

the two amounts is greater, up to a maximum of eighty (80) dollars per worker is hereby provided as of fiscal year 1989-90, except as hereinafter provided in Section 11 of this Act with respect to the payment of the first bonus.

b) This bonus shall be paid annually to those agricultural workers that work in Puerto Rico for not less than two hundred (200) hours or whose income is not less than two hundred (200) dollars for wages and supplementary payments earned in agricultural tasks performed in Puerto Rico, within the period of twelve months comprised from July 1 of each year until June 30 of the following year, except as hereinafter provided in Section II of this Act with respect to the payment of the first bonus.

Section 3.—The Department of Agriculture shall make the payments of the annual bonus to the agricultural workers through its attached agency, the Agricultural Development Administration.

Section 4.— The bonus that by provision of this Act is hereby provided, shall be exempt from payment of income tax.

Section 5.— This Act shall take effect immediately after its approval.

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### International Banking Center

(S.B. 304)  
(H.B. 486)  
(Conference)

[No. 52]

[Approved August 11, 1989]

#### AN ACT

To regulate the organization, incorporation, operation and regulation of International Banking Entities in Puerto Rico by the Office of the Commissioner of Financial Institutions; provide tax benefits; repeal Act No. 16 of July 2, 1980, as amended; and establish penalties.

#### STATEMENT OF MOTIVES

Act No. 16 of July 2, 1980, as amended, known as "International Banking Center Regulatory Act" was originally conceived as an adequate instrument to convert Puerto Rico into an important international banking center. Neither said Act nor the amendments made thereto in 1985, have achieved the expected results.

Considering that current conditions are favorable for Puerto Rico to really become the international banking center which was always desired, it is necessary and convenient, that the legislation which regulates that economic activity be made even more attractive. To that end, the aforementioned Act No. 16 is repealed and the approval of a new Act that will allow international banking entities to undertake the business activities authorized by this Act in a more competitive and efficient manner, is hereby proposed.

The new Act significantly increases the number of persons and entities that may participate and the scope of the business activities that may be undertaken. It also increases the economic incentives to make it more attractive and consolidates in one legislative bill all the rights and obligations which affect the international banking entities, including, specifically, all tax provisions.

Explicitly, individuals and entities from the United States are permitted to participate in the business activities of the international banking entities; new financial activities are permitted to such entities; their organization is made more flexible and the distribution of dividends and profits to foreign persons and entities is exempted from taxation.

This Act is intended to expand the potential market for Puerto Rico's international banking center and will significantly enhance the knowledge and promotion of Puerto Rico through the world's financial community.

The principal benefits of an international banking center in Puerto Rico are the expansion of the service sector, the direct and indirect creation of jobs and the increase of the island's economic activity.

Puerto Rico offers many favorable conditions for carrying out international banking transactions, such as its political stability, the soundness of its banking system, the close economic ties with the United States, the high degree of professionalism, bilingualism and technical capacity of its human resources, a unified monetary market and system, its privileged geographical location, and a well-developed communications network.

In order to comply with the purposes stated herein, this Act provides for the establishment of international banking entities under the supervision and regulation of the Commissioner of Financial Institutions.

*Be it enacted by the Legislature of Puerto Rico:*

Section 1.—Short Title

This Act shall be known as the “International Banking Center Regulatory Act”.

Section 2.—Definitions

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

(a) Commissioner.—The Commissioner of Financial Institutions as defined by Act No. 4 of October 11, 1985.

(b) Domestic Person.—Any natural person who is a resident of Puerto Rico or a person incorporated or organized under the laws of Puerto Rico, or a person whose principal place of business is located in Puerto Rico, and the Government or any political subdivision or agency of the Commonwealth of Puerto Rico.

(c) Foreign person.—Any person who is not a domestic person.

(d) Regulations of the Commissioner.—The rules and regulations adopted by the Commissioner, pursuant to Section 3 of this Act.

(e) International Banking Entity.—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 7 of this Act.

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

(g) Person.—An individual, corporation, partnership, association, unit, trust or estate, syndicate or enterprise of any kind, government or political subdivision or agency thereof.

