

**TITLE 18 - COOPERATIVES AND NON-PROFIT CORPORATIONS  
CHAPTER 2 - NON-PROFIT ENTITIES ACT 2020**



Republic of the Marshall Islands  
*Jepilpilin Ke Ejukaan*

**NON-PROFIT ENTITIES ACT 2020.**

**Index**

<b>Section</b>	<b>Page</b>
§201. Short title. ....	3
§202. Interpretation. ....	3
§203. Purpose. ....	6
§204. Application of the Non-Profit Entity Act.....	6
§205. Requirement to Hold a Bank Account.....	7
<b>PART II –NON-PROFIT STATUS</b>	<b>7</b>
§206. Non-Profit Activity .....	7
§207. Non-Profit Tax Exemption.....	8
<b>PART III – FORMATION &amp; GOVERNANCE</b>	<b>8</b>
§208. Formation of Domestic Non-Profit Entity. ....	8
§209. Incorporators.....	9
§210. Directors.....	10
§211. Officers.....	10
§212. Liability of Directors and Officers.....	11
§213. Articles of Incorporation. ....	11
§214. Bylaws or LLC Agreement.....	12
§215. Fees. ....	12
§216. Standard of Care for Directors and Officers.....	13
§217. Non-Profit Entity Records.....	13
§218. Annual Disclosure.....	14
<b>PART IV – MEMBERS</b>	<b>15</b>
§219. Admission. ....	15

§220.	Rights and Obligations of Members.....	15
§221.	Resignation and Termination.....	16
§222.	Distributions Prohibited.....	16
§223.	Meetings of Members.....	17
§224.	Members' Inspection Rights.....	17
<b>PART V – DISSOLUTION&amp; SANCTIONS</b>		<b>17</b>
§225.	Voluntary Dissolution.....	17
§226.	Involuntary Dissolution.....	17
§227.	Sanctions for Violations.....	18
§228.	Distribution of Assets.....	18
<b>PART VI – FOREIGN NON-PROFIT ENTITIES</b>		<b>19</b>
§229.	Authorization of Foreign Non-Profit Entities.....	19
§230.	Termination or Revocation of Authority.....	19
§231.	Rights and Liabilities of Unauthorized Foreign Non-Profit Entity.....	20
§232.	Actions or special proceedings against foreign entities.....	20
§233.	Applicability of Other Provisions.....	20
§234.	Sanctions for Violations.....	20
<b>PART VII - RULES &amp; REGULATIONS</b>		<b>21</b>
§235.	Regulations.....	21
§236.	Repeal.....	21
§237.	Effective Date.....	21
<b>SCHEDULE</b>		<b>23</b>
ISTANBUL PRINCIPLES ON DEVELOPMENT EFFECTIVENESS		23

**TITLE 18 - COOPERATIVES AND NON-PROFIT CORPORATIONS**  
**CHAPTER 2 - NON-PROFIT ENTITIES ACT 2020**



Republic of the Marshall Islands  
*Jepilpilin Ke Ejukaan*

**NON-PROFIT ENTITIES ACT 2020.**

**AN ACT** to repeal the Non-Profit Corporation Act, Title 18 of the MIRC, Chapter 2 and replace it with a new Act to provide for the creation, registration, governance and dissolution of non-profit entities engaging in activities in the Republic of the Marshall Islands.

*Commencement:*

*May 14, 2021*

*Source:*

*P.L. 2021-29*

*P.L. 2021-39*

---

**§201. Short title.**

This Act may be cited as the Non-Profit Entities Act 2020.

**§202. Interpretation.**

In this Act, unless the context otherwise requires, the term:

- (a) “articles of incorporation” means the original articles of incorporation, articles of formation, or articles of organization required to be filed with the Registrar in order to form a domestic non-profit entity under this Act, or any instrument filed or issued under any statute to form a foreign non-profit entity, and all amendments thereof.
- (b) “board” means board of directors.
- (c) “Business Corporations Act” or “BCA” means the Business Corporations Act (52 MIRC Part I).

