following functions and powers:

- (a) The Governor shall propose and implement the financial stability policy, and the other policies of the Monetary Authority;
- (b) The Governor shall have the authority to take all actions required or deemed advisable for the administration or operations of the Monetary Authority, including without limitation the procurement of goods and services, entering into contractual commitments on behalf of the Monetary Authority, appointing the staff and agents of the Monetary Authority, and generally representing the Monetary Authority;
- (c) The Governor shall have the power to take enforcement measures, including instructing any supervised bank or financial institution, or any regulated payment, clearing and securities settlement system, to take remedial actions; or by imposing administrative penalties, as provided by this Chapter, or by any other laws;
- (d) The Governor may delegate any of his powers or functions to the Deputy Governor;
- (e) The Governor shall be responsible to the Board of Directors for the execution of its decisions and for the direction and control of the administration and operations of the Monetary Authority.
- (f) The Governor shall report to the Board of Directors on the conduct of the Monetary Authority's policies and operations, on the soundness of the financial system, including all events and conditions that have or are expected to have a significant effect on the conduct of the policies of the Monetary Authority and on its administration or operations.
- (g) The Governor shall have such other powers and functions as explicitly granted by this Chapter. All powers under this Chapter that are not specifically reserved for the Governance Board shall be vested in the Governor.

- (h) Governor shall recruit the employees of the Monetary Authority based on human resources policy.

§425. Staff of the Authority.

- (1) Subject to other provisions of this Chapter, the Governor:
- (1) may employ branch managers, and such other employees, attorneys, actuaries, fund advisors or managers, fund custodians, investment consultants, and other advisors and consultants as the Governor believes necessary for the performance of the functions of the Monetary Authority.
 - (2) Persons referred to in paragraph (1a) of this Section, shall be employed on such terms and conditions as the Governor determines consistent with the laws and policies of the Government.
 - (3) Article VII of the Constitution of the Republic of the Marshall Islands, concerning the Public Service, shall not apply to the employees of the Monetary Authority.

§426. Employment Provisions; terms & Conditions

- (1) Members of the staff of the Monetary Authority shall devote the whole of their professional services to the Monetary Authority and shall not hold other offices or employment outside the Monetary Authority, paid or unpaid, unless designated to do so by the Monetary Authority, or for educational or civic endeavors, in which case these must not conflict with their ability to serve the Monetary Authority.
- (2) The Monetary Authority shall apply personnel policies that are non-discriminatory and shall apply the principle of equal opportunity.
- (3) The Governor shall appoint and terminate the employment of members of the staff, agents and representatives of the Monetary Authority, within the limits of, and in accordance with, the general terms and conditions of employment adopted by the Board of Directors.
- (4) The remuneration received by members of the staff shall be such that qualified and expert persons can be recruited and retained.

- (5) No remuneration shall be based on the Monetary Authority's profits or any type of revenue.

§427. Immunity from Personal Liability

Board members, staff, and any person representing the Monetary Authority or authorized to act on its behalf shall not be liable for any decisions, actions, or commissions in good faith or other relevant standard applicable under the laws of the Marshall Islands.

PART V – MEETINGS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

§428. Meetings

- (1) The Governor shall chair the meeting of the Board of Directors, in the absence of the Governor, such other director as the other directors present may select shall preside subject to quorum and other procedures.
- (2) The Board of Directors shall ordinarily meet once a month and extraordinarily when called by the Chairman, on his own initiative or on the written request of any two members of the Board of Directors.
- (3) The Board of Directors meetings shall be convened by communicating the time, venue and agenda of the meeting to all members of the Board of Directors at least five working days before the date set for the meeting except in the event of an emergency, or by the mutual consent of all members, in which case a meeting may be convened at shorter notice as determined in the rules of procedure of the Board of Directors.
- (4) A quorum for the conduct of business at any meeting of the Board of Directors shall consist of majority of its members, including the Governor or his/her substitute, and at least two non-executive members of the Board of Directors.
- (5) If a quorum is not present for a meeting of the Board of Directors, the Governor may convene an extraordinary meeting.
- (6) Each member of the Board of Directors shall have one vote and, in the event of a tied vote, the person chairing the meeting shall cast a tie-breaking vote.

- (7) Decisions of the Board of Directors shall be adopted by a simple majority of the members present at the meeting.
- (8) The rules of procedure of the Board of Directors may permit meetings and voting by teleconferencing or, in exceptional circumstances, by other means of electronic communication.
- (9) Subject to the quorum requirements of Subsection (4), no act or proceeding of the Board of Directors shall be invalidated merely by reason of the existence of a vacancy or vacancies on the Board of Directors.
- (10) All actions of the Board of Directors shall remain valid notwithstanding that some defect regarding the member's appointment, eligibility, or qualifications, is discovered.

§429. Proceedings

- (1) The minutes of each Board of Directors meeting shall be signed by the person chairing that meeting and the Secretary of the Board of Directors.
- (2) The Board may decide to make the outcome of its deliberations on any matter public.
- (3) The Deputy Governor shall be the Secretary of the Board of Directors, or in his/her absence such senior manager the Governor may decide.

§430. Opening of accounts

In order to implement its functions, the Monetary Authority may open and maintain cash and securities accounts on its books for:

- (a) the Government and public entities;
- (b) financial institutions and foreign banks;
- (c) central banks, international organizations including public international financial institutions, foreign governments, and donor organizations; and
- (d) other categories of account holders established by the Board.

The Monetary Authority shall prescribe the conditions for opening accounts on its books.

**PART VI - FINANCIAL MARKET INFRASTRUCTURE, SUPERVISION,
STATISTICS AND OTHER FINANCIAL SYSTEM-RELATED
FUNCTIONS**

DIVISION I - PAYMENT SYSTEMS AND OTHER FINANCIAL MARKET

§431. Provision of Financial Infrastructures

- (1) The Monetary Authority may provide facilities, including intra-day credit collateralized by negotiable government securities, to payment systems, systems for the clearing and settlement of securities and other financial market infrastructures, and their participants, to ensure the safety, soundness and efficiency of such systems.
- (2) The Monetary Authority may organize, own, participate in, and operate systems referred to in Subsection (1).

§432. Regulation, licensing and oversight

- (1) The Monetary Authority shall be exclusively responsible for the regulation, licensing, registration and oversight of payment systems, systems for the clearing and settlement of securities and other financial market infrastructures, including the imposition of remedial measures and administrative sanctions, as provided for in this Chapter and Regulation.
- (2) The Monetary Authority may, by regulation:
 - (a) require the registration or licensing of any payment system, system for the clearing and settlement of securities and other financial market infrastructures, or the operator of such system;
 - (b) require any payment system, system for the clearing and settlement of securities and other financial market infrastructures; and
 - (c) regulate and oversee the issuance and quality of payment instruments.
- (3) The staff of the Monetary Authority, and other qualified persons designated by the Monetary Authority may visit the offices of payment systems, systems for the clearing and settlement of securities and other financial market infrastructures and their participants, to examine

such accounts, books, documents and other records, to obtain such information and records from them, and to take such other action as the monetary authority shall deem necessary or advisable.

