



DEPARTMENT OF ECONOMIC AFFAIRS
Federated States of Micronesia
P.O. Box PS-12
Palikir, Pohnpei FM 96941
Phone: (691) 320-4646/5133/2620; Fax: (691) 320-5854/2079
E-mail: fsmdea@mail.fm

January 16, 2006

MEMORANDUM

To: The President

From: Secretary

Subject: Adoption of the Amended FSM Foreign Investment Regulations

Pursuant to the authority vested in me as Secretary of the Department of Economic Affairs by Section 206 of Title 32 of the Code of the Federated States of Micronesia, I hereby request adoption of the attached amended Foreign Investment Regulations to repeal and replace the existing April 1, 1999 regulations.

The amended regulations are based on the National Foreign Investment Act as recently amended by FSM PL No.14-32. The main focus of the amendments is to make the rules of entry for potential investors less restrictive and the foreign investment application procedure more transparent. A companion focus is the simplification of the application and annual reporting forms to make them more "user friendly".

The substance of the amendments is mainly the deletion of subsections (3) and (4) of Section 1 of the existing regulations, the introduction of a new Section on "character criteria" and the provision on the criteria for additional Expatriate Worker Authorization (EWAs). There are other changes to the amended regulations, but they are presented in the form of restatement rather than an amendment because these are minor changes.

Subsections (3) and (4) of Section 1 of the existing regulations are merely restatements of provisions of the Act. They have been deleted from the amended regulations for the sake of simplicity.

The new Section on "Character Criteria" provides the criteria that every applicant or holder of an FSM Foreign Investment Permit must meet to obtain or retain an FSM Foreign Investment Permit. The main change here is the shift in focus from criteria for getting a permit to those that must be met in order to keep the permit.

The provision of the criteria for additional Expatriate Worker Authorization (EWAs) is primarily to satisfy the intent of the Law. The law calls for the regulations to specify the criteria for additional Expatriate worker Authorization (EWAs), but the existing regulations fail to do that.

We have fully complied with the requirements on promulgation and taking effect of regulations as set forth in Sections 102 and 104 of Title 17 of the Code of the Federated States of Micronesia, and also obtained concurrence of the Department of Justice on the substance and legality of the amendments

Mid-December 2005 was the proposed deadline for the amended regulations to take effect in order for the FSM to qualify for the Second Tranche of the ADBPSD Loan fund. It is therefore necessary that all the signatures necessary for adoption of the regulations be obtained as soon as possible.

If there is need for further clarification on any section of the amended regulations, please let me know.

Thank you,



Akillino H. Susaia

cc: Assistant Secretary, Division of Trade and Commerce




DEPARTMENT OF ECONOMIC AFFAIRS

Federated States of Micronesia

P.O. Box PS-12

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E-mail: fsmdea@mail.fm

December 14, 2005

MEMORANDUM

To: Secretary, Department of Justice

From: Secretary

Subject: Final Review of the Amended FSM Foreign Investment Regulations

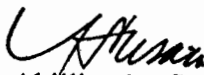
Attached, for your final review is the Amended FSM Foreign Investment Regulations.

In compliance with the procedures on adoption of regulations as set forth in Section 102 (1) of Title 17 of the Code of the Federated States of Micronesia, the proposed amendments were distributed and posted for 30 days (11/1-30/05) in each of the States for public review and comment. No comments were received from the public, hence, we would like to request that the regulations as amended, take effect immediately upon approval and adoption by the President to enable us to meet the Mid-December 2005 deadline for FSM to qualify for the Second Tranche of the ADB Loan Fund while at the same time complying with Section 104 FSMC on taking effect of regulations.

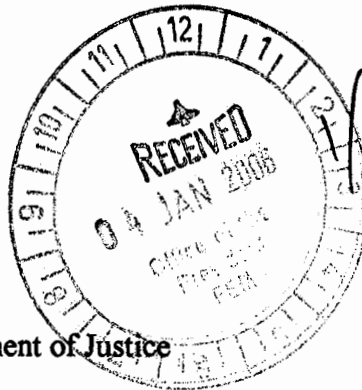
Please sign in the space provided for your Department in the attached approval form.

Finally, I would like to take this opportunity to thank you for the active participation of members of your staff in the review of the proposed regulations.

Thank you,


Akillino H. Susaia

cc: ROC




Handwritten initials/signature



APPROVALS

Pursuant to the authority vested in me as Secretary of the Department of Economic Affairs, I hereby submit the amended FSM Foreign Investment to the President for approval and promulgation thereof.

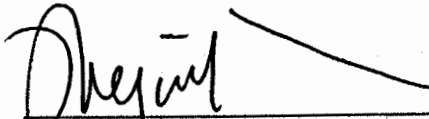
Date: 12-16-05



Akillino I. Susaia
Secretary
Department of Economic Affairs

The amended regulations have been reviewed by the Department of Justice and are in proper legal form.