- (d) “bylaws” mean the rules that describe and govern corporation’s conduct and engagement in activities.
- (e) “corporation” means a corporation formed under the Business Corporation Act.
- (f) “corporate charter” means a legal document issued by the Registrar showing the entity has complied with the requirements of incorporating an entity to conduct business or engage in activities in the Republic of the Marshall Islands, including a certificate of formation.
- (g) “director” means a member of the board of directors.
- (h) “dissolution” means the closing down, termination, or dismissal of legal entity or official body either voluntarily or involuntarily.
- (i) “Distributed Ledger” means a Block chain (having the meaning as set forth in the Declaration and Issuance of the Sovereign Currency Act 2018, Title 15 MIRC Chapter 3) that is publicly accessible and its ledger or transaction is transparent.
- (j) “domestic non-profit entity” means a non-profit entity incorporated under this Act or formed under any other law of the Republic and existing on the effective date of this Act, including the Business Corporation Act and the Limited Liability Company Act.
- (k) “entity” as used in this Act refers to a group of individuals, a society, organization or association, organized, formally or informally, to engage in an activity or activities in the Republic of the Marshall Islands.
- (l) “fit and proper person” means an individual who can ensure or is likely to ensure, that charitable or other funds of similar nature, and tax reliefs are used only for its stated purpose(s).
- (m) “foreign non-profit entity” means a non-profit entity organized in a foreign jurisdiction which has been granted authority to engage in non-profit activities related to its Charter and Articles of Incorporation in the Republic of the Marshall Islands.
- (n) “incorporate” means the act or process of forming or creating a corporation or legal entity.

- (o) “incorporator” means any person or entity incorporating or forming legal entity under this Act.
- (p) “inure” for the purposes of this Act means, to take effect or to come to the benefit of a person or to fix an interest therein.
- (q) “Limited Liability Company” or “LLC” means a company formed under the Limited Liability Company Act (52 MIRC Chapter 14).
- (r) limited liability company agreement” or “LLC agreement” means the rules that describe and govern a LLC’s conduct and engagement in activities.
- (s) “member” means a person in whose name or Distributed Ledge Identifier a membership is registered on the records of the non-profit entity and who has the right to select or vote for the election of directors or to vote on any type of fundamental transaction.
- (t) “membership” means the rights and any obligations of a member in a non-profit entity.
- (u) “officers” means officers of the entity, including the president, vice-president, secretary and treasurer who shall be elected or appointed by the board of directors in a manner prescribed by the bylaws.
- (v) “person” means an individual, company, corporation, partnership or any body incorporated or unincorporated and includes every director, manager, agent or secretary of such person.
- (w) “non-governmental organization” or “NGO” means a voluntary group of individuals or organizations, independent of government involvement or approval, formed to jointly discuss ideas or common interests, or to provide a service(s) to the public, or to advocate a public policy.
- (x) “non-profit activity” means any activity set forth in §106 of the Act.
- (y) “non-profit entity” or “NPE” means a domestic or authorized foreign entity, non-governmental organization, non-profit corporation, non-profit LLC, or any other non-profit association engaging in non-profit activities in the Republic

that is not a cooperative association organized under the Cooperatives Act of 1993 (18 MIRC Chapter 1).

- (z) “Registrar” means the Registrar of Corporations responsible for resident domestic and authorized foreign entities.
- (aa) “Republic” means the Republic of the Marshall Islands.
- (bb) “smart contract” means an automated transaction or any substantially similar analogue, which comprised of code, script or programming language that executes the terms of an agreement and which may including taking custody of and transferring an asset, administrating interest votes with respect to a decentralized autonomous organization or issuing executable instructions for these actions, based on the occurrence or non occurrence of specified conditions.

### §203. Purpose.

The purpose of this Act is to provide for the administration of non-profit entities in the Republic, including their creation, registration, governance, dissolution and other related matters.

