

**ACT NO. 273 OF SEPTEMBER 25, 2012, AS AMENDED**

(Contains amendments incorporated by:  
Act No. 154 of September 10, 2014.)

To regulate the organization and operation of international financial institutions in Puerto Rico authorized by the Office of the Commissioner of Financial Institutions, provide for tax incentives, allow the issue of decrees, fix penalties; and for other purposes.

**STATEMENT OF PURPOSE**

Act No. 52 of August 11, 1989, as amended, known as the “International Banking Center Regulatory Act,” was enacted as a proper vehicle to transform Puerto Rico into an important international banking center. Likewise, Act No. 73-2008, known as the “Economic Incentives Act for the Development of Puerto Rico,” and other previous similar laws, established that various types of financial services to foreign markets would be considered eligible services in order to obtain a decree. As of June 30, 2011, thirty-one (31) international banking entities, with total assets worth nearly \$43.6 billion and only five (5) entities holding tax exemption decrees to render financial services to foreign markets, were operating in Puerto Rico. We believe that Act No. 52 of August 11, 1989 and Act No. 73-2008 have served as a basis to promote Puerto Rico as an international financial center. However, the Act that regulates such economic activity in the Island must become more attractive, so that the desired exposure and development level may be achieved. For such purposes, a new law is hereby proposed to allow international financial institutions to do business and engage in activities authorized thereunder in the most competitive and efficient manner possible.

Service export is an economic activity that has been identified as a key element for the economic development of Puerto Rico, and financial services are not the exception. It is one of the strategies proposed under the Strategic Model for a New Economy (MENE, Spanish acronym) as part of this government Administration’s strategic plan to resume the economic growth of the Island. The plan devised under MENE seeks to promote the development of local companies to help them build capacity to export globally competitive goods and services, attract foreign service providers with new capital that will boost service exports and fully integrate Puerto Rico into the global economy.

This Act, along with the Act to Promote the Export of Services, seeks to broaden the potential market of Puerto Rico’s International Financial Center and significantly increase the Island’s promotion and recognition in the financial industry worldwide.

The main benefits that Puerto Rico will derive from an International Financial Center are the expansion of the service sector, the generation of direct and indirect jobs, and the growth of the economic activity. Puerto Rico offers many favorable conditions to conduct international financial transactions, such as political stability, banking system solidity, a close economic relation with the United States, a high level professionalism, bilingualism, and the technical capacity of its human resources, a unified monetary system and market, a privileged geographical location, and a well-developed communications network.

In order to achieve the aforementioned purposes, this Act provides for the organization of international financial institutions, regulated by the Commissioner of Financial Institutions, which in some cases may obtain a decree from the Department of Economic Development and Commerce that includes tax benefits for the effective term of the decree to obtain income tax rates ranging from 4% to even 2%, in some cases. The issue of a decree will definitely consolidate the presence of international financial institutions in Puerto Rico, for a specified period, and promote the export of financial services to foreign markets, thus maximizing the Island's potential for economic growth.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:**

**Section 1.** – This Act shall be known and may be cited as the “International Financial Center Regulatory Act.”

**Section 2. – Definitions. –**

For purposes of this Act, the following terms are defined as set forth below:

- (a) Bank Secrecy Act or BSA. – Means the Currency and Foreign Transactions Reporting Act, better known as the “Bank Secrecy Act” (BSA), 31 U.S.C. §§ 5311-5330, and 12 U.S.C. §§ 1818(s), 1829(b), and 1951-1959, or any law succeeding or amending it.
- (b) Code. – Means Act No. 1-2011, known as the “Internal Revenue Code for a New Puerto Rico,” or any law succeeding or amending it.
- (c) Commissioner. – Means the Commissioner of Financial Institutions, as defined in Act No. 4 of October 11, 1985, as amended.
- (d) International Banking Entity. – Means any person, other than an individual, to which a license has been issued, pursuant to Section 7 of Act No. 52 of August 11, 1989, as amended, known as the “International Banking Center Regulatory Act,” which has not been converted into an international financial institution in accordance with Section 27 of this Act.
- (e) International Financial Institution. – Means any person other than an individual, incorporated or organized under the laws of Puerto Rico, the United States, or a foreign country, or a unit of such person, to which a license has been issued pursuant to Section 8 of this Act.
- (f) United States. – Means the United States of America, any state of the United States, the District of Columbia, and every possession, territory, political subdivision, and agency thereof, except Puerto Rico.
- (g) Insolvency. – Means the financial condition in which an international financial institution or the person of which an international financial institution is a unit may find itself, when it is unable to pay its debts as they become due or when its paid-in capital has been reduced to less than one-third (1/3).

- (h) OFAC. – Means the Office of Foreign Assets Control of the United States Department of the Treasury.
- (i) Person. – Means an individual, corporation, partnership, association, unit, trust or estate, syndicate or enterprise of any kind, government, agencies, instrumentalities, political subdivision, and public corporations thereof or other entities of the Government of Puerto Rico.
- (j) Domestic Person. – Means any natural person who is a resident of Puerto Rico, or a person incorporated or organized under the laws of Puerto Rico, or a person whose principal place of business is located in Puerto Rico, or a foreign corporation with offices, in accordance with the provisions of the Code, considered to be doing business in Puerto Rico, and the Government of Puerto Rico and the agencies, instrumentalities, political subdivision, and public corporations thereof or other entities of the Government of Puerto Rico. The Secretary of the Treasury may prescribe by regulations those instances in which foreign corporations with offices doing business in Puerto Rico shall be excluded from this definition.
- (k) Foreign Person. – Means any person other than a domestic person.
- (l) Regulations of the Commissioner. – Means the rules and regulations adopted or to be adopted in the future by the Commissioner, in accordance with Section 3 of this Act. This term also includes such regulations adopted or to be adopted in the future by the Commissioner in accordance with Act No. 4 of October 11, 1985, as amended, known as the “Financial Institutions Commissioner’s Office Act,”(Act No. 4) and any regulations adopted or to be approved in the future by the Commissioner under any of the laws administered by him/her when said Regulations of the Commissioner apply to the activity that an international financial institution intends to engage in.
- (m) Resident of Puerto Rico. – Shall have the same meaning provided in the Code and the Regulations applicable thereunder.
- (n) Unit. – Includes any subdivision or branch of any person other than an individual, whose business and operations are segregated from the other business and operations of such person, as required by this Act. (o) USA Patriot Act.- means the “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act,” as amended, 115 Stat. 272 (2001).

