

(H. B. 1699)

(No. 44-2024)

(Approved February 16, 2024)

AN ACT

To amend Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 20, 21, 22, 23, 24, 25, 26, 27, 28, and add new Sections 29 and 30 to Act No. 273-2012, as amended, known as the “International Financial Center Regulatory Act,” in order to increase license application and renewal fees; clarify that applicants shall be responsible for paying the expenses incurred in any investigation conducted as a result of their applications; increase the amount of unencumbered assets or financial assurances; increase the annual license fee for each office; adjust the paid-in capital requirement to present times; establish a fee for change of control exceeding ten percent; provide the reconsideration and judicial review process to address denials of permits or license applications; and for other related purposes.

STATEMENT OF MOTIVES

The productive and responsible investment of private capital to promote economic development is an essential element for the economic recovery of Puerto Rico. This Act seeks to strengthen the Puerto Rico International Financial Center to make it more financially sound, effective, resilient, and better prepared to face market changes, thus ensuring that the international financial entities that operate therein are solvent, financially sound, competitive, and responsible. Thus, this Act is another example of our full commitment to Puerto Rico’s economic growth.

Act No. 4 of October 11, 1985, as amended known as the “Financial Institutions Commissioner’s Office Act,” (hereinafter “Act No. 4”) provides that the Office of the Commissioner of Financial Institutions (hereinafter, “OCFI” or the “Commissioner”) shall have the duty to regulate, oversee, and supervise financial institutions that operate or do business in Puerto Rico to ensure that they

are solvent, financially sound, and globally competitive, as well as promote the socioeconomic development of the Island, and safeguard the public interest. With the enactment of Act No. 4, *supra*, OCFI was entrusted with the responsibility of issuing licenses, investigating, and examining financial institutions as well as with all the functions, powers, and duties once held by the Secretary of the Treasury relating to Puerto Rico's financial industry. Furthermore, in 1999, OCFI was recognized as a law enforcement and regulatory agency.

Consistent with the foregoing, the Legislative Assembly has granted OCFI supervisory powers over other financial institutions doing business in Puerto Rico. Thus, OCFI supervises and oversees banks, international banking entities, international financial institutions, investment companies, trust companies, capital investment funds, casinos, pawnbroking businesses, money service businesses, installment sales and financing companies, personal property leasing businesses, small personal loan institutions, financial mediation businesses, mortgage loan businesses, credit reporting agencies, loan originators, stockbrokers, and investment advisors, the Economic Development Bank, and the Commonwealth of Puerto Rico Employee Association, among others.

Pursuant to Act No. 4, *supra*, OCFI administers Act No. 273-2012, as amended, known as the "International Financial Center Regulatory Act" (hereinafter "Act No 273"), which governs international financial institutions doing business in Puerto Rico. Since the approval of Act No. 273, there has been a growing interest from investors worldwide who are applying for international financial institution licenses to do business in Puerto Rico, thereby promoting the Island's economic development.

In general, the operations of the Puerto Rico International Financial Center and its international financial institutions have benefited the economic development of Puerto Rico. However, more than then (10) years after the creation

of the Center, it is necessary to strengthen the current regulatory and oversight framework to responsibly address the international financial institutions' compliance with the laws and regulations that govern them. This Act in particular seeks to demand greater compliance with the laws in order to combat money laundering and empower the Commissioner to deny a permit or license if, as a result of an investigation, he or she finds that the financial responsibility, experience, character, and general fitness of the applicant do not command his or her confidence or warrant belief that the applicant shall operate the international financial institution honestly, fairly, and efficiently pursuant to the purposes of this Act.

Since its approval, the fees established in Act No. 273-2012 have remained unchanged, thus, this Act adjusts the application fee for a license to organize or operate an international financial institution and clarifies that the applicant shall be responsible for paying the costs of the investigation. Likewise, this measure adjusts the license renewal fee; increases the Paid-in Capital and unencumbered asset requirements; and establishes an application fee for investigating changes of control exceeding ten percent (10%) of any class of capital stock or equity shares of an international financial institution.

These changes facilitate and strengthen the investigations for license applications and other applications, which is necessary while ensuring that the institutions that enter our market are financially and economically robust so they can do business in the most solvent, financially sound, competitive, and responsible manner possible.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Section 2 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 2.- Definitions.

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

(a) Supervisory Agency - Means any of the following:

(1) The Office of the Comptroller of the Currency or OCC, the Federal Deposit Insurance Corporation or FDIC, the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission or SEC, the Commodity Futures Trading Commission or CFTC, the Financial Crimes Enforcement Network or FinCEN, the Internal Revenue Service or IRS, any successor thereof and any agency created in the future with similar supervisory authority.

(2) Any agency from any jurisdiction primarily responsible for the chartering and supervision of the operations of an international financial institution's holding company or the entity of which the international financial institution is a unit;

(3) Any state or federal agency exercising a regulatory function over the activities conducted by international financial institution; and

(4) Any self-regulatory organization required by law to exercise a regulatory function over the activities conducted by international financial institutions, such as the Financial Industry Regulatory Authority, Inc. (FINRA) and other similar bodies, or any entity designated by the U.S. Department of the Treasury or its designated person.

(b) AMLA - Means the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (NDAA), which includes the Anti-money Laundering Act of 2020 (AML Act) and, within the AML Act, the Corporate Transparency Act (CTA). The purpose of these laws is to modernize and simplify the U.S. anti-money laundering (AML) regime. Reference to AMLA may be made to include said Act in its entirety, or any other law that amends or replaces it.

(c) Bank Secrecy Act or BSA - Means the federal Currency and Foreign Transactions Reporting Act of 1970, better known as the Bank Secrecy Act (BSA) or any law that amends or replaces it.

(d) Capital - Means the difference between the assets and liabilities of an international financial institution, which meets the capital regulatory requirements prescribed by the Commissioner.

(e) Paid-in Capital - Means the total amount of cash in the official currency of any country and other assets (excluding non-marketable securities or of a predominantly speculative nature) that shareholders, members, or partners have contributed to an entity in exchange for shares of capital stock or equity shares, as the case may be.

(f) Code - Means Act No. 1-2011, as amended, known as the 'Internal Revenue Code of 2011' or any other law that replaces or amends it.

(g) Incentives Code - Means Act No. 60-2019, as amended, known as the 'Puerto Rico Incentives Code' or any other law that replaces or amends it.

(h) Commissioner - Means the Commissioner of the Office of the Commissioner of Financial Institutions of Puerto Rico.

(i) Independent Director- Means a member of the board of directors or governing body of an international financial institution who has no financial interest in or any banking, commercial, business, consulting, familial or legal relationship, among others, with the entity or the owners of the entity and is not an employee or a managing member thereof.

(j) IBE or International Banking Entity - Means a person, other than an individual, that has been issued a license to operate as an international banking entity pursuant to Section 7 of Act No. 52 of August 11, 1989, as amended, known as the 'International Banking Center Regulatory Act,' and that has not been

converted into an international financial institution pursuant to Section 28 of this Act.

(k) IFI or 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 10 of this Act.

(l) United States - Means the United States of America, including any state of the United States, the District of Columbia, and every possession, territory, political subdivision, and agency thereof, except for Puerto Rico.

(m) Insolvency or Insolvent - 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 its liabilities exceed its assets, or it is unable to pay its debts when they become due or when its paid-in capital has been reduced to less than one-third (1/3).

(n) Act No. 4 - Means Act No. 4 of October 11, 1985, as amended, known as the 'Financial Institutions Commissioner's Office Act.'

(o) UAPA - Means Act No. 38-2017, as amended, known as the 'Government of Puerto Rico Uniform Administrative Procedure Act,' or any other law that amends or replaces it.

(p) OCFI - Means the Office of the Commissioner of Financial Institutions of Puerto Rico.

(q) OFAC - Means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

(r) Office - Means the facility in which only specific administrative activities relating to the operation of the international financial institutions are performed. International financial institutions engaged in banking or financial service activities shall not accept deposits nor conduct banking operations at the

facilities thereof except for those which are incidental to the administrative duties of such office.

(s) Person - Means an individual, corporation, limited liability company, partnership, association, unit, trust or estate, syndicate or enterprise of any kind, government, its agencies, public instrumentalities, political subdivisions, public corporations, or other entities of the Government of Puerto Rico.

(t) Domestic person - means a natural person who is a Puerto Rico resident 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 entity with an office that, pursuant to the Code, is considered to be doing business in Puerto Rico, and the Government, its agencies, public instrumentalities, political subdivisions, public corporations, or other entities of the Government. The Secretary of the Treasury may prescribe through regulations such cases in which foreign entities with offices doing business in Puerto Rico shall be excluded from this definition.

(u) Foreign Person - Means any person other than a domestic person.