### §204. Application of the Non-Profit Entity Act

- (1) This Act shall apply to every non-profit entity registered to engage in, or otherwise engaging in, non-profit activities in the Republic, including those in existence on the effective date of this Act. However, this Act shall not alter or amend the articles of incorporation of any non-profit entity in existence on the effective date of this Act, nor shall it apply to the Marshall Islands Red Cross Society.
- (2) Any domestic non-profit entity established prior to the effective date of this Act shall, within 180 days, subject itself to the provisions of this Act either by filing with the Registrar articles of incorporations that comply with §213 of this Act or, by amending its articles of incorporation to comply with §213 of this Act in the manner prescribed by the BCA for resident domestic corporations.
- (3) Unless otherwise specified in this Act, all other laws of general application to corporations and LLCs, including the BCA and the LLC Act shall apply to domestic and foreign non-profit entities.

Unless otherwise specified in this Act or regulations, the form of instruments, filing, service of process, and registered agent provisions of the BCA or LLC Act, apply to this Act.[Amended by P.L. 2021-39].

**§205. Requirement to Hold a Bank Account.**

Within 60 days of incorporation or otherwise becoming subject to this Act, a non-profit entity if a corporation shall open and at all times thereafter hold, a bank account in one of the domestic banks operating in the Republic or, if a LLC maintain a physical address in the Republic.[Amended by P.L. 2021-39].

## PART II –NON-PROFIT STATUS

**§206. Non-Profit Activity**

Any entity that exclusively engages in raising or disbursing funds for purposes listed below may be granted non-profit status:

- a. Charitable;
- b. Religious;
- c. Scientific;
- d. Educational;
- e. Social;
- f. Fraternal; or
- g. Any other types of “good works” if:
  - i. no part of its net earnings inures to the benefit of any person or individual;
  - ii. its activities do not exclusively involves disseminating propaganda or otherwise attempting to influence legislation; and
  - iii. it does not participate in, intervene in, or disseminate statements on behalf of or in opposition of any candidate running for public office.

**§207. Non-Profit Tax Exemption**

Anon-profit entity shall be eligible to apply for tax exemption in the manner prescribed in the Income Tax Act in order to qualify for non-profit tax exemption..

**PART III – FORMATION & GOVERNANCE****§208. Formation of Domestic Non-Profit Entity.**

- (1) A domestic non-profit entity may be formed or incorporated under this Act by any number of persons, not less than three (3), and by an organization or an association in the Republic.
- (2) The granting of a corporate charter shall be prima facie evidence that the domestic non-profit entity has complied with all requirements necessary to form a domestic non-profit entity under this Act and its related regulations, and is therefore authorized to carry on any lawful activity, directly or indirectly related to its stated purpose(s), and any other lawful activities corporations formed within the Republic are authorized to carry on or engage in, except the carrying on of a business, trade, avocation or profession for profit.
- (3) A corporate charter granted or a domestic non-profit entity incorporated under this Act shall be subject to all general laws applicable to corporations or LLCs, including general powers normally granted to corporations to:
  - a. purchase or own real property in the Republic;
  - b. have perpetual duration;
  - c. sue and be sued in all courts of competent jurisdiction in the Republic, and participate in actions and proceedings, whether judicial, administrative, arbitative or otherwise, in like cases as natural persons;
  - d. have a corporate seal;
  - e. purchase, receive, take by grant, gift, devise, bequest, or otherwise, lease or otherwise acquire, own, hold, improve, employ, use and otherwise deal in and with real or personal property, or any interest therein, wherever situated;