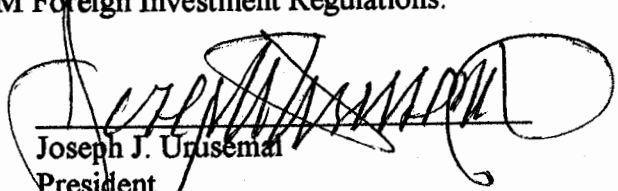
Date: 04 Jan. 06



Marstella E. Jack
Secretary
Department of Justice

I approve the adoption of the amended FSM Foreign Investment Regulations.

Date: 1/06/06



Joseph J. Urusemal
President
Federated States of Micronesia

NATIONAL GOVERNMENT
AMENDED FOREIGN INVESTMENT REGULATIONS
(Promulgated pursuant to 32 FSMC § 206(1)(d))

Part 1 – General Provisions

- Section 1.1 Purpose and authority
- Section 1.2 Definitions

Part 2 – Investment Categories and Criteria

- Section 2.1 National Red List
- Section 2.2 National Amber List
- Section 2.3 National Green List
- Section 2.4 Character criteria
- Section 2.5 Pro forma permit

Part 3 – Foreign Investment Permit Requirements and Procedures

- Section 3.1 Application forms and submission requirements
- Section 3.2 Action by the Secretary on applications – time periods
- Section 3.3 Form of permit
- Section 3.4 Application fees and annual fees
- Section 3.5 Modification or surrender of a permit

Part 4 – Other Provisions

- Section 4.1 EWA entitlements
- Section 4.2 Reports by holders of permits
- Section 4.3 Reports by the Department and by States
- Section 4.4 Fines and penalties
- Section 4.5 Assistance to States
- Section 4.6 Hearing procedures
- Section 4.7 Repeal of prior regulations

Schedules

- Schedule 1 Application Form for FSM Foreign Investment Permit
- Schedule 2 Form of FSM Foreign Investment Permit
- Schedule 3 Annual Report Form for Permit Holders
- Schedule 4 Form for Reporting Certain Ownership Changes
- Schedule 5 Application Form for EWAs
- Schedule 6 EWA Form

Part 1
General Provisions

Section 1.1 **Purpose and authority.**

(1) The purpose of these Regulations is to carry into effect and to facilitate implementation of the Foreign Investment Act of 1997, P.L. No. 10-49, as amended by P.L. No.14-32, and as the same may be further amended hereafter (codified at 32 F.S.M.C. Ch.2 and hereinafter called the “Act”).

(2) These Regulations and any amendments thereto are promulgated under the authority of section 223 of the Act and shall have the force and effect of law.

Section 1.2 **Definitions.**

(1) When words defined in the Act are used in these Regulations, the definitions provided in the Act shall govern unless otherwise required by the context.

(2) When words defined in this subsection are used in these Regulations, the following definitions shall govern unless otherwise required by the context:

(a) ‘business day’ means a day on which the offices of the Secretary are open for public business.

(b) “full time equivalent” or “FTE” means a single full time employee or so many part time employees as are necessary to equal a full time employee. For example, two half-time employees equal one FTE; three 2/3-time employees equal two FTEs.

(c) ‘National Amber List’ means the Category B economic sectors – those in which foreign investment is permitted anywhere in the territory of the FSM subject to the satisfaction of specific criteria – as provided for in section 205(1) of the Act.

(d) ‘National Green List’ means the Category C economic sectors – those in which foreign investment is freely permitted anywhere in the territory of the FSM – as provided for in section 205(1) of the Act.

(e) ‘National Red List’ means the Category A economic sectors – those in which foreign investment is prohibited anywhere in the territory of the FSM – as provided for in section 205(1) of the Act.

(f) 'occasional sale' means a sale out of the ordinary course of business which occurs no more than twice in a calendar year and for no more than three days on each such occasion.

Part 2

Investment Categories and Criteria

Section 2.1 National Red List.

The economic sectors on the National Red List are as follows:

- (a) As expressly stated in the Act:
 - (i) Arms manufacture;
 - (ii) Minting of coins or printing of notes for use as currency;
and
 - (iii) Business activities relating to nuclear power or radioactivity.
- (b) As designated by the Secretary:
 - (i) Business activities relating to manufacture or distribution of biological and chemical warfare components.

Section 2.2 National Amber List.

- (1) The economic sectors on the National Amber List are as follows:
 - (a) As expressly stated in the Act:
 - (i) Banking, other than as defined in title 29 of the FSM Code;
and
 - (ii) Insurance.
 - (b) As designated by the Secretary: None
- (2) Except for the character criteria in section 2.4 below, there are no specific criteria for obtaining an FSM Foreign Investment Permit for a business on the National Amber List.

- (3) The specific criteria for retaining an FSM Foreign Investment Permit for a business on the National Amber List, including the character criteria in section 2.4 below, shall be shown on or attached to the FSM Foreign Investment Permit as conditions, violation of which may result in loss of the permit as provided in the Act. Those specific criteria are as shown on the FSM Foreign Investment Permit form attached as Schedule 2 to these Regulations.