**Section 3. – Authority and Duties of the Commissioner. –**

- (a) The Commissioner shall:
  - (1) adopt, and may thereafter, from time to time, repeal, amend, or supplement rules and regulations in order to comply with the provisions of this Act;

- (2) collect fees for examinations and audits, receive monies and make disbursements according to its budget or as otherwise provided by law or the Regulations of the Commissioner;
- (3) open and maintain such bank accounts as may be necessary and appropriate for his/her operations;
- (4) review and carry out investigations with regard to all license applications to operate international financial institutions;
- (5) approve, grant conditional approval, or deny permit and license applications to operate international financial institutions; any person whose applications has been denied or conditionally approved may request a hearing pursuant to the regulations provided in Section 20 of this Act;
- (6) supervise, inspect, and audit international financial institutions and require from them periodic reports and other information specified in the Regulations of the Commissioner;
- (7) require periodic auditing of every international financial institution at least once a year, which shall include an audit of the financial condition of each international financial institution, its compliance with the terms of this Act and the Regulations of the Commissioner, and such other matters as the Commissioner may deem appropriate;
- (8) ascertain the financial security and operating soundness of international financial institutions and ensure that they comply with applicable laws and Regulations of the Commissioner and with any other provision or meet any other requirement as established by the Commissioner through order or regulation;
- (9) revoke or suspend a license to operate an international financial institution or impose any sanctions he/she may deem necessary and convenient pursuant to the Regulations of the Commissioner; any person whose license has been revoked or suspended, or to whom any other sanction has been imposed, shall have the right to request a hearing pursuant to the regulations provided in Section 20 of this Act;
- (10) suspend, remove or otherwise sanction any director, official, employee, agent or individual acting in a similar capacity for an international financial institution, who violates, or voluntarily or negligently allows another person to violate this Act, the Regulations of the Commissioner, or any order or provision of the certificate of incorporation, partnership agreement or any written document establishing the international financial institution; any individual who is suspended, removed or sanctioned may request a hearing pursuant to the regulations provided in in Section 20 of this Act;

- (11) conduct studies and investigations, at the request of any interested party or on his/her own motion, of authorized matters or on alleged violations of this Act or the Regulations of the Commissioner, and in doing so, he/she may require the necessary, pertinent, and critical information to achieve such purposes, as well as any other investigations as are necessary for the proper administration of the Act or the Regulations of the Commissioner. For purposes of this subsection, the international financial institution shall be responsible for defraying the costs of any special investigation ordered by the Commissioner;
  - (12) carry out such other activities or establish such other procedures that are incidental to the performance of his/her duties under this Act.
- (b) The Commissioner shall be empowered to summon witnesses and request the production of such documents as he/she may deem necessary to carry out any investigation which, in his/her judgment, is required to comply with the provisions of this Act. The information obtained through this process shall be kept confidential.
  - (c) If a person fails to comply with a summons or order issued by the Commissioner, the latter may resort to the Court of First Instance of Puerto Rico to seek whatever remedy may be legally applicable; the part with jurisdiction may order such person to obey such summons of the Commissioner, under penalty of contempt of court.
  - (d) In addition to all the powers and authorities conferred under this Act, as supervisor of international financial institutions, the Commissioner shall have any and all powers to supervise and oversee financial institutions conferred to him/her by Act No. 4, supra, including, but not limited to the power to conduct investigations, examinations, voluntary or involuntary liquidation procedures, and initiating different actions to enforce compliance with this Act or to punish violations thereof.
  - (e) Within ninety (90) days after the close of each fiscal year of the Government of Puerto Rico, the Commissioner shall remit to the Treasury Department, to be covered into the General Fund of the Government of Puerto Rico, seven point five percent (7.5%) of the net income generated from his/her functions related to this Act for such fiscal year.

#### **Section 4. – Interest Rates and Reserves. –**

The Commissioner may not establish interest rates to be paid or charged by an international financial institution.

Notwithstanding the foregoing, in the case of licensed international financial institutions expressly authorized to receive deposits in accordance with Section 12(a)(1) and (2), the Commissioner may establish reserve requirements, that in no case shall exceed twenty percent (20%) of the total demand deposits maintained by the international financial institution (except for the demand deposits maintained by the Government Development Bank for Puerto Rico and the Economic Development Bank for Puerto Rico that are duly secured by cash collateral.) The Commissioner shall establish the

reserve requirements, computation method, and other details in the licenses concerned or the regulations, circular letter, or any other written communication.

**Section 5. – Organization. –**

- (a) An international financial institution may be:
  - (1) Any person, other than an individual, incorporated or organized under the laws of Puerto Rico, of the United States, or of any other country, or
  - (2) Only in those cases authorized by the Commissioner, a unit of another person, other than an individual, incorporated or organized under the laws of Puerto Rico, of the United States, or of any other country.
- (b) The articles of incorporation, the partnership agreement or any other written document establishing an international financial institution shall specify:
  - (1) The name by which it is to be known.
  - (2) The street, number, and town where its principal place of business shall be established in Puerto Rico.
  - (3) (A) The authorized capital stock and the initial paid-in capital shall be specified. In the case of a corporation, the authorized amount of its capital stock shall not be less than five million dollars (\$5,000,000), or a higher amount as required by the Commissioner, out of which at least the sum of two hundred fifty thousand dollars (\$250,000) shall be fully paid at the time the license is issued, which sum shall be considered the initial paid-in capital for the purposes of this Act. The Commissioner may authorize a lesser authorized and/or initial paid-in capital, at the request of the interested party, and when the type of business or powers that the international financial institution intends to exercise or other circumstances that, in the judgment of the Commissioner, so warrant. The number of shares into which it shall be divided and the par value of each share shall also be specified. If shares are to be issued in series, the application shall also include the date of issue of each series, as well as the form and term within which payment thereof shall be made.
  - (B) In the case of a person other than a corporation, the proposed and initial paid-in capital shall be specified. The amount of the proposed capital shall not be less than five million dollars (\$5,000,000), or the higher amount as required by the Commissioner, out of which at least the sum of two hundred fifty thousand dollars (\$250,000) shall be fully paid at the time the license is issued, which sum shall be considered the initial paid-in capital for the purposes of this Act. The Commissioner may authorize a lesser proposed and/or initial paid-in capital, at the request of the interested party, when the type of business or powers that the

international financial institution intends to exercise or other circumstances that, in the judgment of the Commissioner, so warrant.

(C) In the case of a corporation or person other than a corporation whose operations as an international financial institution are related exclusively to the generation of income through the rendering of services allowed under Section 12(a)(23) and (24) of this Act, the amount of proposed or authorized capital, as the case may be, as well as the initial paid-in capital shall be specified. The authorized capital stock or the proposed capital, as the case may be, shall not be less than five hundred thousand dollars (\$500,000), or a higher amount as required by the Commissioner, out of which at least the sum of fifty thousand dollars (\$50,000) shall be paid in full at the time the license is issued, and such sum shall be considered the initial paid-in capital for the purposes of this Act. The Commissioner may authorize a lesser authorized, proposed, and/or initial paid-in capital, at the request of the interested party, when the type of business or powers that the international financial institution intends to exercise or other circumstances that, in the judgment of the Commissioner, so warrant.