- f. sell, convey, lease, exchange, transfer or otherwise dispose of, or mortgage or pledge, or create a security interest in all, or any of its property, or any interest therein, wherever situated;
- g. purchase, take, receive, subscribe for, or otherwise acquire, own hold, vote, employ, sell lend lease exchange, transfer, or otherwise dispose of, mortgage, and pledge, bonds and other obligations, shares, or other securities or interests issued by others, whether engaged in similar or different activities;
- h. make contracts, give guarantees and incur liabilities, borrow money at such rates of interest as the non-profit entity may determine, issue its notes, bonds, and other obligations, and secure any of its obligations by mortgage or pledge of all or any of its property or any interest therein, wherever situated;
- i. lend money, invest and reinvest its funds, and have offices exercise the powers granted by this Act or regulations in any jurisdiction within and without the Republic;
- j. elect or appoint officers, employees and other agents of the non-profit entity, define their duties, fix their compensation, and the compensation of directors, and to indemnify entity's corporate personnel;
- k. make donations for the public welfare or for other non-profit purpose(s);
- l. be a promoter, incorporator, partner, member, associate, or manager of other non-profit entities; and
- m. have and exercise all powers necessary or convenient to effect any or all of the purposes for which a corporation is formed, and shall file with the Registrar, from time to time, whenever changes occur, the name and addresses of the directors and officers of the non-profit entity in a manner prescribed by regulations. [Amended by P.L. 2021-39].

### §209. Incorporators.

Any person or entity desiring to organize and incorporate a domestic non-profit entity under this Act may do so by filing with the Registrar, articles of incorporations and initial bylaws LLC agreement, as applicable, and any other such documents or information as may be prescribed by regulations promulgated by the Registrar. [Amended by P.L. 2021-39].

**§210. Directors.**

- (1) There shall be at least three (3) required to form a domestic non-profit corporation under this Act. This section shall not apply to a domestic non-profit LLC, which shall be managed in accordance with its LLC agreement.
- (2) Subject to the articles of incorporation and bylaws, the term office for each director shall be two (2) years.
- (3) Subject to the articles of incorporation, bylaws, and any other laws in applicable to corporations, the board of directors shall be responsible for the carrying out of the purpose(s) and exercising of the powers of the domestic non-profit entity in the Republic.
- (4) Subject to the articles of incorporation, bylaws, and any other law, the directors shall exercise their powers, duties and responsibilities in a manner that promotes the public interest and overall success of the domestic non-profit entity.
- (5) Except to the extent inconsistent with this Act, the rights, obligations, and other provisions relating to directors under the BCA and the regulations promulgated thereunder shall apply to directors of domestic non-profit entities under this Act. [Amended by P.L. 2021-39].

**§211. Officers.**

- (1) The officers of a domestic non-profit corporation shall consist of at least, a secretary and such officers, however designated, as may be prescribed by the articles of incorporation or bylaws. Such officer shall be appointed by the directors in a manner prescribed the articles of incorporation or bylaws.
- (2) Subject to the articles of incorporation and bylaws, the term of office for each officer shall be two (2) years or otherwise determined by the board of directors.
- (3) Except to the extent inconsistent with this Act, the rights, obligations, and other provisions relating to officers under the BCA and the regulations promulgated thereunder shall apply to officers of domestic non-profit corporation under this Act. [Amended by P.L. 2021-39].

**§212. Liability of Directors and Officers.**

Unless otherwise provided by law, the directors and officers of the domestic non-profit entity shall not be liable for corporate debts and obligations.

**§213. Articles of Incorporation.**

- (1) Contents of Articles of Incorporation. In addition to the initial by-laws or LLC agreement, as applicable, a domestic non-profit entity shall file with the Registrar, articles of incorporation setting forth, among other things:
  - a. the name of the domestic non-profit entity;
  - b. the name and address (mailing and physical) of the domestic non-profit entity's registered agent and principal office;
  - c. that the domestic non-profit entity is incorporated under this Act;
  - d. the period or duration of the domestic non-profit entity if other than perpetual;
  - e. the purpose or purposes for which the domestic non-profit entity is organized;
  - f. authority and powers;
  - g. non-profit statement, including a statement in which the domestic non-profit entity elects to set forth the regulation of the internal affairs of the entity in its bylaws or LLC agreement and the distribution of assets upon dissolution or liquidation;
  - h. a statement confirming the domestic non-profit entity will carry out its activities in a lawful manner and will comply with the provisions of this Act and other laws of the Republic;
  - i. if a corporation, the names and addresses of the initial directors; and
  - j. If a corporation, the names and addresses of the initial directors.
- (2) Execution and filing of Articles of Incorporation. Articles of incorporation shall be signed by the incorporator, notarized by a notary public, and filed with the Registrar in accordance with §5 of the BCA or §9 of LLC Act .