(v) 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 under 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 or her whenever the Regulations of the Commissioner are applicable to IFIs or the activity in which an international financial institution intends to engage.

(w) Puerto Rico Resident - Shall have the same meaning given to such term in the Code and the regulations adopted thereunder.

(x) Branch - Means any kind of facility established by an international financial institution outside of Puerto Rico.

(y) Unit - Includes any subdivision or branch of any person other than an individual, whose business and operations are segregated from the other businesses and operations of such person, as required by this Act.

(z) Service Unit - Means such facility established by an international financial institution in Puerto Rico in which only specific banking operations are performed. Service units shall not accept deposits or establish accounts if such transactions involve the acceptance of a deposit.

(aa) USA Patriot Act - means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended.”

Section 2.- Section 3 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“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 enforce the provisions of this Act;

(2) collect application fees for organizing or operating an international financial institution, license renewals, verification of criminal record, reports, examinations, applications for change of control, 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 bank accounts as may be necessary and appropriate to conduct operations;

(4) review and conduct investigations regarding all applications for licenses to operate international financial institutions, or for change of control;

(5) approve, grant conditional approval, or deny applications for permits and licenses to operate or organize international financial institutions;

(6) supervise, oversee, and audit international financial institutions and require them to file periodic or special reports and furnish any other information specified in the Regulations of the Commissioner;

(7) require periodic audits of each international financial institution, at least once a year, which shall include an assessment of the financial condition of each international financial institution, the international financial institution's compliance with the provisions of this Act and the Regulations of the Commissioner, and such other matters as the Commissioner may deem appropriate;

(8) ensure the financial and operational soundness of international financial institutions as well as their compliance with the applicable laws and Regulations of the Commissioner and any other provision or requirement as prescribed by the Commissioner through order, regulation, circular letter, or guidance documents applicable to IFIs;

(9) revoke or suspend a license to operate an international financial institution or impose any penalties he or 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 penalty has been imposed, shall have the right to request an administrative hearing pursuant to the regulations provided in Section 20 of this Act;

(10) suspend, dismiss, or otherwise sanction any director, officer, employee, agent, or individual acting in a similar capacity for an international financial institution, who violates, or willingly or negligently allows another person to violate this Act, any regulation or order of the Commissioner, or the articles of incorporation, articles of organization, bylaws, limited liability company

agreement, partnership agreement, or other organizational document of the international financial institution, as the case may be, or a license issued under this Act. Any individual who is suspended, dismissed, or otherwise sanctioned may request an administrative hearing pursuant to the regulations provided in Section 20 of this Act;

(11) conduct studies and investigations, upon his or her initiative or upon request of an interested party if the Commissioner deems it appropriate regarding authorized matters or alleged violations of this Act or the Regulations of the Commissioner, and may require information deemed necessary, pertinent, and essential to achieve such purposes, as well as any other investigations necessary for the sound administration of this Act or the Regulations of the Commissioner. For the purposes of this subsection, the international financial institution shall be responsible for paying the costs of any special investigation that the Commissioner deems necessary. Examinations or investigations shall be kept confidential except as provided in Section 21 of this Act; and

(12) carry out such other activities or establish such other procedures that are incidental to the performance of his or her duties under this Act.

(b) The Commissioner shall have the authority to summon witnesses and require the production of such documents as he or she may deem necessary to conduct any investigation that, in his or 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, order, or requirement issued by the Commissioner, the latter may resort to the Court of First Instance, Superior Court of San Juan, to seek any appropriate remedy in law. The court may order such person to obey such summons, order, or requirement 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 under Act No. 4, *supra*, including, but not limited to the power to conduct investigations, examinations, voluntary or involuntary liquidation procedures, and initiating different causes of action to enforce the provisions of this Act or to punish violations thereof. Among said actions and upon determining that a person or international financial institution has violated this Act or the Regulations of the Commissioner, as well as an order or administrative resolution issued by OCFI, the Commissioner may issue orders against such person or international financial institution as deemed convenient and necessary to protect the public interest, such as cease and desist orders, orders to show cause, agreements or memoranda of understanding, and may initiate proceedings pursuant to the provisions of UAPA; however, when according to the Commissioner said violation causes or may cause immediate serious harm to industry, citizens or particular persons, the Commissioner may issue an order of a summary nature waiving the requirement for notice and hearing, pending final determination of any proceeding under this Section.

(e) The Commissioner may also impose fines, restitution, and administrative penalties for violations of this Act, the Regulations and orders of the Commissioner.

(f) The Commissioner may, if deemed pertinent, during a process of cease and desist or involuntary liquidation of the international financial institution, contract and designate a receiver to oversee the involuntary liquidation process.

(g) The Commissioner may suspend the payment of the principal or interests of capital liabilities upon maturity or before maturity, or both, when such payment reduces the amount of capital in stocks, or otherwise causes the

international financial institution's noncompliance with any applicable capital requirement, law, or regulation, or when said payment may affect the financial solvency of the international financial institution or threaten the interests of depositors and the public interest.”

Section 3.- Section 4 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 4.- Organization, Operations, and Employees.

(a) An international financial institution may be:

(1) Any person, other than an individual, incorporated or organized under the laws of Puerto Rico, the laws of the United States, or the laws of any state or territory thereof, including the District of Columbia; 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, the laws of the United States, or the laws of any state or territory thereof, including the District of Columbia.

(b) The articles of incorporation or the bylaws in the case of a corporation, the articles of organization or the agreement of the limited liability company, the partnership agreement, or any other organizational document of an international financial institution shall include:

(1) The name by which it is to be known.

(2) The street, number, and city where its principal business office shall be established in Puerto Rico.

(3) The initial paid-in capital. In the case of a corporation or person other than a corporation, the amount of paid-in capital shall not be less than ten million dollars (\$10,000,000). For the purposes of this Act, said amount shall be deemed initial paid-in capital and shall be fully paid at the time the license is issued. The Commissioner may authorize or require a lesser or greater amount of

initial paid-in capital, upon his or her own initiative or upon request by an interested party, taking into consideration the types of businesses or activities to be conducted by the international financial institution or other circumstances as determined by the Commissioner. However, in no case shall the amount of paid-in capital be less than ten percent (10%) of the deposits accepted by the IFI unless said deposits are insured. If the international financial institution shall have authority to issue shares of only one (1) class of capital stock or equity shares, the articles of incorporation, bylaws, articles of organization, limited liability company agreement, partnership agreement, or other organizational document of the international financial institution, as the case may be, shall include the aggregate number of shares of capital stock or equity shares which the institution shall have authority to issue, the par value of each of the shares or a statement that all of the shares of capital stock or equity shares are without par value. If the institution shall have authority to issue more than one class of capital stock or equity shares, said document, as applicable, shall also include said information for each class.

(4) IFIs holding a valid license as of the effective date of this Act shall gradually increase their paid-in capital until it reaches at least ten million dollars (\$10,000,000) pursuant to the capitalization plan prepared by each IFI and filed with the Commissioner for review, taking into consideration the total amount of paid-in capital as of the effective date of this Act. The Commissioner may authorize or require a lesser or greater amount of paid-in capital, on the Commissioner's own initiative or upon request by an interested party, taking into consideration the types of businesses or activities conducted by the IFIs or other circumstances as determined by the Commissioner.

Notwithstanding the foregoing, upon request by an IFI, the Commissioner may adopt another staggered plan for paid-in capital which shall not exceed six (6) years through administrative determination to such effect.

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

(i) The paid-in capital of an international financial institution (or the assigned capital in the case of a unit) may not be reduced without prior written approval from the Commissioner.

(ii) Without prior written approval from the Commissioner, no international financial institution may issue:

(I) additional shares of capital stock or other securities convertible or exchangeable into capital stock, in the case of a corporation, or

(II) additional capital or other securities convertible or exchangeable into additional capital, in the case of a person other than a corporation.

(iii) Notwithstanding the foregoing, in the case of a corporation, it may issue additional shares of capital stock or other securities convertible or exchangeable into shares of capital stock, and in the case of a person other than a corporation, it may issue additional capital or other securities convertible or exchangeable into additional capital, without the prior approval from the Commissioner; provided, that such shares or additional capital are issued directly to the shareholders, members, or partners of the international financial institution previously evaluated and approved under Section 5(b)(3) or Section 10 of this Act. In the case of additional stocks or shares issued to shareholders, members, or partners previously approved, the international financial institution shall notify the Commissioner of all the particulars of such issuance within ten (10) business days after the date of issue.

(4) The period of duration, which may be perpetual in the case of a corporation or a limited liability company.

(5) The purposes for which it is organized, including a specific operational limitation to perform only those activities and services authorized in Section 10(a) of this Act, as listed in its license.

(6) Any other provisions which may be convenient for the sound operation of the business. Such provisions shall not conflict with other laws of Puerto Rico.

