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“International Banking Center Regulatory Act”

Act No. 52 of August 11, 1989, as amended.

(Contains amendments incorporated by:

[Act No. 121 of August 11, 1996](#)

[Act No. 13 of January 8, 2004](#)

[Act No. 7 of March 9, 2009](#)

[Act No. 37 of July 10, 2009](#)

[Act No. 110 of September 23, 2013](#)

[Act No. 105 of July 2, 2015](#)

[Act No. 187 of November 17, 2015](#)

[Act No. 81 of July 22, 2016](#)

[Act No. 208 of December 28, 2016](#)

[Act No. 45 of February 16, 2024](#))

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 To that end, the aforementioned Act No. 16 is repealed and the approval of a new Act that will allow international banking entities to undertake the business activities authorized by this Act in a more competitive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. — (7 L.P.R.A § 232 note)

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

Section 2. — Definitions. — (7 L.P.R.A § 232)

(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 banking entity’s holding company or the entity of which the international banking entity is a unit;
- (3) Any state or federal agency exercising a regulatory function over the activities conducted by international banking entities; and
- (4) Any Self-regulatory Organization required by law to exercise a regulatory function over the activities conducted by international banking entities, 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. [Note: [31 U.S.C. §§ 5311 et seq.](#); [12 U.S.C. Section 1829\(b\)](#), and [1951-1960](#)]
- (d) **Capital** — Means the difference between the assets and liabilities of an international banking entity that meets the regulatory capital 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 of an international banking entity, as the case may be.
- (f) **Code** — Means [Act No. 1-2011, as amended, known as the ‘Internal Revenue Code for a New Puerto Rico’](#) or any other law that replaces or amends it.
- (g) **Commissioner or OCFI** — Means the Commissioner of the Office of the Commissioner of Financial Institutions of Puerto Rico.
- (h) **Independent Director** — Means a member of the board of directors or governing body of an international banking entity 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.
- (i) **IBE or International Banking Entity** — Means a 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, and that has not been converted into an international financial institution pursuant to [Act No. 273-2012, as amended, known as the ‘International Financial Center Regulatory Act.’](#)
- (j) **United States** — Means the United States of America, any state of the United States, the District of Columbia, and every possession, territory, political subdivision, and agency thereof, excluding Puerto Rico.
- (k) **Insolvency or Insolvent** — Means the financial condition in which an international banking entity or the person of which an international banking entity 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).
- (l) **Act No. 4** — Means [Act No. 4 of October 11, 1985, as amended, known as the ‘Financial Institutions Commissioner’s Office Act.’](#)
- (m) **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.
- (n) **OFAC** — Means the Office of Foreign Assets Control of the U.S. Department of the Treasury.
- (o) **Office** — Means the facility in which only specific administrative activities relating to the operations of 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.

- (p) **Person** — Means an individual, corporation, limited liability company, partnership, association, unit, trust or estate, syndicate or enterprise of any kind, government, its agencies, instrumentalities, political subdivisions, or other entities of the Government of Puerto Rico.
- (q) **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, and the Government or any political subdivision or agency of the Commonwealth of Puerto Rico.
- (r) **Foreign Person** — Means any person other than a domestic person.
- (s) **Puerto Rico** — Means the Commonwealth of Puerto Rico and every political subdivision and agency thereof.
- (t) **Puerto Rico Resident** — Shall have the same meaning given to such term in the Code and the regulations prescribed thereunder.
- (u) **Branch** — Means any kind of facility established by an international banking entity outside of Puerto Rico.
- (v) **Unit** — Includes any subdivision or branch of any person other than an individual, whose businesses and operations are segregated from the other businesses and operations of such person, as required by this Act.
- (w) **Service Unit** — Means such facility established by an international banking entity 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.
- (x) **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 3. — Authority and Duties of the Commissioner — (7 L.P.R.A § 232a)

- (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 fees for examinations, audits, license renewals, verification of criminal record, reports and applications for change of control, receive monies, and make disbursements according to its budget or as otherwise provided by law or regulations;
 - (3) open and maintain bank accounts as may be necessary and appropriate to conduct operations;
 - (4) review and conduct investigations with respect to all applications for licenses to operate international banking entities, or for change of control;
 - (5) approve, grant conditional approval, or deny applications for permits and licenses to operate international banking entities; provided, further, that any person whose application has been denied or conditionally approved may request a hearing pursuant to the regulations provided in Section 23 of this Act;
 - (6) supervise, oversee, and audit international banking entities 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 banking entity at least once a year, which shall include an assessment of the financial condition of each international banking