(D) Rules applicable to changes in the capital of an international financial institution:

- (i) The capital of, or assigned to, an international financial institution may not be reduced without the prior written approval of the Commissioner.
- (ii) Without the prior written approval of the Commissioner, no international financial institution may issue:
  - (I) additional shares of capital stock or other securities convertible into additional shares of capital stock, in the case of a corporation, or
  - (II) additional capital or other securities convertible into additional capital, in the case of a person other than a corporation.
- (iii) Notwithstanding the above, in the case of a corporation, provided, that the capital authorized by the Commissioner is not exceeded, it may issue additional shares of capital stock or other securities convertible into shares of capital stock, and in the case of a person other than a corporation, issue additional capital or other securities convertible into additional capital, without the prior written approval of the Commissioner, provided, that such additional shares or capital are issued directly to the shareholders of the international financial institution previously identified pursuant to Section 7(b)(3) of this Act. In such event, the international financial institution shall notify the Commissioner of all the

particulars of such issuance within ten (10) business days following said date of the issue.

- (4) The name and address of its partners and other owners.
  - (5) The term of its existence, which in the case of a corporation, may be perpetual.
  - (6) The purposes for which it is organized, including a specific limitation of its operations to carry out only those services authorized in subsection 12(a) of this Act, as listed in its license.
  - (7) Any other provisions that may be convenient for the proper operation of the business. Such provisions shall not be in conflict with other laws of Puerto Rico.
  - (8) Any other provisions required by the Regulations of the Commissioner.
- (c) An international financial institution that intends to operate as a unit shall provide a certification executed by the person of which it is a unit and in the form prescribed by the Regulations of the Commissioner, which shall specify:
- (1) The name by which the unit shall be known;
  - (2) the street, number, and town where its principal place of business in Puerto Rico shall be established;
  - (3) the amount of the authorized or proposed capital, as the case may be, and the initial paid-in capital of the person of whom the international financial institution is to be a unit, whose capital meets the requirements established in this Act, as the case may be. The Commissioner may authorize a lesser authorized, proposed, and/or initial paid-in capital, at the request of the interested party, and when the type of business or powers that the international financial institution intends to exercise or other circumstances that, in the judgment of the Commissioner, so warrant;
  - (4) the purposes for which the unit is organized, including a specific limitation of its operations to carry out only those services authorized in Section 12(a) of this Act, as listed in the license; and
  - (5) such other provisions as may be required by the Regulations of the Commissioner.

#### **Section 6. – Income Tax. –**

- (a) Income derived by international financial institutions holding a decree under this Act, from the conduct of the activities described in Section 12(a) of this Act, shall be subject to a four

percent (4%) fixed tax rate on their net income, in lieu of any other tax imposed by the Code, except as provided in subsection (b) of this Section.

- (b) General Rule. – In the case of international financial institutions operating as a bank unit, the net income, computed in accordance with the provisions of Section 1031.05 of the Code, derived by international financial institutions from the active conduct of the activities described in Section 12(a) of this Act in excess of twenty percent (20%) of the total net income derived in the taxable year by the bank for which it operates as a unit (including the income derived from such unit) shall be subject to the tax rates established in the Code for corporations and partnerships.
- (c) The interest, finance charges, dividends, or distributive shares in partnership interests earned by international financial institutions duly authorized by this Act shall not be treated as gross income from sources in Puerto Rico for the purposes of Sections 1035.01(a)(1) and (2) of the Code.
- (d) The provisions of Section 1062.08 of the Code, which require the withholding of income taxes at the source in the case of payments made to nonresident individuals, shall not apply to interest, finance charges, dividends, or distributive shares in partnership interests received from international financial institutions duly authorized under this Act.
- (e) The provisions of Section 1062.11 of the Code, which require the withholding of income taxes at the source in the case of payments made to resident or foreign corporations and partnerships which have not received income actually connected with a trade or business in Puerto Rico, shall not apply to interest, finance charges, dividends, or distributive shares in partnership interests received from international financial institutions duly authorized under this Act.
- (f) Income derived by a nonresident alien individual consisting of interest, finance charges, dividends, or distributive shares in partnership interests received from international financial institutions duly authorized under this Act, shall not be subject to the tax imposed under Section 1091.01 of the Code.
- (g) Income derived by a foreign corporation or partnership consisting of interest, finance charges, dividends, or distributive shares in partnership interests received from international financial institutions duly authorized under this Act, shall not be subject to the tax imposed under Section 1092.01(a)(1)(A) of the Code.
- (h) The provisions of Section 1092.02 of the Code shall not apply to international financial institutions duly authorized under this Act.
- (i) Puerto Rico resident shareholders or partners of international financial institutions duly authorized under this Act shall be subject to a six percent (6%) tax on the dividends or benefits of the net income of said international financial institution, including the alternate basic tax and the alternative minimum tax imposed by the Code, insofar as they have been subject to the fixed income tax rate provided in subsection (a) of this Section.

- (j) None of the provisions of this Section shall be construed to limit the power of the Secretary of the Treasury to apply the provisions Section 1040.09 of the Code to international financial institutions or to any other person.

**Section 7. – Permit Application. –**

- (a) Any person, other than an individual, may apply to the Commissioner for a permit to organize an international financial institution. The application shall be made in writing, in the form specified in the Regulations of the Commissioner and shall be accompanied by:

- (1) The proposed articles of incorporation, partnership agreement or other written document establishing the international financial institution or the certification required by Section 5 of this Act;
- (2) a nonrefundable application fee of five thousand dollars (\$5,000) to defray the costs of the initial investigation, and
- (3) such other documents as may be specified or required by the Regulations of the Commissioner.

- (b) Every application shall include:

- (1) the identity and business history of the applicants;
- (2) the city or town in Puerto Rico and the street and number or any other address where its principal place of business in Puerto Rico shall be maintained;
- (3) the identity and business and credit history of any person who, directly or indirectly, possesses or controls or intends to possess or control ten percent (10%) or more in the capital of the proposed international financial institution;
- (4) a statement of the assets and liabilities of any applicant and of any person who possesses or controls or intends to possess or control ten percent (10%) or more of the interest in the capital of the international financial institution, or of the person of which the proposed international financial institution shall be a unit, for each of the three (3) years preceding the application;
- (5) the identity and background of all proposed directors, and officials or persons who intend to act in a similar capacity in the international financial institution; and
- (6) such additional information as may be required by the Regulations of the Commissioner.