Section 2.3 National Green List.

- (1) The economic sectors on the National Green List are as follows:

- (a) As expressly stated in the Act:

- (i) Banking, as defined in title 29 of the FSM Code;
- (ii) Telecommunications;
- (iii) Fishing in the FSM's Exclusive Economic Zone;
- (iv) International and interstate air transport; and
- (v) International shipping.

- (b) As designated by the Secretary:

(i) Exploitation of any resources (other than fishing) within the Exclusive Economic Zone and in or beneath the seabed and the continental shelf beyond the territorial sea; and

(ii) Any business entity insofar as it is supplying goods or services pursuant to a contract with the National Government or under an international aid project approved by the National Government, except that no FSM Foreign Investment Permit shall be required for such activity in any State where the business entity holds an applicable State Foreign Investment Permit.

(2) Except for the character criteria in section 2.4 below, there are no specific criteria for obtaining or retaining an FSM Foreign Investment Permit for a business on the National Green List.

Section 2.4 Character criteria.

(1) An application for an FSM Foreign Investment Permit shall be denied if the applicant or any noncitizen holder of a substantial ownership interest in the applicant:

(a) was convicted of a felony or crime of moral turpitude in the FSM, any State, or any foreign jurisdiction during the prior 10 years;

(b) has ever had a Foreign Investment Permit issued by the FSM or any State canceled against his or her will; or

(c) remains indebted to any government, citizen, or resident of the FSM for more than 30 days after adjudication of the debt by final and unappealable decision of an FSM state or national court or administrative body, except to the extent that the delay in paying the debt is:

(i) required by bankruptcy or other law; or

(ii) because payment over time is expressly permitted under the terms of the applicable decision.

(2) An application for an FSM Foreign Investment Permit may be denied if any circumstance exists which would allow the Secretary to cancel the permit pursuant to section 209(7) of the Act if the permit had already been issued.

(3) An FSM Foreign Investment Permit may be suspended or cancelled as provided in the Act if, at any time after issuance of the permit, any circumstance described in subsection (1) applies to the holder of the permit or to the owner of a substantial ownership interest in the holder of the permit.

(4) Upon request of the applicant, a violation of any of the character criteria may be waived by the Secretary, with the concurrence of the Secretary of Justice, for good cause shown. Any such waiver must be in writing, state the reasons for the waiver, and be signed by both the Secretary and the Secretary of Justice.

Section 2.5 Pro forma permit.

(1) The Secretary may issue a pro forma FSM Foreign Investment Permit for a foreign investment on the National Amber List or National Green List which is exempted from the requirement for such a permit under any treaty or other overriding national law.

(2) A pro forma FSM Foreign Investment Permit shall clearly state which conditions for retaining the permit do and do not apply to the permit.

(3) A pro forma FSM Foreign Investment Permit shall be supported by a written opinion from the FSM Attorney General regarding the overriding national law and the extent to which it affects the conditions for retaining the permit which would otherwise apply.

Part 3
Foreign Investment Permit Requirements and Procedures

Section 3.1 Application forms and submission requirements.

- (1) Schedule 1 to these Regulations prescribes the form to be used in applying for an FSM Foreign Investment Permit.
- (2) All applications for FSM Foreign Investment Permits shall be submitted to the Secretary at his or her office.

Section 3.2 Action by the Secretary on applications – time periods.

(1) The Secretary shall have up to 15 calendar days to complete the review of each application for a permit. Within that time period, the Secretary shall:

- (a) determine, under section 207(3)(a) of the Act, which economic sector the application relates to;
- (b) request additional information from the applicant under section 207(3)(e) of the Act, if necessary;
- (c) deny the application under section 207(2)(b) of the Act, issue a permit under section 207(3)(f) of the Act, or forward the application to the responsible State authorities under section 207(3)(c) of the Act; and
- (d) advise the applicant of the action taken under subsection (c).

(2) If additional information is requested under subsection (1)(b), a new 15-day time period shall begin when the applicant responds to the request.

(3) If it is impossible for the Secretary to take action on an application within the time periods described above, the Secretary shall, by written notice, inform the applicant of that fact no later than 1 business day after the expiration of the prescribed period, and shall indicate (a) why the action could not be taken within the prescribed period and (b) a specific date (no later than 10 days from the date of the written notice) by which the Secretary will take action.

Section 3.3 Form of permit.

An FSM Foreign Investment Permit shall be in the form prescribed in Schedule 2 to these Regulations.

Section 3.4 Application fees and annual fees.

(1) There shall be no application fee.

(2) Every holder of an FSM Foreign Investment Permit shall pay an annual fee to the Secretary to help defray the Secretary's costs in monitoring the foreign investment. The annual fee shall be \$50 and shall be payable upon the issuance and on or before every anniversary of the issuance of the permit.

(3) All fees paid pursuant to these Regulations shall be deposited in the General Fund.

Section 3.5 Modification or surrender of a permit.