- entity, the international banking entity’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 banking entities as well as their compliance with the applicable laws and regulations and any other provision or requirement prescribed by the Commissioner through order, regulation, circular letter, or guidance documents applicable to IBEs;
 - (9)** revoke or suspend a license to operate an international banking entity or impose any penalties he or she may deem necessary and convenient pursuant to regulations; provided, further, that any person whose license has been revoked or suspended, or to whom any other penalty has been imposed, shall have the right to request a hearing pursuant to the regulations provided in Section 23 of this Act;
 - (10)** suspend, dismiss, or otherwise sanction any director, officer, employee, agent, or individual acting in a similar capacity for an international banking entity, 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 banking entity, as the case may be, or a license issued under this Act.
Any individual who is suspended, dismissed, or otherwise sanctioned may request a hearing pursuant to the regulations provided in Section 23 of this Act;
 - (11)** conduct studies and investigations, upon request of an interested party or on the Commissioner’s own initiative, 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 applicant or licensee shall be responsible for paying the costs of any special investigation that the Commissioner deems necessary. Any examination or investigation shall be kept confidential except as provided in Section 23 of this Act; and
 - (12)** take actions and impose remedies as are necessary to enforce the provisions of this Act or the regulations thereunder.
- (b)** In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentives or benefits granted under this Act, the Commissioner of Financial Institutions shall be required to oversee and ensure compliance with all the provisions of this Act. The Commissioner shall be the official responsible for verifying and ensuring that international banking entities meet the eligibility requirements established in this Act.

The Commissioner shall be required and responsible for preparing a Certificate of Compliance every two years, once the international banking entities validate, in the judgment of said official, that they meet the requirements of this Act. Every two years, the Commissioner shall verify the information submitted by international banking entities so that the Certificate of Compliance is issued not later than on the fifteenth (15th) day of the second (2nd) month after the close of the taxable year of the applicant.

The Certificate of Compliance shall include, in turn, the following information regarding international banking entities: the name of the entity; the cadastre number of the property or properties connected to the entity; the merchant registration number; the account connected to the business as required in the Puerto Rico Internal Revenue Code; the employer identification number; and the information required by Act No. 216-2014, better known as the “Fiscal Information and Permit Control Act”, as applicable. .

The Certificate of Compliance shall be issued by the Commissioner through the Interagency Validation Portal for the Granting of Incentives for the Economic Development of Puerto Rico, to the agencies, public corporations, and municipalities responsible for awarding benefits or incentives under this Act. However, during the period in which the Portal is still not operating, it shall be the duty of the Commissioner to issue a Certificate of Compliance to the agencies, , public corporations, ‘and municipalities responsible for awarding the benefits or incentives under this Act following the ordinary procedure. The filing of the Certificate of Compliance by an international banking entity shall be an essential requirement for the agency, public corporation, or municipality to grant the benefit or incentive provided for in this Act.

Actions taken by the Secretary of the Department of the Treasury, the Executive Director of the Municipal Revenues Collection Center (CRIM), or any other government official or body, or public corporation concerned, in connection with the qualification process for the granting of the benefits or incentives under this Act shall be limited to the taxation aspects of the granting of the benefit or incentive in question, upon the issuance of the Certificate of Compliance in effect, as provided in this section. The Commissioner shall be responsible, first and foremost, for overseeing eligibility under any and all provisions of this Act. However, the Secretary of the Department of the Treasury, the Executive Director of the Municipal Revenues Collection Center (CRIM), or any other‘ government official or body, or public corporation concerned with any of the benefits or incentives granted under this Act may contact the applicant and the Commissioner should further information be needed to validate the data on the Certificate of Compliance, and shall notify and request the applicant to supply such information in order to-rectify the situation. The Secretary of the Department of the Treasury or the Executive Director of the Municipal Revenues Collection Center (CRIM) may deny any tax incentives or benefits requested if, in their judgment, the information requested has not been supplied. Moreover, the provisions of this Act shall not preclude in any manner the power conferred to the Secretary of the Treasury under Section 6051.02 of [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#); and, if necessary, the power to revoke any incentives previously granted by virtue of a Certificate of Compliance, in accordance with the corresponding act; or the power to refer the case to the pertinent agency or public corporation for the corresponding action.