- (c) Upon receipt of the sworn application, all the required documents, and the application fee, the Commissioner shall carry out any and all investigations of the applicants and the application, including a review of:
- (1) the financial solvency, credit, banking experience and business integrity of the applicants, their directors and officers, or persons who intend to act in a similar capacity in the proposed international financial institution;
  - (2) the adequacy of the capital available for the operations of the proposed international financial institution;
  - (3) the adequacy of the articles of incorporation, partnership agreement or other written document belonging to any applicant and, when appropriate, of the articles of incorporation, partnership agreement or other written document establishing the proposed international financial institution; and
  - (4) the impact that the proposed international financial institution shall have on the economy of Puerto Rico.
- (d) Expenses, in excess of the aforementioned five thousand dollars (\$5,000), incurred by the Commissioner for the purpose of conducting the initial investigation, shall be defrayed by the applicants by means of a previous deposit made in accordance with the estimate. The Commissioner shall claim said investigation expenses from the applicants.
- (e) Should the Commissioner determine that the results of his/her investigation are favorable, he/she may, at his/her sole and exclusive discretion, issue to the applicants a permit to organize an international financial institution, subject to such conditions as the Commissioner may establish.
- (f) When the Commissioner issues a permit pursuant to the provisions of this Section, the interested party shall file with the Department of State of Puerto Rico the articles of incorporation, partnership agreement, or other written document establishing the proposed international financial institution, or those of the person of which the international financial institution shall be a unit, as well as the certification provided for in Section 5(c) of this Act in the case of a unit, and the permit issued by the Commissioner. The Department of State shall issue under its official seal a certification of the filing of the stipulated documents.

**Section 8. – License. –**

- (a) At his/her discretion of the Commissioner and under the terms and conditions he/she deems necessary as established by administrative determination to such effect, the Commissioner may issue to the applicants a license to operate an international financial institution upon receipt of:
- (1) the certification of the Department of State referred to in Section 7(f) of this Act;

- (2) the annual fee, as provided by the Regulations of the Commissioner, for a license to operate an international financial institution. Said license fee shall be paid annually within fifteen (15) days prior to the anniversary date of issue of the original license;
- (3) a certified copy of the articles of incorporation, partnership agreement, or other written document establishing the international financial institution or the certification of the person of which the international financial institution shall be a unit;
- (4) a copy of the bylaws or internal governing agreements adopted by the Board of Directors or similar governing body of the international financial institution, which shall be certified by its Secretary or an individual acting in a similar capacity, before a notary public;
- (5) evidence that the initial paid-in capital of the international financial institution has been subscribed to, issued, and paid-in to the extent and under such conditions as the Commissioner may establish at his/her sole discretion;
- (6) a statement, authenticated before a notary public, by the Secretary of the Board of Directors or the person acting in a similar capacity for the international financial institution, or for the person of which the international financial institution shall be a unit, to the effect that the international financial institution has complied with the provisions of this Act and the Regulations of the Commissioner and that it is ready to begin or continue operations; a license shall not be issued if the Commissioner believes, or has reason to believe, that the applicants have violated the provisions of this Act or the Regulations of the Commissioner; any person to whom a license has been denied, may request a hearing pursuant to the regulations provided in Section 20 of this Act;
- (7) as a requirement to obtain a license, in addition to the initial paid-in capital, every international financial institution shall possess not less than three hundred thousand dollars (\$300,000) of unencumbered assets or acceptable financial securities, or that lesser sum that, at the request of the interested party, the Commissioner authorizes, when the type of business or powers that the international financial institution intends to exercise or other circumstances that, in the judgment of the Commissioner, so warrant. The unencumbered assets shall be physically located in Puerto Rico and subject to the requirements regarding the same provided by the Regulations of the Commissioner; and
- (8) a sworn statement undersigned by the chief executive officer of the concerned institution certifying that, among other things, the international financial institution shall implement the necessary and appropriate procedures and systems to comply with the provisions of the "Bank Secrecy Act." It shall also certify the steps taken by the management of the institution to implement the Bank Secrecy Act compliance program in the institution and that the necessary policies and

procedures have been adopted, or shall be adopted, in the institution to comply with the provisions of OFAC, as applicable.

- (b) Licenses issued to operate an international financial institution shall include a list of the authorities thereby granted to the international financial institution. The international financial institution shall exercise only those authorities listed in the license issued by the Commissioner. Licenses issued under this Act shall be issued as “International Financial Institution” or, at the request of the applicant, as “International Financial Institution under Act XXX-2012.” Regardless of whether it is issued as “International Financial Institution” or “International Financial Institution under Act XXX-2012,” all the provisions of this Act shall apply to such institution.
- (c) No international financial institution shall begin operations unless a license has been issued thereto in accordance with the provisions of this Act.
- (d) License Renewal.
  - (1) Every license shall remain in effect until its expiration, which shall be on the anniversary date of the original license.
  - (2) Every license renewal application shall be filed within thirty (30) days before the expiration date of each license. It shall contain: (i) a description of any material change in the information provided to the Commissioner in the initial license application; (ii) evidence that the licensee maintains the capital required by the Commissioner pursuant to Section 5 of this Act, computed in accordance with generally accepted accounting principles; (iii) annual license fees totaling five thousand dollars (\$5,000) for each office, by cashier’s check, certified check, postal or bank money order, payable to the Secretary of the Treasury.
  - (3) If the licensee fails to file the license renewal application and/or fails to pay the applicable fees within the established term or during any additional term that the Commissioner authorizes, if any, it shall be understood that the licensee has surrendered the license to operate an international financial institution and may not continue operating such business.
  - (4) Every international financial institution shall include in its license or license renewal application, a sworn statement undersigned by the chief executive officer of the concerned institution, attesting compliance with the provisions of the BSA applicable thereto. Among other things, the aforementioned certification shall make reference to the procedures and systems that the institution has adopted to comply with the provisions of the BSA, as applicable. It shall also certify the steps taken by the management of the institution to implement the BSA compliance program, as applicable, and that the necessary policies and procedures have been adopted in the institution to comply with the provisions of OFAC, as applicable.

