



OFICINA DEL COMISIONADO
DE INSTITUCIONES FINANCIERAS

OCIF

GOBIERNO DE PUERTO RICO

DRAFT

**INTERNATIONAL BANKING CENTER REGULATIONS
AND THE INTERNATIONAL FINANCIAL CENTER**

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INTERNATIONAL BANKING CENTER REGULATIONS AND THE INTERNATIONAL FINANCIAL CENTER

ARTICLE 1. SHORT TITLE

These regulations shall be referred to as the "International Banking Centre and International Financial Centre Regulations" (hereinafter referred to as the "Regulations").

ARTICLE 2. LEGAL BASIS

These Regulations are promulgated by virtue of the authority conferred by the following laws:

1. Act No. 4 of October 11, 1985, as amended, known as the "Office of the Commissioner of Financial Institutions Act" ("Act No. 4-1985") or any other law that replaces or amends it;
2. Act No. 52 of 11 August 1989, as amended, known as the "International Banking Centre Regulatory Act" ("Act No. 52-1989") or any other law that replaces or amends it;
3. Law No. 273-2012, as amended, known as the "International Financial Center Regulatory Law", ("Law No. 273-2012") or any other that replaces or amends it; and;
4. Act No. 38-2017, as amended, known as the "Uniform Administrative Procedure Act of the Government of Puerto Rico" ("Act No. 38-2017") or any other law that replaces or amends it.

ARTICLE 3. PURPOSE OF THE REGULATION

These Regulations are promulgated pursuant to Article 10(a)(2) of Law No. 4-1985, for the purpose of supplementing and clarifying the provisions of Law No. 273-2012 and Law No. 52-1989, and shall apply to any International Financial Institution ("IFE" or "EFIS") and any International Banking Entity ("EBI" or "EBIS"). hereinafter referred to collectively as Regulated International Entity(ies) authorized to operate or that in the future will be established to operate in Puerto Rico.

In line with the above, the OCIF certifies that the approval and implementation of this Regulation does not have any additional fiscal impact for the OCIF, or for the public in general. An analysis of the cost-benefit of the Regulation shows that its adoption is a requirement imposed by law

and does not imply greater costs for the treasury, nor for the citizenry.

ARTICLE 4. SCOPE OF THE REGULATION

The Regulations replace the provisions required by current legislation regarding the powers and activities authorized to the International Regulated Entities and provide the required provisions regarding the operation of the International Regulated Entities, including, among others, the evaluation in the organization process and the application and permit and license rights of the EFIS; license and examination renewal requirements and fees; the amount and form of the guarantees to be retained in Puerto Rico; the authorization to establish branches and units; and other extremes.

Finally, the Regulations contain a number of provisions on administrative and supervisory matters relating to administrative fines, penalties and procedures for applying for authorisations and permits from the Commissioner, in accordance with applicable law.

ARTICLE 5. INTERPRETATIVE PRINCIPLES

1. The provisions of these Regulations shall be interpreted liberally to enable the OCIF to carry out its regulatory functions and to ensure that all purposes of the laws and these Regulations are achieved.
2. When justified by its use, it will be understood that every word used in the present tense includes the past and future, the singular includes the plural, just as the masculine gender includes the feminine.
3. The words used in these Regulations must be interpreted in accordance with their context and the meaning they have by their common and current use.

ARTICLE 6. DEFINITIONS

For the purposes of these Rules, the following terms are defined as set forth below:

- a) Supervising Agency – Refers to any of the following, as applicable in the context being used:
- (1) *The Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), the Financial Crimes Enforcement Network (FinCEN), the Internal Revenue Service (IRS), any*

successor to these agencies, and any other agencies created in the future with similar oversight functions.

(2) Any local or federal agency mandated to exercise functional regulation of any activity carried out by an International Regulated Entity.

(3) Any *self-regulatory organization* that is legally mandated to exercise functional regulation of any activity carried out by an International Regulated Entity, such as the *Financial Industry Regulatory Authority, Inc.* ("FINRA") and the like, or any entity designated by or designated by the U.S. Department of the Treasury.

- b) AMLA – Means the federal law titled "*William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021*" ("NDAA"), which included the federal law titled "*Anti-Money Laundering Act of 2020*" and the federal law titled "*Corporate Transparency Act*" ("CTA"), or any law that supersedes or amends it. These laws are intended to modernize and simplify the anti-money laundering ("AML") regime in the United States. The AMLA may be referred to to include the entirety of such law, or any law that replaces or amends it.
- c) Bank Secrecy Act or "BSA" - Means the federal law entitled the "Currency and Foreign Transactions Reporting Act of 1970", known as the "Bank Secrecy Act" (hereinafter referred to as "BSA"), or any law that replaces or amends it.
- d) Capital - Means the difference between the assets and liabilities of an International Regulated Entity, which represents the net worth of the Entity or otherwise the equity value to investors, and which shall comply with the regulatory capital requirements required by the Commissioner and these Regulations.
- e) Paid-in Capital - Means the total amount of money in the currency of any country and other cash equivalents, or assets approved by the Commissioner (which in no case shall be non-tradable assets or of a predominantly speculative nature) that shareholders, members, partners or investors have paid to an International Regulated Entity at face value in exchange for Equity Instruments. The Paid-in Capital includes the Additional Paid-in Capital.
- f) Additional Paid-In Capital - The difference between the face value of the securities or equity instruments issued by the International Regulated Entity and their actual price. This reflects

only securities or Capital Instruments paid directly to the International Regulated Entity, rather than in the stock market.

- g) Regulatory Capital – Means the capital requirements set forth in subpart C of 12 CFR § 324, or any subsequent substitution or amendment to such federal regulation, which establishes minimum capital requirements and general capital adequacy standards for institutions supervised by the FDIC. Every Depository Institution must maintain its Regulatory Capital, and calculate it in accordance with federal regulations.
- h) Code - Means Act No. 1-2011, as amended, known as the "Internal Revenue Code of 2011" or any law that replaces or amends it.
- i) Commissioner – Refers to the Commissioner of the Office of the Commissioner of Financial Institutions.
- j) Parent Company - Means any legal entity that directly or indirectly controls more than twenty-five percent (25%) of the interest in the Capital of an International Regulated Entity or controls in any way the election of a majority of the governing body of such International Regulated Entity.
- k) Control – Refers to the holding, ownership or voting rights over ten percent (10%) or more, computed on a simple or aggregate basis (i.e., that a shareholder in the aggregate holds, directly or indirectly, 10% or more in shares), of any class of capital shares or interests in the capital of an International Regulated Entity. It also means the power to, directly or indirectly, direct or decisively influence the administration or the determination of the rules of the International Regulated Entity. For the purposes of these Regulations, indirect control shall be deemed to exist when one or more Persons are acting *in concert* to acquire, jointly, directly or indirectly, 10% or more of any class of equity shares or equity interests in an International Regulated Entity, or when by written or oral agreements they exercise or have the power to, to act in common and, directly or indirectly, to direct or decisively influence the administration or the determination of the rules of the International Regulated Entity." In addition, for the purposes of these Regulations, the calculation of 10% will be cumulative, and therefore will include the indirect acquisition by the same final beneficiary ("*Ultimate Beneficial Owner*") of any class of capital shares or participations in the capital of an

International Regulated Entity, regardless of whether it does so through itself, or a combination of itself with one or more legal entities.