- (c) 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.
- (d) 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 Court of First Instance 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. ' ,

- (e) 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 — (7 L.P.R.A § 232b)

The Commissioner may not establish interest rates to be paid or charged by an international banking entity. Notwithstanding the foregoing, in the case of international banking entities expressly authorized under their license to receive deposits pursuant to the provisions of Section 13(a)(1) of this Act, the Commissioner may establish reserve requirements that, in no case, may exceed twenty percent (20%) of the total demand deposits maintained by the international banking entity (except for the demand deposits maintained by the Economic Development Bank for Puerto Rico or any successor thereof that is duly secured by collateral). The Commissioner shall establish the reserve requirements, computation method, and other details in the licenses concerned or by the regulations of the Commissioner, circular letter, or guidance documents applicable to IBEs.

Section 5. — Organization — (7 L.P.R.A § 232c)

- (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 or bylaws, in the case of a corporation; the articles of organization or operational agreement, in the case of a limited liability company; the partnership agreement; or any other organizational document of an international banking entity shall include:
 - (1) The name by which it is to be known.
 - (2) The street, number, and city where its principal place of business shall be established in Puerto Rico.
 - (3) Paid-in Capital:
 - (A) 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 of an interested party, taking into consideration the types of businesses or activities to be conducted by the international banking entity 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 IBE. If the international banking entity 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 banking entity, as the case may be, shall include the aggregate number of shares of capital stock or equity shares which the entity 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 entity 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. IBEs 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 IBE 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, upon the Commissioner’s own initiative or upon request of an interested party, taking into consideration the types of businesses or activities conducted by international banking entities or other circumstances as determined by the Commissioner. However, upon request by an IBE, the Commissioner may adopt another staggered plan for paid-in capital through administrative determination to such effect.

- (4) The names and addresses of the partners and other owners.
 - (5) The period of duration, which may be perpetual in the case of a corporation.
 - (6) The purposes for which it is organized, including a specific operational limitation to perform only those services authorized in Section 13 of this Act.
 - (7) 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.
 - (8) 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, in the form prescribed by the regulations of the Commissioner, 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 authorized or proposed capital and initial paid-in capital of the person of which the international banking entity 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 authorize a lesser authorized, proposed, and/or paid-in capital, upon request by an interested party and when in the judgement of the Commissioner, the type of business or powers that the international banking entity 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 13 of this Act; and
 - (5) Such other provisions as may be required by the regulations of the Commissioner.
- (d) Every international banking entity shall have at least one Independent Director.

Section 6. — Application for Permit. (7 L.P.R.A § 232d)

- (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 five thousand dollars (\$5,000), 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 (3) years preceding the application;
 - (5) the identity and background of all proposed directors, and officials or persons who intend to act in a similar capacity in the international banking entity, and
 - (6) such additional information as may be required by the regulations of the Commissioner.
- (c) Upon receipt of the sworn application, all the required documents and the application fee, the Commissioner shall carry out 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) The expenses incurred by the Commissioner for the above indicated investigation shall be defrayed by the applicants. The Commissioner shall claim said investigation expenses from the applicants.

- (e) Should the Commissioner determine that the results of his investigation are favorable, he may, at his sole and exclusive discretion, and after payment of the investigation expenses as established in subsection (d) of this section, issue to the applicants a permit to organize an international banking entity, subject to such conditions as the Commissioner may establish.
- (f) When the Commissioner issues a permit pursuant to the provisions of this section, the interested party shall file with the Department of State of Puerto Rico the articles of incorporation, partnership agreement or other written document establishing the proposed international 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 — (7 L.P.R.A § 232e)