(7) Any other provisions required by the Regulations of the Commissioner or the circular letters interpreting the Regulations of the Commissioner and this Act.

(c) An international financial institution that intends to operate as a unit shall provide a certification executed by the person of which it shall be a unit, in the form prescribed by the Regulations of the Commissioner or the circular letters interpreting the Regulations of the Commissioner and this Act, stating:

(1) The name by which the unit shall be known.

(2) The street, number, and city where the unit shall establish its principal place of business in Puerto Rico.

(3) The amount of the proposed capital and initial paid-in capital of the person of which the international financial institution shall be a unit, whose capital meets the requirements of this Act, as the case may be, and the amount of capital to be assigned to the unit. The Commissioner may require or authorize a lesser or greater amount of proposed, paid-in, or assigned capital, upon the Commissioner's own initiative or upon request by an interested party; provided, that, in the judgement of the Commissioner, the type of business or powers that the international financial institution intends to exercise or other circumstances so warrant.

(4) The purposes for which the unit is authorized, including a specific operational limitation to perform only those services authorized in Section 10(a) of this Act, as listed in the license.

(5) Any other provisions required by the Regulations of the Commissioner or the circular letters interpreting the Regulations of the Commissioner and this Act.

(d) The international financial institution shall employ on a full-time basis a minimum of eight (8) persons at its business office in Puerto Rico, two of which shall be part of the IFI's compliance department or division.

(1) Full-time employees of a person of which an international financial institution is a unit, who render services to such entity, shall be considered full-time employees of such entity for purposes of the employment requirements set forth in subsection (d) of this Section; provided, that they work on a full-time basis for said unit.

(2) The employment requirement established in this Section shall not be used to comply with the terms and conditions of a tax-exemption decree issued under any other law.

(3) The IFI shall employ, on a full-time basis, a compliance officer and such persons as are necessary to support the duties of a fully independent compliance department. The IFI shall provide paid annual training on compliance with the laws of Puerto Rico and the United States, relating to money laundering and terrorism financing, such as the BSA, due diligence, and training on OFAC measures, among other laws or measures relevant to the industry.

(4) However, at the request of an IFI, the Commissioner may authorize a lesser number of employees through an administrative determination to such effect."

Section 4.- Section 5 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 5.- Application for Permit to Organize.

(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 in writing, in the form prescribed in the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs, and shall be accompanied by:

(1) The proposed articles of incorporation or articles of organization, bylaws, limited liability company agreement or partnership agreement, or any other organizational document of the international financial institution, as the case may be, or the certification required by Section 4 of this Act;

(2) a nonrefundable application fee of fifty thousand dollars (\$50,000) 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, circular letters, or guidance documents applicable to IFIs.

(b) Every application shall include:

(1) The identity as well as the personal and business history of the applicants;

(2) the city or municipality in Puerto Rico and the street and number or any other address where the principal place of business shall be established in Puerto Rico;

(3) the identity, personal and business history as well as the credit report of any person who owns or controls or intends to own or control, directly or indirectly, any equity shares of the international financial institution.

(4) a statement of assets and liabilities for each of the three (3) years preceding the application, of any applicant and any person who owns or controls or intends to own or control any equity shares of the international financial institution, or the person of which the proposed international financial institution shall be a unit. For the purposes of this subsection, the term ‘control’ means the power to, directly or indirectly, direct or exercise influence over the management or policies of the international financial institution. The financial statement shall state the applicant’s financial condition, results of operations, and cashflow in conformity with generally accepted accounting principles in the United States or that may be adopted by the public accounting profession.

(5) the identity and background including the full name, primary address, marital status, social security number or equivalent, and passport number of each of the proposed directors and officers or persons who intend to act in a similar capacity in the international financial institution, or any other employee, regardless of the title of his or her office or position, including the compliance officer, if the Commissioner deems it pertinent to require such information;

(6) Proof of the minimum paid-in capital and the source of funds, as well as proof of unencumbered assets and the origin of such funds;

(7) The board of directors or the governing body of the international financial institution shall have at least one (1) independent director, as defined. Thus, the application shall state the identity and background, including full name, primary address (street and mailing), marital status, the last four digits of the social security number or its equivalent, and the passport number of the proposed independent director, including the information that supports his or her capacity as independent director.

(8) Any other information required by the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs.

(c) Upon receipt of a duly sworn application, all the required documents, and the application fee, the Commissioner shall conduct all the investigations deemed necessary regarding the applicants, including shareholders, members, partners, directors, and executive officers of any applicant that is a juridical person. Said application shall include a review of:

(1) The financial solvency, credit, banking, business or financial experience, employment history, integrity, ability, character, general fitness, and criminal history records of applicants, as well as the proposed directors or officers (or in a similar capacity) of the proposed international financial institution, and if they are able to reasonably ensure the sound operation of the international financial institution;

The Commissioner shall investigate the criminal and personal history records of said persons and of the ultimate beneficial owners of the international financial institution. In the course of the investigation, the Commissioner may use entities specialized in conducting investigations of this kind and the cost thereof shall be paid by the applicants; however, the reports of the investigations shall be submitted directly to the Commissioner by the entity used to conduct the same;

(2) The adequacy of the proposed capital for the operations of the proposed international financial institution; the capital of the proposed regulatory international financial institution shall comply at all times with the definition of well capitalized or similar terms provided and defined in the federal regulations of Supervisory Agencies, as applicable based on the activities to be carried out by the international financial institution, or such levels of capital provided in the Regulations of the Commissioner or in the circular letters or guidance documents applicable to IFIs;

(3) The articles of incorporation or organization, bylaws, limited liability company agreement or partnership agreement, or any organizational document of the international financial institution, as the case may be; and

(4) The impact that the proposed international financial institution shall have on the economy of Puerto Rico.

(d) Expenses exceeding the thirty-five thousand dollars (\$35,000) stated above, incurred by the Commissioner in conducting the initial investigation shall be paid by the applicants through advanced payment based on the estimate or by agreement with the entities authorized by the Commissioner to conduct the investigation. The Commissioner shall claim the investigation costs to the applicants.

(e) The Commissioner may return the application for permit on any of the following grounds:

(1) The application was not filed in accordance with the provisions and requirements of this Act or the Regulations of the Commissioner, or the circular letters or guidance documents applicable to IFIs.

(2) The application does not include information or documents required for review.

(3) The application is for authorization to engage in a business not authorized in Puerto Rico.

If an application is incomplete and the applicant fails to complete it within thirty (30) days (or as such period is extended by the Commissioner), after receipt of the Commissioner's notice of incomplete application, the Commissioner may deem the application to be abandoned and shall proceed to return it to the applicant.

(f) The determination of the Commissioner as to whether issue a permit to organize an international financial institution is an entirely discretionary power

where the Commissioner shall consider the best interest of Puerto Rico and the United States in preventing money laundering and countering terrorism financing, the public interest; the protection of prospective depositors or investors of the proposed international financial institution; the public policy of the Government of Puerto Rico; as well as the interest of the applicants. If the Commissioner determines that the results of his or her investigation are favorable, he or she may, at his or her sole and exclusive discretion, issue a permit to organize an international financial institution, to applicants subject to such conditions as the Commissioner may establish.

(g) 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 or articles of organization, as the case may be, or other organizational document of the proposed international financial institution, or the person of which the international financial institution shall be a unit, as well as the certification provided in Section 4(c) of this Act in the case of a unit. The Department of State shall issue under its official seal a certification of such documents.

(h) The Commissioner may deny an application for a permit to organize an international financial institution when:

(1) The applicant fails to meet the requirements established in this Act to obtain a license;

(2) He or she finds that the applicant submitted false, inaccurate, or misleading information in the license application, or if any shareholder, member, partner, director, or executive officer is accused or convicted of any felony or any other offense involving fraud, money laundering, tax evasion, or moral turpitude or has been barred by other banking or financial regulators of the United States, any

of its states or territories, including the District of Columbia, or any foreign country; or

(3) If, as a result of his or her investigation, the Commissioner finds that the financial responsibility, experience, character, and/or general fitness of the applicants do not command the confidence of the Commissioner or warrant belief that the applicants shall operate the international financial institution honestly, fairly, and efficiently pursuant to the purposes of this Act.

(j) If the Commissioner denies a license application, the investigation fees shall be retained by the Commissioner and the license fees shall be returned to the applicant.

(k) An applicant who has been denied a license may request reconsideration to the Commissioner within twenty (20) days after the notice of denial.

Section 5.- Section 6 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 6.- License.