- l) Administrative Determination or "*Ruling*" – for purposes of these Regulations, means an authorization from the OCIF that the International Regulated Entity has requested for a matter related to Law No. 273-2012, Law No. 52-1989 or the Commissioner's Regulations. For each request for an Administrative Determination, the International Regulated Entity may submit to the OCIF a draft or draft of the Administrative Determination for its evaluation, including its factual and legal basis. The OCIF may issue its Administrative Determination accepting, in whole or in part, the project or draft.
- m) Independent Director – Refers to a member of the board of directors of an International Regulated Entity who:
 - (i) has no family or legal relationship with the International Regulated Entity;
 - (ii) has no economic interest or significant business relationship as a direct shareholder in the Capital of the International Regulated Entity;
 - (iii) has no substantial economic interest (in excess of 5%) in the share capital of the entity or entities that own, individually or jointly, 10% or more of the capital of the International Regulated Entity);
 - (iv) within the two (2) years prior to his appointment or at the time of being elected and serving as an independent director, does not have or has had a banking, commercial, business, advisory relationship with the entity, or the owners of the entity (except for the interest described in subparagraph (iii) above); and
 - (v) he is not an employee of the company nor is he part of its management group.
- n) EBI - 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, which has been issued a License to Operate as an EBI under Act No. 52-1989, and which has not become an EFI under Act No. 273-2012.
- o) EFI - means any Person, other than an individual, incorporated or organized under the laws of Puerto Rico, the United States or a foreign country, or a Unit of such Person, to which a License to Operate has been issued pursuant to Act No. 273-2012.

- p) International Regulated Entity(s) – Refers to SAls and EBIS together.
- q) Depository Institution – That Regulated International Entity duly authorized to receive money on deposit on demand or savings, from Persons, with the obligation to repay them at the request of the depositor or under the agreed terms. Each Depository Institution shall at all times maintain the Capital levels required of a well-capitalized entity, as defined in FDIC regulations at 12 C.F.R. §324.403(b)(1), or any subsequent substitutions or amendments to such federal regulations.
- r) Non-Depository Entity – A Regulated International Entity duly authorized to carry out any other financial activity other than receiving money on deposit from individuals or corporations.
- s) United States - Means the United States of America, including any state of the nation, the District of Columbia, and all possessions, territories, political subdivisions, and agencies thereof, except Puerto Rico as defined below.
- t) Exams – It will have the meaning ascribed to said term in Article 29 of these Regulations.
- u) Expiration Date – It will have the meaning ascribed to said term in Article 25 of these Regulations.
- v) FFIEC – Refers to the Federal Financial Institutions Examination Council.
- w) FHP – Refers to the Personal *History Form* that must be submitted as provided in these Regulations and/or as requested by the OCIF for certain transactions or applications.
- x) Insolvency or Insolvency - Refers to the financial situation in which an International Regulated Entity or the Person of which an International Regulated Entity is a Unit, when its liabilities exceed its assets, or it is unable to pay its debts when due, or when its Capital has been reduced to less than one third (1/3) of the Paid-in Capital.
- y) Capital Instruments - Securities or instruments issued to shareholders, members, partners or investors of the International Regulated Entity in exchange for the Paid-In Capital to be received by the International Regulated Entity. These include the following: (a) common stock or ownership interests equivalent to common stock; (b) preferred stock, or ownership interests equivalent to preferred stock.

- z)** License to Operate – Refers to the license that an entity must apply for, obtain, and keep active from OCIF in order to operate as an International Regulated Entity.
- aa)** New Director – Means a director elected to serve for the first time in an International Regulated Entity.
- bb)** OCIF – Refers to the Office of the Commissioner of Financial Institutions.
- cc)** OFAC - Refers to the "*Office of Foreign Assets Control*" of the U.S. Department of the Treasury.
- dd)** *BSA Compliance Officer* - Refers to the officer of an International Regulated Entity tasked with administering a program to detect, analyze, and report suspicious activity to FinCEN as required under BSA and to manage BSA, AML, and OFAC compliance by the International Regulated Entity. This officer is responsible for the administration and coordination of AML programs, internal policies, procedures, and controls to identify and prevent against potential money laundering schemes. You are also required to stay up to date on new BSA, AML, and OFAC requirements. The BSA Compliance Officer shall be considered an Executive Officer for purposes of these Regulations.
- ee)** Executive Officer - means an individual who has authority to significantly influence (other than as a director) the formulation of the policies of the International Regulated Entity, including officers of the International Regulated Entity. A "Chief Executive Officer" for purposes of these Regulations shall be presumed to be the Chief Executive Officer, the President, the Chief Financial Officer, the Chief Credit Officer and the Chief Investment Officer and the *BSA Chief Compliance Officer*. Each proposed Executive Officer shall file an FHP with the Commissioner.
- ff)** Office - Refers to the premises authorized by the OCIF, in which only certain administrative activities related to the operation of the International Regulated Entity are carried out. With regard to those Regulated International Entities that are engaged in the banking or financial services business, deposits will not be accepted in said premises and no banking operations will be carried out except those that are incidental to the administrative function of said office.
- gg)** Main Office - Refers to the appropriate premises in Puerto Rico authorized as the headquarters of the International Regulated Entity and identified in the License to Operate

issued by the OCIF where the office where the business is carried out and the administrative and operational policies of the International Regulated Entity are established.

- hh)** Permission to Organize – This refers to the permission that an entity must request and obtain from the OCIF to organize. Having obtained a Permit to Organize is a requirement to apply for and obtain a License to Operate.
- ii)** Person - Refers to an individual, corporation, limited liability company, partnership, association, unit, trust or estate, syndicate or enterprise of any kind, government, its agencies, public instrumentalities, political subdivisions, public corporations, or other entities of the Government.
- jj)** Domestic Person - Means an individual resident of Puerto Rico, a Person incorporated or organized under the laws of Puerto Rico, a Person whose principal place of business is located in Puerto Rico, and for purposes of an IFS, and unless otherwise determined by the Commissioner taking into account the magnitude and characteristics of the business conducted in Puerto Rico, a foreign entity having an office that, under the provisions of the Code, the Government, its agencies, public instrumentalities, political subdivisions, public corporations, or other entities of the Government, is considered to be doing business in Puerto Rico.
- kk)** Foreign Person - Refers to any Person who is not a Domestic Person.
- ll)** Puerto Rico – Refers to the Commonwealth of Puerto Rico and each of its political subdivisions and agencies.
- mm)** Commissioner's Regulations - Means any regulation adopted by the Commissioner under Act No. 4-1985 or any law the administration and implementation of which has been delegated to him.
- nn)** Regulation No. 4088 – refers to Regulation No. 4088 of January 16, 1990, known as the *"Regulations for Establishing the Rules of Procedure for the Issuance of Licenses, Franchises and Permits"*, or any other regulation that amends or replaces it.
- oo)** Resident of Puerto Rico – Shall have the same meaning provided for this term in the Code and applicable regulations under the Code.