- (a) The Commissioner, at his or her discretion, may issue a license to operate an international banking entity to the applicants upon receipt of:
 - (1) The certification from the Department of State referred to in Section 6 of this Act;
 - (2) the annual fee for a license to operate an international banking entity. As of January 1, 2024, the annual license fee shall be twenty-five thousand dollars (\$25,000) for each annual license renewal, and five thousand dollars (\$5,000) for each office or branch. This license 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 banking entity, 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 banking entity, 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, in the form prescribed by the regulations of the Commissioner, that the capital of the international banking entity has been subscribed to, issued and contributed under such conditions as the Commissioner may prescribe in his or her sole discretion;
 - (6) a statement, in the form prescribed by the regulations of the Commissioner and authenticated before a notary public, from the secretary of the board of directors or governing body of the international banking entity, or the person acting in a similar capacity for the international banking entity, or the person of which the international banking entity is a unit, stating that the international banking entity has complied with the provisions of this Act, the regulations of the Commissioner, and the circular letters or guidance documents applicable to IBEs 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, the regulations of the Commissioner, circular letters, or guidance documents applicable to IBEs; and
 - (7) a sworn statement signed by the chief executive officer of the institution concerned certifying, among other things, that the banking entity has adopted and implemented

the procedures and systems necessary and adequate to comply with BSA and AMLA, as applicable, based on the financial activities conducted by the international banking entity. 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 activities to be conducted by the international banking entities.

- (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. — License Renewal. — (7 L.P.R.A § 232e-1)

(a) Every license shall be valid for one year or through its anniversary date.

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

- (1) A description of any material changes in the information provided to OCFI in the initial license application.
 - (2) Proof that the licensee maintains the capital required by the Commissioner as provided in Section 5 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[sic] entity, and that it maintains valid unencumbered assets in favor of the Commissioner;
 - (3) Annual license renewal fees amounting to twenty-five thousand dollars (\$25,000) 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.
 - (4) 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.
 - (5) An independent auditor’s report on the effectiveness of the entity’s BSA and OFAC compliance programs and such programs’ compliance with the applicable regulations. This independent report requirement shall not apply to an international banking entity which is a unit of another financial institution that is subject to the regulations and supervision by a Federal Supervisory Agency; and
 - (6) such other information required by the Commissioner, the Regulations of the Commissioner, circular letters, or guidance documents applicable to IBEs.
- (c) 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 banking entity. 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 banking entity, as provided in Section 18(b) of this Act.

- (d) Every international banking entity 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 banking entities, and certifying that the international banking entity 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 banking entity, or such levels of capital provided in the regulations of the Commissioner, circular letters, or guidance documents applicable to IBEs. 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 banking entity. 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 banking entity, 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.
- (e) 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 banking entity. If the IBE 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.

Section 9. — Amendments to the Articles of Incorporation — (7 L.P.R.A § 232f)

- (a) No amendment whatsoever to the articles of incorporation, articles of organization, bylaws, limited liability company agreement, partnership agreement or other document under which an international banking entity is organized or operated, as the case may be, or to the certification issued under Section 5 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 banking entity’s articles of incorporation or articles of organization, as the case may be, or to the certification issued under Section 5 of this Act, as applicable, is duly adopted, such amendment shall be filed with the Department of State.

Section 10. — Unencumbered Assets, Capital, Shares of Capital Stock — (7 L.P.R.A § 232g)

- (a) As a requirement to obtain or renew a license, every international banking entity shall possess not less than three hundred thousand dollars (\$300,000) in unencumbered assets or acceptable financial assurances, or that lesser sum authorized by the Commissioner upon request of an interested party, when the type of business or powers that the international banking entity intends to exercise or other circumstances so warrant in the judgment of the Commissioner. International banking entities 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 unencumbered assets shall be physically located in Puerto Rico and subject to the requirements prescribed therefor by 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 convertible 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 11. — Transfer of Capital or Control of an International Banking Entity — (7 L.P.R.A § 232h)