- (3) Amendment of Articles of Incorporation. The articles of incorporation of a domestic non-profit entity may be altered or amended in the manner and for the purposes prescribed by the BCA for resident domestic corporations or the LLC Act for resident domestic LLCs.[Amended by P.L. 2021-39].

#### **§214. Bylaws or LLC Agreement.**

- (1) Bylaws or the LLC Agreement, as applicable, shall set out the rules and procedures governing the organizational structure and operations of the domestic non-profit entity, and shall be filed with the Registrar. The bylaws or LLC Agreement may define these rules in a Smart Contract on a Distributed Ledger.
- (2) Power to make bylaws or enter into a LLC Agreement. A domestic non-profit entity shall adopt initial bylaws or a LLC Agreement at a meeting organized by the incorporator, or initial directors or officers, or members of the entity. The initial bylaws or LLC Agreement shall be filed along with the articles of incorporation at the time of formation with the Registrar. Except as otherwise provided in the articles of incorporation, bylaws or the LLC Agreement may be amended, repealed or adopted by a vote of a majority of the members of the entity. If permitted by the LLC Agreement, such vote may be executed via a Smart Contract. If so provided in the articles of incorporation or a bylaw adopted by the initial directors, officers or members, bylaws may also be amended, repealed or adopted by the board of directors, but any bylaw adopted by the directors may be amended or repealed by a majority of the members entitled to vote. Any such amendments shall be filed with the Registrar.
- (3) Scope. The bylaws or LLC Agreement may contain any provision relating to the activities of the domestic non-profit entity, the conduct of its affairs, its rights or powers or the rights or powers of its members, directors and officers, not inconsistent with this Act or any other law of the Republic or its articles of incorporation.[Amended by P.L. 2021-39].

#### **§215. Fees.**

All fees shall be prescribed in regulations promulgated by the Registrar, with the approval of the Attorney General and Cabinet.

**§216. Standard of Care for Directors and Officers.**

- (1) Subject to the articles of incorporation, the bylaws and any other law, a domestic non-profit entity shall require a standard of care from its directors and officers in the exercising of their duties and responsibilities. The standard of care shall demonstrate good faith, diligence, accountability and transparency, having due regard to the principles enshrined in the Istanbul Principles on Development Effectiveness listed in Schedule 1 to this Act.
- (2) A person shall not be eligible to serve as a director or officer of a domestic non-profit entity if the person is:
  - a. a member of the Nitijela;
  - b. convicted of any offense involving dishonesty or fraud or any fraudulent behaviour including misrepresentation and/or identity theft;
  - c. involved in or has been removed or disqualified as a trustee by another entity or a regulator, for acts or actions against, or abuse of, tax systems;
  - d. involved in designing and/or promoting tax avoidance schemes;
  - e. exhibiting behaviour or character traits that may be perceived as undesirable or adverse to the purpose of the non-profit entity; or
  - f. not a fit and proper person for any other reason.
- (3) Subject to the articles of incorporation, the bylaws and any other law, each domestic non-profit entity shall require directors and officers to disclose any conflicts of interest, apparent or actual, where an engagement(s) involves funds received from or expended to, a family member, a business or other legal entity, in which the director or officer is a beneficiary.
- (4) Each domestic non-profit entity shall keep a permanent record of its directors' and officers' conflicts of interest disclosures.