- pp)** Application for License to Operate – Refers to the application that an EFI proposal must submit, upon obtaining a Permit to Organize, to obtain a License to Operate such as an EFI permit that an entity must apply for and obtain from the OCIF to organize.
- qq)** Application for Organizing – Means the completed Application *For A Permit To Organize An International Financial Entity* that every proposed EFI must complete and submit to OCIF in order to obtain a Permit to Organize.
- rr)** Subsidiary - means any International Regulated Entity whose Capital is controlled twenty-five percent (25%) or more by another Person or Parent Company, or in which the election of a majority of its governing body is controlled by another Person or Parent Company.
- ss)** Unit - Includes any subdivision of any Person other than an individual, whose business and operations are segregated from such Person's other business and operations, as required by applicable law.
- tt)** Service Unit - Refers to that facility in a fixed place, established by an International Regulated Entity in Puerto Rico in which only certain operations are carried out. Service units may at no time accept deposits or establish accounts if such transaction involves the acceptance of a deposit.
- uu)** USA Patriot Act - Refers to the "*Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*," as amended, or the law that replaces it.

ARTICLE 7. ORGANIZATION OF AN EFI

to. To organize, each EFI must complete the Application to Organize, sworn before a notary authorized to practice in Puerto Rico or accompanied by an apostille if notarized outside Puerto Rico, in accordance with the forms published and provided by the OCIF, and through which it will provide information and documents to demonstrate that:

1. Organized under the laws of Puerto Rico or under the laws of the United States, as a corporation, partnership, trust, partnership, or other similar legal entity. No Permits to Organize or Licenses to Operate shall be granted to individuals unless they demonstrate that they have commenced efforts to organize as a corporation, partnership, trust, association, or other similar legal entity.

2. Only in those cases in which the Commissioner authorizes it, may it be organized as a Unit of another Person, who is not an individual, incorporated or organized under the laws of Puerto Rico or under the laws of the United States.

3. Its name shall include the word "International", "Foreign", "Overseas" or other similar words that denote the international character of the International Regulated Entity. No International Regulated Entity may be organized under the same name used by another entity or so similar to it that it could give rise to confusion.

4. Demonstrate that you have the financial capacity or access to sufficient resources to contribute to the EFI, prior to the issuance of the License to Operate, a Paid-In Capital of not less than ten million dollars (US \$10,000,000). On its own initiative or at the request of a party, the Commissioner may approve a Paid-in Capital lower than the aforementioned amount, considering the types of business or activities to be carried out by the international financial institution or other circumstances that warrant it according to the Commissioner's criteria. Any International Regulated Entity applying for authorization to hold Paid-in Capital of less than ten million dollars (\$10,000,000), shall submit a written application to the Commissioner, setting forth the reasons justifying holding a smaller amount of Capital and obtaining an Administrative Determination to that effect. The reduction in the amount of initial Paid-in Capital shall be approved or denied by the Commissioner in its sole discretion by Administrative Determination, as part of the Commissioner's determination of the Request to Organize. The Commissioner may require a higher Paid-In Capital, if deemed necessary, considering the types of business or activities to be carried out by the EFI or other circumstances that warrant it at the Commissioner's risk-based discretion.

5. Each EFI shall possess at least one million dollars (\$1,000,000) in assets free of encumbrances or financial guarantees acceptable to the Commissioner under these Regulations, or such greater or lesser amount as the OCIF may authorize on its own initiative or at the request of an interested party. However, as of 2027, this amount must be at least one million five hundred thousand dollars (\$1,500,000). Any EFI requesting the retention of lien-free assets in Puerto Rico in an amount as provided herein shall submit

a written request to the Commissioner, setting forth the reasons justifying holding a smaller amount of lien-free assets, which must be sworn by the applicant, before a notary public authorized to practice in Puerto Rico or accompanied by an apostille if notarized outside Puerto Rico. Such request must include the information included in the preceding subparagraph and that which is required by the Commissioner. The reduction of the amount of unencumbered or secured assets to be physically held in Puerto Rico shall be approved or denied by the Commissioner in its sole discretion by Administrative Determination, as part of the Commissioner's determination of the Request to Organize.

b. EFI will accompany your Request to Organize with a check, money order, or electronic transfer evidence made out to the Secretary of the Treasury in the nonrefundable amount of \$50,000 for research expenses. This payment is non-refundable.

c. EFI will deliver the proposed articles of incorporation, bylaws and other documents as described in these Bylaws.

d. Any Request to Organize must also include:

(1) The identity, business address, and personal and business history, and a credit history or any reliable financial historical record, of the individuals who are applying for permission and of all proposed investors who are to hold, individually or acting jointly, 10% or more of the shares to be issued, or who may otherwise acquire Control over the EFI.

(2) The city or town in Puerto Rico and the street and number or any other address where your principal place of business will be maintained in Puerto Rico.

(3) The identity and personal (including an FHP) and business history and credible credit of any Person who owns or controls, or attempts to own or control, directly or indirectly, any interest in the Capital of the EFI proposal.

(4) A financial statement audited by an authorized public accountant, for each of the three (3) years preceding the request, of the assets and liabilities of any investor or proposer who is to have Control over the EFI, or who has or is to acquire Control and of any Person who owns or controls or intends to own or control any interest in the Capital of the EFI or the Person of the which the EFI proposal will be a Unit.

- a) The required financial statement shall be prepared and presented in accordance with accounting principles generally accepted in the United States or which may be adopted by the public accounting profession;

(5) The identity and background, including full name, primary address, marital status, social security number or equivalent, and passport number, of each of the proposed directors and Executive Officers or Persons proposing to act in a similar capacity in the IFS, and, where the Commissioner deems appropriate to require such information, of any other employee, regardless of their job title or position, and of the BSA Compliance Officer.

(6) Evidence of the availability of the minimum paid-in capital, or access to sufficient resources to contribute to the EFI, and the source of the funds, as well as evidence of the availability of the unencumbered assets and the source of such funds. Among the evidence that the OCIF may require, but not limited to, are: bank statements, information on the source of wealth of the Persons who contribute Capital, directly or indirectly to the International Regulated Entity, and any other pertinent information that allows knowing the source of funds and/or where the Capital to be injected into the International Regulated Entity comes from.

(7) The board of directors or governing body of the EFI proposal shall include at least one Independent Director, as defined. To this end, the Application to Organize shall include the identity and background, including the full name, primary address (physical and postal), marital status, the last four digits of the proposed Independent Director for the IFS, including information justifying his/her status as an Independent Director.

(8) Such other information as may be required by the Commissioner's Regulations or circular letters or guidance documents applicable to Regulated International Entities.