(1) A modification to an FSM Foreign Investment Permit which reflects only a change in the name, address, or registered agent of the holder shall be effected promptly and without charge upon receipt of a written request therefor.

(2) A modification of an FSM Foreign Investment Permit pursuant to section 209(5) of the Act may be made under the following conditions and procedures:

(a) The holder of the permit shall file with the Secretary a written request for modification, indicating (i) the nature of and reason for the change in the business that has prompted the request for modification and (ii) the specific permit provisions that are proposed to be modified.

(b) The Secretary, on receipt of such a request for modification, may require the permit holder to provide additional information pertinent to the request. The Secretary may deny or suspend action on the request if the holder fails to provide any such information.

(c) A modification request fee shall be payable to the Secretary upon the filing of a written request for modification. The amount of such fee shall be \$50. In cases where the modification is slight and does not require substantial commitment of resources for processing, the Secretary may waive the modification request fee in whole or in part.

(d) In evaluating the request for modification, the Secretary shall be guided by the principles applicable to the original issuance of an FSM Foreign Investment Permit, and shall not grant the request for modification if the foreign investment following such modification would not meet all of the applicable criteria for issuance of such a permit.

(e) If the Secretary determines that the permit should be modified, the Secretary may modify it as appropriate. Such modification need not be precisely as requested by the holder.

(f) The Secretary shall, within 5 business days after receiving the written request for modification and any further information required pursuant to subsection (2)(b) above, notify the holder of the permit as to whether the request for modification has been granted or denied and, if it has been granted, the precise terms of the modification.

(3) Surrender of an FSM Foreign Investment Permit shall be carried on in appropriate cases as follows:

(a) The holder of the permit shall notify the Secretary in writing of the reasons for the requested surrender.

(b) The Secretary shall determine whether any fees remain unpaid or any other requirements remain unfulfilled by the holder and require the holder to take appropriate action in that regard.

(c) If no further obligations remain outstanding, the Secretary shall declare the permit surrendered and shall so notify the holder and the authorities responsible for foreign investment in any State where the holder is or was engaged in business.

Part 4 Other Provisions

Section 4.1 EWA entitlements.

(1) The Secretary shall coordinate efforts with the Division of Immigration and Labor in implementing the provisions of sections 210, 211, and 212 of the Act.

(2) The form to be used in applying for EWAs (Expatriate Worker Authorizations) appears as Schedule 5 to these Regulations.

(3) Up to two additional EWAs shall be allocated to the holder of a Foreign Investment Permit if:

(a) the positions to which the EWAs relate are senior management positions; and

(b) for each such position, there are at least two full time or full time equivalent citizen employees of the business.

(4) If the condition in subsection (3)(b) above is not met during any period of time which is at least 6 months after the original issue date of the Foreign Investment Permit, the Secretary may instruct the immigration authorities to take such action as is

necessary to reduce the number of entry permits issued or issuable under the relevant EWAs to the point where that condition is met. In the case of a State Foreign Investment Permit, the Secretary shall so instruct the immigration authorities if requested to do so by the official of that State responsible for issuing foreign investment permits.

(5) The form to be used in allocating an EWA appears as Schedule 6 to these Regulations. A separate EWA shall be issued for each position that is authorized.

(6) While an entry permit is pending or outstanding under an EWA, the EWA form shall be retained by the immigration authorities. At all other times the EWA form shall be retained by its holder. If an EWA form is lost, a replacement EWA form may be issued. The replacement EWA form shall bear the same number as the EWA form it replaces and shall have the word "Replacement" marked prominently on its face.

Section 4.2 Reports by holders of permits.

(1) For the purpose of monitoring the amount and flow of foreign investment in the FSM, and to provide services to foreign investors, the Secretary shall, pursuant to section 213 of the Act, collect reports from all holders of FSM Foreign Investment Permits:

(a) on an annual basis, with the time of submission for each holder to be established by the Secretary or, failing that, by October 31st of each year (covering the fiscal year ended September 30th); and

(b) immediately in the case of a change in ownership of the investment which results in ownership of a substantial ownership interest by a noncitizen who did not previously own a substantial ownership interest.

(2) The form to be used for the annual reports referred to in subsection (1)(a) above appears as Schedule 3 to these Regulations. The form to be used for the reports referred to in subsection (1)(b) above appears as Schedule 4 to these Regulations.

(3) The Secretary may require the submission of additional information to clarify or support statements made in a report required by this section.

Section 4.3 Reports by the Department and by States.

(1) The information to be published annually pursuant to section 214(1) of the Act shall include data, both on a national basis and on a State-by-State basis, regarding the number of foreign investments, the types of business entities involved, the numbers of substantial interest holders, their shares of ownership in the business entities, and any unusual developments during the year being reported on, including cancellations or penalties imposed. Such information shall be published within 4 months after the end of each reporting year.

(2) The reports to be submitted by the Department to the States pursuant to section 214(2) of the Act shall be in sufficient detail to permit State authorities to effectively monitor foreign investment activities within their territories and to prepare overall reports on such foreign investment as required in section 215 of the Act and subsection (3) below.