- (4) Payment systems, systems for the clearing and settlement of securities and other financial market infrastructures, and their operators and participants, shall furnish the Monetary Authority with such information and records as the Monetary Authority may require.
- (5) The Monetary Authority may cooperate with foreign supervisory or oversight authorities and transmit non-public information in whole or in aggregate form regarding systemically important financial market infrastructures to them, provided that these authorities (i) use such information exclusively for directly supervising or overseeing such financial market infrastructures or their participants, and (ii) are bound by official or professional secrecy obligations comparable to those specified in this Chapter.

DIVISION 2 – SUPERVISION OF BANKS AND OTHER FINANCIAL SERVICE PROVIDERS

§433. Supervisory functions

- (1) The Monetary Authority shall be exclusively responsible for the regulation, licensing, registration and supervision of banks and other financial service providers as specified in the Banking Act 1987 and other relevant laws including Regulations. Such responsibility shall include the imposition of administrative penalties as provided for in this Chapter.
- (2) The staff of the Monetary Authority, and other qualified persons designated by the Monetary Authority, may visit the offices of banks and other financial service providers to examine their accounts, books, documents and other records, to obtain such information and records from them, and to take such other action as the Monetary Authority shall deem necessary or advisable.
- (3) Banks and other financial service providers shall furnish the Monetary Authority with such information and records concerning their operations and financial condition as the Monetary Authority may require.

- (4) The Monetary Authority may cooperate with competent authorities within the Republic of the Marshall Islands or in other countries that are entrusted with:
 - (a) the supervision of other financial institutions;
 - (b) the supervision of financial markets;
 - (c) maintaining the stability of the financial system through the use of macro-prudential policy; and
 - (d) the reorganization or resolution of financial institutions.
- (5) The Monetary Authority may transmit non-public information and data obtained under Subsection (3) of this Section in whole or in aggregate form to the authorities listed in Subsection (4) of this Section provided that these authorities (i) use such information exclusively for directly supervising or overseeing banks and other financial service providers, and ii) are bound by official or professional secrecy obligations comparable to those specified in this Chapter.

DIVISION 3 - STATISTICS

§434. Collection of statistics and information

- (1) The Monetary Authority, in pursuit of the objectives set forth in Section 406 of this Chapter, shall:
 - (a) collect, compile and analyze statistics and information relevant to the carrying out of its functions;
 - (b) publish statistics in aggregate form;
 - (c) define, by Regulation, the statistical information and statistics so required and the form in which such information is to be provided to the Monetary Authority, the natural and legal persons subject to reporting requirements, the applicable confidentiality regime and the administrative penalties that may be imposed in case of breach of these statistical requirements, as provided for in this Chapter
 - (d) collaborate with governmental departments and agencies in the collection, compilation, analysis and publication of statistics and other relevant information; and

- (e) cooperate with bilateral and multilateral agencies and organizations in the adoption of internationally accepted statistical methodologies and data dissemination standards with the aim of achieving consistency and efficiency in the organization of statistics and information.

DIVISION 4 – FINANCIAL SYSTEM-RELATED ANCILLARY FUNCTIONS

§435. Credit information system

- (1) The Monetary Authority may operate, regulate, license, register and supervise credit information systems to collect and disseminate credit information among banks and other financial service providers and may issue regulations to effect its implementation.
- (2) The information collected and maintained in credit information systems referred to in this Section shall only be used for the purposes of improving the quality of bank credit.
- (3) The Monetary Authority may charge fees to the participants in the credit information systems that it may operate pursuant to this Section.

§436. Financial Intelligence Unit

- (1) The Monetary Authority shall accommodate the function of the Financial Intelligence Unit within its premises and operations.
- (2) The responsibilities of the Financial Intelligence Unit shall be as specified in the relevant law.
- (3) The Monetary Authority and the Financial Intelligence Unit shall work closely together for efficiency and in the common interest of promoting confidence and trust in the integrity, stability and soundness of the financial system of the Republic of the Marshall Islands.
- (4) For the purpose of performing its functions and exercising its powers, the Financial Intelligence Unit shall be funded by the Monetary Authority's revenue sources and budget.
- (5) An Executive Manager of the Financial Intelligence Unit shall be appointed by the Governor and perform duties and responsibilities as

prescribed under Part XIII of the Banking Act and other relevant tasks as prescribed by the Governor;

- (6) The Executive Manager shall report to the Governor in the execution of the tasks and responsibilities assigned.

PART VII - MONETARY AND OTHER OPERATIONS

DIVISION 1 – CUSTODIAL FACILITIES AND OPERATIONS

§437. Custodial facilities

The Monetary Authority may provide, within the conditions prescribed by the Board, which shall include the payment of fees in line with market rates, custodial facilities to banks and financial service providers for banknotes and coins denominated in currencies that it designates, and for securities, precious metals and any other valuable assets as the Board may determine.

§438. Open market and credit operations.

- (1) To achieve its objectives and to exercise its functions, the Monetary Authority may:
 - (a) operate in the financial markets by buying and selling outright (spot or forward) or under repurchase agreement, and by lending or borrowing claims and marketable instruments, as well as precious metals; and
 - (b) conduct credit operations with banks and other market participants operating in the Republic of the Marshall Islands, with lending based on adequate collateral.
- (2) The Board shall determine the types of instruments and collateral to be used for open market and credit operations. It shall announce the conditions under which the Monetary Authority stands ready to enter such transactions.
- (3) The Monetary Authority may issue negotiable debt instruments with a short-term maturity of up to 30 calendar days, within limits of and in accordance with general terms and conditions adopted by the Board.

§439. Minimum reserves

- (1) The Monetary Authority may require banks to hold minimum reserves on accounts with the Monetary Authority in pursuance of its objectives. These required reserves shall be the same for all banks for each category of liabilities
- (2) The Board shall define the categories of liabilities and establish the method for calculating and determining the minimum reserves required to be maintained under the same paragraph as specified in the regulation.
- (3) In cases of non-compliance with the requirements stated in this Chapter, the Monetary Authority shall be entitled to impose penalty interest or impose administrative penalties. The Board shall define the minimum and maximum penalties, as well as the procedure of the imposition of such administrative penalties as specified in the regulation

§440. Other instruments of credit control.

The Board may decide upon the use of such operational methods of credit control as it sees fit.

§441. Lender of last resort.