(h) Puerto Rico.—The Commonwealth of Puerto Rico and each of its political subdivisions and agencies thereof.

(i) The United States.—The United States of America, any state of the United States, the District of Columbia, and every possession, territory, political subdivision, and agency thereof, excluding Puerto Rico.

(j) Resident of Puerto Rico.—Any person who establishes himself in Puerto Rico with a definite purpose or interest, the nature of

which requires a lengthy stay on the island, shall be deemed a resident of Puerto Rico for the purposes of this Act. Such person must make Puerto Rico his home temporarily, even when his intention is to return to his domicile outside of Puerto Rico after the purpose or interest that originally brought him to Puerto Rico has been terminated or abandoned. Such person shall be deemed to be a resident of Puerto Rico for the purposes of this Act, as of the day he establishes his home in Puerto Rico, even though temporarily.

It is an indispensable requirement for a person to be deemed a resident of Puerto Rico pursuant to the previous paragraph, that such person be subject to the Puerto Rico income tax law as if he were a resident of Puerto Rico.

(k) Insolvency.—Refers to the financial condition in which an international banking entity may find itself or the person of which an international banking entity is a unit, when 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.

Section 3.—Authority and Duties of the Commissioner

(a) The Commissioner shall:

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

(2) collect fees for examinations and audits, receive monies and make disbursements according to its budget or as otherwise provided by law or regulations;

(3) open and maintain such bank accounts as may be necessary and appropriate for his operations;

(4) review and carry out investigations with regard to all applications for licenses to operate international banking entities;

(5) approve, grant conditional approval, or deny applications for permits and licenses to operate international banking entities; provided, that any person whose applications has been denied or conditionally approved may request a hearing pursuant to the regulations provided in Section 21 of this Act;

(6) supervise, inspect, and audit international banking entities and require from them periodic reports and other information specified in the regulations of the Commissioner;

(7) require periodic auditing of the accounts of each international banking entity at least once a year, which shall include an audit of the financial condition of each international banking entity, its

compliance with the terms of this Act and the regulations of the Commissioner, and such other matters as the Commissioner may deem appropriate;

(8) ascertain the financial security and operating soundness of international banking entities and ensure that they comply with applicable laws and regulations and with any other provision or requirement which the Commissioner may require by order or regulation;

(9) revoke or suspend a license to operate an international banking entity or impose any sanctions he may deem necessary and convenient pursuant to regulations; Provided, that any person whose license has been revoked or suspended, or to whom any other sanction has been imposed, shall have the right to request a hearing pursuant to the regulations provided in Section 21 of this Act;

(10) suspend, remove or otherwise sanction any director, official, employee, agent or individual acting in a similar capacity for an international banking entity, who violates, or voluntarily or negligently allows another person to violate this Act, its regulations, order, or any provision of the certificate of incorporation, partnership agreement or any written document establishing the international banking entity; Provided, that any individual who is suspended, removed or sanctioned may request a hearing pursuant to the regulations provided in Section 21 of this Act; and

(11) carry out such other activities incidental to the performance of his duties under this Act.

(b) The Commissioner shall be empowered to summon witnesses and request the production of such documents as he may deem necessary to carry out any investigation which, in his judgment, shall be 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 issued by the Commissioner, the latter may seek whatever remedy may be legally applicable, from the Superior Court of Puerto Rico; Provided, that the Court with jurisdiction may order such person to comply with the summons of the Commissioner, under admonition of contempt of Court.

(d) Within the term of ninety (90) days after the closing of each fiscal year of the Commonwealth of Puerto Rico, the Commissioner shall remit to the Treasury Department, to be covered into the General Fund of the Government of Puerto Rico, fifteen percent (15%) of

the net income obtained from his functions related to this Act for such fiscal year.

#### Section 4.—Interest Rates and Reserves

The Commissioner may not establish interest rates to be paid or charged by an international banking entity, nor require that deposit reserves be kept.

