

A BILL FOR AN ACT

To authorize the Marianas Public Land Trust through its Trustees to engage in the investment practice of margin account transactions at their discretion and authority pursuant to Article XI Section 6 of the CNMI Constitution.

**BE IT ENACTED BY THE TWENTY-FOURTH NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:**

1 **Section 1. Findings and Purpose.** The Legislature finds that the Marianas Public
2 Land Trust (MPLT) through its Trustees is charged with the reasonable and prudent
3 investment of public land lease funds received from the CNMI Department of Public Lands
4 pursuant to Article XI Section 6 of the CNMI Constitution. However, the Constitution
5 does not specifically detail the kinds of investments that the Trustees may engage in other
6 than pursuant to the Prudent Investor Rule with guidance from the Restatement of Trusts
7 as common law.

8 The Legislature finds that the Trustees require the statutory authorization for
9 margin account transactions in order to consider, at their discretion, whether such an
10 investment in this type of asset class or process is appropriate and in the best interest of the
11 fund corpus and beneficiaries.

12 A margin account allows investors to borrow funds from their broker to buy
13 securities, creating leverage that can amplify both gains and losses. The United States
14 Securities Exchange Commission (“SEC”) and FINRA regulate margin accounts through
15 rules like Regulation T, which sets initial deposit requirements and margin requirements
16 that must be maintained. “FINRA” stands for the Financial Industry Regulatory Authority,
17 a private, non-governmental self-regulatory organization (SRO) that writes and enforces
18 rules for broker-dealers and their associated persons in the United States. Its mission is to
19 protect investors by ensuring the securities industry operates honestly and fairly, which it

1 achieves through writing and enforcing rules, examining member firms, operating a dispute
2 resolution forum, and administering qualification exams.

3 With margin accounts, investors must understand the significant risks, including
4 the potential to lose more than their initial investment and the possibility of margin calls,
5 where the broker demands more funds or liquidates assets to meet account minimums.
6 Instead of using only their own cash or fund corpus, investors in a margin account, such as
7 MPLT, can use a portion of the trust funds and borrow the rest from their broker to purchase
8 securities. This borrowing amplifies the potential returns on investments but also increases
9 the potential for losses. The securities purchased in the margin account, as well as other
10 assets in the account, serve as collateral for the borrowed funds. Investors pay interest on
11 the borrowed money.

12 SEC Regulation (Regulation T): The SEC sets the initial margin requirement for
13 securities transactions, typically 50% of the purchase price. FINRA sets maintenance
14 margin requirements and oversees broker-dealer compliance with SEC rules. Brokerage
15 firms are required to provide investors with information about margin accounts, including
16 a margin agreement that details the terms and conditions.

17 This legislation specifically authorizes MPLT through its Trustees to engage in the
18 investment practice of margin accounts at their discretion if such an investment remains
19 reasonable and prudent under all applicable fiduciary standards required of the Trustees.

20 **Section 2. Enactment.** Subject to the codification by the Law Revision
21 Commission the following is enacted to read as follows:

22 **§ 101. Margin Transaction Authority for the Marianas Public Land Trust.** The
23 Marianas Public Land Trust is authorized to engage in margin transactions with a brokerage
24 such that it can avoid liquidating assets and reducing its corpus, instead collateralizing
25 securities as an investment practice.

26 **§ 102. MPLT Trustees' Margin Account Discretion.** The Trustees of the
27 Marianas Public Land Trust have the exclusive discretion to engage in margin accounts at
28 all times consistent with their fiduciary duties and Prudent Investor Rule standards pursuant
29 to Article XI Section 6(d) of the CNMI Constitution.

1 **§ 103. Reasonable Allowances; Reporting and Transparency.** Nothing in this
2 statutory authorization shall minimize, reduce or compromise the strict fiduciary standards
3 required of each Trustee of the Marianas Public Land Trust as to margin account
4 investments or any other investment of any kind.

5 **Section 3. Severability.** If any provision of this Act or the application of any such
6 provision to any person or circumstance should be held invalid by a court of competent
7 jurisdiction, the remainder of this Act or the application of its provisions to persons or
8 circumstances other than those to which it is held invalid shall not be affected thereby.

9 **Section 4. Savings Clause.** This Act and any repealer contained herein shall not
10 be construed as affecting any existing right acquired under contract or acquired under
11 statutes repealed or under any rule, regulation, or order adopted under the statutes.
12 Repealers contained in this Act shall not affect any proceeding instituted under or pursuant
13 to prior law. The enactment of the Act shall not have the effect of terminating, or in any
14 way modifying, any liability, civil or criminal, which shall already be in existence on the
15 date this Act becomes effective.

16 **Section 5. Effective Date.** This Act shall take effect upon its approval by the
17 Governor or becoming law without such approval.

Date: 10/14/25

Introduced By: 
Senator Celina R. Babauta

Reviewed for Legal Sufficiency by:



Senate Legal Counsel