(3) The reports to be submitted by State authorities to the Department pursuant to section 215 of the Act shall be in sufficient detail to permit the Secretary to prepare overall reports as required in section 214(1) of the Act and subsection (1) above. Such reports by the State authorities shall be submitted within 3 months after the end of each reporting year.

Section 4.4 Fines and penalties.

(1) Administrative fines and penalties applicable under section 220(2)(b) of the Act are as follows:

(a) Up to \$100 for failure to comply with the reporting requirements under section 213 of the Act or section 4.2 of these Regulations.

(b) Up to \$500 for failure or refusal to comply with any restrictions or conditions included in the FSM Foreign Investment Permit or for engaging in activities not authorized by the permit.

(c) Up to \$100 for any other violation of the Act or these Regulations.

(2) Administrative fines or penalties shall be paid to the Department and deposited in the General Fund.

Section 4.5 Assistance to States.

Subject to availability of funds, the Secretary shall, pursuant to 206(7) of the Act, provide assistance of the following type upon the request of a State:

(a) sharing of information on investors and potential investors, and their investments, for the purpose of evaluating applications, conducting enforcement actions, or designing promotional programs and incentives;

(b) organizing and facilitating workshops or other programs for States and for potential investors regarding investment opportunities, rules, and procedures;

(c) responding to inquiries about National Government rules and policies on foreign investment regulation and promotion; and

(d) providing such other services as the Secretary may consider appropriate.

Section 4.6 Hearing Procedures.

(1) The following procedures shall be followed during any foreign investment permit cancellation hearing under section 209(9) of the Act:

(a) The permit holder shall have the right to participate and to be represented by counsel, to call witnesses, and to cross-examine witnesses called against the holder.

(b) The hearing shall be public, unless otherwise requested by the permit holder. The entire proceedings shall be tape recorded.

(c) Formal rules of evidence shall not apply.

(d) The Secretary or his designee shall preside over the hearing. The Registrar of Corporations or counsel for the government shall present the evidence of the grounds for cancellation of the permit.

(2) Except as otherwise provided in the Act or these Regulations, the provisions of the FSM Administrative Procedures Act, 17 F.S.M.C. Ch.1, shall apply to permit cancellation hearings and any other hearings under the Act.

Section 4.7 Repeal of prior regulations.

The Foreign Investment Regulations dated April 7, 1999, as amended, and any prior foreign investment regulations are hereby repealed.

Schedule 1

OFFICE OF THE SECRETARY
DEPARTMENT OF ECONOMIC AFFAIRS
FEDERATED STATES OF MICRONESIA

P.O. Box PS-12

Palikir, Pohnpei, FM 96941

Phone: (691) 320-2646/5133 Fax: (691) 320-5854

Application No.: _____

Date Received at DEA: _____

APPLICATION FOR FSM FOREIGN INVESTMENT PERMIT

This form must be completed and submitted to the Office of the Secretary at the address above. It may be submitted directly or through the official responsible for issuing foreign investment permits in a State of the FSM. Answer every question. Attach additional sheets if necessary.

1. Name of applicant: _____

2. Name(s) of business (if different): _____

3. Economic Sector: _____

4. Address of principal office:

In FSM

Outside FSM

Phone: _____

Phone: _____

Fax: _____

Fax: _____

e-mail: _____

e-mail: _____

5. Name and address of registered agent in the FSM: _____

6. Purpose, scope, and objective of business: _____

7. FSM States in which applicant proposes to engage in business: _____

8. Form of applicant's business entity:

Sole proprietorship (individual) ___
Partnership ___
 General ___
 Limited ___
 Formed under the laws of _____
Corporation ___
 For profit ___
 Nonprofit ___
 Formed under the laws of _____
Joint Venture ___
Other (please specify): _____

9. Attach copies of the organic documents of the business entity indicated above (for example, partnership agreement, joint venture agreement, or, if a corporation, charter, articles of incorporation, and bylaws). If the business entity has not yet been formed, copies of the organic documents must be submitted before commencing to engage in business. If the organic documents are not in English, a notarized translation of them into English must also be submitted.

10. State the aggregate percentage of the applicant which is owned by citizens or governments of the FSM or legal entities wholly owned by such citizens or governments. ___ % Any other person is considered a noncitizen.

11. List all noncitizens (or state there are none, if applicable) who hold a "substantial ownership interest" in applicant, as defined in section 203 of the FSM Foreign Investment Act: _____

12. Investigate and provide the following information for the applicant and for each noncitizen holder of a "substantial ownership interest" in the applicant, as defined in section 203 of the FSM Foreign Investment Act. Attach additional sheets if necessary. If any answer is "yes", provide details.