- (e) Upon the issuance of a license to an international financial institution in accordance with this Act, the international financial institution shall pay taxes in accordance with the tax rate established in the Internal Revenue Code for a New Puerto Rico, Act No. 1-2011, as amended. Notwithstanding the foregoing, the international financial institution may submit a copy of its license to the Secretary of Economic Development and Commerce and the latter, upon recommendation of the Secretary of the Treasury made within fifteen (15) days after filling the application, shall issue a tax exemption decree stating the tax treatment provided in this Act. If it is in the best interest of the Government of Puerto Rico, the decree may have an effective term of fifteen (15) years with the intent to ascertain the tax treatment of the applicant international financial institution. As a requirement to obtain a decree and, as provided in the regulations to be adopted, the Secretary of Economic Development and Commerce may impose additional conditions to the international financial institution in connection with the generation of jobs or economic activity. Decrees issued under this Act shall be deemed to be a contract between the licensee, its shareholders, partners or owners and the Government of Puerto Rico, and said contract shall be the law between the parties. Decrees shall be effective for fifteen (15) years, beginning on January 2012 or its date of issue, if later, unless the license is revoked, suspended or not renewed before the expiration date thereof, in which case the decree shall be rendered ineffective on the date of revocation or failure to renew, or during the suspension period, as the case may be. Decree shall not be transferrable; however, it shall continue in effect after a change in the control of the stocks of an international financial institution, or the merger or consolidation thereof, or the conversion of an international financial institution to a stock-based company; provided, that the change of control, merger or consolidation, or conversion, as the case may be, is authorized by the Commissioner. No new decrees shall be issued after December 31, 2019. However, any international financial institution holding a decree issued in accordance with this Act that meets the requirements of jobs, income, investment and other factors established in the decree, may request the Secretary of Economic Development and Commerce, upon recommendation of the Secretary of the Treasury, an extension of its decree for an additional fifteen (15)-year term for a total of thirty (30) years. The Secretary of Economic Development and Commerce, upon recommendation of the Commissioner and the Secretary of the Treasury, may grant an extension to such decree for an additional fifteen (15)-year term, for a total of forty-five (45) years, if he/she believes that such extension inures to the benefit of the Government of Puerto Rico. In these cases, the applicable tax rate shall range between four (4) and ten (10) percent. The Secretary of Economic Development and Commerce, upon recommendation of the Commissioner and the Secretary of the Treasury, shall determine the tax rate that better protects the socioeconomic interests of Puerto Rico. Any recommendation required under this Section from the Secretary of the Treasury or the Commissioner shall be issued within fifteen (15) days after the application for a decree, a copy of which shall be duly notified to the Secretary of the Treasury and the Commissioner on the same date of the application for a decree, or renewal thereof, otherwise it shall be understood that there are no objections to the determination by the Secretary of Economic Development and Commerce. The application for exemption shall be filed with the Secretary of Economic Development and Commerce not later than twenty-four (24) months nor earlier than six (6) months before the expiration of the decree, and shall include the information required by the Secretary of Economic Development and Commerce for such purposes through regulations, circular letter or administrative determination.

- (f) Every holder of an international financial institution license issued in accordance with the provisions of this Act shall:
- (1) adopt the business policies and procedures to ensure that the international financial institution complies with the applicable state and federal laws, including this Act, the Bank Secrecy Act, and the USA Patriot Act;
  - (2) faithfully comply with the applicable state and federal laws and the regulations applicable to the international financial institution, including this Act, the Bank Secrecy Act, and the USA Patriot Act;
  - (3) file currency transaction or suspicious activity reports required by the Bank Secrecy Act and the USA Patriot Act, when necessary; and
  - (4) follow the practice rules and procedures that are necessary in the business to meet the requirements of OFAC, as applicable.”

**Section 9. – Amendments to Articles of Incorporation. –**

- (a) No amendment whatsoever shall be adopted to the articles of incorporation, partnership agreement, or other written document establishing an international financial institution or to any certification executed in accordance with Section 5 of this Act, unless such amendment has been previously approved, in writing, by the Commissioner.
- (b) After the due adoption of any amendment to the articles of incorporation, partnership agreement, or other written document establishing an international financial institution or to any certification executed in accordance with Section 5 of this Act, the same shall be filed with the Department of State.

**Section 10. – Transfer of Capital or Control of an International Financial Institution. –**

- (a) Except as provided in the Regulations of the Commissioner, no sale, encumbrance, assignment, merger, barter, exchange or other transfer of shares, interest or participation in the capital of an international financial institution may be initiated without the previous written authorization of the Commissioner, if by way of such transaction, a person could acquire, directly or indirectly, control of ten percent (10%) or more of any class of stock, interest, or participation in the capital of an international financial institution.
- (b) Every merger, sale, encumbrance, assignment, barter, exchange, or other transfer of shares of capital stock, interest or participation in the capital of an international financial institution, as provided in subsection (a) of this Section, shall be null ab initio if the written authorization of the Commissioner has not been obtained; the Commissioner may impose sanctions to the parties if he/she deems it appropriate.

- (c) The international financial institution shall notify the Commissioner, within thirty (30) days in advance, of the transfers referred to in subsection (a) of this Section, the identity of the transferor and of the transferee, and the nature of the transaction. The Commissioner may require such additional information as he/she deems necessary to determine whether the transfer would be detrimental to the security or financial solvency of the international financial institution or whether it would violate any law, rule, or regulation applicable to international financial institutions, in which case, the Commissioner may deny the authorization for such transaction; any person to whom such authorization is denied shall have the right to request a hearing pursuant to the regulations provided in Section 20 of this Act.

**Section 11. – No Transfer of License. –**

No license issued in accordance with this Act may be sold, assigned, transferred, pledged, used as security, or otherwise encumbered.

**Section 12. – Allowed and Prohibited Transactions. –**

- (a) Upon receipt of a license to operate an international financial institution in accordance with Section 8 of this Act, and as specified in said license, an international financial institution may:
- (1) Upon authorization of the Commissioner, accept deposits from foreign persons in checking accounts, as well as demand or term deposits, including interbank demand deposits and fund deposits, or otherwise borrow money from international financial institutions and from any foreign person pursuant to the Regulations of the Commissioner. Every international financial institution may borrow money on loan, provided, that said transactions are not tantamount to the acceptance of deposits.
  - (2) Upon authorization of the Commissioner, accept properly collateralized deposits or otherwise borrow duly secured money from the Government Development Bank for Puerto Rico and the Economic Development Bank for Puerto Rico.
  - (3) Make or place deposits in, and otherwise give money on loan to, the Government Development Bank for Puerto Rico, the Economic Development Bank for Puerto Rico, any international financial institution, or any bank, including banks organized under the laws of Puerto Rico, and branches in Puerto Rico of banks that are foreign persons.
  - (4) Make, procure, place, guarantee, or service loans; none of such loans may be granted to a domestic person, except as provided with regard to the activities described in paragraphs (3), (7), (18), (19), (20), and (21) of subsection (a) of this Section, and in the cases of financial securities for debt issue transactions in Puerto Rico, subject to the approval of the Commissioner.