- (a) Except as provided in the regulations adopted by the Commissioner, circular letters, or guidance documents applicable to IBEs, no sale, encumbrance, assignment, merger, barter, exchange or other transfer of shares of capital stock or equity shares of an international banking entity may be carried out without the 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 banking entity.
- (b) Every sale, encumbrance, assignment, merger, barter, exchange, or other transfer of shares of capital stock or equity shares of an international banking entity, as provided in subsection (a) of this Section, shall be void ab initio if the Commissioner’s written authorization has not been obtained.
- (c) The international banking entity shall notify the Commissioner thirty (30) days in advance of the transfers referred to in subsection (a) of this Section, the identities of the transferor and the transferee, and the nature of the transaction. The Commissioner may require such additional information as he or she deems necessary to determine whether the transfer would be detrimental to the security or financial solvency of the international banking entity or violate any law, rule or regulation governing the international banking entity, in which case the Commissioner may deny the authorization for such transaction. Any person to whom such authorization is denied shall have the right to request a hearing pursuant to the regulations

provided in Section 23 of this Act. Any application for the transfer of capital to, or control of an entity which results in the holding, directly or indirectly, of ten (10) percent or more, for the first time, shall be subject to a nonrefundable application fee of thirty-five thousand dollars (\$35,000). The expenses incurred by the Commissioner in conducting the investigation of 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 banking entity, to conduct such investigations as he or she may deem necessary with respect the transfer of capital or change of control.

- (d) Expenses exceeding the thirty-five thousand dollars (\$35,000) stated above, incurred by the Commissioner in conducting the 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.

Section 12. — No Transfer of License — (7 L.P.R.A § 232i)

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

Section 13. — Permitted transactions; Prohibited Transactions — (7 L.P.R.A § 232j)

(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 from foreign persons in checking accounts as well as demand or fixed term deposits and interbank deposit of funds, or otherwise borrow money from international banking entities and from any foreign person pursuant to the regulations adopted by 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, and otherwise give money as a loan to, 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, except as provided in subsection (3)(a) of this section and in the cases of financial securities for debt issue transactions in Puerto Rico.
- (5)
 - (A) Issue, confirm, give notice, negotiate or refinance letters of credit; Provided, That the client and the beneficiary requesting the letter of credit is not a domestic person, or;

- (B) issue, confirm, give notice, negotiate, or refinance letters of credit in transactions for the financing of exports, even if the beneficiary is a domestic person.
- (6) Discount, rediscount, deal or otherwise trade in money orders, bills of exchange and similar instruments, provided that the drawer and the original debtor, is not a domestic person.
 - (7) Invest in securities, stocks, notes and bonds of the Caribbean Basin Projects Financing Authority, in securities of the Government of Puerto Rico, its public agencies and instrumentalities, its municipalities, and its political subdivisions, or in other local securities, if there should exist any, exempted from the payment of taxes in Puerto Rico.
 - (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 domestic 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 subsection (25) of Section 9 of Act No. 113 of July 10, 1974, as amended [21 L.P.R.A. § 651h].
 - (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.
- (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.
- (20)** Participate in the granting and securing of loans that originate and/or are secured by the Government Development Bank for Puerto Rico and the Economic Development Bank for Puerto Rico.
- (21)**

 - (A)** Finance, through loans or financial securities, projects in those areas of priority for the Government of Puerto Rico in those cases designated as extraordinary by the Secretary of the Treasury and the Commissioner.
 - (B)** The Commissioner shall adopt the pertinent regulations to implement this provision. However, said regulations shall require, in all cases, the prior authorization of such loans by the Secretary of the Treasury and the Commissioner.
- (22)**

 - (A)** Establish, with the Commissioner’s authorization, branches outside of Puerto Rico, in the United States mainland and its possessions, or in other foreign countries. The Commissioner of Financial Institutions is hereby empowered to provide, through regulations, the procedure to obtain said authorization, and the amount payable for application investigation expenses and annual quota fees for each one of said branches.
 - (B)** The Commissioner is hereby empowered to authorize an international banking entity to establish a service unit or office in Puerto Rico, in which only specific operations related to the services of the international banking entity shall be conducted, in the manner and form provided through regulations, but by no means shall said service unit or office constitute a branch.
- (23)** With the prior authorization of the Commissioner, provide to other international banking entities or to foreign persons or entities outside of Puerto Rico, those services of financial nature, as these are defined and generally accepted in the banking industry of the United States and Puerto Rico and which are not listed in this section.
- (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 loans, unless all loan proceeds are to be used outside of Puerto Rico, with the exception of the cases permitted in clauses (20) and (21) of subsection (a) of this section.
 - (3)** Issue, confirm, or give notice of letters of credit, unless all proceeds of the letter of credit are to be used outside of Puerto Rico, and that both the issuer and the beneficiary