#### Section 5.—Organization

(a) An international banking entity may be:

(1) any person, other than an individual, incorporated or organized under the laws of Puerto Rico, of the United States, or of any other country; or

(2) constituted as a unit of another person, other than an individual, incorporated or organized under the laws of Puerto Rico, of the United States, or of any other country.

(b) The articles of incorporation, the partnership agreement or any other written document establishing an international banking entity shall specify:

(1) the name by which it is to be known;

(2) the street, number and town where its principal place of business shall be established in Puerto Rico;

(3)(A) in the case of corporation, the amount of its authorized capital stock, which shall not be less than five million dollars (\$5,000,000), and of which at least two hundred and fifty thousand dollars (\$250,000) shall be fully paid at the time the license is issued in accordance with Section 7 of this Act; the number of shares into which it shall be divided and the par value of each share. If the shares are to be issued in series, the dates of issue of each series, as well as the manner and term in which payment thereof shall be made;

(B) in the case of a person other than an individual or a corporation, the amount of this proposed capital, which shall not be less than five million dollars (\$5,000,000), of which at least two hundred fifty thousand dollars (\$250,000) shall have been fully paid at the time a license is issued in accordance with Section 7 of this Act, the name and address of its partners and other owners.

(4) the term of its existence, which in the case of a corporation, may be perpetual;

(5) the purposes for which it is organized, including a specific limitation of its operations to carry out only those services authorized in Section 12 of this Act;

(6) any other provisions which may be convenient for the proper operation of the business. Such provisions shall not be in conflict with other laws of Puerto Rico; and

(7) any other provisions required by the regulations of the Commissioner.

(c) An international banking entity that intends to operate as a unit shall provide a certification executed by the person of which it is a unit and in the form prescribed by the regulations of the Commissioner, which shall specify;

(1) the name by which the unit shall be known;

(2) the street, number, and town where its principal place of business in Puerto Rico shall be established;

(3) the amount of capital authorized or proposed and paid-in of the person of which the international banking entity is a unit, which capital shall not be less than five million dollars (\$5,000,000), of which two hundred and fifty thousand dollars (\$250,000) shall have been paid at the time the license is issued;

(4) the purposes for which the unit is organized, including a specific limitation of its operations to carry out only those services authorized in Section 12 of this Act; and

(5) such other provisions as may be required by the regulations of the Commissioner.

#### Section 6.—Application for a Permit

(a) Any person may apply to the Commissioner for a permit to organize an international banking entity. The application shall be in writing in the form specified by the regulations of the Commissioner and shall be accompanied by:

(1) the proposed articles of incorporation, partnership agreement or other written document establishing the international banking entity or the certification required by Section 5 of this Act;

(2) a nonrefundable application fee of ten thousand dollars (\$10,000); and

(3) such other documents as may be specified or required by the regulations of the Commissioner.

(b) Every application shall include, in the form required by the regulations of the Commissioner:

(1) the identity and business history of the applicants;

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

(3) the identity and business and credit history of any person who, directly or indirectly, possesses or controls or intends to possess or control ten percent (10%) or more in the capital of the proposed international banking entity;

(4) a statement of the assets and liabilities of any applicant and of any person who possesses or controls or intends to possess or control ten percent (10%) or more of the interest in the capital of the international banking entity, or of the person of which the proposed international banking entity shall be a unit, for each of the three years preceding the application;

(5) the identity and background of all proposed directors, and officials or persons who intend to act in a similar capacity in the international banking entity;

(6) such additional information as may be required by the regulations of the Commissioner.

(c) Upon receipt of the sworn application, all the required documents and the application fee, the Commissioner shall carry out all the necessary investigations of the applicants and of the application, including a review of:

(1) the financial solvency, credit, banking experience and business integrity of the applicants, their directors and officers, or persons who intend to act in a similar capacity in the proposed international banking entity;

(2) the adequacy of the capital available for the operations of the proposed international banking entity;

(3) the adequacy of the articles of incorporation, partnership agreement or other written document belonging to any applicant and, when appropriate, of the articles of incorporation, partnership agreement or other written document establishing the proposed international banking entity; and

(4) the impact that the proposed international banking entity shall have on the economy of Puerto Rico.