(a) The determination of the Commissioner as to whether to issue a license to operate an international financial institution is an entirely discretionary power, where the Commissioner shall consider the best interest of Puerto Rico and the United States in preventing money laundering and countering terrorism financing, the public interest, the protection of prospective depositors or investors of the proposed international financial institution, and the public policy of the Government of Puerto Rico, as well as the interests of the applicants. At the Commissioner’s discretion and under the terms and conditions deemed necessary, as established by an administrative determination to such effect, the Commissioner may issue a license to operate an international financial institution to applicants upon receipt of:

(1) The certification from the Department of State referred to in Section 5(g) of this Act;

(2) The annual fee for a license to operate an international financial institution provided in the Regulations of the Commissioner, circular letter, or guidance documents applicable to IFIs. As of January 1, 2023, the annual license fee shall not be less than fifty thousand dollars (\$50,000) for the original license, twenty-five thousand dollars (\$25,000) for each annual license renewal, and five thousand dollars (\$5,000) for each office or branch. This license renewal fee shall be paid annually within thirty (30) days before the anniversary date of the original license;

(3) A certified copy of the articles of incorporation or the articles of organization, as the case may be, or other organizational document of the international financial institution, or the certification of the person of which the international banking entity is a unit;

(4) A copy of the bylaws adopted by the board of directors or governing body of the international financial institution, or a copy of the limited liability company or partnership agreement, as the case may be, which shall be certified by its secretary or person acting in a similar capacity before a notary public;

(5) Proof that the initial paid-in capital of the international financial institution has been subscribed, issued, and contributed under such conditions as the Commissioner may prescribe in his or her sole discretion;

(6) A sworn statement subscribed 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 the person of which the international financial institution is a unit, stating that the international financial institution has complied with the provisions of this Act and the Regulations of the Commissioner,

circular letters or guidance documents applicable to IFIs and is ready to begin operations. No license shall 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, the circular letters, or guidance documents applicable to IFIs;

(7) As a requirement to obtain a license, in addition to the initial paid-in capital, every international financial institution organized after the effective date of this Act shall possess not less than one million dollars (\$1,000,000) in unencumbered assets or acceptable financial guarantees, or such greater or lesser sum authorized by the Commissioner, upon his or her own initiative or upon request of an interested party, when the type of business or powers that the international financial institution intends to exercise or other circumstances so warrant in the judgment of the Commissioner. Said unencumbered assets shall guarantee compliance with the provisions of this Act, the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs.

The unencumbered assets shall be certificates of deposit payable to the Commissioner issued by commercial banks or savings and credit cooperatives authorized to do business in Puerto Rico or, upon prior written authorization from the Commissioner, by another financial institution doing business in Puerto Rico authorized to receive deposits, such as an international banking entity organized under Act No. 52 of August 11, 1989, as amended, known as the 'International Banking Center Regulatory Act,' or an IFI. The unencumbered assets shall be physically located in Puerto Rico and subject to the requirements prescribed therefor by the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs. International financial institutions holding a valid license as of the approval of this Act shall gradually increase the amount of their unencumbered assets, as follows: (i) to five hundred thousand dollars (\$500,000)

for the 2024-2025 renewal; (ii) to seven hundred fifty thousand dollars (\$750,000) for the 2025-2026 renewal; (iii) to one million dollars (\$1,000,000) for the 2026-2027 renewal; and (iv) to one million five hundred thousand dollars (\$1,500,000) for the 2027-2028 renewal, and thereafter.

The certificate of deposit may be issued, as to principal, in the name of the international financial institution and shall be accompanied by a separate endorsement payable to the Commissioner describing the certificate of deposit and pledging it in favor of the Commissioner. Said certificate of deposit may not be withdrawn without the Commissioner's express authorization. The Commissioner may require an international financial institution to increase the amount of unencumbered assets whenever a claim is filed against the unencumbered assets originally deposited in favor of the Commissioner; and

(8) A sworn statement signed by the chief executive officer of the institution concerned certifying, among other things, that the international financial institution has adopted and implemented the procedures and systems necessary and adequate to comply with the Bank Secrecy Act and AMLA, as applicable, based on the financial activities to be conducted by the international financial institution. Said sworn statement shall further state the steps taken by the institution's management to establish a BSA compliance program and that it has adopted or shall adopt in the future business policies and procedures, as necessary, to comply with the requirements of OFAC or any other Supervisory Agency, as applicable, based on the financial activities to be conducted by the international financial institution.

(b) The license to operate an international financial institution shall include a list of the permitted activities of the international financial institution. The international financial institution may engage only in the activities listed in the

license issued by the Commissioner. Licenses under this Act shall be issued to operate as an 'International Financial 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 be valid for one year or through its anniversary date.

(2) Every license renewal application shall be filed within thirty (30) days before the expiration date of each license. Said application shall contain:

(i) A description of any material changes in the information provided to the Commissioner in the initial license application or in previous license renewal applications;

(ii) Proof that the licensee maintains the capital required by the Commissioner as provided in Section 4 of this Act, computed in accordance with generally accepted accounting principles in the United States or those that may be adopted by the public accounting profession, as applicable to the permitted activities of the international financial institution, and that it maintains valid unencumbered assets in favor of the Commissioner;

(iii) The annual license renewal fees amounting to seventy-five thousand dollars (\$75,000) to be paid by electronic fund transfer, cashier's check, certified check, or by postal or bank money order, payable to the Secretary of the Treasury;

(iv) The annual license renewal fees for each branch, amounting to five thousand dollars (\$5,000) per office or branch, to be paid by electronic fund transfer, cashier's check, certified check, or by postal or bank money order, payable to the Secretary of the Treasury.

(v) An independent auditor's report on the effectiveness of the institution's BSA and OFAC compliance programs and such programs' compliance with the applicable regulations.

(vi) Such other information required by the Commissioner, the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs.

(3) The Commissioner may extend the renewal period for good cause. If the licensee fails to file the application for renewal, proof that it maintains the required capital, the sworn statement or the auditor's report, or fails to pay the applicable fees within the granted period or during the additional period authorized by the Commissioner, if any, it shall be understood that the licensee has relinquished its license to operate the international financial institution. As a result, the licensee shall cease to engage in business, and proceed to surrender the license and to the voluntary liquidation of the international financial institution, as provided in Section 18(b) of this Act.

(4) Every international financial institution shall include in its license application or license renewal application a sworn statement signed by the chief executive officer of the institution attesting compliance with the provisions of the BSA and OFAC regulations which, as reiterated in this Act, are applicable to international financial institutions, and certifying that the international financial institution is well capitalized in accordance with the standards established in the federal regulations of the Supervisory Agencies, as applicable based on the activities carried out by the international financial institution, or such levels of capital provided in the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs. In addition, the sworn statement shall indicate the procedures and systems that the institution has adopted to comply with the provisions of the BSA, as applicable to the financial activities carried out by

the international financial institution. The sworn statement shall also certify the steps taken by the institution's management to establish a BSA compliance program, as applicable to the financial activities carried out by the international financial institution, and that it has adopted business policies and procedures, as necessary, to comply and be compliant with the requirements of OFAC and the applicable Supervisory Agencies.

(5) Every license renewal application submitted after the period granted shall be subject to a late renewal fee of not less than one thousand five hundred dollars (\$1,500) nor more than five thousand dollars (\$5,000) for each day of noncompliance by the international financial institution. If the IFI fails to renew its license prior to the expiration date, the Commissioner shall deem the license surrendered and shall proceed to impose or issue orders, fines, or penalties as appropriate.

(e) Upon the issuance of a license to an international financial institution in accordance with this Act, the international financial institution shall pay taxes at the rate established in the Code. However, 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 of the filing of the application, shall issue a tax exemption decree stating the tax treatment provided in this Act. If it is determined that it is in the best interest of Puerto Rico, the decree may have an effective period of fifteen (15) years with the intent to ascertain the tax treatment of the applicant international financial institution. As a requirement of the decree, and in accordance with the adopted regulations, the Secretary of Economic Development and Commerce may impose additional conditions on the international financial institution regarding employment or economic activity. Decrees under this Act shall be deemed to be an agreement between the grantee, its shareholders, partners,

or owners, and the Government, and such agreement shall be the law between the parties. The decree shall be valid for a period of fifteen (15) years, beginning on January 1, 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 void as of the date of revocation or nonrenewal, or during the suspension period, as the case may be. The decree is nontransferable; however, it shall continue to be valid after a change of control over the stocks of an international financial institution, or by reason of a merger or consolidation thereof, or the conversion of an international financial institution to a stock-based company; provided, that the change of control, merger, consolidation, or conversion, as the case may be, is authorized by the Commissioner. No new decrees shall be issued under this Section after December 31, 2019. After said date, the decrees may be applied for and issued under the provisions of the Incentives Code. However, any international financial institution holding a decree issued under this Act that meets the employment, income, and investment requirements as well as 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 period of fifteen (15) years, 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 a second extension to such decree for an additional period of fifteen (15) years, for a total of forty-five (45) years, if he or she believes that such extension shall inure to the best interests 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. The Secretary of the

Treasury or the Commissioner shall issue any recommendations required under this Section within fifteen (15) days from the application for a decree, a copy of which shall be sent 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 they have no objections to the determination of the Secretary of Economic Development and Commerce. The application for extension 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 written policies and procedures as are necessary to ensure that the international financial institution complies with the applicable state and federal laws, according to its permitted activities, including, among others, this Act, the Bank Secrecy Act, the USA Patriot Act, and AMLA;

(2) Fully comply with all state and federal laws applicable to the permitted activities of the international financial institution and the regulations, guidelines, or circular letters applicable to the institution, including, among others, this Act, the provisions of the Bank Secrecy Act, the USA Patriot Act, and AMLA;

(3) Submit currency transaction or suspicious activity reports as required by the Bank Secrecy Act, the USA Patriot Act, or AMLA.

