

(H. B. 3299)  
(Conference)

**(No. 211)**

(Approved December 14, 2007)

### **AN ACT**

To amend subsections (a) and (c) of Section 5 of Act No. 114 of August 17, 2001, as amended, known as the “Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico Act,” to alter the composition of the Board of Directors of the Corporation for the purpose of granting representation to the League of Cooperatives in the same; and for other related purposes.

### **STATEMENT OF MOTIVES**

Act No. 114 of August 17, 2001, as amended, redesignates the former “Shares and Deposits Insurance Corporation for Cooperative Savings and Credit Unions,” originally created pursuant to Act No. 5 of January 15, 1990 as the “Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico.”

Through the promulgation of Act No. 114, *supra*, it is established as the public policy of the Government of Puerto Rico to watch over the integrity, solvency and financial strength of the Cooperative Movement of Puerto Rico. An essential part of said public policy and of the essential responsibility of the state is to conduct a fair, equitable and effective supervision and monitoring of the Cooperatives, according to the following principles:

- (a) The function of monitoring and total supervision of Cooperative Savings and Credit Unions and their operations,

products and services shall be exclusively consolidated and unified in the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico.

- (b) The drafting of public policy and regulations of the Cooperative Movement by the Corporation shall include the representation of insured cooperatives, as provided in this Act.
- (c) Those matters germane to the governing processes of the Cooperatives whose affairs do not present or imply relative risks to the economic, financial, juridical or moral integrity of said institutions or of its members shall be subject to self-regulation under those rules that are adopted by the Corporation with the approval of its Board, as provided in this Act.

To achieve the aforementioned public policy, the Corporation was given the primary responsibility of:

- (1) Monitoring and supervising in a comprehensive and consolidated manner the Cooperative Savings and Credit Unions that operate or do business in the Commonwealth of Puerto Rico, exclusively watching over the faithful compliance by said cooperative savings and credit unions of all present and future laws regarding their operations, businesses, products and/or services.
- (2) Providing shares and deposits insurance to all Cooperative Savings and Credit Unions, as required by this Act; provided, that the application of said insurance to the Cooperative Bank shall be optional and not compulsory.

- (3) Watching over the economic solvency of Cooperatives, particularly those of Savings and Credit Unions, and;
- (4) Watching over the rights and prerogatives of the partners of every Cooperative, protecting their financial interests, their right to be informed and preventing deceitful and fraudulent practices in the offer, sale, purchase and any other transaction for or with respect to the shares of Cooperatives.

According to the above, this Public Corporation is probably one of the most important and of greatest social responsibility in Puerto Rico. It is well known that the cooperative industry injects thousands of millions of dollars annually into the Puerto Rican economy, thus becoming one of the most prosperous and fast growing industries on the Island.

However, given the great importance of the Corporation, it is imperative for the composition of the Board of Directors to fully represent the interests of the cooperative movement. Although the capacity and commitment of its current members is not questioned, the same should be composed of persons with thorough knowledge of the private matters and challenges concerning the movement. The alternative of formally offering a seat to a person representing the League of Cooperatives of Puerto Rico arises therefrom.

It must be kept in perspective that the League of Cooperatives is a private nonprofit entity whose purpose is to organize the cooperatives and promote cooperative education and integration. The League of Cooperatives is an institution created, upheld and directed by the cooperatives of the Island. It represents the single third degree entity of the Puerto Rican cooperative movement. It groups the cooperatives, federations and cooperative centers organized under the Puerto Rican laws.

Its mission is to develop an institution that serves as a spark to promote the strengthening of the cooperatives and the economic development of our Island through the promotion of cooperative education, programs of direct services to the cooperatives and the representation and defense of their interests before the different forums. It is obvious, according to the former, that the League, as a group entity of the cooperative movement, shall assume a new role within the Puerto Rican government and social apparatus.

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

Section 1.— Subsections (a) and (c) of Section 5 of Act No. 114 of August 17, 2001, as amended, are hereby amended to read as follows:

“Section 5.— Board of Directors

(a) Composition of the Board.— The Corporation shall be directed by a Board composed of the following nine (9) members: the Administrator of the Cooperative Development Administration, the Commissioner of Financial Institutions of Puerto Rico, the Secretary of the Treasury, the Inspector of Cooperatives, three (3) persons representing insured Cooperatives, one representative of the League of Cooperatives of Puerto Rico and one private citizen representing the public interest. The Board shall be presided by the Cooperative Development Administrator.

(b) ...

(c) ...

(1) ...

(2) The following members of the Board that represent the Insured Cooperatives shall be selected exclusively by the Cooperatives that have availed themselves of the Shares and

Deposits Insurance. The Insured Cooperatives shall elect one (1) person as director who is a member of the boards of directors of said Cooperatives, and two (2) persons who are chief executive officers of Insured Cooperatives. Provided, that in no case shall more than one representative of the Cooperatives correspond to the same Cooperative. The elected directors shall hold office for a term of three (3) years. No director shall hold said office for more than three (3) consecutive terms. Those selected shall not hold directive offices nor be employees of government agencies related to the Cooperative Movement, with the exception of those set forth in this Act.

(6) In the case of a vacancy in the positions of the Board of Directors representing the cooperative movement, the Puerto Rico League of Cooperatives shall be considered as notified and shall proceed to establish a consulting and selection mechanism from among the insured cooperatives, whether it be a representative of the Board of Directors or executive officers of insured cooperatives; provided, that the person to be designated shall comply with the requirements of this Act. The representative designated through the method established by the League of Cooperatives shall hold office for the term remaining when the vacancy occurred.

...”

Section 2.— It is hereby provided that the change in the composition of the Board of Directors of the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico provided in this Act, shall be

conducted upon the expiration of the term of one of the members representing the Boards of Directors of the insured cooperatives, and which concludes during calendar year 2008.

Section 3.— Any Act or part of an Act that is in conflict with this Act is hereby repealed.

Section 4.— This Act shall take effect immediately after its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 211 (H.B. 3299) (Conference) of the 6<sup>th</sup> Session of the 15<sup>th</sup> Legislature of Puerto Rico:

**AN ACT** to amend subsections (a) and (c) of Section 5 of Act No. 114 of August 17, 2001, as amended, known as the “Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico Act,” to alter the composition of the Board of Directors of the Corporation for the purpose of granting representation to the League of Cooperatives in the same; and for other related purposes,

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

In San Juan, Puerto Rico, today 16<sup>th</sup> of May of 2008.

Kevin Miguel Rivera-Medina  
Sub-Director