Has this person been convicted of a felony or crime of moral turpitude in the FSM, any State of the FSM, or any foreign jurisdiction during the prior 10 years? ___
Yes ___ No

Has this person ever had a foreign investment permit canceled by the FSM or any of its States? ___ Yes ___ No

Is this person now indebted to any government, citizen, or resident of the FSM more than 30 days after adjudication of the debt by final and unappealable decision of an FSM state or national court or administrative body? ___ Yes ___ No

13. Have you attached any additional sheets to this form? ___ Yes ___ No
If so, how many? _____

Under penalty of perjury, the undersigned states that he or she is the applicant or a duly authorized representative of the applicant, that he or she has read the foregoing application and understands its contents, and that those contents are true and complete to the best of his or her knowledge and belief.

Signature: _____
Printed name: _____
Title or position with applicant: _____
Address (if different than applicant's): _____

Signed and sworn before me this ___ day of _____, _____.

[SEAL]

Notary Public
My commission expires: _____

Schedule 2

**OFFICE OF THE SECRETARY
DEPARTMENT OF ECONOMIC AFFAIRS
FEDERATED STATES OF MICRONESIA
P.O. Box PS-12
Palikir, Pohnpei, FM 96941
Phone: (691) 320-2646/5133 Fax: (691) 320-5854**

FSM FOREIGN INVESTMENT PERMIT

Permit No.: _____

Pursuant to the FSM Foreign Investment Act, this Permit is granted to:

Name: _____

Scope of Permit: _____

This permit:

(a) is valid until canceled, suspended, or surrendered in accordance with the provisions of section 209 of the FSM Foreign Investment Act and the Regulations promulgated thereunder;

(b) shall be displayed in a conspicuous place at the holder's primary place of business in the FSM;

(c) is subject to the conditions attached hereto; and

(d) does not absolve the holder from obtaining any other permits or complying with any other laws that may be applicable to the business engaged in.

Date

Secretary, Department of Economic Affairs

FEDERATED STATES OF MICRONESIA
AMBER LIST CONDITIONS
[to be attached to FSM Foreign Investment Permit]

1. The holder and every present or future owner of a "substantial ownership interest" in the holder, as defined in section 203 of the FSM Foreign Investment Act, shall not:

(a) be or have been convicted of a felony or crime of moral turpitude in the Federated States of Micronesia ("FSM"), any State of the FSM, or any foreign jurisdiction at any time after the date which is 10 years before (i) the date of this permit or (ii) in the case of a future owner of a substantial ownership interest, the date on which that substantial ownership interest was acquired;

(b) have or ever have had any foreign investment permit issued by the FSM or any of its States canceled against the will of the holder of that permit; or

(c) remain indebted to any government, citizen, or resident of the FSM for more than 30 days after adjudication of the debt by final and unappealable decision of an FSM state or national court or administrative body, except to the extent that the delay in paying the debt is:

(i) required by bankruptcy or other law; or

(ii) because payment over time is expressly permitted under the terms of the applicable decision.

2. If the holder is engaged in the business of providing insurance in the FSM, the holder shall file the following with the FSM Secretary of Economic Affairs:

(a) a \$100,000 deposit in cash, negotiable securities, or a bond from a corporate surety, or any combination totaling \$100,000 which is acceptable to the Secretary, before the commencement of business. The deposit shall be held in trust by the Secretary for the account of the holder to satisfy any judgment that may be rendered against it under any policies that it may issue. The deposit shall be maintained as long as the holder conducts business in the FSM; and

(b) a verified statement summarizing all commercial activity transacted in the FSM by the holder during its previous financial year within 60 days after the end of such financial year. The statement shall be accompanied by a certified copy of any annual report which the holder may have submitted to the foreign government, if any, under whose laws the holder is organized.

FEDERATED STATES OF MICRONESIA
GREEN LIST CONDITIONS
[to be attached to FSM Foreign Investment Permit]

1. The holder and every present or future owner of a “substantial ownership interest” in the holder, as defined in section 203 of the FSM Foreign Investment Act, shall not:

(a) be or have been convicted of a felony or crime of moral turpitude in the Federated States of Micronesia (“FSM”), any State of the FSM, or any foreign jurisdiction at any time after the date which is 10 years before (i) the date of this permit or (ii) in the case of a future owner of a substantial ownership interest, the date on which that substantial ownership interest was acquired;

(b) have or ever have had any foreign investment permit issued by the FSM or any of its States canceled against the will of the holder of that permit; or

(c) remain indebted to any government, citizen, or resident of the FSM for more than 30 days after adjudication of the debt by final and unappealable decision of an FSM state or national court or administrative body, except to the extent that the delay in paying the debt is:

(i) required by bankruptcy or other law; or

(ii) because payment over time is expressly permitted under the terms of the applicable decision.

Schedule 3

OFFICE OF THE SECRETARY
DEPARTMENT OF ECONOMIC AFFAIRS
FEDERATED STATES OF MICRONESIA
P.O. Box PS-12
Palikir, Pohnpei, FM 96941
Phone: (691) 320-2646/5133 Fax: (691) 320-5854

Permit No. _____
Original Issue Date of Permit: _____
Date this Report Received at DEA: _____

ANNUAL REPORT
of
FSM FOREIGN INVESTMENT PERMIT HOLDER

This form must be completed and submitted, along with any annual fee, by every holder of a Federated States of Micronesia ("FSM") Foreign Investment Permit on or before each anniversary of the original issue date of the Permit. Answer every question. Attach additional sheets if necessary.