ARTICLE 8. ARTICLES OF INCORPORATION, CORPORATE BYLAWS, AND OTHER ORGANIZATIONAL DOCUMENTS OF A REGULATED INTERNATIONAL ENTITY

to. Articles of incorporation or *bylaws* in the case of a corporation, articles of organization or limited liability company agreement in the case of a limited liability company, partnership agreement in the case of a partnership, or other document by which an IFS has been organized

or is proposed to be organized shall specify:

1. The name by which it will be known.
2. The street, number, and town where you will maintain your office or principal business office in Puerto Rico.
3. The proposed Capital and the Paid-in Capital required by Law No. 52-1989 or Law No. 273-2012, as the case may be.
4. If the EFI proposal is to be authorized to issue only one class of capital shares or equity interests, it shall include the total number of capital shares or equity interests that the entity may issue and the par value thereof or a statement that all capital shares or equity interests must be non-par value. If the EFI proposal is to be authorized to issue more than one class of equity shares or equity interests, that document, as applicable, shall also include such information for each class.
5. The term of its existence, which in the case of a corporation or limited liability company may be perpetual.
6. The purposes for which it is organized, including a specific limitation of its operations to perform only the activities and services authorized in Law 273-2012, and as listed in the Permit to Organize and which will subsequently be listed in the License to Operate. At the outset of its operations, the IFS shall limit its activities to those with which it intends to commence its operation. The remaining activities provided by Law No. 273-2012 will be added as the EFI requires authorization and is granted by the OCIF through an Administrative Determination. Therefore, when preparing the organizational documents of the IFS, the IFS should specify whether the activities included require prior authorization from the Commissioner.
7. Any other provisions that may be convenient for the proper administration of the business. These provisions shall not conflict with the laws of Puerto Rico.
8. Any other provision that may be required by the Commissioner or circular letters interpreting applicable laws and the Commissioner's Regulations.

b. When the EFI is a Unit of another Person. An EFI that intends to operate as a Unit shall provide a certification issued by the Person of which it will be a Unit and in the form prescribed by circular letters interpreting the Commissioner's Regulations and applicable laws. Such certification must specify:

1. The name by which the Unit will be known.
2. The street, number, and town where the Unit will maintain its main business office or an office in Puerto Rico.
3. The amount of the proposed Capital and Paid-in Capital of the Person of which the EFI will be a Unit, whose Capital meets the requirements imposed in applicable laws, as the case may be, and the amount of Capital to be allocated to the Unit. The Commissioner may require or authorize a proposed Capital, Paid-in Capital, or a greater or lesser Assigned Capital, on his or her own initiative or at the request of the interested party, provided that the type of business or powers that the EFI intends to exercise or other circumstances in the Commissioner's discretion warrant it. Any Unit requesting authorization to hold less capital than that established herein shall submit a written request to the Commissioner, stating the reasons justifying holding a smaller amount of capital. The reduction in the amount of Initial Capital shall be approved or denied by the Commissioner in its sole discretion, as part of the Commissioner's determination of the Request to Organize.
4. The purposes for which said Unit is authorized, including a specific limitation of its operations to perform only the services authorized in Law 273-2012, as listed in the License to Operate and in the Permit to Organize the EFI. At the beginning of its operations, the OCIF may require the IFS to limit its activities to those with which it proposes to commence its operation. The remaining activities provided by Law 273-2012 will be added as the EFI requires authorization and it is granted by the OCIF through an Administrative Determination.
5. Any other provision required by the Commissioner's Regulations or circular letters interpreting the Commissioner's Regulations and applicable laws.

c. No amendment shall be made to the Articles of Incorporation, Articles of Organization, Bylaws, Limited Liability Company Agreement, Partnership Agreement, or other document, as the case may be, by which the International Regulated Entity is organized or operated, or to the certification granted in the case of a Unit of another Person pursuant to Law No. 273-2012 or Law No. 52-1989, as applicable, unless such amendment has been previously approved in writing by the Commissioner by Administrative Determination.

d. Upon due adoption of any amendment to the Articles of Incorporation or Articles of Organization, as the case may be, of the International Regulated Entity, or to the certification granted pursuant to Act No. 273-2012 or Act No. 52-1989, as applicable, the amendments shall be submitted to the Department of State. On or before ten (10) days after filing, you must submit to OCIF certification issued by the Department of State related to the filing of the amendment.

ARTICLE 9. APPLICATION RESEARCH TO HOST AN EFI

to. Upon receipt of a duly sworn Request to Host and all required documents, as well as the Request to Host fee, the Commissioner shall make all necessary inquiries with respect to the proposers, including the shareholders, members, partners, directors, and executive officers of any proposer that is a Legal Entity, including other officers such as the BSA Compliance Officer and Compliance Officer, if it is already known who will serve as such. It will include, among others, a review of:

1. The data and information contained in the Request to Organize;
2. The (i) financial solvency, (ii) credit, (iii) banking, business, or financial experience, (iv) employment history, (v) business integrity, (vi) the financial ability, character, general reputation, and (vii) criminal records of the proposers, as well as individuals who intend to act as directors or officers (or in a similar capacity), including the Compliance Officer and Compliance Officer with BSA, in the proposed International Regulated Entity, and whether such information demonstrates that they have the capacity to carry out the duties of their position in the International Regulated Entity;
 - i. The Commissioner shall investigate the criminal records and personal history of such Persons and the *Ultimate Beneficial Owners* of EFI. In the course of such

investigation, the Commissioner shall use entities specialized in such investigations and the costs of such investigations shall be borne by the proponents, but the reports of the investigations conducted shall be submitted directly to the Commissioner by the entity contracted to carry out the investigations;

2. The adequacy of the proposed Capital for the operations of the EFI proposal;
3. The Articles of Incorporation or Organization, Bylaws, Limited Liability Company Agreement or Partnership Agreement, or other proposed document by which the EFI is organized, as the case may be;
4. The impact that the EFI proposal will have on Puerto Rico's economy or the market it will serve;
5. Names of the proposed directors, executive director, loan officer, finance officer, and compliance officer;
6. The financial capacity, experience, character, integrity and experience or knowledge in banking or business at an international level of the Persons who will manage it and of that natural or legal Person who directly or indirectly owns, controls or attempts to own or control ten percent (10%) or more of the interest in the Capital of the International Regulated Entity, without this being understood as a limitation on the investigative power of the Commissioner; and
7. The FHP of each of the proponents.

b. Expenses in excess of fifty thousand dollars (\$50,000.00) previously provided for by the Commissioner in connection with the initial investigation conducted shall be borne by the proponents by advance payment, as estimated, or by agreement with the entities recognized by the Commissioner to conduct the investigation. The Commissioner will claim such research expenses from the proponents.

ARTICLE 10. RETURN OF THE APPLICATION TO ORGANIZE AN EFI

to. The Commissioner may return the Request to Host for any of the following reasons:

1. The Application to Organize was not completed in all its parts, the documentation was incomplete, it was not submitted in accordance with the provisions and requirements of applicable laws, the Commissioner's Regulations, circular letters or guidance documents applicable to Regulated International Entities.

2. The Request to Organize lacks information or documents required for evaluation.

3. The Application to Organize requests authorization to engage in an unauthorized business in Puerto Rico or in Act No. 273-2012.

b. An incomplete Request to Host that the Proposer has not completed within thirty (30) days (or as extended by the Commissioner) from receipt of an incomplete Request to Host notice from the Commissioner shall be deemed to have been voluntarily withdrawn and returned by the Commissioner to the Proposer.

c. In addition to the provisions of these Regulations, Regulation No. 4088 shall apply. In the event of any inconsistency between Regulation 4088 and this Regulation, this Regulation shall prevail.

ARTICLE 11. PERMISSION TO HOST AN EFI

to. Discretion of the Commissioner.

The Commissioner's determination of whether or not to issue a Permit to Organize is entirely discretionary to the Commissioner, where the Commissioner shall weigh the best interest of Puerto Rico and the United States in preventing money laundering and terrorist financing, the best interest of the general public, the protection of depositors or prospective investors of the proposed IFS, and the public policy of the Government of Puerto Rico, as well as the interests of the proponents.

b. Granting of the Permit.

After the required investigation and payment of the research expenses as set forth in these Rules, if the outcome of the investigation is favorable to the proposers, the Commissioner, in its sole and sole discretion, shall approve the Request to Organize and grant the Permit to Organize, describe the activities to which the EFI proposal may be engaged once the License to Operate has been granted, and shall include such conditions as the Commissioner deems necessary.