- (5) (A) Issue, confirm, give notice, negotiate, or refinance letters of credit; provided, that the client and the beneficiary requesting the letter of credit is not a domestic person, or
  - (B) issue, confirm, give notice, negotiate, or refinance letters of credit in transactions for the financing of exports, even if the beneficiary is a domestic person.
- (6) Discount, rediscount, deal or otherwise trade in money orders, bills of exchange, and similar instruments; provided, that the drawer and the original debtor is not a domestic person.
- (7) Invest in securities, stocks, notes, and bonds of the Government of Puerto Rico exempt from the payment of taxes in Puerto Rico.
- (8) Carry out any banking transactions allowed by this Act in the currency of any country, or in gold or silver, and participate in foreign currency trade.
- (9) Underwrite, distribute, and otherwise trade in securities, notes, debt instruments, drafts, and bills of exchange issued by a foreign person for final purchase outside of Puerto Rico.
- (10) Engage in trade financing of import, export, barter and exchange of raw materials and finished products activities with domestic persons, when the Commissioner has determined through regulations, administrative determination, or order that the international aspects of the underlying transaction override any involvement of the local financial and business community, and that such activities would be appropriate for the international financial institution; those transactions allowed by exception shall not enjoy the exemption granted under Sections 21 and 22 of this Act, or from the preferential tax rate established in subsection 6(a) of this Act.
- (11) Engage in any activity of a financial nature outside of Puerto Rico which would be allowed to be done, directly or indirectly, by a bank holding company or by a foreign office or subsidiary of a United States bank under applicable United States law.
- (12) After obtaining a special permit from the Commissioner, act as fiduciary, executor, administrator, registrar of stocks and bonds, property custodian, assignee, trustee, attorney-in-fact, agent ,or in any other fiduciary capacity; provided, that such fiduciary services shall not be offered to, nor inure to the benefit of domestic persons.
- (13) Acquire and lease personal property at the request of a lessee who is a foreign person, pursuant to a financial lease agreement that complies with the Regulations of the Commissioner.

- (14) Buy and sell securities outside of Puerto Rico, on the order of, or at its discretion, for foreign persons and provide investment advice in relation to such transactions or separate therefrom, to such persons.
- (15) Act as a clearinghouse in relation to financial contracts or instruments of foreign persons, as authorized by regulations adopted by the Commissioner.
- (16) Organize, manage, and provide management services to international financial institutions, and other types of financial entities located outside of Puerto Rico, such as investment companies and mutual funds, provided, that the stock or participation in the capital of such companies is not distributed directly by the international financial institution to domestic persons.
- (17) Engage in such other activities as are expressly authorized by the regulations or order of the Commissioner, or are incidental to the execution of the services authorized by this Act and the Regulations of the Commissioner, except those expressly prohibited by this Act.
- (18) Participate in the granting and/or securing of loans that originate and/or are secured by the Government Development Bank for Puerto Rico and the Economic Development Bank for Puerto Rico.
- (19) Upon approval of the Commissioner, participate in the granting and/or securing of loans originated and/or secured by any bank considered a domestic person, excluding transactions between any bank considered a domestic person and an affiliate entity. These transactions shall only be authorized for the remainder of the calendar year in which this Act is approved and the five (5) calendar years thereafter.
- (20) Upon authorization of the Commissioner, acquire classified or bad loans, as well as any personal or real property (tangible and intangible) that serves as collateral for such loans, from any bank considered a domestic person or from any branch of a foreign bank in Puerto Rico. This includes the execution of the collateral related to the aforementioned loans and the sale of property serving as collateral for said loans. The acquisition of these loans shall be authorized for the remainder of the calendar year in which this Act is approved and the six (6) calendar years thereafter, that is, until December 31, 2018. The execution of related collateral or the sale of property serving as collateral may be carried out within a period that reasonably meets industry standards, or the original term of the acquired loan, whichever is greater.
- (21)(A) Finance, through loans or financial securities, projects in areas of priority for the Government of Puerto Rico in those cases designated as extraordinary by the Secretary of the Treasury and the Commissioner.

- (B) In all cases, the prior authorization of such loans by the Secretary of the Treasury and the Commissioner shall be required.
- (22)(A) Establish, upon authorization of the Commissioner, branches outside of Puerto Rico, in the continental United States and its possessions, or in other foreign countries; provided, that said branches do not accept any kind of deposit. The Commissioner is hereby empowered to prescribe, by regulations, the procedure to obtain said authorization, and the amount payable for application investigation expenses and annual quota fees for each one of said branches.
- (B) The Commissioner is hereby empowered to authorize an international financial institution to establish a service unit or office in Puerto Rico, in which only specific operations related to the services of the international financial institutions shall be conducted, in the manner and form prescribed by regulations, but, by no means, shall said service unit or office constitute a branch.
- (23) Upon authorization of the Commissioner, provide to other international financial institutions or to foreign persons outside of Puerto Rico, those services of a financial nature, as these are defined and generally accepted in the banking industry of the United States and Puerto Rico and which are not listed in this Section.
- (24) Engage in rendering of the following services: (i) asset management; (ii) alternative investment management; (iii) management of private capital investment activities; (iv) management of hedging funds or high risk funds; (v) pools of capital management; (vi) administration of trusts that serve to convert different groups of assets into securities; and (vii) escrow accounts administration services; provided, that such services are offered to foreign persons.

(b) The international financial institution shall not:

- (1) accept deposits nor borrow money from domestic persons, except from the Government Development Bank for Puerto Rico, the Economic Development Bank for Puerto Rico, and international financial institutions;
- (2) make, procure, place, secure, or service loans, unless all loan proceeds are to be used outside of Puerto Rico, except for the cases permitted in paragraphs (3), (7), (18), (19), (20), and (21) of subsection (a) of this Section, and as provided by the Commissioner in accordance with paragraph (19) of subsection (a) of this Section;
- (3) issue, confirm, or give notice of letters of credit, unless all proceeds of the letter of credit are to be used outside of Puerto Rico, and that both the issuer and the beneficiary are foreign persons, except for export financing transactions in which the beneficiary is a domestic person;

- (4) discount bills of exchange, unless all the proceeds of the bills of exchange are to be used outside of Puerto Rico and that both, the drawer and the beneficiary, are foreign persons;
  - (5) purchase or hold any of its own capital stock, or the capital stock of or the interest in the capital of the person of which it is a unit, except when previously authorized by the Commissioner;
  - (6) grant any kind of financing or credit to any of its directors, officers, employees or stockholders, except when previously authorized in writing by the Commissioner; and
  - (7) directly or indirectly place, underwrite, insure, or reinsure risks or objects that reside, are located, or will be executed in Puerto Rico, or participate in reciprocity or retrocession arrangements or agreements covering or relating to such risks or objects, or assign insurance to, or assume reinsurance from any insurer authorized to do or who is doing insurance business in Puerto Rico.
- (c) An international financial institution that is a unit of another person shall segregate and keep separated all transactions made or conducted by such unit, from every other transaction made or conducted by the person of which the international financial institution is a unit.