**§217. Non-Profit Entity Records.**

- (1) Each domestic non-profit entity shall keep reliable, up-to-date and complete records of the following:

- a. its articles of incorporation as currently in effect;
  - b. its bylaws or its LLC Agreement, as applicable, as currently in effect;
  - c. all accounting records and financial statements;
  - d. minutes of all meetings, and records of all actions taken without a meeting by, its members, its board of directors, and any committees thereof, as applicable;
  - e. the names and business addresses of its current directors and officers, as applicable;
  - f. the names and addresses of all members;
  - g. all beneficial ownership information where appropriate; and
  - h. any other information as may be prescribed in this Act or in regulations promulgated by the Registrar, with the approval of the Attorney General and Cabinet.
- (2) All records required by this section shall be kept in the Republic.
  - (3) All records shall be kept and retained by the domestic non-profit entity for a minimum of five years, even in cases where the domestic non-profit entity has been dissolved or has otherwise ceased to exist.
  - (4) A domestic non-profit entity must maintain the records specified in this section in a manner that permits them to be made available for inspection within a reasonable time.[Amended by P.L. 2021-39]

## **§218. Annual Disclosure.**

- (1) **Annual Report.** Each domestic non-profit entity shall file disclosure forms with the Registrar on an annual basis. The Annual Report must set forth information relating to the domestic non-profit entity's leadership, community engagements and financial activities. The prescribed form shall be provided in regulations promulgated by the Registrar.
- (2) **Annual Filing.** The Annual Report shall be filed between January 1st and March 31st of each year.

## PART IV – MEMBERS

### §219. Admission.

- (1) A domestic non-profit entity may establish conditions for admission of members, admit members, and issue memberships.
- (2) A person may not be admitted as a member without the person's consent.
- (3) A person is not a member of a domestic non-profit entity unless the person meets the definition of a "member" in §202 of this Act, regardless of whether the entity designates or refers to the person as a member.
- (4) Except as provided in its articles of incorporation or bylaws or the LLC Agreement, a domestic non-profit entity may admit members for no consideration or for such consideration as is determined by the board of directors or members, as applicable. The consideration may take any form, including promissory notes, intangible property, or past or future services. Payment of the consideration may be made at such times and upon such terms as are set forth in or authorized by the articles of incorporation, bylaws, LLC Agreement or action of the board. [Amended by P.L. 2021-39].

### §220. Rights and Obligations of Members.

- (1) Except as otherwise provided in the articles of incorporation or bylaws or LLC Agreement, as applicable, each member of a domestic non-profit entity has the same rights and obligations as every other member with respect to voting, dissolution, membership transfer, and other matters.
- (2) Except as provided in the articles of incorporation or bylaws or LLC Agreement, as applicable, a member of a domestic non-profit entity may not transfer a membership or any right arising therefrom. Where the right to transfer a membership has been provided, a restriction on that right shall not be binding with respect to a member holding a membership issued prior to the adoption of the restriction unless the restriction is approved by the affected member.
- (3) A member of a domestic non-profit entity is not personally liable for the acts, debts, liabilities, or obligations of the entity.

- (4) A domestic non-profit entity may levy dues, assessments, and fees on its members to the extent authorized in the articles of incorporation, bylaws or LLC Agreement, as applicable. The amount and method of collection of dues, assessments, and fees may be fixed in the articles of incorporation, bylaws or LLC Agreement, or the articles, or bylaws or LLC Agreement may authorize the board of directors or members to fix the amount and method of collection. The articles of incorporation, or bylaws or LLC Agreement may provide reasonable means, such as termination and reinstatement of membership, to enforce the collection of dues, assessments, and fees.[Amended by P.L. 2021-39].

### **§221. Resignation and Termination.**

- (1) A member of a domestic non-profit entity may resign at any time. The resignation of a member does not relieve the member from any obligations incurred or commitments made prior to resignation.
- (2) A membership in a domestic non-profit entity may be terminated or suspended for the reasons and in the manner provided in the articles of incorporation, or bylaws or LLC Agreement. The termination or suspension of a member does not relieve the member from any obligations incurred or commitments made prior to the termination or suspension.[Amended by P.L. 2021-39].

### **§222. Distributions Prohibited.**

- (1) Except as permitted under subsection (2) or (3) below, a domestic non-profit entity shall not pay dividends or make distributions of any part of its assets, income, or profits to its members, directors, or officers.
- (2) A domestic non-profit entity may pay reasonable compensation or reimburse reasonable expenses to members, directors, or officers for services rendered.
- (3) A domestic non-profit entity may confer benefits upon or make contributions to members or non-members in conformity with its purposes, except when:
  - a. the entity is currently insolvent or would thereby be made insolvent or rendered unable to carry on its purposes; or
  - b. the fair value of the assets of the entity remaining after the



conferring of benefits or contribution would be insufficient to meet its liabilities.