(4) Adopt rules and procedures as are necessary to meet the requirements of OFAC as applicable to the type of financial activities carried out by the international financial institution.

(g) Denial of License or Renewal.

In addition to the provisions of Section 6(a) of this Act, the Commissioner may deny the issuance or renewal of a license to operate as an international financial institution if, as a result of the investigation, the Commissioner finds that:

(1) The financial responsibility, experience, character, and general fitness of the applicant do not command the confidence of the Commissioner or warrant belief that the international financial institution shall be operated honestly, fairly, and efficiently pursuant to the purposes of this Act;

(2) The applicants or the international financial institution have failed to meet the requirements of this Act to obtain or renew a license;

(3) The applicants or the international financial institution provided false, incorrect, or misleading information in the application;

(4) The applicants or the international financial institution have failed to pay a fine or penalty imposed by OCFI through final order or resolution;

(5) The applicants or the international financial institution have failed to pay any invoice relating to the examination of their operations conducted by OCFI;

(6) The applicants or the international financial institution have failed to comply with the provisions of any final order or resolution of OCFI;

(7) The applicants or the international financial institution have failed to submit any payment, document, or information required by OCFI that is not subject to any adjudicative proceeding;

(8) The international financial institution is Insolvent; or

(9) Any of its shareholders, members, partners, directors, or executive officers has been accused or convicted of a felony or an offense involving fraud, money laundering, tax evasion or moral turpitude, or has been barred by other banking or financial regulators of the United States, any of its

states or territories, including the District of Columbia, or any other foreign country.

(10) If the Commissioner denies a license application, the investigation fee shall be retained by the Commissioner and the license fees shall be returned to the applicant.

(11) An applicant who has been denied a license may request reconsideration to the Commissioner within twenty (20) days after the notice of denial.

(12) When a report of examination concludes that an IFI has underperformed or repeatedly underperforms, including when an IFI is found to be in violation of BSA and OFAC regulations. The report of examination mentioned in this subsection may be the report of a periodic or a special examination of the IFI.”

Section 6.- Section 7 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 7.- Amendments to Articles of Incorporation or Organization.

(a) No amendment whatsoever to articles of incorporation, articles of organization, bylaws, limited liability company agreement, partnership agreement or other document under which an international financial institution is organized or operated, as the case may be, or to the certification issued under Section 4 of this Act, as applicable, shall be adopted unless such amendment has been previously approved, in writing, by the Commissioner.

(b) After any amendment to the international financial institution’s articles of incorporation or articles of organization, as the case may be, or to the certification issued under Section 4 of this Act, as applicable, is duly adopted, such amendment shall be filed with the Department of State.”

Section 7.- Section 8 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 8.- 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 8.- Section 9 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 9.- Transfer of Capital or Control of an International Financial Institution.

(a) No sale, encumbrance, assignment, merger, barter, exchange, or other transfer of shares of capital stock or equity shares of an international financial institution may be carried out, except as provided in the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs. Furthermore, the shares of capital stock or equity shares of an international financial institution may not be sold, offered for sale, encumbered, assigned, exchanged, or otherwise transferred without prior written authorization from the Commissioner if, by way of such transaction, a person may acquire, directly or indirectly, control of ten percent (10%) or more of the shares of any class of capital stock or equity shares of an international financial institution; however, the provisions of this subsection shall in no way impair the authority of the Commissioner to investigate all direct or indirect stockholders or shareholders of an international financial institution in order to determine whether the funds of said stockholders or shareholders come from a legal source.

For the purposes of this Section, the term ‘control’ means possession, ownership, or power to vote ten (10%) percent or more of any class of stock or equity shares of an international financial institution. It also means the power to, directly or indirectly, direct or exercise influence over the management or policies

of an international financial institution. If there is any doubt as to whether a transaction will result in the control or change of control of an international financial institution, the pertinent information shall be filed with the Commissioner, who shall determine whether the proposed transaction constitutes a change in control.

(b) Regardless of the amount or percentage involved, every merger, sale, encumbrance, assignment, barter, exchange, or other transfer of shares of capital stock or equity shares of an international financial institution, shall be void ab initio if prior written authorization from the Commissioner has not been obtained. The Commissioner may impose sanctions on the parties if he or she deems it appropriate for failure to request the prior authorization required in this subsection.

(c) The international financial institution shall notify the Commissioner thirty (30) days in advance of the transfers referred to in subsections (a) and (b) of this Section; the notice shall state the following:

- (1) Name and address of the transferor and the acquiring person;
- (2) A description of the transaction;
- (3) A copy of the resolution of the board of directors or vote of the stockholders, members, or partners approving the proposed transaction and change in control;
- (4) A copy of the sales contract or other legal instrument stating the total shares of voting stock issued, number of shares involved in the transaction, the total number of shares of voting stock held by the seller and the purchaser or transferee, the percentage of the partnership or limited liability company capital held by the seller or transferor, the purchaser or transferee, the number of outstanding shares of voting stock or equity shares issued by the entity on the date of the proposed transaction is filed, the name of the purchaser, purchasers or

persons acquiring rights over the stocks involved in the transaction, the total sales price, and the purchase price.

(5) The reasons for the transaction;

(6) A statement of personal history, curriculum vitae, or resume, a 2x2 photo, and the financial statements of each person acquiring ten percent (10%) or more of stock or shares, and an official identification with photo and signature.

(7) The twenty-five-thousand-dollar (\$25,000) investigation fee.

Every application for transfer of capital or control to a non-affiliated entity which results in the holding, directly or indirectly, of ten percent (10%) or more, for the first time, shall be subject to a nonrefundable application fee of fifty thousand dollars (\$50,000). The expenses incurred by the Commissioner in conducting the investigation of the transfer of capital or control shall be paid by the applicants by deposit or by agreement with the entities authorized by the Commissioner to conduct the investigation. It shall be the duty of the Commissioner, as soon as the Commissioner receives notice of a proposed transaction resulting in the control or change in control of an international financial institution, to conduct such investigations as he or she may deem necessary regarding:

(i) The reputation, experience, integrity, and financial responsibility of the proposed acquiring persons or transferees, as provided in this Section;

(ii) If such reputation, experience, integrity, and financial responsibility support the belief that the business would be administered in a sound, lawful, efficient, and fair manner in accordance with the purposes of this Act; and

(iii) If the proposed change would be convenient and beneficial for the community within which the business shall operate and would not affect the

public interest, or if it would prejudice the interests of the depositors, creditors, or stockholders of the international financial institution.

(8) The Commissioner may investigate the proposed acquiring persons, as provided in Section 8(c)(1) of this Act, and may also require such additional information as he or she deems necessary to determine whether the transfer would jeopardize the financial security or stability of the international financial institution or violate any law, rule, circular letter, guidance document, or regulation applicable to international financial institutions, in which case, the Commissioner may deny the authorization for such transaction;

(9) The Commissioner may deny an authorization for transfer if he or she finds:

(i) That the experience, integrity, and financial responsibility of the purchaser, transferee or acquiring person do not justify the authorization for transfer;

(ii) That the experience, integrity, and financial responsibility of the purchaser, assignee or acquiring person do not ensure the efficient operations of the international financial institution;

(iii) That the transfer of control would prejudice the interests of the depositors, creditor, or stockholders of said entity; or

(iv) That the transfer of control is, in the judgment of the Commissioner, contrary to the public interest, including the interest of Puerto Rico and the United States of protecting the financial system against money laundering and terrorism financing.

Any person whose application for authorization has been denied shall be entitled to request an administrative hearing in accordance with the regulations provided in Section 20 of this Act.

(10) The Commissioner shall issue the appropriate authorization within sixty (60) days from the date of receipt of all the documentation relating to the transfer of control of the international financial institution if, in his or her judgment, the results of the investigation are satisfactory.”

Section 9.- Section 10 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 10.- Permitted Transactions.