(d) Should the Commissioner determine that the results of his investigation are favorable, he may, at his sole and exclusive discretion, issue to the applicants a permit to organize an international banking entity, subject to such conditions, as the Commissioner may establish.

(e) When the Commissioner issues a permit pursuant to the provisions of this Section, the interested party shall file with the Department of State of Puerto Rico the articles of incorporation,

partnership agreement or other written document establishing the proposed international banking entity, or those of the person of which the international banking entity shall be a unit, as well as the certification provided for in Section 5 of this Act in the case of a unit, and the permit issued by the Commissioner. The Department of State shall issue under its official seal, a certification of the filing of the stipulated documents.

#### Section 7.—License

(a) At his discretion, the Commissioner may issue to the applicants a license to operate an international banking entity upon receipt of:

(1) the certification by the Department of State referred to in Section 6 of this Act;

(2) the payment of five thousand dollars (\$5,000) as an annual fee for the license to operate an international banking entity. This license fee shall be paid annually within fifteen (15) days following each anniversary date of the issuance of the original license;

(3) a certified copy of the articles of incorporation, partnership agreement or other written document establishing the international banking entity or the certification of the person of which the international banking entity shall be a unit;

(4) a copy of the bylaws or internal governing agreements adopted by the Board of Directors or similar governing body of the international banking entity, which shall be certified by its Secretary or an individual acting in a similar capacity, before a notary public;

(5) evidence, in the form required by the regulations of the Commissioner, that the capital of the international banking entity has been subscribed to, issued and paid-in, to the extent and under such conditions as the Commissioner may establish at his sole discretion;

(6) a statement, in the form required by the regulations of the Commissioner and authenticated before a notary public, by the Secretary of the Board of Directors or the person acting in a similar capacity for the international banking entity, or for the person of which the international banking entity shall be a unit, to the effect that the international banking entity has complied with the provisions of this Act and of the regulations of the Commissioner and that it is ready to commence operations; Provided, that a license shall not be issued if the Commissioner believes, or has reason to believe, that the applicants have violated the provisions of this Act or of the regu-

lations of the Commissioner; Provided, further, that any person to whom a license has been denied, may request a hearing pursuant to the regulations provided in Section 21 of this Act.

(b) No international banking entity shall commence operations unless it has been previously issued a license in accordance with the provisions of this Act.

#### Section 8.—Amendments to the Articles of Incorporation

(a) No amendment whatsoever shall be adopted to the articles of incorporation, partnership agreement or other written document establishing an international banking entity or to any certification executed in accordance with Section 5 of this Act, unless such amendment has been previously approved, in writing, by the Commissioner.

(b) After the due adoption of any amendment to the articles of incorporation, partnership agreement or other written document establishing an international banking entity or to any certification executed in accordance with Section 5 of this Act, the same shall be filed with the Department of State.

#### Section 9.—Unencumbered Assets, Capital, Shares of Capital Stock

(a) Every international banking entity shall possess not less than three hundred thousand dollars (\$300,000) of unencumbered assets, which shall be physically located in Puerto Rico, or acceptable financial securities, and subject to the requirements regarding the same as may be set forth in the regulations of the Commissioner.

(b) The capital of, or assigned to an international banking entity shall not be reduced without the prior written approval of the Commissioner.

(c) Without the prior written approval of the Commissioner, no international banking entity may issue:

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

(2) additional capital or other securities convertible into additional capital, in the case of a person other than a corporation;

(3) notwithstanding the above, in the case of a corporation, it may issue additional shares of capital stock or other securities convertible into shares of capital stock, and in the case of a person other than a corporation, issue additional capital or other securities con-

vertible into additional capital, without the prior written approval of the Commissioner, provided such additional shares or capital are issued directly to the shareholders of the international banking entity previously identified pursuant to Section 6(b)(3) of this Act. In such event, the international banking entity shall notify the Commissioner of all the particulars of such issuance within the ten (10) business days following said date of the issue.