Permission to organize granted does not constitute an ownership right and may not be sold, transferred, assigned, encumbered, or in any way pledged in favor of another Person.

The granting of the permit to Organize pursuant to this Article shall not entitle the applicant to commence operations until the applicant obtains a License to Operate in accordance with these Regulations and the law.

c. Validity of the Permit to Organize.

Any Permit to Organize granted by the Commissioner shall be in effect for a period of one hundred and eighty (180) days from the date granted.

At the request of an interested party, in meritorious or exceptional cases and at the discretion of the Commissioner, the period of validity of said Permit to Organize may be extended, by means of an Administrative Determination. If the Commissioner elects to extend the term of the Permit to Organize, the Commissioner may provide conditions for the extension of the term of the Permit to Organize, such as providing that it shall be the only extension granted, the term of the extension granted, and other details.

If the Permit to Organize expires without a request for its extension, it will be understood that the proponents have desisted from their intentions to organize the EFI proposal and it will not be able to operate. As the Permit to Organize is deemed to have been withdrawn, it will be null and void and the transaction will be considered withdrawn, in which case a new Application to Organize will have to be submitted.

d. Procedure for Receiving a Permit to Organize an EFI.

When the Commissioner issues the Permit to Organize the EFI pursuant to the provisions of this Article, the proposer shall file with the Department of State of Puerto Rico the articles of incorporation or articles of organization, as the case may be, or other document by which the EFI proposal is organized or those of the Person of which the EFI will be a Unit, as well as the certification provided in Law No. 273-2012 in the case of a Unit. The Department of State shall issue under its official seal a certification of such documents.

The EFI shall organize and apply for the License to Operate within a period of one hundred and eighty (180) days after the Permit to Organize has been granted, except in the case in which an extension of the validity of the Permit to Organize has been granted in accordance with the provisions of this Article.

and. Continuous Obligation to Inform.

The holder of the Permit to Organize has an ongoing obligation to inform the Commissioner of any material changes to the information submitted with the Application to Organize, or as such period may be extended pursuant to subsection (c) above.

f. Suspension or revocation of the Permit to Organize.

The Commissioner may suspend or revoke a Permit to Organize for cause. Among the causes is, but is not limited to, the holder of the Permit to Organize does not notify any material change in the information provided. The suspension or revocation of the Permit to Organize shall not constitute a complaint pursuant to Regulation No. 9551 of April 11, 2024, as amended, known as the "*Adjudicative Procedures Regulations of the Office of the Commissioner of Financial Institutions*" ("Regulation No. 9551") issued by the OCIF or any other superseding regulations. However, pursuant to Act No. 38-2017, the holder shall have the right to request reconsideration from the Commissioner within twenty (20) days of written notice of the suspension or revocation.

g. Denial of Permission to Organize.

Following the required investigation and payment of the research expenses as set forth in these Bylaws, if the outcome of the investigation is not favorable to the proposers, the Commissioner, in his sole and sole discretion, shall deny the Request to Organize. The Commissioner may deny a Request to Organize when:

1. The proponent does not comply with any of the requirements established in Law No. 273-2012 to obtain a License to Operate;
2. The Commissioner discovers that the proposer submitted false, incorrect or misleading information in its application, or that any shareholder, member, partner, director or executive officer of the proposer has been charged with or convicted of any felony or any offense involving fraud, money laundering, tax evasion or moral turpitude or has been

proscribed ("*barred*") by other banking or financial regulators in the United States or any foreign country; or

3. If, as a result of its investigation, it concludes that the financial responsibility, experience, character and/or general aptitude of the proponents do not give it confidence or allow it to determine that they will operate the EFI in an honest, fair and efficient manner to achieve the purposes of Law No. 273-2012.

h. Right to Reconsideration.

A proposer whose Request to Host has been denied may request reconsideration from the Commissioner within twenty (20) days of written notice of the denial.

ARTICLE 12. GRANT OF LICENSE TO OPERATE

to. Discretion of the Commissioner.

The Commissioner's determination whether or not to issue a License to Operate is an entirely discretionary power of the Commissioner, where the Commissioner must weigh the best interest of Puerto Rico and the United States in preventing money laundering and eliminating the financing of terrorism, and the best interest of the general public, the protection of depositors or prospective investors of the proposed IFS, and the public policy of the Government of Puerto Rico, as well as the interests of the proponents.

No EFI may commence operations unless it has previously been approved an Application for a License to Operate and the License to Operate has been issued in accordance with the provisions of Law No. 273-2012.

Any Application for License to Operate shall be approved or denied by the Commissioner in accordance with the provisions of Regulation No. 4088, or any other regulation subsequently approved to amend or replace the same. In the event of any inconsistency between Regulation 4088 and this Regulation, this Regulation shall prevail.

b. Granting of the License to Operate

The Commissioner may issue the License to Operate upon receipt of:

1. The Certificate of the Department of State, referred to in Law No. 273-2012;
2. Check or money order, or evidence of transfer in favor of the Secretary of the Treasury for license fees in the amount of fifty thousand dollars (\$50,000) for the original License to Operate, and five thousand dollars (\$5,000) for each Office, Branch, Service Unit or Unit, if any.
3. Copy of all documents filed with the Department of State in compliance with these Regulations.
4. A certified copy of the Articles of Incorporation or Articles of Organization, as the case may be, or other document by which the EFI is established, or the certification of the Person of which the EFI is a Unit.
5. A copy of the bylaws or internal regulations adopted by the board of directors or governing body of the EFI, or a copy of its limited liability company or partnership agreement, as the case may be, which must be certified by its secretary or the person acting in a similar capacity by affidavit before a notary public;
6. Evidence that the EFI's Paid-in Capital has been subscribed, issued and paid or, in the case of a Unit, that it has been assigned.
7. Evidence that the EFI holds at least one million dollars (\$1,000,000) in unencumbered assets (or, as of 2027, one million five hundred thousand dollars (\$1,500,000)), or acceptable financial guarantees, consigned to the OCIF pursuant to the provisions of these Regulations or such other amount as may have been previously authorized or required by the OCIF by Administrative Determination.
8. An affidavit before a notary public authorized to practice in Puerto Rico or apostilled if authorized outside of Puerto Rico or the United States, granted by the secretary of the board of directors or an individual with similar capacity of the International Regulated Entity or of the Unit, to the effect that the entity has complied with the provisions of Law No. 273-2012, these Regulations or the circular letters or guidance documents applicable to the EFIs to obtain the License to Operate, and that it is ready to begin operations.
9. An affidavit before a notary public authorized to practice in Puerto Rico or apostilled if

authorized outside of Puerto Rico or the United States, signed by the Chief Executive Officer of the institution concerned certifying, among other things, that the EFI has adopted in writing and will implement the necessary and appropriate programs, policies, procedures and systems in the business, to faithfully comply with local and federal laws applicable to the entity, including, but not limited to, the provisions of OFAC, BSA, USA Patriot Act, and AMLA, and regulations, guides, or circular letters of the OCIF and any Supervisory Agency, as applicable to it based on the financial activities to be conducted by the EFI and as set forth in these Regulations.