**§223. Meetings of Members.**

Except as provided in the articles of incorporation, bylaws or LLC Agreement, members of domestic non-profit entities shall meet at least twice a year.[Amended by P.L. 2021-39].

**§224. Members' Inspection Rights.**

Except as provided in the bylaws or LLC Agreement, members shall be accorded the right to inspect books and records at the annual general meeting held by the domestic non-profit entity.[Amended by P.L. 2021-39].

## **PART V – DISSOLUTION& SANCTIONS**

**§225. Voluntary Dissolution.**

- (1) A domestic non-profit entity may be dissolved voluntarily by a resolution of two-thirds majority of its membership in a meeting called specifically for the purpose of dissolving the non-profit entity, or by a resolution signed by two-thirds majority showing consent to dissolve the domestic non-profit entity without a meeting, or in accordance with its by-laws or LLC Agreement, as applicable.
- (2) Subject to the articles of incorporation and bylaws, a domestic non-profit entity shall file Articles of Dissolution with the Registrar in the same manner as prescribed in §5 of the BCA and the contents shall be prescribed through regulations promulgated by the Registrar.[Amended by P.L. 2021-39].

**§226. Involuntary Dissolution.**

- (1) A domestic non-profit entity may be dissolved for failure to file an annual report or maintain a registered agent, or for engaging in any improper activity or activities other than its stated purpose(s), or by a judgment of the court for fraud or other illegal activity.
- (2) Involuntary dissolution of a domestic non-profit entity by the Registrar shall be in the manner prescribed by regulations

promulgated by the Registrar with the approval of the Attorney General and Cabinet.

### **§227. Sanctions for Violations.**

- (1) If any person fails to comply with, or otherwise violates, any of the provisions in this Act, the Registrar may, at any time after thirty (30) days of such default or violation, impose penalties, including a fine of up to \$50,000 per default violation, or suspend the domestic non-profit entity's corporate charter or take steps to dissolve the entity pursuant to §226 above or in a manner prescribed by regulations.
- (2) If any domestic non-profit entity fails to take steps to conform to this Act, the Registrar may deregister the entity as a domestic non-profit entity, or suspend its non-profit status for a specified time period to be determined by the Registrar, or impose penalties.
- (3) On failure to file an annual disclosure form, or to maintain a registered agent for a period of six (6) months, the Registrar shall cause a notification to be sent to the domestic non-profit entity through its last recorded registered agent that its articles of incorporation will be revoked unless within ninety (90) days of the date of the notice, the relevant report has been submitted and filed or a registered agent has been appointed.
- (4) If an domestic non-profit entity abuses or misuses its corporate powers, privileges or agreements, including activities stated in this Act and its regulations, the Registrar may issue a proclamation declaring that the domestic non-profit entity's articles of incorporation have been revoked and the domestic non-profit entity dissolved as of the date stated in the proclamation. The proclamation of the Registrar shall be filed and the date of revocation and dissolution shall be marked on the record of the articles of incorporation of the non-profit entity named in the proclamation. Notice of such shall be given to the last recorded registered agent and the affairs of the domestic non-profit entity shall be wound up in accordance with §105 of the BCA or §48 of the LLC Act.

### **§228. Distribution of Assets.**

A domestic non-profit entity shall, upon dissolution, continue for a period of three years for the purpose of winding up its affairs in accordance with

§105 of the BCA or its bylaws. Any property or asset remaining after the winding up period and payment of all debts and liabilities are settled shall be conveyed or transferred to another charitable organization or non-profit entity engaging in the same activity or purpose(s).