**Section 10.—Transfer of Capital or Control of an International Banking Entity**

(a) Except as provided in the regulations adopted by the Commissioner, no sale, encumbrance, assignment, merger, barter, exchange or other transfer of shares, interest or participations in the capital of an international banking entity may be initiated without the previous written authorization of the Commissioner, if by way of such transaction, a person could acquire, directly or indirectly, control of ten percent (10%) or more of any class of stock, interest or participations in the capital of an international banking entity.

(b) Every sale, encumbrance, assignment, merger, barter, exchange or other transfer of shares of capital stock, interest or participation in the capital of an international banking entity, as set forth in subsection (a) of this section, shall be null "ab initio" if the written authorization of the Commissioner has not been obtained.

(c) The international banking entity shall notify the Commissioner, thirty (30) days in advance, the transfers referred to in subsection (a) of this section, the identity of the transferor and of the transferee and the nature of the transaction. The Commissioner may require such additional information as he deems necessary to determine if the transfer would be detrimental to the security or financial solvency of the international banking entity or if it would violate any law, rule or regulation governing the international banking entity, in which case the Commissioner may deny the authorization for such transaction; Provided, that any person to whom such authorization is denied shall have the right to request a hearing pursuant to the regulations provided in Section 21 of this Act.

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

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

**Section 12.—Permitted Transactions; Prohibited Transactions**

(a) Upon receipt of a license to operate an international banking entity in accordance with Section 7 of this Act, an international banking entity may:

(1) accept deposits, including demand deposits, solely for commercial purposes and interbank deposits, or otherwise borrow money from international banking entities and from any foreign person pursuant to the regulations of the Commissioner;

(2) accept properly collateralized deposits or otherwise borrow duly secured money from the Government Development Bank for Puerto Rico and the Economic Development Bank for Puerto Rico;

(3) make or place deposits in the Government Development Bank for Puerto Rico, in the Economic Development Bank for Puerto Rico, in any international banking entity, or in any bank, including banks organized under the laws of Puerto Rico, and branches in Puerto Rico of banks that are foreign persons;

(4) make, procure, place, guarantee, or service loans; Provided, that none of such loans may be granted to a domestic person;

(5) 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;

(6) discount, rediscount, deal or otherwise trade in money orders, bills of exchange and similar instruments, provided that the drawer and the original debtor, is not a domestic person;

(7) invest in securities, stocks or notes;

(8) carry out any banking transactions permitted by this Act in the currency of any country, or in gold or silver, and participate in foreign currency trade;

(9) underwrite, distribute, and otherwise trade in securities, notes, debt instruments, drafts and bills of exchange issued by a foreign person for final purchase outside of Puerto Rico;

(10) engage in insurance brokerage for risks or objects that reside, are located or that will be executed outside of Puerto Rico, subject to the regulations established by the Commissioner of Insurance of Puerto Rico;

(11) underwrite insurance for risks or objects that reside, are located or that will be executed outside of Puerto Rico, subject to the regulations established by the Commissioner of Insurance of Puerto Rico;

(12) engage in trade financing of import, export, barter and exchange of raw materials and finished products activities with domes-

tic persons, when the Commissioner has determined through regulations 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 banking entity; provided, that these transactions allowed by exception shall not enjoy the exemption granted by paragraph (25) of Section 9 of Act No. 113 of July 10, 1974, as amended.

(13) 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;

(14) after obtaining a special permit from the Commissioner, act as fiduciary, executor, administrator, registrar of stocks and bonds, property custodian, assignee, trustee, attorney-in-fact, agent or in any other fiduciary capacity; provided that such fiduciary services shall not be offered to, nor inure to the benefit of domestic persons;

(15) acquire and lease personal property at the request of a lessee who is a foreign person, pursuant to a financial lease agreement which complies with the regulations of the Commissioner;

(16) buy and sell securities outside Puerto Rico, on the order of, or at its discretion, for foreign persons and provide investment advice in relation to such transactions or separate therefrom, to such persons;

(17) act as a clearinghouse in relation to financial contracts or instruments of foreign persons, as authorized by regulations adopted by the Commissioner;

(18) organize, manage and provide management services to international financial entities such as investment companies and mutual funds, provided that the stock or participation in the capital of such companies is not distributed directly by the international banking entity to domestic persons; and

(19) engage in such other activities as are expressly authorized by the regulations or order of the Commissioner, or are incidental to the execution of the services authorized by this Act and the regulations of the Commissioner.