- (1) In exceptional circumstances, the Monetary Authority may, on such terms and conditions as the Board determines, grant financial assistance to a solvent and financially viable bank experiencing temporary liquidity problems, against (a) a penalty interest rate higher than the current market rate, (b) adequate collateral and (c) for periods not exceeding 91 calendar days that may be renewed following an explicit decision by the Board for another period not exceeding 91 calendar days. The Monetary Authority shall provide such financial assistance on the basis of a program specifying the remedial measures that the bank concerned will take.
- (2) Under any circumstance, emergency liquidity assistance cannot exceed the total amount of the official foreign reserves or the Special Reserve Fund established by the Treasury for this purpose.
- (3) In the event that the solvency of the bank is uncertain, the Monetary Authority may provide liquidity support to such bank insofar as such

assistance is necessary to preserve the stability of the financial system and on the condition that the Minister of Finance, on behalf of the Government, has issued to the Monetary Authority a legally binding guarantee in writing securing the repayment of the loan.

DIVISION 2 - OFFICIAL FOREIGN RESERVES

§442. Official foreign reserves management

- (1) The Monetary Authority shall hold on its balance sheet all the official foreign reserves of the Republic of the Marshall Islands, which may include any or all of the following assets:
 - (a) gold and other precious metals, including credit balances representing such gold and other precious metals;
 - (b) banknotes and coins denominated in freely convertible foreign currencies held by or for the account of the Monetary Authority;
 - (c) credit balances and interbank deposits that are payable on demand or within a short term denominated in freely convertible foreign currencies and are held in the accounts of the Monetary Authority, on the books of foreign central banks, or public international financial institutions;
 - (d) readily-marketable debt securities denominated in freely convertible foreign currencies issued by, or backed by foreign governments, foreign central banks, or public international financial institutions;
 - (e) claims on public international financial institutions, including Special Drawing Rights held in the account of the Republic of the Marshall Islands in the International Monetary Fund, and the reserve position of the Republic of the Marshall Islands in the International Monetary Fund; and
 - (f) any other readily-marketable financial assets denominated in freely convertible foreign currencies as determined by the Board.

- (2) The Monetary Authority shall endeavor to maintain the official foreign reserves at a level that shall be adequate for the accomplishment of the Monetary Authority's objectives and the international payment obligations of the Republic of the Marshall Islands. To that end, the Monetary Authority shall manage the official foreign reserves with a view to respecting safety, liquidity and yield of their investment, in that order of priority.
- (3) In case the official foreign reserves decline, or in the opinion of the Monetary Authority may decline to reach levels that could jeopardize the Monetary Authority's objectives, and the Monetary Authority is unable to remedy such decline, the Monetary Authority shall advise the Minister of Finance in a timely manner on measures to remedy this situation. This proposal shall be based on a report including the causes leading to the decline in these reserves.

DIVISION 3 - CURRENCY

§443. Monetary unit of the Republic of the Marshall Islands

- (1) The official monetary unit of the Republic of the Marshall Islands shall be the US dollar, which shall be legal tender in the country.
- (2) The Monetary Authority shall be responsible for maintaining an appropriate supply of banknotes and coins in the Republic of the Marshall Islands. The Monetary Authority shall create and administer a currency stock in order to ensure the availability of a regular supply of banknotes and coins.
- (3) If the Republic of the Marshall Islands decides to introduce a national currency, the Monetary Authority shall have the exclusive right to issue banknotes, coins and currency including digital form, by means of a law as legal tender. In such an event, the national currency shall be the only legal tender in the RMI.

§444. Exchange of banknotes and coins

- (1) Upon request, and within the conditions specified by the Board, the Monetary Authority shall exchange US dollar banknotes and coins.
- (2) The Monetary Authority may outsource the exchange operations of US dollar banknotes and coins to third parties.

§445. Unfit banknotes and coins

- (1) Unfit US dollar banknotes and coins deposited with the Monetary Authority by financial institutions shall be replaced with US dollar banknotes or coins by the Monetary Authority. The Monetary Authority may decline to exchange such banknotes or coins if their designs are illegible, misshapen, or perforated, or if more than forty 40 percent of their surface area has been lost.
- (2) The Monetary Authority shall not be required to provide any compensation for banknotes or coins that are lost, stolen or destroyed and may confiscate without compensation any banknotes that have been altered in their external appearance, including in particular banknotes that have been written on, drawn on, overprinted, stamped or perforated, or to which adhesive matter has been applied.
- (3) The Monetary Authority may make regulations to set forth rules in relation to this Section.

§446. Counterfeit currency

- (1) Any person that falsely makes, forges, counterfeits or alters any banknote or coin, or any check, security or payment card with the knowledge that it was falsely made, forged, counterfeited or altered or manufactured; or possesses or transports any plate, stone, paper, die or other object or substance with the knowledge that it was destined to be used in falsely making, forging, counterfeiting or altering any such banknote, coin, check, security or payment card, shall be guilty of a criminal offense.
- (2) Banknotes and coins presented to banks and other financial service providers, which are suspected of being forgeries, whether presented at banks and financial service providers or at other entities authorized to carry out exchange operations, must be withdrawn from circulation and forthwith sent to the Monetary Authority and in compliance with any other legislative provision.
- (3) The Board may issue orders to implement the provisions of this Section by Regulation.
- (4) The Monetary Authority shall keep all banknotes and coins presented to it which are suspected of being counterfeited, forged or changed in value, and shall immediately document a report with the identification

of the banknotes and coins, their bearer, and the Monetary Authority's grounds for suspicion. The written report shall be forwarded to the Financial Intelligent Unit for intelligent gathering and analysis, which may be disseminated to the competent law enforcement authorities for such investigation and further action as may be required.

- (5) The Monetary Authority may call upon the resources of any other authorities for assistance in carrying out the purposes of this Section.

PART VIII – CAPITAL, ACCOUNTS, PROFIT AND LOSS, SHORTFALL IN CAPITAL

DIVISION 1 – CAPITAL, OPENING AND MAINTAINING ACCOUNTS

§447. Statutory Capital of Monetary Authority

- (1) The statutory capital of the Monetary Authority, fully subscribed and paid-up, shall be an amount equivalent to an initial Capital of Twenty (\$20,000,000) Million US Dollars.
- (2) The statutory capital of the Monetary Authority shall be held solely by the Monetary Authority and shall not be transferable or subject to encumbrance of any kind.
- (3) The statutory capital of the Monetary Authority may be increased by such amounts as may be proposed by the Board and approved by the Government.
- (4) No reduction of the statutory capital shall be permitted at any time.

DIVISION 2 - RESERVE ACCOUNTS, PROFITS, LOSSES AND COVERAGE OF SHORTFALL IN CAPITAL

§448. Reserve and revaluation accounts

- (1) The Monetary Authority shall establish and maintain a general reserve account.
- (2) The general reserve account shall not be used except for the purposes of covering losses sustained by the Monetary Authority.
- (3) The Monetary Authority shall establish unrealized revaluation reserve account to account for unrealized gains and losses owing to its

positions with foreign currencies, gold, financial instruments, and other assets.