## PART VI – FOREIGN NON-PROFIT ENTITIES

### §229. Authorization of Foreign Non-Profit Entities.

- (1) A foreign non-profit entity shall not engage in non-profit activities or any other business in the Republic until it has been authorized to do so as provided in this Act. The Attorney General may maintain an action to enjoin a foreign non-profit entity from engaging in any activities or business in the Republic in violation of this Act.
- (2) A foreign non-profit entity may, at the Registrar's discretion, be authorized to engage in any non-profit activity in the Republic which it is authorized to do in the jurisdiction of its creation, and which may be done in the Republic by a domestic non-profit entity.
- (3) A foreign non-profit entity must apply to the Registrar for authority to engage in non-profit activities in the Republic. The application must be signed and verified by an officer or attorney-in-fact for the entity and set forth the information required under §109 of the BCA. Prior to engaging in any non-profit activity in the Republic, a foreign non-profit entity must also comply with all laws applicable to foreign entities doing business in the Republic.
- (4) A foreign non-profit entity's authority to engage in non-profit activities in the Republic shall be amended under the circumstances and in the manner prescribed by §110 of the BCA.

### §230. Termination or Revocation of Authority.

- (1) A foreign non-profit entity authorized to engage in non-profit activities in the Republic may surrender or terminate that authority under the circumstances and in the manner prescribed by §111 of the BCA.
- (2) If at any time a foreign non-profit entity authorized to engage in non-profit activities in the Republic ceases to be a non-profit entity, it

must file an application for withdraw in the form specified in §111 of the BCA with the Registrar within 30 days.

**§231. Rights and Liabilities of Unauthorized Foreign Non-Profit Entity.**

- (1) A foreign non-profit entity engaging in non-profit activities in the Republic without authorization may not maintain any action or proceeding in any court of this Republic until it has been authorized to engage in non-profit activities in the Republic and it has paid to the Government all outstanding fees, penalties, and taxes.
- (2) The failure of a foreign non-profit entity to obtain authorization to engage in non-profit activities in the Republic does not impair the validity of a contract or act of the entity nor preclude it from defending any action or proceeding in the Republic.

**§232. Actions or special proceedings against foreign entities.**

An action or proceeding may be maintained against a foreign non-profit entity in the same manner and according to the same terms as prescribed under §114 of the BCA for foreign entities.

**§233. Applicability of Other Provisions.**

- (1) The requirements related to holding a bank account with a domestic bank, standard of care for directors and officers, non-profit entity records, and annual disclosure under §§105, 116, 117, and 118 of this Act shall apply to foreign non-profit entities authorized to engage in non-profit activities in the Republic.
- (2) The provisions regarding non-profit status in Part II of this Act shall apply to foreign non-profit entities authorized to engage in non-profit activities in the Republic.

**§234. Sanctions for Violations.**

- (1) Foreign non-profit entities shall be subject to the sanctions specified in §227 of this Act for failing to comply with, or otherwise violating, any provision of this Act.
- (2) The authority of a foreign non-profit entity to engage in non-profit activities in the Republic may be revoked by the Registrar on the

same grounds and in the same manner as provided in §227 of this Act with respect to revocation of articles of incorporation.

## **PART VII - RULES & REGULATIONS**

### **§235. Regulations.**

The Registrar of Corporations, with the approval of the Attorney General and the Cabinet, shall have the authority to promulgate regulations to bring into effect the provisions of this Act.

### **§236. Repeal.**

The Non-Profit Corporation Act (18 MIRC Chapter 2) is hereby repealed.

### **§237. Effective Date.**

This Act shall take effect upon certification in accordance with Article IV Section 21 of the Constitution and in accordance with the Rules of Procedures of the Nitijela.



**SCHEDULE**

**ISTANBUL PRINCIPLES ON DEVELOPMENT EFFECTIVENESS**

**GENERAL PRINCIPLES**

1. Respect and promote human rights and social justice
2. Embody gender equality and equity while promoting women's and girls' rights
3. Focus on people's empowerment, democratic ownership and participation
4. Promote environmental sustainability
5. Practice transparency and accountability
6. Pursue equitable partnerships and solidarity
7. Create and share knowledge and commit to mutual understanding
8. Commit to realizing positive sustainable change.