

(S. B. 1007)

(No. 154-2014)

(Approved September 10, 2014)

AN ACT

To amend Section 5, Section 8, and subsection (a)(20) of Section 12 of Act No. 273-2012, as amended, known as the “International Financial Center Regulatory Act,” in order to extend the term to acquire classified assets and make technical amendments.

STATEMENT OF MOTIVES

Act No. 273-2012 was approved to broaden the potential market of Puerto Rico’s International Financial Center and to significantly increase the Island’s promotion and recognition in the financial industry worldwide.

As of December 31, 2013, thirty-three (33) international banking entities and six (6) international financial institutions, whose total assets amounted to nearly \$43 billion were operating in Puerto Rico. We believe that these international banking entities and international financial institutions can contribute even more to Puerto Rico’s economy. For such reason, this measure introduces several technical amendments that are critical to maximize the potential of Act No. 273-2012.

Currently, the activities allowed to international financial institutions include the participation in a series of financial transactions with residents of Puerto Rico, upon authorization of the Commissioner of Financial Institutions, and/or with the Commonwealth of Puerto Rico. Some of the activities allowed have the purpose of attracting foreign capital, which, in turn, increase the level of liquidity of Puerto Rico’s financial system, thus helping the Island to overcome the economic stagnation.

One of said provisions allows international banking entities, with the authorization of the Office of the Commissioner of Financial Institutions, to acquire classified or bad loans from any bank considered a domestic person or any branch in Puerto Rico of a foreign bank, including the execution of collateral related to said loans and the sale of property serving as collateral for such loans. However, said authority was granted for a little over two years after the approval of Act No. 273-2012. Currently, there are many financial institutions with bad loan portfolios that could continue to benefit from said provisions. For such reason, this Legislative Assembly deems it prudent to extend such period of time to four (4) additional years. Furthermore, this measure also clarifies that international entities may acquire any real or personal property (tangible or intangible) that serves as collateral for such loans.

Moreover, the term during which an international financial institution may acquire classified or bad loans from any bank or financial institution is hereby extended.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Section 5 of Act No. 273-2012, as amended, known as the “International Financial Center Regulatory Act,” is hereby amended to read as follows:

“Section 5.- Organization.-

(a) An international financial institution may be:

(1) ...

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

(1) ...

...

(3) ...

(A) The authorized capital stock and the initial paid-in capital shall be specified. In the case of a corporation, the authorized amount of its capital stock shall not be less than five million dollars (\$5,000,000), or a higher amount as required by the Commissioner, out of which at least the sum of two hundred fifty thousand dollars (\$250,000) shall be fully paid at the time the license is issued, which sum shall be considered the initial paid-in capital for the purposes of this Act. The Commissioner may authorize a lesser authorized and/or initial paid-in capital, at the request of the interested party, and when the type of business or powers that the international financial institution intends to exercise or other circumstances that, in the judgment of the Commissioner, so warrant. The number of shares into which it shall be divided and the par value of each share shall also be specified. If shares are to be issued in series, the application shall also include the date of issue of each series, as well as the form and term within which payment thereof shall be made.

(B) In the case of a person other than a corporation, the proposed and initial paid-in capital shall be specified. The amount of the proposed capital shall not be less than five million dollars (\$5,000,000), or the higher amount as required by the Commissioner, out of which at least the sum of two hundred fifty thousand dollars (\$250,000) shall be fully paid at the time the license is issued, which sum shall be considered the initial paid-in capital for the purposes of this Act. The Commissioner may authorize a lesser proposed and/or initial paid-in capital, at the request of the interested party, when the type of business or powers that the international financial institution intends to exercise or other circumstances that, in the judgment of the Commissioner, so warrant.

(C) In the case of a corporation or person other than a corporation whose operations as an international financial institution are related exclusively to the generation of income through the rendering of services allowed under Section 12(a)(23) and (24) of this Act, the amount of proposed or authorized capital, as the case may be, as well as the initial paid-in capital shall be specified. The authorized capital stock or the proposed capital, as the case may be, shall not be less than five hundred thousand dollars (\$500,000), or a higher amount as required by the Commissioner, out of which at least the sum of fifty thousand dollars (\$50,000) shall be paid in full at the time the license is issued, and such sum shall be considered the initial paid-in capital for the purposes of this Act. The Commissioner may authorize a lesser authorized, proposed, and/or initial paid-in capital, at the request of the interested party, when the type of business or powers that the international financial institution intends to exercise or other circumstances that, in the judgment of the Commissioner, so warrant.