- (4) The Monetary Authority may, by decision by the Board, establish special reserve accounts for specific anticipated expenditures.

§449. Computation and treatment of net profits and losses

- (1) The profits and losses of the Monetary Authority shall be determined in accordance with Generally Accepted Accounting Principle.
- (2) The earnings available for distribution under Section 450 shall be determined as follows:
 - (a) by deducting from the net profits the total amount of unrealized revaluation gains, and by allocating an equivalent amount to the respective unrealized revaluation reserve account; and
 - (b) by deducting from the unrealized revaluation reserve account and adding to the distributable earnings as determined in Section 449(2) the amount of any unrealized profit that was deducted from the net profits for one or more previous years and was realized during the current financial year.
- (3) Unrealized revaluation losses shall be transferred to the unrealized revaluation reserve account until such time as these revaluation reserve account have a zero balance, after which these losses shall be covered by the current year's profit, and subsequently by the general reserve account and by the statutory capital.

§450. Allocation of distributable earnings

- (1) Within 30 days after publishing the annual financial statements, the Monetary Authority shall allocate the distributable earnings as follows:
 - (a) an amount equivalent to One Hundred (100) percent of distributable earnings shall be credited to the general reserve account until the sum of the authorized capital and general reserve equal Ten (10) percent of the total monetary liabilities of the Monetary Authority.

- (b) a part of the remaining distributable earnings may, with the decision of the Board, be credited to special reserve accounts that may be established by the Monetary Authority pursuant to Section 448(4) until such reserve accounts reach a sum that the Board deems appropriate;
 - (c) after deduction of the amounts referred to in the previous Sections 450(1)(a) and 450(1)(b), the remaining distributable earnings shall be transferred to the Treasury as revenue for the general budget of the State.
- (2) No distribution shall be made out of the current income of the Monetary Authority except as permitted under Section 449(1).
 - (3) If in any financial year the Monetary Authority incurs a net loss, this loss shall first be charged to the general reserve account, and subsequently applied against the statutory capital.

§451. Coverage of shortfall in capital

In the event that in the audited annual financial statements of the Monetary Authority, the value of its assets falls below the sum of its total liabilities and statutory capital:

- (a) The Board shall assess the situation and prepare a report on the causes and extent of the shortfall within a period of not more than 30 calendar days;
- (b) once the report referred to in Section 450(1)(a) is approved by the Board, the Monetary Authority shall request the Minister of Finance for a capital contribution to be made by the State to remedy the deficit with a view to restoring the statutory capital to its unimpaired level and
- (c) upon receipt of the request referred to in Section 450(1)(b), the Government shall, within a period of no more than 30 calendar days, transfer to the Monetary Authority the required amount in currency or in negotiable debt instruments with a specified maturity issued at market interest rates prevailing in Republic of the Marshall Islands.

PART IX - FINANCIAL STATEMENTS AND REPORTS, BUDGET AND AUDIT

DIVISION 1 – FINANCIAL STATEMENTS AND REPORTS

§452. Financial statements and accounting policies

- (1) The Board shall adopt the Monetary Authority's annual financial statements, accounting policies and procedures in line with Generally Accepted Accounting Principles.
- (2) The financial year of the Monetary Authority shall be from October 1, to September 30.

§453. Accountability for financial statements and reports

- (1) The Monetary Authority shall prepare financial statements for each of its financial years.
- (2) The Monetary Authority, within three months after the close of each of the financial year, shall submit to the Parliament financial statements, approved by the Board, signed by the Governor and certified by the external auditor.
- (3) Upon their completion, the Monetary Authority shall publish on its website the financial statements and the report referred to in the previous paragraph.

DIVISION 2 - BUDGET

§454. Budget

- (1) Prior to the commencement of each financial year, the Board shall approve the Monetary Authority's annual budget.
- (2) All revenue and income projected to be generated by the Monetary Authority or granted to the Monetary Authority from any source, together with projected expenditures, including depreciation and provisions for losses, shall be included in the annual budget.
- (3) The approved annual budget shall be communicated, for information purposes, to the Minister of Finance.

DIVISION 3 – INTERNAL AND EXTERNAL AUDITS**§455. Internal audit**

- (1) The Chief Internal Auditor of the Monetary Authority shall be appointed by the Board on the recommendation of the Governor.
- (2) The Chief Internal Auditor shall be a person with extensive professional experience in the field of accounting or audit. The criteria provided in Section 417 shall apply to the appointment of the Chief Internal Auditor.
- (3) The Chief Internal Auditor shall be appointed for a term of five years, which may be renewed. No person shall serve as Chief Internal Auditor for more than 10 years.
- (4) The Chief Internal Auditor may only be removed from office if the Board concludes that conditions established in Section 419, regarding removal of members of the Board, have been met with respect to the Chief Internal Auditor.
- (5) The Chief Internal Auditor may resign from office on giving not less than three months' notice to the Governor.

§456. Duties of the Chief Internal Auditor

- (1) The duties of the Chief Internal Auditor, assisted by internal auditors, shall include the following:
 - (a) proposing to the Audit Committee an annual audit plan;
 - (b) making recommendations to the Board on the adoption of procedures and practices for strengthening internal controls and following up and reviewing their effectiveness on a continuous basis.
 - (c) conducting audits of the operations and administration of the Monetary Authority in accordance with the annual audit plan and in compliance with international standards on internal audit;
 - (d) reviewing the Monetary Authority's periodic financial statements;
 - (e) preparing and delivering, at least twice a year and whenever deemed appropriate, reports to the Audit

- Committee and the Board regarding the financial statements and records, the budgetary and accounting procedures, risk management, the efficiency and cost effectiveness of the Monetary Authority;
- (e) liaising with the external auditors of the Monetary Authority;
 - (f) any other assignments as may be given by the Audit Committee or the Board, provided that such assignments do not conflict with its principal functions set forth in this Section;
- (2) The Chief Internal Auditor shall not have any operational functions, and the Board shall define the scope, reporting line, terms and conditions of the Internal Audit in the Audit Charter of the Monetary Authority.