- are foreign persons, with the exception of 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 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.
 - (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 14. — Responsibilities of the Holders of a License to Operate an International Banking Entity — (7 L.P.R.A § 232j-1)

Every holder of an International Banking Entity license shall:

- (a) Adopt written policies and procedures as are necessary to ensure that the international banking entity complies with the applicable state and federal laws, including this Act, the BSA, the USA Patriot Act, and the AMLA;
- (b) Fully comply with the applicable state and federal laws and the regulations applicable to the international banking entity, including this Act, the applicable provisions of the BSA, the USA Patriot Act, and AMLA;
- (c) File currency transaction or suspicious activity reports required by the BSA, the USA Patriot Act, and AMLA, when necessary;
- (d) Follow the rules and procedures in the business as appropriate to meet the requirements established by OFAC, as applicable.

Section 15. — Personnel. (7 L.P.R.A § 232k)

- (a) The international banking entity shall employ on a full-time basis a minimum of eight (8) persons at its business office or offices in Puerto Rico. Provided, further, that the Commissioner may authorize a lesser number of employees upon request of an interested party, for which authorization the Commissioner shall evaluate factors such as the powers conferred by the license granted under this chapter, the nature and complexity of its operations in Puerto Rico, and such other criteria established in the regulations of the Commissioner.

- (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 subsection (a) of this section.
- (c) 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.

Section 16. — Accounts and registers — (7 L.P.R.A § 232l)

- (a) The administration and principal operations of the international banking entity, 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 banking entity, 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 IBEs.
- (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, and a duplicate thereof may be kept and maintained in its country of origin.

Section 17. — Reports — (7 L.P.R.A § 232m)

- (a) Every international banking entity 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 IBEs.
- (b) Every international banking entity 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 banking entity’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 documents applicable to IBEs 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 banking entity’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 banking entity 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 banking entity. The Commissioner shall notify the affected international banking entity and the Secretary of State of its intent to revoke by mailing notice of such intent to the registered agent of the international banking entity, as shown in its records and to the Secretary of State at least sixty (60) days before revoking the international banking entity’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 banking entity’s noncompliance with the provisions of this Section. Once the articles of incorporation or organization of an international banking entity are revoked under the provisions of this Section, the Commissioner shall notify the Secretary of the Treasury of such revocation.

Section 18. — Revocation, Suspension or Surrender — (7 L.P.R.A § 232n)

(a) A license issued under Section 7 of this Act shall be subject to revocation or suspension by the Commissioner, upon notice and hearing pursuant to the regulations provided in Section 23 of this Act, if:

- (1)** An international banking entity or the person of which said international banking entity 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 IBEs, 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 banking entity.
- (2)** An international banking entity fails to pay the annual license fee.
- (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.
- (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 banking entity has submitted false, inaccurate or misleading information, the Commissioner shall follow the procedures regarding the revocation, cancellation, or suspension of the license in accordance with the powers and authorities granted to him or her under Act No. 4 and the UAPA.

(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, circular letters, or guidance documents applicable to IBEs, surrender its license to operate an international banking entity, upon thirty (30)-day prior notice to the Commissioner, and including its plan of liquidation. As part of said plan of liquidation, the international banking entity 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 the examination, it is found that the international banking entity 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 Office of the Commissioner.

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

Section 19.—Dissolution — (7 L.P.R.A § 232o)

- (a) The Commissioner may appoint a receiver and order the dissolution of an international banking entity: (i) if the license of said international banking entity or the person of which the international banking entity is a unit is revoked or surrendered pursuant to Section 18 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 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 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 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, 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 banking entity.

Section 20.— Penalties — (7 L.P.R.A § 232p)

- (a) If any director, officer, 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 willingly or negligently allows 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, circular letters or guidance documents applicable to IBEs, 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 banking entity, 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 23 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 banking entity, or of a person of which it is a unit, who receives on behalf of such international banking entity any deposit or contract for a loan knowing that the international banking entity 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, 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.
- (e) 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 of the rules and regulations that may be promulgated thereunder;
 - (2) Order restitution or reimbursement of payments received in violation of the provisions of this Act or any rules or regulations that may be promulgated thereunder or any other remedy that he or she may deem necessary to achieve the purposes of this Act; and
 - (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 banking entity fails to meet the requirements or carry out the orders of the Commissioner.”

