

(H. B. 1831)

**(No. 58)**

(Approved February 1, 2006)

**AN ACT**

To amend subsection (a) of Section 6.02 of Act No. 255 of October 28, 2002, known as the “Cooperative Savings and Credit Unions Act of 2002,” in order to alter in a prospective manner the percent of the increase in the indivisible capital reserve that the savings and credit cooperatives are compelled to maintain; and for other purposes.

**STATEMENT OF MOTIVES**

It is the public policy of the Government of Puerto Rico to direct the social and economic development of the Island pursuant to the principles of social justice, self-effort and democratic control of the cooperative movement. Therefore, the Cooperative Movement constitutes an integral piece and a strong pillar for the social and economic development of the Island. For this reason, the strengthening and growth of the cooperative movement in Puerto Rico is of the highest public interest.

The Government, through agencies such as the Cooperative Development Administration, the Public Corporation for the Supervision and Insurance of Savings and Credit Cooperatives (COSSEC, Spanish acronym), and the Cooperative Bank are facilitators in the effort to channel creative initiatives of the members of cooperatives.

At present, the Savings and Credit Cooperatives have assets that exceed six billion dollars, serving approximately one million Puerto Ricans, which evidences the power of this sector.

However, it must be pointed out that the legislation in effect establishes parameters that hinder the operation of Savings and Credit Cooperatives. One of these limitations is contained in the provision of Section 6.02 which deals with indivisible capital. The managerial community of Savings and Credit Cooperatives has consistently established the urgent need to amend the Act in that which refers to indivisible capital.

The indivisible capital reserve is a requirement of new application for the Savings and Credit sector that became effective upon the approval of Act No. 255 of October 28, 2002, the Cooperative Savings and Credit Unions Act of 2002. Because of its innovativeness, at present some 35 cooperatives have been unable to reach the minimum established by law, in spite of their financial solidity. This Legislature deems that by altering in a prospective manner the percent of increase in the indivisible capital reserve that the Savings and Credit Cooperatives are compelled to maintain up to an eight percent (8%), the minimum accepted in the banking industry, it would be helping to strengthen a much valuable sector for our economy.

This measure has the purpose to give Savings and Credit Cooperatives the opportunity to become entities with a more competitive and leading role in the socioeconomic development of the Island.

**BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:**

Section 1.- Subsection (a) of Section 6.02 of Act No. 255 of October 28, 2002, is hereby amended to read as follows

“Section 6.02- Indivisible Capital

(a) ...

(A) ...

(C) as of December 31, 2005, a minimum of five and a half percent (5.5%) of its total risk assets;

- (D) as of December 31, 2006, a minimum of six percent (6%) of its total risk assets;
  - (E) as of December 31, 2007, a minimum of six and a half percent (6.5%) of its total risk assets;
  - (F) as of December 31, 2008, a minimum of seven percent (7%) of its total risk assets;
  - (G) as of December 31, 2009, a minimum of seven and a half percent (7.5%) of its total risk assets;
  - (H) as of December 31, 2010, a minimum of eight percent (8%) of its total risk assets;
1. As of January 1, 2011, each cooperative shall keep a minimum indivisible capital of eight percent (8%) of its total risk assets. In the case of newly-created cooperatives, the Corporation shall define through regulations or an administrative order, the sequential levels of indivisible capital and the corresponding reasonable installments to achieve them. For a the purposes of this Act, the risk assets of the cooperative shall be figured according to the risk parameters defined in subsection (d) of this Section. Once the cooperative meets the minimum requirements provided in this Section, it shall have the discretion to reduce the share that it must incorporate to the indivisible capital.
  - (2) ...
  - (3) ...”

Section 2.- This Act shall take effect immediately after its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 58 (H.B. 1831) of the 3<sup>rd</sup> Session of the 15<sup>th</sup> Legislature of Puerto Rico:

**AN ACT** to amend subsection (a) of Section 6.02 of Act No. 255 of October 28, 2002, known as the “Cooperative Savings and Credit Unions Act of 2002,” in order to alter in a prospective manner the percent of the increase in the indivisible capital reserve that the savings and credit cooperatives are compelled to maintain; and for other purposes,

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, today 15<sup>th</sup> of November of 2006.

Francisco J. Domenech  
Director