§457. Audit Committee

- (1) The Board shall appoint an Audit Committee.
- (2) The Audit Committee shall comprise the three non-executive members of the Board. In the absence of at least one non-executive member of the Board with extensive experience in the field of accounting or auditing, the Audit Committee shall appoint at least one external expert with such extensive experience.
- (3) The criteria provided in Section 417 shall apply to the appointment of the external expert, who shall be removed from office if the Board concludes that conditions established in Section 419, regarding removal of members of the Board, have been met with respect to this member of the Audit Committee.
- (4) Upon an invitation of the Audit Committee, the executive members of the Board, or members of the staff, may attend the meetings of the Audit Committee without the right to vote.
- (5) The Audit Committee's responsibilities shall include:
 - (a) overseeing the financial reporting and disclosure process;
 - (b) proposing the Monetary Authority's accounting policies and principles to the Board;

- (c) making recommendations to the Board with respect to the external auditor selection and rotation policy; appointment of the external auditors, and the scope of external audits and other services;
 - (d) monitoring the internal control process;
 - (e) overseeing the performance of the internal audit function;
 - (f) monitoring the implementation of recommendations made by the Chief Internal Auditor and external auditors;
 - (g) discussing risk management practices and policies with management
- (6) The Audit Committee shall periodically report to the Board.
- (7) The Board shall define further responsibilities and duties of the Audit Committee in the Audit Committee Charter of the Monetary Authority.
- (8) The Audit Committee may regulate its own proceedings in accordance with guidelines established by the Board and the provisions of this Law.

§458. External audit

- (1) The accounts, records, and financial statements of the Monetary Authority shall, at least once a year, be audited in accordance with the International Standards on Auditing by independent external auditors who shall be of good repute and have recognized international experience in the auditing of large financial institutions.
- (2) The external auditors shall be appointed by the Board. The external auditor shall be appointed for a period of five years, after which the audit firm will be replaced.
- (3) The Board may dismiss the Monetary Authority's external auditors for good cause.
- (4) The external auditor shall report to the Audit committee on key matters arising from the audit and in particular on material weaknesses in internal controls relating to the financial reporting process.

- (5) The external auditors shall have full power to examine all books and accounts of the Monetary Authority and obtain all information about its transactions.
- (6) The report of the external auditors shall be published together with the Monetary Authority's annual financial statements.

§459. Audits ordered by the President

The President may, without prejudice to the autonomy of the Monetary Authority and the audits conducted by the external auditors pursuant to Section 458, order audits of the accounts of the Monetary Authority. Such audits shall have no concern with the merits of policy decisions including implementation thereof by the Monetary Authority.

PART X - GENERAL PROVISIONS

§460. Standards of good administration

- (1) The Monetary Authority shall use the powers granted to it equitably and uniformly and in accordance with sound administrative practices. It shall refrain from using any such power to serve an objective for which the power was not given or from using power in excess of that which is required to achieve the objective for which the power was given.
- (2) The decisions of the Monetary Authority shall be impartial and motivated only by objective and rational considerations. They shall be executed with fairness and restraint.

§461. Conflict of interest and fiduciary duty

- (1) The members of the Board shall act solely for the benefit of the Monetary Authority and shall put the interests of the Monetary Authority above their private interests.
- (2) The members of the Board and staff shall avoid any situation likely to give rise to a conflict of interest. They shall fully and promptly disclose to the Board, any interest, whether personal, commercial, financial, agricultural, industrial or other, which he/she, his/her spouse and family members to the second degree, including any dependent member of his/her family, may directly or indirectly incur, hold or be

- connected with and which becomes the subject of consideration by the Board.
- (3) Members of the Board and staff shall, before the last day of October each year, fully declare to the Board, significant financial interests which he/she, his/her spouse and family members to the second degree, including any dependent member of his/her family, may directly or indirectly incur, hold or be connected with, and any changes related thereto.
 - (4) A member of the Board shall recuse him/herself from any deliberations and voting related thereto provided that such an interest, if so disclosed, shall not disqualify such member for the purpose of constituting quorum.
 - (5) No member of the Board or of the staff, or agents of the Monetary Authority shall receive or accept from any source any benefit, rewards, remuneration or gift in excess of an amount specified under the Ethics in Government Act 1993, whether financial or non-financial, which is connected in any way whatsoever with their activities within the Monetary Authority.
 - (6) Members of the Board or the staff shall not use confidential information to which they have access for the purpose of carrying out private financial transactions, whether directly or indirectly via third parties, or whether conducted at their own risk and for their own account, or at the risk and for the account of a third party.
 - (7) Where a breach of the previous subsection concerns a member of the Board, this shall constitute serious misconduct within the meaning of Section 419(1)(b). Such misconduct, where it concerns a member of the staff, may, at the discretion of the Governor, constitute grounds for disciplinary measures.

§462. Promulgation of Regulations and decisions

- (1) The Monetary Authority shall have the power to issue such regulations and decisions as may be necessary for the carrying out of the functions entrusted to the Monetary Authority under this Chapter notwithstanding the provisions of the Marshall Islands Administrative Procedures Act 1979. Such Regulations shall be approved and adopted by the Board.

- (2) A regulation issued by the Monetary Authority shall have general application. It shall be binding in its entirety and directly applicable.
- (3) A decision issued by the Monetary Authority shall be binding on the addressee only.

§463. Publication of regulations

- (1) Regulations issued by the Monetary Authority shall be published in the newspaper, or Government Gazette and shall take effect on the date of such publication or on such later date as such regulation shall specify. The Monetary Authority shall maintain an online portal for accessibility to the existing regulations.
- (2) The Monetary Authority shall decide on publication of decisions.
- (3) The Monetary Authority shall maintain a public register of its published regulations and decisions.

§464. Administrative penalties

- (1) The Monetary Authority may, by decision, impose administrative penalties on any legal and natural persons operating in breach of this Chapter, or any other relevant law or regulation.
- (2) Administrative penalties include monetary penalties and other administrative measures, such as written warnings or orders, suspension and dismissal of administrators of financial institutions, revocation of licenses and other measures, as specified in this Chapter, or in any other relevant law or regulation.
- (3) Monetary penalties may be imposed by the Monetary Authority for up to a maximum amount of \$1,000 per violation, unless otherwise specified by law. They may be imposed on a daily basis for each day that the violation continues until the Monetary Authority determines that compliance is achieved.
- (4) The Monetary Authority shall, before imposing administrative penalties, provide a detailed statement to the person against whom the penalty is to be imposed describing the facts and the legal provisions supporting the existence of a violation, and shall give such person a full opportunity to contest the imposition of the penalty.

- (5) The Monetary Authority is not required to comply with the previous paragraph when referring to the penalties mentioned in Section 438(3) of this Chapter.
- (6) The Monetary Authority shall issue a regulation setting forth the procedures, including an internal appeal procedure, it will use in connection with its imposition of administrative penalties.
- (7) In determining whether to impose administrative penalties, and in determining the size of such penalties, the Monetary Authority shall take into consideration:
 - (a) the severity of the violation;
 - (b) whether the violation was recurring;
 - (c) whether depositors or third parties were injured thereby;
 - (d) whether the person against whom the penalty is to be imposed profited from the conduct at issue;
 - (e) the financial resources of such person; and
 - (f) any mitigating circumstances;
- (8) The imposition by the Monetary Authority of administrative penalties stipulated in this Section shall not preclude any civil or criminal liability.