(b) The International Banking Entity shall not:

(1) accept deposits nor borrow money from domestic persons, except from the Government Development Bank for Puerto Rico, the Economic Development Bank for Puerto Rico and the international banking entities;

(2) make, procure, place, secure or service any loan, unless all the loan proceeds would be used outside of Puerto Rico;

(3) issue, confirm, or give notice of letters of credit, unless all the proceeds of the letter of credit would be used outside of Puerto Rico, and that both the issuer and the beneficiary, are foreign persons;

(4) discount bills of exchange, unless all the proceeds of the bills of exchange would be used outside of Puerto Rico and that both, the drawer and the beneficiary, are foreign persons;

(5) purchase or hold any of its own capital stock, or the capital stock of or the interest in the capital of the person of which it is a unit, except when previously authorized by the Commissioner;

(6) grant any kind of financing or credit to any of its directors, officers, employees or stockholders, except when previously authorized in writing by the Commissioner; and

(7) directly or indirectly place, underwrite, insure or reinsure risks or objects that reside, are located or will be executed in Puerto Rico, or participate in reciprocity or retrocession arrangements or agreements covering or relating to such risks or objects, or assign insurance to, or assume reinsurance from any insurer authorized to do or who is doing insurance business in Puerto Rico.

(c) An international banking entity which is a unit of another person shall segregate and keep separated all transactions made or conducted by such unit, from every other transaction made or conducted by the person of which the international banking entity is a unit.

#### Section 13.—Personnel

(a) The international banking entity shall employ on a full-time basis, a minimum of six persons in its business office or offices located in Puerto Rico. During the first twelve-month period of operations of an international banking entity, at least forty percent (40%) of all its full-time employees shall be residents of Puerto Rico; during the second twelve-month period of operations, at least sixty percent (60%) of all its full-time employees shall be residents of Puerto Rico; during the third twelve-month period of operations, at least eighty percent (80%) of all its full-time employees shall be residents of Puerto Rico; and from then on the totality of its full-time employees shall be residents of Puerto Rico.

(b) The full-time employees of a person of which an international banking entity is a unit which render some services to such entity, shall be deemed to be full-time employees of such entity for purposes

of the employment requirements set forth in the preceding paragraph (a) of this Section.

Section 14.—Accounts and Registers

(a) The original of the account books and registers of the international banking entity shall be kept in its main business office in Puerto Rico and shall reflect such details and be kept in such a manner as may be required by the regulations of the Commissioner.

(b) Such account books and registers have to be segregated and kept separately from the account books and registers of any other person.

(c) The originals of the account books and registers of an international banking entity shall be deemed as belonging to such international banking entity regardless of whether such entity is a person or constitutes a unit of another person.

Section 15.—Reports

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

Section 16.—Revocation, Suspension or Surrender

(a) The license issued under Section 7 of this Act is subject to revocation or suspension by the Commissioner, after prior notice and hearing pursuant to the regulations provided in Section 21 of this Act, if:

(1) an international banking entity or the person of which said international banking entity is a unit, contravenes or fails to comply with any of the provisions of this Act, any regulations of the Commissioner, or any of the terms and conditions of the license to operate an international banking entity;

(2) an international banking entity fails to pay the annual license fee of five thousand dollars (\$5,000);

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

(4) the Commissioner is convinced, after due examination, that the international banking entity reflects a financial condition of insolvency.

(b) An international banking entity or the person of which said international banking entity is a unit, may at any time, and in the

manner provided by the regulations of the Commissioner, surrender its license to operate an international banking entity.

Section 17.—Dissolution

(a) The Commissioner may appoint a receiver and order the dissolution of an international banking entity if the license of said international banking entity or of the person of which the international banking entity is a unit, is revoked or surrendered pursuant to Section 16 of this Act.