Section 21.—Confidentiality — (7 L.P.R.A § 232q)

(a) The information that the international banking entity provides to the Commissioner under the provisions of this Act and the regulations adopted by the Commissioner pursuant to the same, shall be kept confidential, except: (i) when disclosure of such information is required by law or judicial order, or (ii) through a formal petition of a domestic or foreign government agency in the course of the exercise of its supervisory function, when the Commissioner has grounds to believe that it is in the best public interest. In such case, the information shall be delivered under a binding agreement with the concerned government entity of maintaining the confidential nature of said information. Provided, That the exception under the preceding clause (2) shall under no circumstances be extended to information regarding clients of the international banking entity.

Section 22.—Transitional Provisions — (7 L.P.R.A § 232r)

This Act shall apply to all international banking entities organized before the effective date of this Act and those organized before the effective date of Act No. 273-2012, subject to the provisions of Section 27 thereof.

Section 23. — Administrative Hearings, Adjudication Proceedings and Judicial Review — (7 L.P.R.A § 232s)

All that pertains to 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 the OCFI outright denies the motion for reconsideration within 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.

Section 24.—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 inter- national banking entities created by this Act.

Section 25.—Property Tax Exemption — (7 L.P.R.A § 232u)

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 26.—Municipal License Tax Exemption — (7 L.P.R.A § 232v)

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” [*Note: Repealed and replaced by Act No. 107-2020, “Municipal Code”*].

Section 27.—Income Tax Exemption — (7 L.P.R.A § 232w)

(a) Income derived by the international banking entities duly authorized under this Act, from activities described in subsection (a) of Section 12 of this Act [7 L.P.R.A. § 232j], shall not be included in the gross income of said entities and shall be exempt from the tax imposed by Act No. 120 of October 31, 1994, [13 L.P.R.A. §§ 8006 et seq.], known as the “Puerto Rico Internal Revenue Code of 1994” or its preceding law, except for the provisions of subsection (b) of this section.

(b) General Rule.—

(1) Excess net income derived in the taxable year by every international banking entity subject to taxation, as said term is defined in subparagraph (A), shall be subject to the tax rates established in the Puerto Rico Internal Revenue Code of 2011, as amended, for corporations and partnerships. For the purposes of this subsection (b), the following terms shall mean:

(A) ‘Taxable international banking entity’. Means an international banking entity that operates as the unit of a bank organized under the Puerto Rico Banking Act, whose net income derived from investment activities with its own funds exceeds twenty percent (20%) of the net income derived in the taxable year by said bank (including income derived by said unit). Said net income shall be computed pursuant to the provisions of Subtitle A of the Puerto Rico Internal Revenue Code of 2011, as amended. For these purposes, investment activities with own funds means the income derived from, or the gain or loss from the sale of, stocks, securities, (other than loans granted or obtained in the regular course of banking operations), and commodities, including hedging operations.

(B) ‘Excess net income’. Means the net income, computed pursuant to the provisions of Subtitle A of the Puerto Rico Internal Revenue Code of 2011, as amended, derived by the taxable international banking entity from investment activities with own funds, which exceeds twenty percent (20%) of the total net

income derived in the taxable year by the bank of which it operates as a unit (including the income derived by said unit).

