

P- 1st Reading  
3/11/25  
PS BIFM

**A BILL FOR AN ACT**

To amend Title 26 to set a time limit a bank may be in receivership, to provide for a sunset provision for banks currently in receivership, and for other related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIIL ERA KELULAU DO ENACT AS FOLLOWS:

1           **Section 1. Legislative Findings.** The Olbiil Era Kelulau finds that the indefinite  
2 duration of receivership status of certain failed financial institutions such as the Pacific  
3 Savings Bank (PSB) may have created a persistent cycle of unresolved issues with no clear  
4 resolution. As long as receivership continues, proceeds from asset sales are likely being spent  
5 on staff salaries and space rentals rather than reimbursing depositors for their lost funds. The  
6 overriding purpose of receivership is to compensate priority creditors for their losses.

7           Many years since PSB entered receivership, many former depositors are still  
8 uncertain about whether they will ever be reimbursed. Information provided to those  
9 depositors and to policymakers has not been adequate to resolve this question.

10           In November 2011, the Financial Institutions Commission transferred the assets of  
11 the Receivership of PSB and its operations to the PSB Creditors' Trust. This action was  
12 taken pursuant to the Financial Institutions Act in order to achieve the main objective of the  
13 Receivership, which is to maximize the return on the remaining assets for additional  
14 disbursements to the depositors and creditors. Following this transfer, all disclosures and  
15 publications regarding the progress of collections and payouts became solely at the  
16 discretion of the PSB Creditors' Trust and its supervisory body, the Palau Supreme Court.

17           The Olbiil Era Kelulau also finds that Financial Statements and Independent  
18 Auditors' Report indicate that as of December 2009, the Receivership faced a deficit of \$15.6  
19 million. Additionally under Financial Report Note (6), a \$2.4 million non-interest bearing  
20 loan agreement between the Republic of Palau (ROP) Government and the Receivership was  
21 signed on March 2007, with an outstanding balance of \$920,000 in December 2009, which  
22 was supposed to be paid off in December 2011.

23           In November 2006, PNSB's banking license was revoked, and it went into  
24 receivership. At that time, the bank was estimated to hold over \$20 million in deposits from

1 more than 7,000 customers, including schools, tour groups, and hotels. Under 26 PNC §  
2 10.114(a), depositors of a financial institution in receivership were entitled to receive up to  
3 \$2,000 before other creditor claims or additional depositor balances were addressed. In 2012,  
4 certain depositors received payments exceeding this threshold, up to \$5,000, possibly  
5 through the Creditors' Trust established to disburse funds to creditors. However, since 2012,  
6 depositors have received no further updates or communication from the Creditors' Trust  
7 regarding the status of their remaining funds.

8 In December 2010, the ROP Executive Branch implemented a payout scheme that  
9 provided up to \$4,000 per depositor for those with account balances of \$4,000 or less.  
10 Similarly, in December 2012, another payout scheme was executed, granting up to \$5,000  
11 per depositor with balances of \$5,000 or less.

12 Based on the foregoing and the prolonged receivership of Pacific Savings Bank and  
13 the lack of further updates, the Olbiil Era Kelulau, through this Act finds it prudent to  
14 establish a definitive time limit for how long a bank may remain in receivership and to set a  
15 sunset provision for banks currently under receivership.

16 **Section 2. Amendment.** Chapter 10, Subchapter IX of Title 26 of the Palau National  
17 Code is hereby amended to insert a new Section 10.117 as follows:

18 **“§ 10.117. Time limitations.**

19 (a) A bank or financial institution shall not remain in receivership for a period  
20 exceeding ten (10) years, upon the expiration of this time limitation, the receivership shall  
21 automatically terminate.

22 (b) Upon application for a writ to the Trial Division of the Supreme Court of the  
23 Republic of Palau, any creditor of a financial institution that continues in receivership in  
24 violation of this Section shall be granted a writ to auction any remaining assets of said  
25 financial institution for said creditor's benefit.

26 (c) Any bank or financial institution that has been in receivership for more than ten  
27 (10) years as of the enactment of this Act shall have a period of twelve (12) months from the  
28 enactment date to conclude and finalize all outstanding affairs before the application of  
29 subsections (a) and (b) to such bank or financial institution.”

30 **Section 3. Remaining Assets of the Pacific Savings Bank.** Notwithstanding  
31 subsection (b) of Section 10.117 of Title 26 of the Palau National Code, after the expiration

1 of the time limitation for receivership pursuant to Section 2 of this Act, all remaining assets  
 2 of the Pacific Savings Bank shall transfer to the possession of the National Development  
 3 Bank of Palau. A joint inventory of such assets and their approximate value shall be  
 4 submitted to the Olbiil Era Kelulau within thirty (30) days of such transfer.

5 **Section 4. Detailed Records of Depositors Fund of the Pacific Savings Bank.** All  
 6 depositor records of the Pacific Savings Bank shall be transferred to the NDBP for that the  
 7 NDBP may fairly liquidate the remaining assets of the Pacific Savings Bank in accordance  
 8 with Section 5 of this Act.

9 **Section 5. Liquidation of all Remaining Assets of the Pacific Savings Bank.** All  
 10 remaining assets of the Pacific Savings Bank shall be liquidated to compensate depositors  
 11 and creditors with balances still unpaid by the Bank Receivership, with such priority as is  
 12 provided for in Section 10.114 of Title 26 of the Palau National Code, or in accordance with  
 13 the common law.

14 **Section 6. Severability.** In the event that a court of competent jurisdiction determines  
 15 that any part or portion of this Act is invalid or otherwise unenforceable, then the offending  
 16 portions may be stricken, and the remaining portions shall continue in full force and effect.

17 **Section 7. Effective Date.** This Act shall take effect upon the approval of the  
 18 President of the Republic of Palau or upon its becoming law without such approval.


Date: 3.11.25

Introduced by:

  
 Senator Rukebai Kikuo Inabo

  
 Senator Stevenson J. Kuartei

  
 Senator Mason N. Whipps

  
 Senator Kazuki L. "Topps" Sungino

  
 Senator Ann Latii Pedro

  
 Senator Andrew Tabelual