10. Evidence that the Person of which EFI is a Unit or Subsidiary possesses the appropriate licenses or permits required by any Supervisory Agency responsible for overseeing such Person's activities in the jurisdiction of its origin with respect to the establishment of EFI as a Unit or subsidiary outside such jurisdiction. Such evidence may consist of a certification or non-objection from the Supervisory Agency concerned.

11. Submit information and a statement from the Chief Executive Officer to the effect that the infrastructure, policies and security of the technological information of the EFI proposal will be adequate for its proposed operation of the activities contained in its License to Operate.

12. Any other document or information that the Commissioner may have required prior to the granting of the License to Operate.

In the event that the Commissioner denies the Application for License to Operate, the amount of fifty thousand dollars (\$50,000) paid for License to Operate fees shall be returned to the proposer.

c. Procedure upon receipt of the License to Operate.

The License to Operate issued by the Commissioner shall identify the activity or activities authorized to the EFI.

The EFI may only carry out those activities listed in the License to Operate issued by the Commissioner.

A License to Operate an International Regulated Entity may not be sold, assigned, transferred,

pledged, used as security or otherwise encumbered in favor of another Person, and any act contrary to the provisions hereof shall result in the immediate revocation thereof.

A copy of the License to Operate must be filed with the Department of State of Puerto Rico by the EFI no later than ten (10) days after its issuance and evidence of its filing will be delivered to the OCIF.

d. Validity of the License to Operate.

Each EFI must have commenced operations within one hundred and eighty (180) days of obtaining the Operating Permit.

Each License to Operate issued to an EFI will remain in effect for a period of one year or until the anniversary of its issuance, unless the License to Operate is suspended, cancelled, revoked or renounced.

If the License to Operate expires without its renewal having been requested, it will be understood that the concessionaires have renounced it and will not be able to continue operating. In these cases, the applicable processes for the waiver will be activated, as established in Article 32 of these Regulations.

and. Continuous Obligation to Inform.

The holder of the Licence to Operate has an ongoing obligation to inform the Commissioner of any material changes to the information submitted with the application for a Licence to Operate. The Commissioner may also request from time to time that the information in the OCIF files be updated.

f. Information to be Provided Regarding the Appointment of New Directors and Officers.

It is the public policy of the OCIF that it is the duty of every financial institution to inform the Commissioner of the name *and* other personal circumstances in connection with the appointment of any Director or Executive Officer to lead an International Regulated Entity.

The International Regulated Entity shall be required to obtain the approval of the Commissioner for the election of any New Director and/or the appointment of any Executive Officer within thirty (30) days of the date on which the New Director or Executive Officer has taken office. The

International Regulated Entity shall be responsible for the filing with the OCIF, on or before the date indicated, of the information required below:

In relation to any newly elected Director or Executive Officer or appointed to occupy a position or position in an International Regulated Entity, the FHP prepared and published by the OCIF on its website will be filed, accompanied by the following documentation:

- i. Recent Situation;
- ii. In the case of a Domestic Person, certification of Tax Debt and, in the case of a Non-Domestic Person, Insurance Department, Ministry of Finance, Public Credit and/or Superintendence of Tax Administration;
- iii. In the case of a Domestic Person, negative certification of Criminal Record from the Puerto Rico Police, or, in the case of a Non-Domestic Person, certification of moral suitability from the corresponding jurisdiction;
- iv. Two 2 x 2 size photographs; and
- v. Summarizes.

The Commissioner may request any other information he deems necessary.

All personal and financial information submitted to the OCIF under this subsection shall be kept in strict confidence, unless a Court orders its production.

g. Information to be provided regarding legal claims

Any International Regulated Entity shall have the duty to inform the OCIF of any claim—whether judicial, administrative, regulatory, or of any other nature—filed against it in any forum, and in any jurisdiction, within ten (10) business days from the day on which the International Regulated Entity has become aware of it. In informing the OCIF of such a claim, the International Regulated Entity shall provide the OCIF with at a minimum: **(1)** the name of the entity or Person who brought the claim against it, **(2)** the nature of the claim, and **(3)** the amount claimed against the International Regulated Entity, if any.

ARTICLE 13. LIEN-FREE ASSETS

a. As a requirement to obtain a License to Operate, in addition to the Paid-In Capital, each EFI must possess at least one million dollars (\$1,000,000) in assets free of encumbrances or financial

guarantees acceptable to the Commissioner, or such greater or lesser amount, as the Commissioner may authorize on its own initiative or at the request of an interested party by Administrative Determination when the type of business or powers that the EFI or other powers intend to exercise circumstances at the discretion of the Commissioner, warrant it. Beginning in 2027, all EFIs, whether a proposal or one applying for renewal of the License to Operate, must own at least one million five hundred thousand dollars (\$1,500,000.00).

b. Assets free of encumbrances or acceptable financial guarantees will be responsible for the faithful compliance with the provisions of Law No. 273-2012, Law No. 52-1989, the Commissioner's Regulations, circular letters, or guide documents applicable to Regulated International Entities.

c. Regulated International Entities with a License to Operate in force prior to the effective date of Law No. 44-2024 and Law No. 45-2024, must increase the amount of their encumbrance free assets in a phased manner, as a requirement for the renewal of their license to operate, as follows:

1. It will increase to five hundred thousand dollars (\$500,000) for license renewal corresponding to the year 2024 to 2025;
2. It will increase to seven hundred and fifty thousand dollars (\$750,000) for the renewal of the license corresponding to the year 2025 to 2026;
3. It will increase to one million dollars (\$1,000,000) for license renewal corresponding to the year 2026 to 2027; and
4. It will increase to one million five hundred thousand dollars (\$1,500,000) for license renewal for the year 2027 to 2028 and for subsequent years.

d. In each case and for any applicable period, the International Regulated Entities shall have such greater or lesser amount as the Commissioner authorizes, on its own initiative or at the request of an interested party, by means of an Administrative Determination when the type of business or powers that the International Regulated Entity intends to exercise or other circumstances in the discretion of the Commissioner, so merit it.

and. The assets free of encumbrances shall be issued in favor of the Commissioner by a financial

institution doing business in Puerto Rico authorized to receive deposits, as specified in the next paragraph. The encumbrances-free assets may be registered, as regards their principal, in the name of the entity applying for a License to Operate or the Regulated International Entity and must be accompanied by a separate endorsement in favor of the Commissioner, describing the encumbrance-free asset and its pledge in favor of the Commissioner. Such encumbrances-free assets may not be withdrawn without the express authorization of the Commissioner. The Commissioner may require an entity applying for a Licence to Operate or an International Regulated Entity to submit a larger quantity of unencumbered assets, provided that any claim is made to the free assets originally deposited in favour of the Commissioner.

f. Assets free of acceptable encumbrances may be held in the following financial institutions:

1. Banks organized in U.S. states or territories with FDIC-insured deposits that are authorized by the OCIF to accept deposits in Puerto Rico;
2. With prior authorization of the Commissioner, Credit Unions authorized to do business in Puerto Rico with the prior written authorization of the Commissioner; or
3. By prior authorization from the OCIF, by another financial institution doing business in Puerto Rico authorized to receive deposits, such as an International Regulated Entity.
4. In cases where an International Regulated Entity demonstrates, to the satisfaction of the OCIF, that it has failed to physically establish the encumbrances in Puerto Rico, it shall request authorization from the OCIF, through an Administrative Determination, to maintain assets free of encumbrances or acceptable financial guarantees outside Puerto Rico.

g. Assets free of acceptable financial encumbrances or guarantees may be, in addition to certificates of deposit, those denominated as Assets Eligible for Legal Reserve, as listed in Article 15(A) of these Regulations.