- (2) The income generated by the international banking entities that, as determined by the Commissioner, function as an affiliated unit or entity of a business that operates under the industrial incentive laws, as said terms are defined in Act No. 135 of December 2, 1997, as amended [13 L.P.R.A. §§ 10101 et seq.], known as the “Tax Incentives Act of 1998”, or any preceding or successor act thereof, shall not be included in the gross income of said entities and shall be exempt from the tax imposed in clause (1) of this subsection (b) and in Act No. 120 of October 31, 1994, as amended, known as “Puerto Rico Internal Revenue Code of 1994” [Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)].
- (3) Taxable years beginning after December 31, 2008, and before January 1, 2012.— Notwithstanding the provisions of Subtitle A of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8401-8697] [Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)], and this Act, during each of the taxable years beginning after December 31, 2008, and before January 1, 2012, every international banking entity shall be subject to a special five-percent (5%) tax on the amount of its net income for the taxable year, to be computed in accordance with the provisions of Subtitle A of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8401-8697] [Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)], but only to the extent that said net income does not constitute an excess net income for the purposes of clause (1) of this subsection. Unless otherwise provided by the Secretary of the Treasury by regulation, circular letter or other administrative determination or communication of a general nature, such tax shall be reported, paid, and collected in such form and manner as established in Subtitle A of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8401-8697] [Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)], for corporations to pay general income taxes.
- (c) The interest, finance charges, dividends or shares in partnership profits received by international banking entities duly authorized by this Act shall not be deemed gross income from sources in Puerto Rico for the purposes of Section 1123(a)(1) and (2) of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8523] [Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)], or of any analogous provision from any preceding or subsequent Act.
- (d) The provisions of Section 1147 of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8547] [Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)], or of any analogous provision from any preceding or subsequent act, which imposes the obligation to withhold income taxes at source in the case of payments made to nonresident individuals, shall not apply to interest, finance charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act.
- (e) The provisions of Section 1150 of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8550] [Note: Repealed and replaced by [Act No. 1-2011, known as](#)

the “Puerto Rico Internal Revenue Code of 2011”], or of any analogous provision from any preceding or subsequent act, which imposes an obligation to withhold income taxes at source in the case of payments made to resident or foreign corporations and partnerships which have not received income actually connected with a trade or business in Puerto Rico, shall not apply to interest, finance charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act.

- (f) Income derived by a nonresident foreign individual consisting of interest, finance 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 1221(a)(1) of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. § 8605(a)(1)] [*Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)*], or by any analogous provision from any preceding or subsequent Act.
- (g) Income derived by a foreign corporation or partnership consisting of interest, finance 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 1231(a)(1)(A) of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. § 8615(a)(1)(A)] [*Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)*], or by any analogous provision from any preceding or subsequent Act.
- (h) The provisions of Section 1232 of Act No. 120 of October 31, 1994, as amended [13 L.P.R.A. § 8616], known as the “Puerto Rico Internal Revenue Code of 1994” [*Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)*], or any analogous provision from any preceding or subsequent act, shall not be applicable to international banking entities duly authorized by this Act.
- (i) The interest and other income derived from [finance] granted to projects in areas of priority for the Government of Puerto Rico, that have been designated as extraordinary by the Secretary of the Treasury and the Commissioner pursuant to Section 12 of this Act [7 L.P.R.A. § 232j] , shall be treated as [non-exempt] for the exclusive purpose of assigning deductions to income exempt under Sections 1018, 1023 and 1024 of Act No. 120 of October 31, 1994, as amended [13 L.P.R.A. §§ 8418, 8423, and 8424], known as the “Puerto Rico Internal Revenue Code of 1994” [*Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)*]. Furthermore, the obligations resulting from said financing shall not be considered exempted obligations for the purposes of the above indicated sections of the Puerto Rico Internal Revenue Code of 1994.
- (j) None of the provisions of this section shall be construed as a limitation to the power of the Secretary of the Treasury to apply to the international banking entity or to any other person the provisions of Act No. 120 of October 31, 1994, as amended known as the “Puerto Rico Internal Revenue Code of 1994” [*Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)*], or of any analogous provision from any preceding or subsequent act.

Section 28.—Effect of Existing Legislation — (7 L.P.R.A § 232x)

- (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 29.—Severability of Provisions — (7 L.P.R.A § 232 note)

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 30.—Construction — (7 L.P.R.A § 232 note)

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

Section 31.—Repeal — (7 L.P.R.A § 232 note)

Act No. 16 of July 2, 1980, as amended, is hereby repealed.

Section 32.—Effective Date — This Act shall take effect immediately after its approval.

Note. This compilation was prepared by the [Puerto Rico Office of Management and Budget](#) staff who have striven to ensure it is complete and accurate. However, this is not an official compilation and may not be completely free of error. It contains all amendments incorporated for reading purposes only. For accuracy and exactitude please refer to the act original text and the collection of Laws of Puerto Rico Annotated LPRA. The state links acts are property of [Legislative Services Office](#) of Puerto Rico. The federal links acts are property of [US Government Publishing Office GPO](#). Compiled by the Office of Management and Budget Library.

See also the [Original version Act](#), as approved by the Legislature of Puerto Rico.