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

(i) The capital of, or assigned to, an international financial institution may not be reduced without the prior written approval of the Commissioner.

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

...

(iii) ...

(4) ...

(c) An international financial institution that intends to operate as a unit shall provide a certification executed by the person of which it is a unit and in the form prescribed by the Regulations of the Commissioner, which shall specify:

(1)

(3) the amount of the authorized or proposed capital, as the case may be, and the initial paid-in capital of the person of whom the international financial institution is to be a unit, whose capital meets the requirements established in this Act, as the case may be. The Commissioner may authorize a lesser authorized, proposed, and/or initial paid-in capital, at the request of the interested party, and when the type of business or powers that the international financial institution intends to exercise or other circumstances that, in the judgment of the Commissioner, so warrant;

...”

Section 2.- Section 8 of Act No. 273-2012, as amended, known as the “International Financial Center Regulatory Act,” is hereby amended to read as follows:

“Section 8.- License.

(a) At his/her discretion and under the terms and conditions he/she may deem necessary as established by an administrative determination to such effect, the Commissioner may issue to the applicants a license to operate an international financial institution upon receipt of:

(1) ...

...

(5) evidence that the initial paid-in capital of the international financial institution has been subscribed to, issued, and paid-in to the extent and under such conditions as the Commissioner may establish at his/her sole discretion;

...

(7) as a requirement to obtain a license, in addition to the initial paid-in capital, every international financial institution shall possess not less than three hundred thousand dollars (\$300,000) of unencumbered assets or acceptable financial securities, or that lesser sum that, at the request of the interested party, the Commissioner authorizes, when the type of business or powers that the international financial institution intends to exercise or other circumstances that, in the judgment of the Commissioner, so warrant. The unencumbered assets shall be physically located in Puerto Rico and subject to the requirements regarding the same provided by the Regulations of the Commissioner; and

...”

Section 3.- Paragraph (a)(20) in Section 12 of Act No. 273-2012, as amended, known as the “International Financial Center Regulatory Act,” is hereby amended to read as follows:

“Section 12.- Allowed and Prohibited Transactions.

(a) Upon receipt of a license to operate an international financial institution in accordance with Section 8 of this Act, and as specified in said license, an international financial institution may:

(1) Upon authorization of the Commissioner, accept deposits, from foreign persons in checking accounts, as well as demand or term deposits, including interbank demand deposits and fund deposits, or otherwise borrow money from international financial institutions and from any foreign person pursuant to the Regulations of the Commissioner. Every international financial institution may borrow money on loan; provided, that said transactions are not tantamount to an acceptance of deposits.

...

(20) Upon authorization of the Commissioner, acquire classified or bad loans, as well as any personal or real property (tangible and intangible) that serves as collateral for such loans, from any bank considered a domestic person or from any branch of a foreign bank in Puerto Rico. This includes the execution of the collateral related to the aforementioned loans and the sale of property serving as collateral for said loans. The acquisition of these loans shall be authorized for the remainder of the calendar year in which this Act is approved and the six (6) calendar years thereafter, that is, until December 31, 2018. The execution of related collateral or the sale of property serving as collateral may be carried out within a period that reasonably meets industry standards, or the original term of the acquired loan, whichever is greater.

...”

Section 4.- Effectiveness.

This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 154-2014 (S. B. 1007)** of the **4th Regular Session** of the **17th Legislative Assembly of Puerto Rico**:

AN ACT to amend Section 5, Section 8, and subsection (a)(20) of Section 12 of Act No. 273-2012, as amended, known as the “International Financial Center Regulatory Act,” in order to extend the term to acquire classified assets and make technical amendments.

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

In San Juan, Puerto Rico, on this 22nd day of June, 2015.

Juan Luis Martínez Martínez
Acting Director