(i) The Commissioner may establish other financial instruments, or other terms and conditions for compliance with this requirement by means of a circular letter or guidance document or Administrative Determination.

h. Except where an Administrative Determination of the Commissioner provides otherwise, the

unencumbered assets shall be physically located in Puerto Rico and shall be subject to the requirements with respect thereto provided by the circular letters or guidance documents applicable to the International Regulated Entities.

(i) No request for an Administrative Determination to keep the assets free of encumbrances outside of Puerto Rico will be accepted unless the Regulated International Entity previously certifies that it was unable to obtain approval from any financial institution in Puerto Rico to maintain it. In such case, you must request an Administrative Determination, accompanied by such certification, in order for the International Regulated Entity to keep its assets free of encumbrances in a U.S. financial institution whose deposits are insured by the FDIC.

i. The Regulated International Entities shall submit a certification issued by the financial institution in which the assets are free of encumbrances that, at least, contains the account number, the type of asset, the principal balance, the maturity and representation that the assets are consigned in favor of the OCIF.

ARTICLE 14. PROCEDURE TO REQUEST THE RETENTION OF ASSETS FREE OF LIENS OR GUARANTEES IN PUERTO RICO FOR AN AMOUNT LESS THAN THAT REQUIRED IN ACT 52-1989 AND LAW 273-2012.

to. Any Regulated International Entity may request the Commissioner, and the Commissioner in its sole discretion may approve or deny by Administrative Determination, the retention of assets free of encumbrances or guarantees in Puerto Rico for an amount less than that required by Law 52-1989, in cases of renewal of the License to Operate an EBI, or by Law 273-2012, for an Application to Host an EFI, an application for an EFI Operating License, or for the renewal of an EBI Operating License.

b. Any Regulated International Entity requesting the retention of assets free of encumbrances or guarantees in Puerto Rico for an amount less than that required by Act 52-1989 or Act 273-2012 shall submit a written request to the Commissioner, setting forth the reasons justifying holding a smaller amount of unencumbered assets, which request shall be sworn by the applicant before a notary authorized to practice in Puerto Rico, or with an apostille if it is notarized outside of Puerto Rico. Such request must include any other information reasonably required by the

Commissioner.

c. Any request for the reduction of the amount of unencumbered or collateralized assets to be physically retained in Puerto Rico shall be approved or denied by the Commissioner in its sole discretion by means of an Administrative Determination, based on risk criteria of the activity and market of the International Regulated Entity, as part of the Commissioner's determination on the Request to Organize, within a period of sixty (60) days. Such term may be extended by the OCIF, when in its judgment and discretion it is necessary to complete the specific evaluation of the application.

d. In the case of an International Regulated Entity that is already operating, such an application shall be approved or denied by the Commissioner in accordance with the provisions of Regulation Number 4088.

ARTICLE 15. INTEREST RATE AND LEGAL RESERVE

The Commissioner may not establish an interest rate to be paid or charged by the International Regulated Entity. In the case of Depository Entities (which are expressly authorized to receive deposits under their License to Operate), the Commissioner may establish a reserve requirement, which in no case may exceed twenty percent (20%) of the total deposits payable on demand held by the Regulated International Entity (except for deposits on demand held by the Economic Development Bank for Puerto Rico or any of its successors, that are duly guaranteed with collateral).

A. Assets Eligible for the Legal Reserve

The following assets, securities, or combination thereof may be considered as acceptable assets for inclusion in the Legal Reserve of a Depository Institution as required by Law No. 52-1989 and Law No. 273-2012:

1. Legal currency of the United States of America.
2. Checks payable by Regulated International Entities, or trust companies located anywhere in Puerto Rico, to be presented for collection during the day following receipt.
3. Money deposited in depository institutions in Puerto Rico that are subject to

immediate collection.

4. Federal funds sold by the International Regulated Entity to any Federal Reserve Bank, ("*Federal Funds sold*") and transactions for the purchase of securities under a resale agreement, carried out by the bank with such funds ("*securities purchased under agreement to resell*"), which are subject to the obligation to be collected on or before the close of the next working day.
5. Purchase of securities *purchased under agreement to resell* that are subject to the obligation to be repaid to the International Regulated Entity on or before the close of the next business day.
6. Acceptable bonds, as defined below, issued by the "*Farm Credit Banks*", organized under the federal law entitled "*Farm Credit Act of 1971*", 12 U.S.C. 2001, *et seq.* or any substitute; provided that such banks are subject to the regulations of the "*Farm Credit Administration*".
7. Acceptable bonds, as defined below, issued by the "*Federal Home Loan Banks*", organized under the federal law entitled "*Federal Home Loan Bank Act of 1972*", 12 U.S.C. 1421, *et seq.* or any substitute; provided that such banks are subject to the regulations of the "*Federal Housing Finance Board*".
8. Acceptable debentures or securities, as defined below, issued by the U.S. Treasury, in the form of payment instruments, promissory notes, and bonds ("*U.S. Treasury securities, including bills, notes and bonds*").
9. Acceptable obligations or values, as defined below, fully guaranteed by U.S. Government agencies ("*Fully guaranteed U.S. agencies securities*"), including, but not limited to, the obligations of the Government National Mortgage Association ("GNMA") or those obligations that are fully insured by the GNMA.
10. Those other assets that the OCIF determines by circular letter or guide document, which are part of the Legal Reserve.

In addition to the requirements set forth for the financial instruments listed above, "acceptable obligations" for legal reserve purposes shall comply with the following:

1. Such debentures or securities shall be payable on the same day or may be settled on or before the next business day ("*overnight funds*" and/or "T+1").
2. The issuer shall be classified by the *Credit Rating Agencies* within the four highest classification categories of the aforementioned Credit Rating Agencies. If a security or obligation has more than one classification assigned, the most conservative classification (i.e., the lowest) will be taken into account.
3. The Regulated International Entity shall have sufficient ownership or rights according to industry practice over the obligations or securities that make up the Legal Reserve, so that they may serve as part of the Legal Reserve.
4. The obligations or securities that make up the Legal Reserve may not be subject to regulatory or other restrictions that prevent their immediate liquidation.

B. Summary of the Legal Reserve

Any Regulated International Entity shall prepare a Summary of the Legal Reserve certified by an official of the institution duly authorized to do so, which shall include the daily calculation of the Legal Reserve maintained by said institution and the average of the Legal Reserve maintained during each week. The Summary of the Legal Reserve shall segregate and specify the amounts corresponding to each acceptable asset.

C. Requirement for Monthly Reports of the Legal Reserve

1. All Depository Institutions shall submit a monthly Report on the Legal Reserve to the OCIF with the information of the last week containing the last day of each month, understanding the week as Monday through Sunday.
2. The Report on the Legal Reserve will be submitted during the first five (5) calendar days of the week following the last day reported.
3. The Report shall prepare in accordance with the instructions given by the OCIF on its website.

To obtain clarifications on these requirements, the Depository Institution may contact the Financial Analysis Unit of the OCIF.