§465. Prohibited activities

- (1) Except as otherwise specifically authorized by this Chapter or any other law, the Monetary Authority shall not:
 - (a) grant any credit or make monetary or financial gift to any natural or legal person;
 - (b) engage in commerce, invest in, purchase the shares of any corporation, including the shares of any financial institution, or otherwise have an ownership interest in any financial, commercial, agricultural, industrial, or other undertaking;
 - (c) acquire by purchase, lease, or otherwise any rights in, or to real property, except as it shall consider necessary or expedient for the provision of premises for the conduct of its administration and operations or similar

- requirements incidental to the performance of its functions;
- (d) issue loans and/or guarantees for any natural and legal person; and
 - (e) conduct balance sheet and off-balance sheet transactions that create economic or commercial advantages for the public sector, legal entities of specific institutions, or for specific economic sectors.
- (2) Notwithstanding the previous paragraph, the Monetary Authority may:
- (a) establish a subsidiary, or acquire an equity participation in any legal person provided that such participation is directly linked to, and necessary for the proper discharge of the Monetary Authority's functions listed in Section 406 of this Chapter.
 - (b) acquire, in the course of satisfaction of debts due to the Monetary Authority, any interests or rights referred to in this Section, provided that any such interests or rights so acquired shall be disposed of at the earliest appropriate opportunity; and
 - (c) establish staff retirement funds or similar arrangements for the benefit or protection of the staff, and manage such funds and arrangements.
- (3) Any of the activities mentioned in Section 469(2) shall be published in the report referred to in Section 409(3).

§466. Immunity from taxation

- (1) The Monetary Authority shall be exempt from all taxes on its income and all duties, excise and other taxes and levies on the import and domestic supply of gold, banknotes and coins.
- (2) The Monetary Authority shall be exempt from all other taxes, duties and levies from which Government ministries and other public agencies are exempt by Law.

§467. Confidentiality

- (1) A person who serves or has served as a member of the Board or a member of staff shall not, except when necessary for the fulfilment of a function or duty imposed by this Law or any other law, allow access to, disclose or publicize non-public information which has been obtained in the performance of their duties or relates to the exercise of the objectives and functions of the Monetary Authority under this Law or any other law.
- (2) Notwithstanding the previous paragraph, such persons may disclose non-public information outside the Monetary Authority, in accordance with procedures established by the Monetary Authority, in any of the following situations:
 - (a) disclosure is made in accordance with the express consent of the natural or legal person about whom the information relates;
 - (b) in fulfilment of a duty to disclose as imposed by law, including to assist law enforcement or on the order of a court;
 - (c) disclosure is made to the external auditors of the Monetary Authority;
 - (d) disclosure to domestic or foreign regulatory, supervisory, or monetary authorities, or to public international financial institutions, in the exercise of their official duties and provided that they are subject to comparable confidentiality requirements; or
 - (e) it is required by the interests of the Monetary Authority in legal proceedings.
- (3) The Board shall determine the classification and accessibility of documents held by or produced by the Monetary Authority.

§468. Preferential right

- (1) The Monetary Authority shall have a first priority unconditional preferential right to satisfy each of its claims arising from the execution of its functions from any cash balances, securities and other assets that it holds for the account of the debtor concerned whether as collateral

to secure its claims or otherwise, at the time that such claim becomes due and payable.

- (2) The Monetary Authority may exercise its preferential right only by appropriating the cash balances by way of compensation and by selling securities and other assets without undue delay in a commercially reasonable manner and paying itself from the proceeds of the sale after deducting there from the costs associated with the sale.

§469. Immunity from attachment

- (1) No attachment or execution shall be issued against the Monetary Authority or its property, including gold, special drawing rights, currency, credits, deposits or securities, and any proceeds thereof, before the issuance of a final judgment in any legal action brought before the courts.
- (2) The Monetary Authority may, in whole or in part, waive this protection, explicitly and in writing, except with respect to its holdings of gold and the special drawing rights.

§470. Judicial review

- (1) The Acts or omissions of the Monetary Authority shall be open to review by the courts of the Republic of the Marshall Islands. The act in question shall continue without restriction during the period of an appeal and any further appeal or other judicial proceedings related to the appeal.
- (2) The Monetary Authority shall not be liable to third parties for the damages that may occur as a result of the measures and activities for preserving the stability and soundness of a particular financial institution or the overall banking system, except in cases when it fails to comply with the authorizations prescribed by law.
- (3) In any court proceeding against the Monetary Authority, a member of the Board, member of the staff or an agent of the Monetary Authority, including a person previously holding such a position, shall not be liable for damages or otherwise liable for acts or omissions performed pursuant to and in the course of the duties and responsibilities exercised on behalf of the Monetary Authority unless it has been

proven that such acts or omissions constitute intentional wrongful conduct or gross neglect.

PART XI – FINAL PROVISIONS

§471. RESERVED

§472. Succession from Banking Commission to Monetary Authority

- (1) On the effective date of this Chapter, subject to Section 474(2), the Monetary Authority shall succeed the Banking Commissioner established by the Nitijela, in Sections 104, 105 and 106 of Banking Act Title 17.
- (2) The Banking Commissioner shall vacate his/her office upon the appointment of the Governor pursuant to Section 416 of this Act.

§473. Consequential Amendments.

A following Consequential amendment are made, to amend the existing laws or provisions which are in consistent or required amendments: These are set out in detailed under Schedule 1 of this Chapter.

- (1) Part II of the “Banking Act 1987” – being Sections 104, 105 and 106 - which established the Banking Commissioner is hereby repealed.
- (2) Part VI of the Public Financial Management Act 2023 is amended to deal with Government Banking and Cash Management System.
- (3) Part II of the Fiscal Responsibility and Debt Management Act 2020 is amended to provide for Monetary Authority as fiscal agent responsibilities in the debt management with the fiscal roles of the Secretary of Finance and the Minister of Finance.
- (4) Part I, Section 806, and Part II, Section 810-812 of the Marshall Islands Development Bank Act 1988 is amended to including vesting development bonds with Monetary Authority, and to include supervisory mechanisms of the Monetary Authority to MIDB.
- (5) Part III and IV of the Currency Declaration Act 2009 is amended to have the Monetary Authority deals with detention of currency etc. and any references to Banking Commission to become Governor.

- (6) The Declaration and Issuance of the Sovereign Currency Act 2018 is repealed in its entirety.
- (7) All previous legislation with provisions in contrary to this Chapter are repealed upon the effective date of this Chapter.

§474. Transitional Provisions relating to powers, terms, conditions, regulations and decisions of the Banking Commissioner, and the Act.

- (1) Any regulations, internal rules, guidelines, decisions or other administrative matters, acts or directions issued by the Banking Commissioner and which are in force immediately prior to the entry into force of this Chapter shall continue to be in force until these regulations are replaced by regulations, rules, guidelines, decisions or directions adopted by the Monetary Authority in accordance with this Law.
- (2) The Act shall have a transitional period of 6 months after the effective date.