(b) The receiver appointed shall be a person of recognized moral qualities, with vast experience in the field of banking or finance, and his performance with the international banking entity shall be secured by an adequate bond, to be paid by the international banking entity itself.

(c) The receiver shall manage the international banking entity in accordance with the provisions of this Act and shall:

(1) take possession of the assets and liabilities, books, records, documents and files which belong to the international banking entity;

(2) collect all loans, charges and fees owed to the international banking entity;

(3) pay all obligations and debts of the international banking entity, after having paid the necessary costs of the receivership; and

(4) supervise the dissolution and liquidation of the international banking entity.

Section 18.—Penalties

(a) If any director, official or individual acting in a similar capacity of an international banking entity or of a person of which the international banking entity is a unit, violates, or voluntarily or negligently permits any director officer, agent, or employee of the international banking entity or of the person of which the international banking entity is a unit, to violate this Act, the regulations of the Commissioner, or any provision of the certificate of incorporation, partnership agreement or other written document establishing the international banking entity, the Commissioner shall schedule and summon the interested parties to an administrative hearing pursuant to the regulations provided in Section 21 of this Act. Once the hearing is held and after the Commissioner determines that a provision mentioned in this subsection has been violated, he shall take the corresponding action, including the suspension or dismissal of such director, officer or individual.

(b) Any official or employee of an international banking entity, or of a person of which it is a unit, who on behalf of such international banking entity receives any deposit or contract for a loan with the knowledge that the international banking entity or the person of which it is a unit is insolvent, shall commit a felony and, if convicted, shall be punished with imprisonment for not less than three (3) years nor more than seven (7) years, or with a fine of not less than five thousand dollars (\$5,000) nor more than ten thousand dollars (\$10,000) or with both penalties at the discretion of the Court.

(c) Any director, official or employee of the international banking entity or of the person of which the international banking entity is a unit, who illegally appropriates, embezzles, removes or voluntarily misuses any moneys, funds, credits or securities of an international banking entity, or who, without due authorization, issues or draws any certificate of deposit, draws any order or bill of exchange, carries out any type of acceptance or assignment of a note, bond, money order, bill of exchange, and any person who, with the same intention, aids or abets any director, official or employee to violate any provision of this section, shall commit a felony and, if convicted, shall be punished with imprisonment for a term of not less than ten (10) years nor more than twenty (20) years, or with a fine of not less than fifteen thousand dollars (\$15,000) nor more than thirty thousand dollars (\$30,000), or with both penalties at the discretion of the Court.

(d) Any director, official, or employee of an international banking entity or of the person of which the international banking entity is a unit, who voluntarily misrepresents the financial condition of an international banking entity or about any transaction to be carried out by, or carried out by the international banking entity, or who declines to provide information legally requested by the Commissioner, shall commit a felony and, if convicted, shall be punished with imprisonment for not less than five (5) years nor more than ten (10) years, or with a fine of not less than eight thousand dollars (\$8,000) nor more than seventeen thousand dollars (\$17,000), or with both penalties at the discretion of the Court.

(e) The preceding provisions of this Section shall not be construed in any manner whatsoever to limit the power of the Commissioner to impose administrative fines for violations of this Act or the regulations of the Commissioner.

#### Section 19.—Confidentiality

The information that the international banking entity provides to the Commissioner under the provisions of this Act and the regula-

tions of the Commissioner shall be kept confidential, except when disclosure of such information is required by law or judicial order.

#### Section 20.—Transitional Provisions

An international banking entity, to which a license was issued pursuant to Section 10 of Act No. 16 of July 2, 1980, as amended, known as "International Banking Center Regulatory Act" herein repealed, shall be deemed on the effective date of this Act as an international banking entity organized pursuant to this Act and shall enjoy all the rights, privileges, powers and authority and shall be subject to the duties, obligations, penalties, responsibilities, conditions and limitations provided in this Act.

Any regulations adopted pursuant to said Act No. 16 not in conflict with this new Act, shall remain in effect until amended or repealed.

