



Republic of Palau

Financial Institutions Commission

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FIC Statement of Clarification

July 23, 2020

The Financial Institutions Commission issues this statement in response to continued confusion as to the roles and responsibilities of this agency, as spelled out in 26 PNCA 10, The Financial Institutions Act ("FIA").

Pursuant to 26 PNCA 10, §1013:

§ 1013. Objectives and basic tasks.

(a) The primary objective of the Commission shall be to ensure the liquidity and solvency of financial institutions in the Republic of Palau pursuant to the requirements of this chapter and any regulations promulgated hereunder.

(b) The Commission shall license, supervise, and regulate financial institutions, provided that nothing herein shall be construed to preempt or preclude other entities of the National Government, including, but not limited to, the Attorney General, the Registrar of Corporations, and the Bureau of Revenue, Customs and Taxation, from exercising authority over financial institutions pursuant to laws granting such authority to such entities.

The FIC's primary objective is to ensure the liquidity and solvency of financial institutions licensed in the Republic of Palau. This means the FIC works to ensure that a bank, on an overall basis, is secure in its financial condition, has enough funds on hand to pay depositors when they demand their funds and ensures that the banks have enough of their own funds or capital to withstand actual or potential losses incurred by loans given out or investments a bank has made, with depositor funds.

As of today, all licensed banks in Palau are operating within the parameters of the FIA and the applicable regulations promulgated under this law – all licensed banks are solvent and have adequate liquidity.

With respect to the recent matter relating to Economic Impact Payments made available through the US CARES Act to US and FAS citizens residing in or outside the United States, the FIC has no jurisdiction to instruct or otherwise advise on the way the banks handle these funds, which Palau residents with US Social Security numbers have opted to apply for and have received through their banks.

The FIC has not and will not instruct any licensed bank on how to evaluate "non proceeds of crime" transactions that have been processed through a bank and are proceeds from a US economic aid or stimulus package made available through US Federal Government laws.

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*Each bank licensed in Palau is authorized to operate their financial institutions within the parameters of our law and shall enjoy operational independence, according to **26 PNCA 17, §1051**. The FIC cannot and does not step into and manage the affairs of any licensed banks, unless it has been placed under Receivership or the institution has been mismanaged to a point where it is a danger to all public depositors.*

The FIC is a regulatory and oversight body that ensures Palau's banking system and licensed institutions are operating safely and soundly for the benefit of our citizens and residents. However, under our banking law, the FIC has no specific authority to address individual consumer related matters arising from an individual's interaction with their bank of choosing. Therefore, the FIC is unable to and will refrain from the issuance of any further statements regarding individuals that have had holds placed on their accounts due to questions arising from eligibility or other such matters related to the US IRS EIP program.

We recommend that affected individuals visit our website (www.ropfic.org) and obtain additional information, as presented in correspondence from the Ministry of Finance and Ministry of State. We further encourage affected individuals to review the account opening agreements and terms under which they established their bank accounts to better understand what the terms of the banking services provided are for the bank or banks they have chosen to open accounts with.



Semdiu Decherong
Executive Commissioner