§475. Savings

- (1) Any contracts that the Office of the Banking Commission entered, and extended beyond the disestablishment of the Office of the Banking Commission, including contracts relating to supply of goods and services including staff contracts, remunerations and employment terms and conditions shall continue to be enforced by the Monetary Authority.
- (2) Any pending legal proceedings to which the Office of Banking Commission is a party upon the effective date of this Chapter shall be continued to be as under the name Monetary Authority.
- (3) Any pending licensing applications submitted to the Office of the Banking Commission for Banking upon the effective date of this Chapter shall be considered and issued by the Monetary Authority.
- (4) Any examinations of banks or financial service providers that have started and have not been concluded by the Office of Banking Commission shall be completed by the Monetary Authority.

§476. Effective Date

This Act shall take effect on the date of certification in accordance with Article IV, Section 21 of the Constitution.

CERTIFICATE

I hereby certify:

1. That Nitijela Bill No: **35ND1** was passed by the Nitijela of the Republic of the Marshall Islands on the **13th** day of **August** 2025; and
2. That I am satisfied that Nitijela Bill No: **35ND1** was passed in accordance with the relevant provisions of the Constitution of the Republic of the Marshall Islands and the Rules of Procedures of the Nitijela.

I hereby place my signature before the Clerk this **23rd** day of **September** 2025.



Brenson S. Wase
Speaker
Nitijela of the Marshall Islands

Attest:



Morean S. Watak
Clerk
Nitijela of the Marshall Islands

SCHEDULE**CONSEQUENTIAL AMENDMENT PURSUANT TO SECTION 473****1. The Banking Act 1987 is amended as follows:**

- (1) Section 101 of the Banking Act 1987 is amended by amending the Short Title "Banking" to include "Financial Institutions." The Act may be cited as the "Banking and Financial Institutions Act 2024."
- (2) Any reference to "bank" "banking" in the Bank Act 1987 shall be replaced with "banking and financial institutions".
- (3) Any reference to "Banking Commissioner" or "Commissioner" shall be replaced with "Governor of Monetary Authority" or "Governor."
- (4) Part II of the Banking Act 1987 is repealed and Sections 104 to 106 shall be reserved.
- (5) Any reference to "Cabinet" in Sections 109, 110 or any relevant sections under the Banking Act 1987 in relation to approval of license shall be replaced with "the Monetary Authority Board" or "Board."

2. Part VI of the Public Financial Management Act of 2023 is amended as follows:

- (1) Section 132 of the Public Financial Management Act 2023 is amended as follows:

§132. Secretary of Finance's Authority over Government's Cash and Arrangements with Monetary Authority.

- (1) The Secretary of Finance shall have responsibility for the management and efficient use of government cash;
- (2) For the purpose of subsection (1), the Secretary of Finance:
 - (a) shall ensure coordination of government cash management with fiscal policy, and monetary policy and debt management policy with the Monetary Authority;
 - (b) shall make arrangements with the Monetary Authority to manage the cash management system on behalf of the Ministry and the Government;
 - (c) may require from Monetary Authority or any other person, information deemed necessary by the Secretary for the effective operation of the cash management system.
- (2) Section 133 of the Public Financial Management Act 2023 is amended as follows:

§133. Opening of Bank Accounts and Establishment of a Treasury Single Account.

- (1) The banking arrangements of Government shall reflect, the principles of a Treasury Single Account in which all Central Government cash are essentially managed as one from a cash point of view and into which all revenues and expenditures of covered entities shall be deposited and made respectively within that account structure established with the Monetary Authority.
- (2) The Secretary may establish with the Monetary Authority or other financial institution or any similar body or authorize the establishment therewith the Monetary Authority or other financial institutions, of such other accounts as may deem necessary or desirable for the purposes of controlling or administering public money.
- (3) No account shall be opened with the Monetary Authority or other financial institution or other such body, whether within or outside the Republic of the Marshall Islands, for the deposit of public moneys otherwise than in terms of this Act, unless the written authority of the Secretary has been obtained.

- (4) Where an account has been opened with the Monetary Authority or other a financial institution or other body in terms of this section, the officer responsible for the administration of that account shall not incur any overdraft on that account otherwise than in accordance with the written authority of the Secretary.
- (5) No Agency shall establish or have a bank account established for its benefit without the express approval of the Secretary. This Subsection does not apply to local government authority or state-owned enterprises.
- (3) Section 136 of the Public Financial Management Act 2023 is amended as follows:

§136. The General Fund.

- (1) There shall be a General Fund.
- (2) All taxes and other revenues and moneys raised or received by the Government shall be deposited into the General Fund Account with the Monetary Authority, unless permitted by Act to be deposited into some other fund or account established for a specific purpose.
- (3) No moneys shall be withdrawn from the General Fund Account with the Monetary Authority unless the issue of those moneys:
 - (a) has been authorized by the Appropriation Act or a Supplementary Appropriation Act; or
 - (b) has been authorized as anticipated or reprogrammed expenditure pursuant to Article VIII, Section 7 of the Constitution, or as an advance against a Contingencies Fund, pursuant to Article VIII, Section 9 of the Constitution; or
 - (c) is to meet expenditure specifically charged on the General Fund by the Constitution or by Act.
- (3) Section 137 of the Public Financial Management Act 2023 is amended as follows:

§137. Investment of General Funds.

- (1) Subject to the approval of the Cabinet, the Secretary of Finance may invest any public funds which are funds transfer from the General Fund Account with the Monetary Authority.
- (2) Any of such investments shall be due to mature no later than one (1) year from the date of investment, unless otherwise directed and authorized by the Cabinet for a longer period. Income derived there from may be reinvested, unless the Cabinet decides otherwise, at the discretion of the Secretary of Finance and shall be recognized as revenue in accordance with generally accepted accounting principles. Long-term investments shall be in time certificates of deposits, bonds, notes, prime commercial paper or other low-risk investments.

3. Part I and II of the Fiscal Responsibility and Debt Management Act 2020 is amended as follows:

(1) Section 1008 of the Fiscal Responsibility and Debt Management Act 2020 is amended as follows:

§1008. Presentation of Economic policy statement.

- (1) The Minister shall, after consultation with Monetary Authority, present to the Nitijela an economic policy statement:
 - (a) not later than 31 August in each financial year; or
 - (b) if the Nitijela is not in session on 31 August and an economic policy statement has not been presented in that financial year, as soon as possible after the commencement of the next session of the Nitijela.

(2) Section 1009 of the Fiscal Responsibility and Debt Management Act 2020 is amended:

§1009. Statement on long-term fiscal strategy.