Upon receipt of a license to operate an international financial institution in accordance with Section 6 of this Act, and as specified in said license, upon prior authorization from the Commissioner, may:

(1) Upon prior specific authorization from 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 funds from persons other than domestic persons; provided, that said transactions are not tantamount to an acceptance of deposits.

(2) Make, procure, place, administer, secure, or service loans; none of such loans may be granted to a domestic person, except as provided with regard to the activities described in subsections (5), (16), (17), (18), and (19) of this Section and in the cases of financial guarantees for debt issuance in Puerto Rico, subject to the approval from the Commissioner.

(3) (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.

(4) 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.

(5) Invest in securities, capital stocks, derivatives, debt instruments, and other financial instruments, including repurchase agreements issued or underwritten by foreign persons, and bonds of the Commonwealth of Puerto Rico or any of its agencies, instrumentalities, political subdivisions, and public corporations; however, an international financial institution with authority to accept deposits pursuant to subsection (1) of this Section 10 may only invest for itself in securities, bonds, notes, and similar instruments that are considered permissible investments for national banks by the OCC or other Supervisory Agency, or that the Commissioner determines to be eligible and states so by order, regulation or administrative determination.

(6) Carry out any banking transactions permitted under this Act in the currency of any country, or in gold or silver, provide money services to foreign persons, including money transfers, and participate in foreign currency trade.

(7) Underwrite, distribute, and otherwise trade in securities, capital stocks, debt instruments, drafts, and bills of exchange issued by foreign persons for final purchase outside of Puerto Rico.

(8) 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 by regulations, circular letters or guidance documents applicable to IFIs, 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 permitted by exception shall not enjoy the exemption granted under Sections 24 and 25 of this Act, or the preferential tax rate established in Section 23 of this Act.

(9) 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.

(10) After obtaining a special permit from the Commissioner, act as trustee, executor, administrator, capital stock and bond registrar, property custodian (including digital assets and virtual currencies, among others), transferee, receiver, attorney-in-fact, agent, or in any other capacity; provided, that such services are not offered to, or inure to the benefit of, domestic persons.

(11) 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 laws and Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs.

(12) Buy and sell securities outside of Puerto Rico, to the order of, or in its discretion, for foreign persons and provide investment advice in relation to such transactions or separately, to such persons.

(13) Act as a clearinghouse for the financial contracts or instruments of foreign persons, as authorized by regulations adopted by the Commissioner.

(14) 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 stocks or equity capital of such companies is not distributed directly by the international financial institution to domestic persons.

(15) Engage in such other activities that are expressly authorized by the regulations or orders of the Commissioner, or incidental to the performance of the services authorized by this Act and the Regulations of the Commissioner, except those expressly prohibited by this Act.

(16) Participate in the granting or securing of loans originated and/or secured by the Economic Development Bank for Puerto Rico or any successor thereof.

(17) With prior approval from the Commissioner, participate in the granting or securing of loans originated or secured by any bank considered a domestic person, excluding transactions between any bank considered a domestic person and an affiliated 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.

(18) (A) Finance, through loans or financial assurances, projects in areas of priority for the Government in those cases designated as extraordinary by the Secretary of the Treasury and the Commissioner.

(B) In all cases, prior authorization from the Secretary of the Treasury and the Commissioner shall be required for such loans.

(19) (A) Establish, upon authorization from the Commissioner, branches outside of Puerto Rico, in the United States, or in other foreign countries; provided, that said branches do not accept any kind of deposits. The Commissioner is hereby empowered to prescribe by Regulations of the Commissioner or circular letters interpreting the Regulations of the Commissioner and this Act the procedure to obtain said authorization, the amount of the application investigation fees, and the annual fees for each of said branches.

(B) The Commissioner is hereby empowered to authorize an international financial institution to establish a service unit or office in or outside

of Puerto Rico, in which only specific operations related to the services of the international financial institution shall be conducted, in the manner and form prescribed by Regulations, but, by no means, shall said service unit or office constitute a branch.

(20) With prior authorization from the Commissioner, provide other international financial institutions or foreign persons outside of Puerto Rico with financial services, 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.

(21) Engage in the 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) capital fund management;
- (vi) administration of trusts that serve to convert different groups of assets into securities; and
- (vii) escrow account administration services; provided, that such services are offered to foreign persons.”

Section 10.- Section 11 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 11.- Prohibited Transactions.

The international financial institution shall not:

- (1) Accept deposits or borrow money from domestic persons, except for deposits from the Economic Development Bank for Puerto Rico or any successors thereof, and deposits from international financial institutions and international banking entities;

(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 subsections (5), (16), (17), (18), and (19) of Section 10, and as provided by the Commissioner in accordance with subsection (17) of Section 10;

(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 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 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, members or partners, except when previously authorized in writing by the Commissioner;

(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; and

(8) Operate as a virtual currency or digital asset Exchange.”

Section 11.- Section 13 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 13.- Duties of International Financial Institutions.

(a) International Financial Institutions shall be required to:

(1) File accurate and timely reports on their operations, as required by the Commissioner; and

(2) Have available such documents prescribed by the Commissioner through the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs.

(b) Every international financial institution operating in Puerto Rico shall file with OCFI all such reports as it may be required in the form and containing the information prescribed by the Commissioner through order, Regulation of the Commissioner, circular letter, or guidance document applicable to IFIs.”

Section 12.- Section 14 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 14.- Accounts and Records.

(a) The administration and principal operations of the international financial institution, including management, accounting, and compliance, as well as the original accounting books and records of transactions, shall be carried out and maintained at its principal business office in Puerto Rico. The accounting books and records of transactions may be maintained in hard copy form or, at the request of the international financial institution, in electronic form, and shall show such details and be administered as required by the regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs.”

(b) Such accounting books and records must be segregated and kept separate from the accounting books and records of any other person.

(c) The original accounting books and records of an international financial institution shall be considered the property of such international financial institution, regardless of whether the international financial institution is a person or a unit of another person, and a duplicate thereof may be kept and maintained in its country of origin.

(d) Every international financial institution may destroy its books, files, records, or documents after five (5) years from the date of the last entry on such books, files, records or documents, or the date on which any obligation is no longer enforceable in accordance with the documents in its possession. Every international financial institution shall have in place operating procedures, systems, and processes for the destruction of documents that ensure the following:

(1) That the destruction of documents is conducted in accordance with the document retention and destruction policy adopted by the international financial institution.

(2) That the destruction of documents is halted if OCFI gives written notice to the international financial institution requesting that certain documents, which shall be identified in the notice, be preserved; if notice is given after the five (5)-year period, and the international financial institution has already destroyed the documents, it shall not be penalized.

(3) That the destruction of records is halted if the international financial institution is given notice of a complaint or claim, administrative or judicial order or summons preventing certain records from being destroyed in accordance with the applicable local and federal regulations.

(e) It shall be the duty of the international financial institution to keep a record of the documents destroyed per calendar year, which shall include a general description of the destroyed documents. The record of destroyed documents may be kept in an electronic file and a backup file thereof shall be created in the event of a failure; such backup file shall be available for inspection by the OCFI. The international financial institution shall retain the record of destroyed documents for a period of not less than fifteen (15) years to be counted from December 31 of the corresponding year. Not later than January 31 of each year, an officer of the international financial institution shall issue a certification stating that the Annual

Record of the preceding year contains the required information of all documents destroyed during the year, after meeting the required retention period established in the policy as well as the applicable local and federal regulations. The international financial institution shall retain said certification for a period of not less than fifteen (15) years to be counted from December 31 of the corresponding year and make it available for review by OCFL.

(f) An international financial institution that is a unit of another person shall segregate and keep all transactions conducted or to be conducted by said unit separate from any other transaction conducted or to be conducted by the person of which the international financial institution is a unit.”

Section 13.- Section 15 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 15.- Reports.

(a) Every international financial institution shall file with the Commissioner all such reports as may be required by the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs.

(b) Every international financial institution shall file with the Commissioner an annual report of its financial condition and results of operations, in the manner prescribed by the Commissioner, within ninety (90) days after the close of each fiscal year. The report shall include the audited financial statements as of the close of its fiscal year or those of the person of which it is a unit, as the case may be, prepared in a manner consistent with the reports of condition filed periodically. A statement attesting to the international financial institution’s compliance with the terms of this Act and the Regulations of the Commissioner shall be included with the financial statements by completing the form to be designed and circulated, from time to time, by the Commissioner through circular letter or guidance document applicable to IFIs for such purposes. Said form shall

be certified by an independent Certified Public Accountant authorized to practice the profession under the laws of Puerto Rico. The financial statements shall be received by the Commissioner within ninety (90) days as of the close of the international financial institution's fiscal year and shall comply with Generally Accepted Accounting Principles in the United States or those that may be adopted by the public accounting profession.