**Section 13. – Personnel. –**

- (a) The international financial institution shall employ on a full-time basis a minimum of four (4) persons at its business office or offices in Puerto Rico.

The Commissioner may authorize a lesser number of employees at the request of the interested party, for which authorization the Commissioner shall evaluate factors such as the authorities granted under the license issued in accordance with this Act, the nature and complexity of its operations in Puerto Rico, and those other criteria established in the Regulations of the Commissioner.

- (b) The full-time employees of a person of which an international financial institution is a unit which render some services to such entity, shall be deemed to be full-time employees of such entity for purposes of the employment requirements set forth in subsection (a) of this Section.
- (c) The employment requirement provided in this Section shall not be used to comply with the terms and conditions of a tax exemption decree issued under any other Act.

**Section 14. – Accounts and Registers. –**

- (a) Original account books and registers of the international financial institution shall be kept in its principal business office in Puerto Rico and shall reflect such details and be kept in such a manner as may be required by the Regulations of the Commissioner.

- (b) Such account books and registers must be segregated and kept separately from the account books and registers of any other person.
- (c) Original account books and registers of an international financial institution shall be deemed to belong to such international financial institution, regardless of whether such international financial institution is a person or constitutes a unit of another person, and a duplicate thereof may be kept and maintained in its country of origin.

**Section 15. – Reports. –**

Every international financial institution shall file with the Commissioner all such reports as may be required by the Regulations of the Commissioner, including an annual financial statement prepared by certified public accountants, licensed to practice in Puerto Rico, as well as interim financial statements.

**Section 16. – Revocation, Suspension or Surrender. –**

- (a) A license issued under Section 8 of this Act shall be subject to revocation or suspension by the Commissioner, upon previous notice and hearing pursuant to the regulations provided in Section 20 of this Act, if:
  - (1) an international financial institution or the person of which said international financial institution is a unit, contravenes or fails to comply with any of the provisions of this Act, any Regulations of the Commissioner, or any of the terms and conditions of the license to operate an international financial institution;
  - (2) An international financial institution fails to pay the annual license fee; or
  - (3) The Commissioner finds that the business or affairs of an international financial institution are conducted in a manner that is inconsistent with the public interest.
- (b) An international financial institution or the person of which said international financial institution is a unit, may at any time, and in the manner provided by the Regulations of the Commissioner, surrender its license to operate an international financial institution.

**Section 17. – Dissolution. –**

- (a) The Commissioner may, among other alternatives, appoint a receiver and order the dissolution of an international financial institution if the license of said international financial institution or of the person of which the international financial institution is a unit, is revoked or surrendered pursuant to Section 16 of this Act.
- (b) The receiver appointed shall be a person of recognized moral integrity, with vast experience in the field of banking or finance, and his/her performance with the international financial institution shall be secured by an adequate bond, to be paid by the international financial institution itself.

- (c) The receiver shall manage the international financial institution in accordance with the provisions of this Act and shall:
- (1) take possession of the assets and liabilities, books, records, documents and files which belong to the international financial institution;
  - (2) collect all loans, charges, and fees owed to the international financial institution;
  - (3) pay all obligations and debts of the international financial institution after having paid the necessary costs of the receivership; and
  - (4) supervise the dissolution and liquidation of the international financial institution.

**Section 18. – Penalties. –**

- (a) If any director, official, or individual acting in a similar capacity of an international financial institution or of a person of which the international financial institution is a unit, violates, or voluntarily or negligently allows any director officer, agent, or employee of the international financial institution or of the person of which the international financial institution is a unit, to violate the provisions of this Act, the Regulations of the Commissioner, or any provision of the certificate of incorporation, partnership agreement or other written document establishing the international financial institution, the Commissioner shall schedule and summon the interested parties to an administrative hearing pursuant to the regulations provided in Section 20 of this ct. Once the hearing is held and after the Commissioner determines that a provision mentioned in this subsection has been violated, he/she shall take the corresponding action, including the suspension or dismissal of such director, officer, or individual.
- (b) Any official or employee of an international financial institution, or of a person of which it is a unit, who, on behalf of such international financial institution, receives any deposit or contract for a loan knowing that the international financial institution or the person of which it is a unit is insolvent, shall commit a felony and, upon conviction, shall be punished by imprisonment for not less than three (3) years nor more than seven (7) years, or by a fine of not less than five thousand five hundred dollars (\$5,500) nor more than ten thousand dollars (\$10,000) or by both penalties at the discretion of the Court.
- (c) Any director, official, or employee of the international financial institution or of the person of which the international financial institution is a unit, who unlawfully takes, embezzles, removes, or voluntarily misuses any moneys, funds, credits, or securities of an international financial institution, or who, without due authorization, issues or draws any certificate of deposit, draws any order or bill of exchange, carries out any type of acceptance or assignment of a note, bond, money order, bill of exchange, and any person who, with the same intention, aids or abets any director, official, or employee to violate any provision of this Section, shall commit a felony and, upon conviction, shall be punished by imprisonment for a term of not less than ten (10) years nor more than twenty (20) years, or by a fine of not less than fifteen thousand dollars (\$15,000) nor more than thirty thousand dollars (\$30,000), or by both penalties at the discretion of the Court.

- (d) Any director, official, or employee of an international financial institution or of the person of which the international financial institution is a unit, who voluntarily misrepresents the financial condition of an international financial institution or about any transaction to be carried out by, or carried out by the international financial institution, or who declines to provide information legally requested by the Commissioner, shall commit a felony and, upon conviction, shall be punished by imprisonment for not less than five (5) years nor more than ten (10) years, or by a fine of not less than eight thousand dollars (\$8,000) nor more than seventeen thousand dollars (\$17,000), or by both penalties at the discretion of the Court.
- (e) The aforementioned provisions in this Section shall not be construed as to limit the power of the Commissioner to impose administrative fines for violations of the provisions of this Act or of the Regulations of the Commissioner.