- (1) If a long-term fiscal strategy has been prescribed, the Ministry in consultation with the Monetary Authority shall prepare a statement on

- the long-term fiscal strategy of the Government and the Minister shall present it to the Nitijela with the budget.
- (2) The strategy shall set out all significant assumptions underlying any projections included in the strategy.
 - (3) The Ministry in consultation with Monetary Authority shall update the long-term fiscal strategy every 4 years unless there is a significant economic event to necessitate the strategy being updated before 4 years.
 - (4) The long-term fiscal strategy shall accompany the annual budget statement for that year and the budget statement shall indicate whether it aligns with the long-term fiscal strategy, and if not, how it differs and why.

(3) Section 1017 of the Fiscal Responsibility and Debt Management Act 2020 is amended:

§1017. Borrowing purposes.

- (1) The Government may borrow:
 - (a) to finance Government budget deficits;
 - (b) to maintain a credit balance on the General Fund at a level determined by the Minister in consultation with the Monetary Authority;
 - (c) to provide such Government loans or credits to state-owned enterprises as may be approved by the Nitijela;
 - (d) to honour obligations under outstanding Government guarantees;
 - (e) to refinance outstanding debt or repay a loan prior to its date of repayment;
 - (f) to immediately protect, mitigate or eliminate effects caused by a natural or environmental disaster or any other national emergency; and
 - (g) any other purpose as the Nitijela may by resolution approve.
- (2) Where Government borrowing is for any of the purposes stated in paragraph (1) (f), the Minister shall as soon as is practicable after the

conclusion of the borrowing, inform the Nitijela about the terms and conditions of the loan at any time when is in session.

- (4) Section 1019 of the Fiscal Responsibility and Debt Management Act 2020 is amended:

§1019. Minister shall report on proposed new government debt.

- (1) Before the Government binds itself under any agreement in relation to proposed new debt, the Minister shall in consultation with the Ministry and the Monetary Authority, provide to the Cabinet a report on the proposal that includes information on the following matters:
- (a) how the proposed new debt fits within the current economic, financial, or fiscal policies of the Government provided and publicised for the purposes of, and in accordance with, the Act, including any relating to loans and securities;
 - (b) amortisation estimates;
 - (c) how the service burden over the life of the proposed new debt will affect the Government's overall financial well-being; and
 - (d) an assessment of the sustainability of overall government debt, taking into account the proposed new debt.
- (2) The Minister shall provide a summary of the report to the Nitijela and the Public Accounts Committee
- (3) A summary of the report shall be posted on the Ministry website and be made available for inspection by the public free of charge.
- (4) Where the Government is the guarantor of a loan, the Minister shall, prior to the issuance of a Government guarantee, determine the viability of the loan in consultation with the Ministry and the Monetary Authority, taking into account the following matters:
- (a) the level of risk associated with the guarantee;
 - (b) the financial well-being of the party in whose favour the guarantee is granted; and
 - (c) the relevant financial planning and business management documents of the party in whose favour the guarantee is granted

- (5) Section 1020 of the Fiscal Responsibility and Debt Management Act 2020 is amended:

§1020. Debt service requirements.

In determining the debt service requirements for a loan, the Secretary in consultation with the Monetary shall advise the Minister and take into account the following matters:

- (a) calculation of the contribution shall reflect the amortization of existing government debt;
- (b) calculation of the contribution shall reflect estimates of the amortization of proposed new debt; and
- (c) where government debt is payable in foreign currency, calculation of the contribution shall reflect an amount that the Secretary considers sufficient to offset fluctuations in exchange rates.

- (6) Section 1021 of the Fiscal Responsibility and Debt Management Act 2020 is amended:

§1021. Moneys borrowed to be paid into or out of General Fund.

- (1) All moneys raised under this Part shall be paid into the General Fund established with the Monetary Authority.
- (2) All sums relating to the following matters shall be paid out of the General Fund established with the Monetary Authority;
 - (a) sums under an agreement relating to a loan to the Government;
 - (b) sums in terms of a guarantee relating to a loan to a public corporation; and
 - (c) sums under any contract, bond or promissory note or other document executed pursuant to such agreement or guarantee.
- (3) The Secretary shall maintain proper accounts and records in the General Fund with the Monetary Authority or other designated fund relating to each loan raised under this Part.

(7) Section 1023(1) of the Fiscal Responsibility and Debt Management Act 2020 is amended:

§1023. Debt management strategy.

(1) A medium-term public debt management strategy shall be formulated annually on a rolling basis by the Secretary in consultation with the Monetary Authority, presented to the Minister and approved by Cabinet.

(8) Section 1026 of the Fiscal Responsibility and Debt Management Act 2020 is amended:

§1026. Borrowing by state-owned enterprises.

(1) On the commencement of this Act, borrowing by state-owned enterprises shall be in accordance with this Act and every provision of any enactment Act, including the articles and memorandum of association of companies, in existence immediately before such commencement relating to borrowing by state-owned enterprises shall be read and construed with such modification as will enable effect to be given to the provisions of this Part.

(2) A state-owned enterprise may borrow funds within the Republic of the Marshall Islands up to such limit as may be determined by the Minister, in consultation with the Secretary and the Monetary Authority, with the approval of the Cabinet.

(3) All external borrowings of a state-owned enterprise shall be subject to the prior approval of the Minister.

(4) The Marshall Islands Development Authority Act (MIDB) Act 1988 is amended as follows:

(1) Section 810 of the MIDB Act is amended:

§810. Functions of the Bank.

- (1) The functions of the Bank shall be to promote the development and expansion of the economy of the Marshall Islands in order to improve the standard of living of the people by adopting strategies that will develop and mobilize the human, natural, capital, technical entrepreneurial and other resources of the country. The Bank’s activities shall be designed to strengthen the nation’s economic base, increase employment and production, improve standards of housing, promote exports, and reduce the country’s dependence on imports and foreign aid.
- (2) In carrying out its functions the Bank shall have due regard for the general economic policies and plans of the Government of the Marshall Islands under the supervision of the Monetary Authority, and to the general objectives of the Investment Development Fund.

(2) Section 810 of the MIDB Act is amended:

§811. Powers of the Bank.

The Bank shall be empowered:

.....

- (k) To deposit money or bonds with financial institutions including the Monetary Authority in the Marshall Islands and elsewhere.
- (l) To accept money on deposit upon such terms as may seem expedient.

(4) The Currency Declaration Act 2009 is amended as follows:

- (1) Any references to “Banking Commission” or “Banking Commissioner” shall be deemed to mean “Governor of Monetary Authority” or “Governor”

(2) Section 208 of the Currency Act 2009 is amended

§208. Interest.

If currency is detained under Section 207 for more than 48 hours, it is at the

first opportunity to be paid into a sub-account of the General Fund (pre-designated by the Monetary Authority and held there; and the interest accruing on it is to be added to it on its forfeiture.

(5) The Declaration and Issuance of the Sovereign Currency Act 2018 is amended as follows:

- (1) *The Declaration and Issuance of the Sovereign Currency Act 2018 is repealed in its entirety.*