(c) If an international financial institution fails to file the annual reports required by the preceding subsection, the Commissioner, in coordination with the Secretary of State, is hereby authorized to revoke the articles of incorporation or organization of said international financial institution. The Commissioner shall notify the affected international financial institution and the Secretary of State of its intent to revoke by mailing notice of such intent to the registered agent of the international financial institution, as shown in its records, and to the Secretary of State at least sixty (60) days before revoking the international financial institution's articles of incorporation or organization. The Commissioner shall prescribe by regulations such other provisions necessary to implement the administrative fine procedure and other penalties for an international financial institution's noncompliance with the provisions of this Section. Once the articles of incorporation or organization of an international financial institution are revoked under this Section, the Commissioner shall notify the Secretary of the Treasury of such revocation."

Section 14.- A new Section 16 is hereby added to Act No. 273-2012, as amended, to read as follows:

"Section 16.- Examinations.

Section 15.- Current Section 16 of Act No. 273-2012, as amended, is hereby amended and renumbered as Section 17, to read as follows:

(a) The Commissioner may examine or audit the operations of any international financial institution. The Commissioner may also conduct special examinations when in his or her judgment it is necessary.

(b) On such examinations, inquiry shall be made as to the condition and resources of the international financial institution and into the mode of conducting business and managing its affairs, the action of its directors, the investment of its funds, the safety and prudence of its management, assurances provided to ensure compliance with the obligations incurred, and whether it has complied with the provisions of its tax decree and this Act in the administration of its affairs, and such other matters as the Commissioner may determine.

(c) Examinations or audits shall be conducted in accordance with the manuals and guidelines established by the Supervisory Agencies, as applicable, and the provisions implemented by OCFI through regulations, circular letter, or guidance documents applicable to IFIs in accordance with the laws in effect.

(d) Every international financial institution shall be required to make available to the Commissioner for examination its accounting books, files, records, documents, and any other information deemed necessary, except for information protected by the attorney-client privilege. In addition, the international financial institution shall provide the Commissioner or his or her representatives with reasonable access to its properties, offices, and places of operations to conduct these examinations during business hours.

(e) The Commissioner shall impose a five-hundred-dollar (\$500) examination fee for each day or fraction thereof, per examiner involved in each examination. This fee shall be paid by electronic fund transfer, cashier's check, certified check, postal or bank money order, payable to the Secretary of the Treasury.

(f) If the Commissioner deems it necessary, an examination may be conducted outside of Puerto Rico; in such case, the international financial institution shall pay the examination fee established in subsection (e) of this Section, plus all reasonable expenses incurred in making such examination, including the cost of transportation and lodging.”

Section 15.- Current Section 16 of Act No. 273-2012, as amended, is hereby amended and renumbered as Section 17, to read as follows:

“Section 17.- Revocation, Suspension or Surrender.

(a) A license issued under Section 6 of this Act shall be subject to revocation, cancellation, 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, violates or fails to comply with any of the provisions of this Act, any Regulation of the Commissioner, circular letters or guidance documents applicable to IFIs, or any order issued by the Commissioner or memorandum of understanding entered into under this Act 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;

(3) The Commissioner finds that the business or affairs of an international financial institution are conducted in a manner that is not consistent with the public interest; or

(4) Any fact exists which, if it had existed or had been known at the time the license was issued or renewed, it would have been grounds for denying it, or if it is found that the international financial institution has submitted false, inaccurate, or misleading information, OCFI shall take appropriate action for

the revocation, cancellation, or suspension of the license in accordance with the powers and authorities granted to it under Act No. 4 and the UAPA.

(b) An international financial institution or the person of which said international financial institution is a unit may, at any time and as provided in the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs, surrender its license to operate an international financial institution, upon thirty (30)-day prior notice of surrender to the Commissioner, and including its plan of liquidation. As part of said plan of liquidation, the international financial institution may, subject to the Commissioner's approval, liquidate its assets, pay its obligations, merge, or consolidate with another juridical person, become another juridical person, or reorganize in another jurisdiction, or dissolve, in all cases, in accordance with the applicable laws. The Commissioner may order and conduct an examination of the business before accepting the surrender of its license. If upon examination, it is found that the international financial institution has committed a violation of law, the Commissioner may revoke its license and impose the corresponding penalty in accordance with the provisions of this Act. The Commissioner may summon the person surrendering a license to a meeting in which such person shall be required to surrender the license and pay any outstanding debts with the OCFI.

(c) No surrender, revocation, cancellation, or suspension of any license shall impair or affect the obligations of any preexisting lawful contract between the international financial institution and other persons.”

Section 16.- Current Section 17 of Act No. 273-2012, as amended, is hereby amended and renumbered as Section 18, to read as follows:

“Section 18.- Dissolution.

(a) The Commissioner may, among other alternatives, appoint a receiver and order the dissolution of an international financial institution: (i) if the license

of said international financial institution or the person of which the international financial institution is a unit is revoked in accordance with an administrative procedure or surrendered pursuant to Section 17 of this Act, or

(ii) if any shareholder, member, partner, director, or executive officer is convicted of any felony or any other offense involving fraud, money laundering, tax evasion, or moral turpitude.

(b) The appointed receiver shall be a person of recognized moral integrity, with vast experience in the field of banking or finance, and his or her performance with the international financial institution shall be secured by an appropriate bond, to be posted by the international financial institution itself.

(c) The receiver shall manage the international financial institution in accordance with the provisions of this Act for the purpose of liquidating it and, shall:

(1) Take possession of the assets and liabilities, books, records, documents, and files belonging to the international financial institution;

(2) collect all loans, charges, claims, duties, 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 for which the receiver may sell real and personal property and other assets, and such receiver shall continue to discharge his or her duties in the manner provided until the final liquidation of the international financial institution.

(d) Said receivership shall end with the full liquidation of an international financial institution if it were necessary or when the operations thereof, as certified by the receiver, allow, in the judgment of the Commissioner, returning the administration of the international financial institution to its officers and

employees, duly elected and appointed under such circumstances stipulated by the Commissioner. The Commissioner may fix a reasonable compensation for the services of the receiver and his or her employees, which shall be paid by the international financial institution.

(e) If, as a result of an examination or a report filed by an examiner, the Commissioner finds that an international financial institution is in an unsound condition to continue business or being managed in such a manner that the public or persons and entities having funds or securities in its custody are in danger of being defrauded, the Commissioner shall promptly appoint a receiver in accordance with subsection (b) above. The receiver thus appointed shall manage the international financial institution in accordance with subsection (c) above.

(f) If an international financial institution refuses to submit its books, papers, and affairs for inspection by any examiner duly appointed by the Commissioner, or if it is found that it has violated its license, or any law, order, or memorandum of understanding under this Act, the Commissioner shall order the liquidation and dissolution of said international financial institution and appoint a receiver in accordance with subsection (b) above. The receiver thus appointed shall manage the international financial institution in accordance with subsection (c) above, the provisions of this Act, the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs. The Commissioner's determination to take over the administration and management of an international financial institution or to appoint a receiver, may be reviewed by the Court of First Instance, Superior Court of San Juan, upon the filing of a petition for review within ten (10) days from the date of the determination. The Court of First Instance, Superior Court of San Juan, may, upon good cause being shown, direct the Commissioner to refrain from further proceedings and surrender possession of the

international financial institution to its directors, without assessing expenses, damages, costs, or fees on the Commissioner.”

Section 17.- Current Section 18 of Act No. 273-2012, as amended, is hereby amended and renumbered as Section 19, to read as follows:

“Section 19.- Penalties.

(a) If any director, officer, 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 willingly 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 this Act, the Regulations of the Commissioner, circular letters, or guidance documents applicable to IFIs, or any order issued by the Commissioner or memorandum of understanding entered into under this Act, or any provision of the articles of incorporation, articles of organization, bylaws, limited liability company agreement, partnership agreement or other organizational document of the international financial institution, as the case may be, the Commissioner shall schedule and summon the interested parties to an administrative hearing pursuant to the regulations provided in Section 20 of this Act. Once the hearing is held and after the Commissioner determines that any of the provisions mentioned in this subsection has been violated, the Commissioner shall take the appropriate action, including the suspension or dismissal of such director, officer or individual.

(b) Any officer or employee of an international financial institution, or of a person of which it is a unit, who receives on behalf of such international financial institution 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 be guilty of a felony and, upon conviction, shall be punished by imprisonment for a term of 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 both penalties at the discretion of the court.

(c) Any director, officer, 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 willingly 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, or bill of exchange, and any person who, with the same intention, aids or abets any director, officer, or employee to violate any provision of this Section, shall be guilty of 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 both penalties at the discretion of the Court.