1. Name of holder: _____
2. Name(s) of business (if different): _____
3. Address of principal office:

In the FSM

Outside the FSM

Phone: _____

Phone: _____

Fax: _____

Fax: _____

e-mail: _____

e-mail: _____

4. Name and address of registered agent in the FSM: _____

5. Date on which business was commenced: _____

6. FSM states in which holder is engaged in business: _____

7. Did holder file an annual report for last year? Yes No

If not, explain why: _____

8. Form of holder's business entity:

- Sole proprietorship (individual) ___
Partnership ___
 General ___
 Limited ___
 Formed under the laws of _____
Corporation ___
 For profit ___
 Nonprofit ___
 Formed under the laws of _____
Joint Venture ___
Other (please specify): _____

9. If the form of holder's business entity is different than on the original permit application or the most recent annual report, explain why: _____

10. Unless they are already on file with the Secretary, attach copies of the organic documents of the business entity indicated above (for example, partnership agreement, joint venture agreement, or, if a corporation, charter, articles of incorporation, and bylaws). Include any amendments of those documents to the date of this report. If the organic documents are not in English, a notarized translation of them into English must also be submitted.

11. State the aggregate percentage of the holder which is owned by citizens or governments of the FSM or legal entities wholly owned by such citizens or governments. ___ % Any other person is considered a noncitizen.

12. List all noncitizens (or state there are none, if applicable) who hold a "substantial ownership interest" in the holder, as defined in section 203 of the FSM Foreign Investment Act: _____

13. Investigate and provide the following information for the holder and for each noncitizen owner of a "substantial ownership interest" in the holder, as defined in section 203 of the FSM Foreign Investment Act. Attach additional sheets if necessary. If any answer is "yes", provide details.

Has this person been convicted of a felony or crime of moral turpitude in the FSM, any state of the FSM, or any foreign jurisdiction during the prior 10 years? ___
Yes ___ No

Has this person ever had a foreign investment permit canceled by the FSM or any of its states? ___ Yes ___ No

Has this person ever remained indebted to any government, citizen, or resident of the FSM for more than 30 days after adjudication of the debt by final and unappealable decision of an FSM national or state court or administrative body?
___ Yes ___ No

14. State the amount of capital invested in the FSM since the original permit application.
\$ _____

How much of this was in cash? \$ _____

What form(s) did the rest of it take? _____

Identify the project or location of the investment _____

How much of this invested capital has been withdrawn from the FSM? \$ _____

15. What percentage of holder's "gross revenues" during the past year, as defined for purposes of the FSM national gross revenue tax, were derived from the bona fide sale of goods or services to nonresidents of the FSM (including persons just visiting the FSM)?
_____%

16. How many employees does the holder have at this time? _____

How many of those employees are FSM citizens? _____

(Note: Employment must be calculated on the basis of full time equivalents (FTEs) as defined in the FSM Foreign Investment Regulations.)

17. Have you attached additional sheets to this form? ___ Yes ___ No

If so, how many? _____

Under penalty of perjury, the undersigned states that he or she is the holder or a duly authorized representative of the holder, that he or she has read the foregoing report and understands its contents, and that those contents are true and complete to the best of his or her knowledge and belief.

Signature: _____

Printed name: _____

Title or position with applicant: _____

Address (if different than applicant's): _____

Signed and sworn before me this ___ day of _____, _____.

[SEAL]

Notary Public
My commission expires: _____

Schedule 4

OFFICE OF THE SECRETARY
DEPARTMENT OF ECONOMIC AFFAIRS
FEDERATED STATES OF MICRONESIA
P.O. Box PS-12
Palikir, Pohnpei, FM 96941
Phone: (691) 320-2646/5133 Fax: (691) 320-5854

Foreign Investment Permit No. _____
Original Issue Date of Permit: _____
Date this Report Received: _____

REPORT
of
CERTAIN CHANGES OF OWNERSHIP OF A FOREIGN INVESTOR

This Report must be filed by the holder of an FSM Foreign Investment Permit immediately upon any change in ownership of the holder which results in ownership of a "substantial ownership interest" by a "noncitizen" who does not meet the "character criteria". Terms in quotation marks are defined in Section 203 of the FSM Foreign Investment Act. Answer every question. Attach additional sheets if necessary.

1. Name of holder: _____

2. Name(s) of business (if different): _____

3. Describe the nature of the subject ownership change: _____

4. Identify any former noncitizen holder(s) of an ownership interest whose ownership interest has been eliminated or reduced as a result of the subject change: _____

State the nature and percentage of each such person's ownership interest both before and after the change: _____

5. Identify any noncitizen holder(s) of an ownership interest whose ownership interest has been created or enlarged as a result of the subject change: _____

State the nature and percentage of each such person's ownership interest both before and after the change: _____

6. Identify the person(s) listed under question 5 who now hold a substantial ownership interest in the foreign investment permit holder: _____

7. For each person listed under question 6, either state that such person meets all of the following criteria or explain in detail how and why such person does not meet all of the following criteria:

(a) The person has not been convicted of a felony or crime of moral turpitude in the FSM, any state of the FSM, or any foreign jurisdiction during the past 10 years.