**Section 19. – Confidentiality. –**

- (a) The information that the international financial institution provides to the Commissioner under the provisions of this Act and the regulations adopted by the Commissioner thereunder, shall be kept confidential, except:
  - (1) when disclosure of such information is required by law or judicial order, or
  - (2) through a formal petition of a domestic or foreign government agency in the exercise of its supervisory function, when the Commissioner has grounds to believe that providing said information is in the best public interest. In such case, the information shall be delivered under a binding agreement with the concerned government entity of maintaining the confidentiality of said information. The exception under this paragraph shall under no circumstances be extended to information regarding clients of the international financial institution.
- (b) The requirements under any federal or Puerto Rico law in connection with the privacy or confidentiality of any information or material provided to the Office of the Commissioner of Financial Institutions, and any privilege arising from any federal or Puerto Rico law, including the rules of any federal or Puerto Rico court with regard to said information or material, shall continue to apply to such information or material after said information or material is revealed to the Office of the Commissioner of Financial Institutions. Said information and material may be shared with any official of a federal or Puerto Rico agency who has authority to oversee the banking industry, without precluding the protections of privileges or confidentiality provided under federal and Puerto Rico laws.
- (c) This Section shall not apply to information or material related to the employment history of any official or orders issued by the Commissioner to any international financial institution.

**Section 20. – Administrative Hearings, Adjudication Proceedings, and Judicial Review. –**

All matters related to administrative hearings procedure, adjudicatory proceedings and judicial review shall be provided in Regulations No. 3920 of June 23, 1989, known as the “Regulations to Regulate the Adjudication Proceedings Under the Jurisdiction of the Office of the Commissioner of Financial Institutions” or any other regulations substituting or amending the same, promulgated by the Commissioner in accordance with the provisions of Act No. 170 of August 12, 1988, as amended, known as the “Uniform Administrative Procedures Act of the Commonwealth of Puerto Rico.”

**Section 21. – Property Tax Exemption. –**

The real and personal property, tangible and intangible, belonging to an international financial institution duly authorized under this Act, shall be exempt from property taxes.

**Section 22. – Municipal License Tax Exemption. –**

The international financial institutions duly authorized by this Act, shall be exempt from the payment of municipal license taxes levied under Act No. 113 of July 10, 1974, as amended, known as the “Municipal License Tax Act.”

**Section 23. – Contributions to the Special Fund for the Development of Services for Export and Promotion. –**

- (a) During the effective term of this Act, seven point five percent (7.5%) of the revenues derived from the income tax paid by international financial institutions shall be covered into the Special Fund for the Development of Services for Export and Promotion, created by the “Act to Promote the Export of Services.”

**Section 24. – Effect of Existing Laws. –**

- (a) Insofar as the laws of Puerto Rico are not inconsistent with the provisions of this Act, the laws of Puerto Rico shall prevail.
- (b) Insofar as the provisions of this Act are inconsistent with any other laws of Puerto Rico, the provisions of this Act shall prevail.

**Section 25. – Decrees Issued under Industrial or Tax Exemption Laws. –**

The Tax Exemption Office shall not receive new applications for businesses exemption decrees under Sections 2(d)(1)(D)(i) and 2(h)(2) of Act No. 73-2008, as amended, after the date of effective date of this Act. Decrees issued under Act No. 73-2008 or under similar preceding laws shall remain in effect pursuant to their respective provisions. Applications for new decrees for services eligible under Sections 2(d)(1)(D)(i) and 2(h)(2) of Act No. 73-2008 filed before the effective date of this Act, which have not been issued before the date of effective date of this Act, may be processed, at the option of the applicant, in accordance with the provisions of this Act; provided, that they are considered eligible businesses under this Act.

## **Section 26. – Non Applicable Existing Legislation. –**

The provisions of Act No. 55 of May 12, 1933, as amended, known as the “Puerto Rico Banking Laws,” and the provisions of Act No. 1 of October 15, 1973, which fixes the maximum allowed rates or interest charges for loans, shall not apply to international financial institutions created under this Act. Also, Section 1649 of Act No. 5 of August 17, 1993, as amended, which established the interest rate in absence of agreement and the limit of rate fixed by agreement shall not apply. Notwithstanding, the foregoing, none of the provisions of this Act shall be construed to limit the powers of the Governor of Puerto Rico, or of the person appointed by him/her, granted by Section 42 of Act No. 55 of May 12, 1933, as amended; Act No. 2 of March 21, 1933, as amended; Act No. 17 of April 18, 1933; Act No. 12 of July 15, 1935; and Act No. 10 of March 7, 1951.

## **Section 27. – Transition Measures. –**

Act No. 52 of August 11, 1989, as amended, known as the “International Banking Center Regulatory Act” shall remain in effect and none of the provisions of this Act shall be construed to impair the renewal of licenses under Act No. 52.

International banking entities to which a license was issued pursuant to Section 7 of Act No. 52 of August 11, 1989, as amended, known as the “International Banking Center Regulatory Act,” shall be subject to the provisions of the aforementioned Act No. 52. This includes renewing its license under Act No. 52 or, at the option of the international banking entity, it may request to avail itself of the provisions of this Act, subject to the conditions established by the Commissioner through regulations, circular letter, or administrative determination. If the conversion request is granted and a license is issued under this Act, the international banking entity shall be considered an international financial institution organized in accordance with this Act and shall enjoy the rights privileges, powers, and authority and be subject to the duties, obligations, penalties, responsibilities, conditions, and limitations provided in this Act and the decree and license issued thereunder.

Organization permits and license applications other than a renewal filed to organize an international banking entity under Act No. 52, supra, which were submitted to the Commissioner and were not issued before the effective date of this Act can be processed pursuant to this Act at the option of the applicant. Any regulations adopted by virtue of the aforementioned Act No. 52, that are not in conflict with this Act, may be used to interpret and implement the provisions of this Act until the corresponding regulations are approved in accordance with the provisions of this Act. New applications for authorization to organize international banking entities under Act No. 52 shall not be accepted after the effective date of this Act.

## **Section 28. – Severability Clause. –**

If any Section, subsection, paragraph, subparagraph, Chapter, clause, phrase, or part of this Act were held to be void or unconstitutional by a court with competence and jurisdiction, such holding shall not affect, impair, or invalidate the remainder of the Act, and the effects thereof shall be limited to the Section, subsection, paragraph, subparagraph, Chapter, clause, phrase, or part of this Act held to be unconstitutional.

**Section 29. – Effectiveness. –**

This Act shall take effect immediately after its approval.

*CAVEAT: This document was compiled by staff of the Department of Economic Development and Commerce of Puerto Rico. While we have made every effort in preparing it, this is not an official compilation and may not be error-free. To facilitate your inquiry, all the amendments made to the Act and corresponding official translations have been incorporated to this document. For accuracy and precision, refer to the original texts and separate official translations of the Act, which can be found at: <http://www.oslpr.org/new/leyesPuertoRico.aspx>.*