#### Section 21.—Administrative Hearings, Adjudication Proceedings and Judicial Review

All matters related to administrative hearings procedure, adjudicatory proceedings and judicial review shall be set forth by regulations to be promulgated by the Commissioner pursuant to the provisions of Act No. 170 of August 12, 1988, known as "Uniform Administrative Procedures Act of the Commonwealth of Puerto Rico".

#### Section 22.—Inapplicability of Existing Laws

The provisions of Act No. 55 of May 12, 1933, as amended, known as the "Banking Law", nor the provisions of Act No. 1 of October 15, 1973, which fixes the maximum interest rates or charges permitted on loans, nor Article 1649 of Act No. 5 of August 17, 1933, as amended, which fixes the interest rates in the absence of an agreement and the maximum interest rates that can be fixed by special agreements. Notwithstanding the above, nothing in this Act shall be understood to be a limitation of the powers of the Governor of Puerto Rico or of the person designated by him, conferred in 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 in Act No. 10 of May 7, 1951, shall not be applicable to the international banking entities created by this Act.

#### Section 23.—Property Tax Exemption

The real and personal property belonging to an international banking entity duly authorized under this Act, shall be exempt from the levying of property taxes.

## Section 24.—Municipal License Tax Exemption

The international banking entities duly authorized by this Act, shall be exempt from the payment of municipal license taxes levied by Act No. 113 of July 10, 1974, as amended, known as the "Municipal License Tax Act".

## Section 25.—Income Tax Exemption

(a) The income derived by international banking entities duly authorized under this Act from those activities described in subsection (a) of Section 12 of this Act shall not be included in the gross income of such entities and shall be exempt from the tax levied by Act No. 91 of June 29, 1954, as amended.

(b) The interest, financing charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act, shall not be deemed gross income from Puerto Rico sources, for purposes of Section 119(a)(1) and (2) of Act No. 91 of June 29, 1954, as amended.

(c) The provisions of Section 143 of Act No. 91 of June 29, 1954, as amended, which impose the obligation to withhold income taxes at source in the case of payments made to nonresident individuals, shall not apply to interest, financing charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act.

(d) The provisions of Section 144 of Act No. 91 of June 29, 1954, as amended, which impose an obligation to withhold income taxes at source in the case of payments made to nonresident foreign corporations and partnerships which have not received income effectively connected with a trade or business in Puerto Rico, shall not apply to interest, financing charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act.

(e) Income derived by a nonresident alien individual consisting of interest, financing charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act, shall not be subject to the tax levied by Section 211(a)(1) of Act No. 91 of June 29, 1954, as amended.

(f) Income derived by a foreign corporation or partnership consisting of interest, financing charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act, shall not be subject to the tax levied by Section 231(a)(1)(A) of this Act No. 91 of June 29, 1954, as amended.

(g) The provisions of Section 231A of Act No. 91 of June 29, 1954, as amended, shall not apply to an international banking entity duly authorized by this Act.

## Section 26.—Effect of Existing Legislation

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

(b) Insofar as the provisions of this Act are inconsistent with any other laws of Puerto Rico, the provisions of this Act shall prevail.

## Section 27.—Severability of Provisions

The provisions of this Act are independent and severable; should any of its provisions be declared unconstitutional by a Court of competent jurisdiction, the other provisions of this Act shall not be affected, and the Act so modified by the decision of such Court shall continue in full force and effect.

## Section 28.—Construction

This Act shall be liberally construed in order to achieve its objectives in view of its benefits for the People of Puerto Rico.

## Section 29.—Repeal

Act No. 16 of July 2, 1980, as amended,<sup>3</sup> is hereby repealed.

## Section 30.—Effective Date

This Act shall take effect immediately after its approval.

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**Vehicles and Traffic—Amendment**

(S.B. 448)  
(H.B. 613)

[No. 53]

[Approved August 14, 1989]

AN ACT

To amend subsection (b) of Section 2-501 of Act No. 141 of July 20, 1960, as amended, known as Vehicle and Traffic Law of Puerto

<sup>3</sup> 7 L.P.R.A. §§ 231-231y.