(d) Any director, officer, or employee of an international financial institution or of the person of which the international financial institution is a unit, who willingly misrepresents the financial condition of an international financial institution or any transaction to be carried out by, or carried out by the international financial institution, or who refuses to produce information legally requested by the Commissioner, shall be guilty of 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 both penalties at the discretion of the Court.

(e) The above provisions of this Section shall not be construed as to limit in any manner the power of the Commissioner to impose administrative fines for

violations of this Act or the Regulations of the Commissioner. The Commissioner is hereby authorized to:

(1) Impose and collect administrative fines of not less than five thousand dollars (\$5,000) nor more than twenty-five thousand dollars (\$25,000) for each violation of the provisions of this Act or the Regulations of the Commissioner.

(2) Impose any other remedy deemed necessary to achieve the purposes of this Act.

(3) Impose and collect administrative fines of not less than one thousand dollars (\$1,000) nor more than ten thousand dollars (\$10,000) for each day the international financial institution fails to meet the requirements or carry out the orders of the Commissioner.”

(f) When the nature of the violation of this Act or the Regulations of the Commissioner, or the orders or resolutions issued by the Commissioner so warrant, in addition to imposing the fines authorized by the preceding subsections, the Commissioner may bring the appropriate judicial action against the violator.”

Section 18.- Section 20 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 20.- Reconsideration, Administrative Hearings, Adjudicative Proceedings, and Judicial Review.

All that pertains to the denial of initial permits or licenses to organize, as well as the review of fines imposed through examinations shall be carried out through a reconsideration process upon the filing of a motion for reconsideration with the Commissioner within twenty (20) days of the date of entry of notice of the Commissioner’s determination. If OCFI outright denies the motion for reconsideration withing fifteen (15) days from its filing, the aggrieved party shall have thirty (30) days to file a request for review with the Court of Appeals. All that

pertains to the revocation or suspension of licenses shall be provided in Regulation 3920 of June 23, 1989, known as the ‘Regulations to Govern Adjudicative Proceedings Under the Jurisdiction of the Office of the Commissioner of Financial Institutions’ or any other regulations that replaces or amends the same, promulgated by the Commissioner in accordance with the provisions of the UAPA or any law that replaces it.”

Section 19.- Section 21 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 21.- Confidentiality.

(a) The information provided by an international financial institution to the Commissioner under the provisions of this Act and the Regulations of the Commissioner, circular letters, and guidance documents applicable to IFIs, shall be kept confidential, except:

(1) when disclosure of such information is required by law or court order; or

(2) through a formal petition filed by a domestic or foreign government agency in the exercise of its supervisory duties, 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 confidentiality agreement entered into with the concerned government entity. The exception under this paragraph shall, in no case, extend to the information of the clients regarding clients of the international financial institution.

(b) The requirements of any federal or Puerto Rico law with respect to the privacy or confidentiality of any information or material provided to OCFI, and any privilege arising under any federal or Puerto Rico law, including the rules of any federal or Puerto Rico court with respect to said information or material, shall continue to apply to the information or material after the information or material is

disclosed to OCFI. Said information and material may be shared with any federal or Puerto Rico regulatory official with oversight authority over the banking industry, without affecting the privilege or confidentiality protections provided by federal and Puerto Rico law.

(c) This Section shall not apply to information or material relating to the employment history of any officer or orders issued by the Commissioner to any international financial institution.”

Section 20.- Section 22 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 22.- Interest Rates and Reserves.

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

Notwithstanding the foregoing, in the case of international financial institutions expressly authorized under their licenses to receive deposits in accordance with Section 10(a), 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 Economic Development Bank for Puerto Rico or any successor thereof that are duly secured by collateral.) The Commissioner shall establish the reserve requirements, computation method, and other details in the licenses concerned or the Regulations of the Commissioner, circular letter, or guidance documents applicable to IFIs.”

Section 21.- Section 23 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 23.- Income Tax.

(a) The income derived by international financial institutions holding a decree under this Act, from the activities described in Section 10(a) of this Act, or

from the sale or liquidation of assets, shall be subject to a four percent (4%) flat 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 1035.01 of the Code, derived by international financial institutions from the activities described in Section 10(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 by 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 considered 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 nonresident foreign corporations and partnerships or earned income effectively connected with a trade or business in Puerto Rico, shall not apply to interest, finance charges, royalties, license fees, dividends, or distributive shares in partnership interests received from international financial institutions duly authorized under this Act.

(f) The income derived by a nonresident alien consisting of interest, finance charges, royalties, license fees, 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) The income derived by a foreign corporation or partnership consisting of interest, finance charges, royalties, license fees, 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 nonresidents who are shareholders or partners of international financial institutions duly authorized under this Act shall be subject to income 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, to the extent they have been subject to the flat 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 22.- Section 24 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 24.- Property Tax Exemption.

Real and personal property, tangible and intangible, owned by an international financial institution duly authorized under this Act shall be exempt from property taxes.”

Section 23.- Section 25 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 25.- Municipal Business License Tax Exemption.

International financial institutions duly authorized by this Act shall be exempt from the payment of municipal business license taxes levied under Act No. 107-2020, as amended, known as the ‘Puerto Rico Municipal Code,’ and any successor law on municipal governance.”

Section 24.- Section 26 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 26.- Effect of Existing Laws.

(a) The laws of Puerto Rico shall prevail to the extent that they are not inconsistent with the provisions of this Act.

(b) The provisions of this Act shall prevail to the extent they are inconsistent with any other law of Puerto Rico.”

Section 25.- Section 27 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 27.- Inapplicability of Existing Laws.

The provisions of Act No. 55 of May 12, 1933, as amended, and the provisions of Act No. 1 of October 15, 1973, which fixes the maximum allowed interest rates or charges for loans, shall not apply to international financial institutions created under this Act. In addition, the provisions of Act No. 214-1995, as amended, known [sic] or the provisions of Act No. 136-2010, as amended, shall not apply to international financial institutions. Also, Section 1649 of Act No. 5 of August 17, 1933, as amended, which fixes an interest rate in absence of agreement and the maximum interest rate fixed by special agreement shall not apply to international financial institutions. The foregoing notwithstanding, none of the provisions of this Act shall be construed to limit the powers of the Governor of

Puerto Rico or his or her designee granted under 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 26.- Section 28 of Act No. 273-2012, as amended, is hereby amended to read as follows:

“Section 28.- Transition Measures.

This Act shall apply to all international financial institutions, including international financial institutions organized prior to the effective date of this Act. Act No. 52 of August 11, 1989, as amended, shall continue in effect and none of the provisions of this Act shall be construed to impair the renewal of licenses under Act No. 52.

An international banking entity to which a license was issued pursuant to Section 7 of Act No. 52 of August 11, 1989, as amended, shall be subject to the provisions of Act No. 52. This includes the renewal of 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, guidance documents applicable to IFIs, or administrative determination. If the application for conversion 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 shall be subject to the duties, obligations, penalties, responsibilities, conditions, and limitations provided in this Act, as well as the decree and license issued thereunder.

Any regulation or circular letter adopted by virtue of Act No. 52 that is not in conflict with this Act, may be used to interpret and implement the provisions of

this Act until the adoption of the Regulations of the Commissioners or the circular letters interpreting the Regulations of the Commissioner and this Act.”

Section 27.- A new Section 29 is hereby added to Act No. 273-2012, as amended, to read as follows:

“Section 29.- Severability Clause.

If any part of this Act were held to be void or unconstitutional by a court of competent jurisdiction, such holding shall not affect, impair, or invalidate the remainder of the Act, and the effect thereof shall be limited to the specific part of this Act thus held to be void or unconstitutional.

Section 28.- A new Section 30 is hereby added to Act No. 273-2012, as amended, read as follows:

“Section 30.- Inconsistencies.

The provisions of this Act, as amended, shall prevail over any provision that is inconsistent with Regulation No. 5653 to implement the provisions of Act No. 52 of August 11, 1989, Center[sic] as amended.”

Section 29.- Effectiveness.

This Act shall take effect (90) days after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 44-2024 (H. B. 1699)** of the **7th Regular Session** of the **19th Legislative Assembly of Puerto Rico**:

AN ACT to amend Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 20, 21, 22, 23, 24, 25, 26, 27, 28, and add new Sections 29 and 30 to Act No. 273-2012, as amended, known as the “International Financial Center Regulatory Act,” in order to increase license application and renewal fees; clarify that applicants shall be responsible for paying the expenses incurred in any investigation conducted as a result of their applications; increase the amount of unencumbered assets or financial assurances; increase the annual license fee for each office; adjust the paid-in capital requirement to present times; establish a fee for change of control exceeding ten percent; provide the reconsideration and judicial review process to address denials of permits or license applications; and for other related purposes.

has been translated from Spanish to English and that the English version is correct.
In San Juan, Puerto Rico, on this 24th day of April, 2024.

Mónica Freire-Florit, Esq.
Director