(b) The person has never had a Foreign Investment Permit issued by the FSM or any of its states canceled against his or her will.

(c) The person has not remained indebted to any government, citizen, or resident of the FSM for more than 30 days after adjudication of the debt by final and unappealable decision of an FSM state or national court or administrative body, except to the extent that the delay in paying the debt is:

(i) required by bankruptcy or other law; or

(ii) because payment over time is expressly permitted under the terms of the applicable decision.

8. Have you attached additional sheets to this form? ___ Yes ___ No
If so, how many? _____

Under penalty of perjury, the undersigned states that he or she is the holder or a duly authorized representative of the holder, that he or she has read the foregoing report and understands its contents, and that those contents are true and complete to the best of his or her knowledge and belief.

Signature: _____

Printed name: _____

Title or position with applicant: _____

Address (if different than applicant's): _____

Signed and sworn before me this ___ day of _____, _____.

[SEAL]

Notary Public
My commission expires: _____

Schedule 5

OFFICE OF THE SECRETARY
DEPARTMENT OF ECONOMIC AFFAIRS
FEDERATED STATES OF MICRONESIA

P.O. Box PS-12

Palikir, Pohnpei, FM 96941

Phone: (691) 320-2646/5133 Fax: (691) 320-5854

Date Submitted: _____

Date Received: _____

APPLICATION FOR EXPATRIATE WORKER AUTHORIZATION(S)
("EWAs")

This application is to be submitted to the FSM Department of Economic Affairs, P.O. Box PS-12, Palikir, Pohnpei, FM 96941. It may be submitted directly or through the official responsible for issuing foreign investment permits in a State of the FSM. Answer every question. Attach additional sheets if necessary.

Name of applying Foreign Investor: _____

Foreign Investment Permit held or sought by the applicant

If already issued: Permit Number _____ Date Issued _____

If pending: Date of Application _____

Issuing jurisdiction: FSM ___; Chuuk ___; Kosrae ___; Pohnpei ___; Yap ___

(Note: the permit must be issued before EWAs can be issued.)

Complete the following information for each EWA, whether it has already been issued to the applicant or is being requested now:

- (a) the job title;
- (b) how the position qualifies for an EWA under the FSM Foreign Investment Regulations, including the job description; and
- (c) whether an EWA for this position has already been issued or is being requested now.

Automatic EWA under Section 210(1) of the FSM Foreign Investment Act

	Job Title	How Qualifies?	Already Issued?
1.	_____	_____	_____

Additional EWA(s) under Section 210(2) of the FSM Foreign Investment Act

	Job Title	How Qualifies?	Already Issued?
2.	_____	_____	_____
3.	_____	_____	_____

4. _____
5. _____

Have you attached additional sheets to this application form? ___ Yes ___ No
If so, how many? _____

Signature: _____ Date: _____
Printed name: _____
Title or position with applicant: _____
Address (if different than applicant's): _____

Note to Applicants: Do not confuse EWAs and the entry permits to be issued pursuant to them. An EWA relates to a specific position and is good for the life of the foreign investment permit. An entry permit (including its renewals) relates to a specific person and is good only so long as that person occupies the particular position. Any number of individual persons may hold entry permits, one after another, throughout the life of the relevant EWA. Screening of an individual on health, criminal, and similar grounds is done by Immigration and Labor, pursuant to generally applicable rules, at the time that individual applies for an entry permit (or its renewal), not by the Secretary of Economic Affairs at the time his employer applies for the EWA.

Schedule 6

**OFFICE OF THE SECRETARY
DEPARTMENT OF ECONOMIC AFFAIRS
FEDERATED STATES OF MICRONESIA**

P.O. Box PS-12

Palikir, Pohnpei, FM 96941

Phone: (691) 320-2646/5133 Fax: (691) 320-5854

EWA No. _____

EXPATRIATE WORKER AUTHORIZATION ("EWA")

One EWA is issued for each position authorized. While an entry permit is pending or outstanding under this EWA, this EWA form shall be retained by the FSM Division of Immigration and Labor. At all other times this EWA form shall be retained by the holder.

Name of Holder: _____

Foreign Investment Permit No. _____ Issued on: _____

Issued by: ___ FSM ___ Chuuk ___ Kosrae ___ Pohnpei ___ Yap

Title and job description of position authorized by this EWA: _____

This EWA is issued under (check one):

___ Section 210(1) of the FSM Foreign Investment Act (automatic EWA)

___ Section 210(2) of the FSM Foreign Investment Act (additional EWA)

Date

Secretary, Department of Economic Affairs