ARTICLE 16. EMPLOYEES

Each International Regulated Entity shall employ in its offices located in Puerto Rico, on a full-time basis and at all times, a minimum of eight (8) persons resident in Puerto Rico, of which at least two, or such number as may be determined by the Commissioner from time to time according to the nature and anticipated risks of the activities to be carried out by the International Regulated Entity, they will be part of the International Regulated Entity's compliance department or division with applicable regulations under BSA, AML, and OFAC. The following will also be complied with:

1. Full-time employees of a Person of which an International Regulated Entity is a Unit, who provide services to such entity, shall be deemed to be full-time employees of such entity for purposes of the employment requirements set forth in this Article, provided that they work full-time for such Unit.
2. The employment requirement set forth in Act No. 273-2012, Act No. 52-1989 and these Regulations may not be used to determine the employment requirement for compliance with the terms and conditions of a tax-exempt decree under any other law.
3. The International Regulated Entity shall employ one (1) full-time BSA Compliance Officer and such individuals as may be necessary to support the functions of a fully autonomous compliance department or division. For purposes of these Rules, the concept of "autonomy" shall refer to "appropriate independence", as defined in the FFIEC examination manuals.

ARTICLE 17. PROCEDURE FOR EMPLOYING FEWER THAN EIGHT (8) FULL-TIME EMPLOYEES IN PUERTO RICO

a. Any EFI proposal submitting an Application to Organize, or application for a License to Operate, may submit in writing, under oath before a notary public authorized to practice in Puerto Rico or, if notarized outside Puerto Rico, with an apostille, an application to employ fewer than eight (8) full-time employees in its offices in Puerto Rico. Such request must include a "*Staffing Assessment*" as required in section (c) of this Article.

b. In the case of an International Regulated Entity that is already operating, it shall submit the application to the Commissioner, who shall evaluate factors such as the powers conferred by the License to Operate, the nature and complexity of its operations in Puerto Rico, and any other criteria required to make the corresponding Administrative Determination. Such an application shall be approved or denied by the Commissioner in accordance with the provisions of Regulation No. 4088.

c. The Staffing Assessment shall contain at least the following, as applicable:

1. List of employees that includes the following:

- i. name, surname and job positions of each one;
- ii. date they started working (detail whether it is part-time or full-time);
- iii. physical/residential addresses;
- iv. emails;

V. List of vacant posts and posts in the process of being filled.

2. Institutional organizational chart;

- i. A description of the functions of each position, segregated by work area;
- ii. Succession plan in the event of resignation and/or dismissal of an employee;
- iii. Rationale for how the Submitter of the Application to Organize, the Application for the License to Operate, or the International Regulated Entity will conduct or continue to carry out its operations without having a minimum of eight (8) employees; and

3. Estimated time in which the applicant for the Permit to Organize or License to Operate or the International Regulated Entity expects to comply with the minimum required, if applicable.

d. Once the Staffing Assessment has been received, the OCIF at its sole discretion and at any time may request and/or require additional information to that described above and that measures be taken in the event that the number of employees proposed by the applicant for the Permit to Organize or License to Operate or the International Entity

Regulated in the Staffing Assessment are not sufficient for the day-to-day operation of the company. entity.

e. Once the Staffing Assessment has been analyzed by the Financial Regulation Area of the OCIF, a communication will be issued addressed to the applicant for the Permit to Organize or License to Operate or to the International Regulated Entity objecting or not to the Staffing Assessment and the Financial Regulation Area may grant an additional period, so that the applicant for the Staffing Assessment Permit may be granted Organize or License to Operate or the International Regulated Entity complies with this requirement.

f. The OCIF may, in its sole discretion and at the request of the applicant for a Permit to Organize or License to Operate or an International Regulated Entity, grant waivers for twelve (12), twenty-four (24) or up to thirty-six (36) months, or for an indefinite period, depending on the particular circumstances of each case, and subject to changes in the operation of the International Regulated Entity that must be recognized as part of its *Staffing Assessment*.

g. Regulated International Entities will have thirty (30) days prior to the end of the waiver that has been granted for a certain time to request an extension, in which case it will never be more than thirty-six (36) consecutive months. However, if there are changes in the conditions of the International Regulated Entity, or at the request of the OCIF as a result of an examination and/or investigation, the OCIF must submit to the OCIF an amended Staffing Assessment within thirty (30) days of such change or of the notification of the examination and/or investigation, as applicable.

h. The OCIF, at any time and as it deems necessary, may require the Regulated International Entities to amend and/or change, including, but not limited to, ordering the hiring of an independent third party to perform the Staffing Assessment for compliance with Law No. 273-2012, Law No. 52-1989 and the applicable regulations.

ARTICLE 18. INDEPENDENT DIRECTOR

- (a) Every Regulated International Entity shall have, at all times, of its operation or after each renewal with at least one Independent Director. Every Independent Director must submit an FHP.
- (b) The Independent Director of an International Regulated Entity may not simultaneously be an Independent Director of another International Regulated Entity or of another financial institution engaged in the same type of business, sector or market.
- (c) The Commissioner shall have discretion to determine, by Administrative Determination, on his or her own initiative or at the request of an International Regulated Entity, the independence of a director, based on criteria of materiality in the economic, banking, commercial, business, consultative, family or legal relationship, that the director may have with the International Regulated Entity and/or with the family members or owners thereof, in order to ensure that any relationship does not compromise the director's compliance with the duties of supervising the internal management and controls of the International Regulated Entity.
- (d) The Commissioner may establish, by Administrative Determination at its own instance or at the request of an International Regulated Entity, that the requirement to retain an Independent Director on the board of the International Regulated Entity shall not apply in the case of an International Regulated Entity that is a Unit or a Subsidiary of an entity, if such entity is subject to the jurisdiction of a federal or local Supervisory Agency, or of a foreign entity operating under a regime that, to the satisfaction and at the discretion of the Commissioner, adequately supervises the compliance of such entity and its Subsidiaries with the legal standards applicable to the International Regulated Entity, and that operates under standards of responsibility and duties for the directors of such entity that satisfy the objectives of ensuring compliance by the director with the duties of supervising internal management and controls of the International Regulated Entity.

ARTICLE 19. CAPITAL

- a. Capital Requirements.

1. ***Paid-in Capital Requirement.*** Any Regulated International Entity must have a Paid-in Capital of not less than ten million dollars (US \$10,000,000), which must be fully paid at the time the License to Operate is issued.
 - (a) The Commissioner may authorize by Administrative Determination a lesser amount of Paid-In Capital, on its own initiative or at the request of the interested party, taking into account the types of business or activities to be carried out by the International Regulated Entity or other circumstances warranting, at the discretion of the Commissioner.
2. ***Regulatory Capital.*** Each Depository Institution will comply at all times (upon completion of its first review) with the Regulatory Capital, which refers to the FDIC's "*well capitalized institutions*" standard.
3. ***Measure of Capital as a Percentage of Deposits.*** Each Depository Institution shall maintain an amount of Paid-in Capital of not less than ten percent (10%) of the total deposits accepted by such Depository Institution, unless such deposits are insured, until such time as its first examination is completed.
4. ***Consolidated capital.*** Any International Regulated Entity that is a Unit, Subsidiary or Affiliate of a Federally Regulated Bank, whose parent company is a publicly traded company, may submit consolidated audited financial statements for the financial group and must include annexes and/or appendices in detail for the International Regulated Entity within the group. An International Regulated Entity may, through an Administrative Determination, request that its Parent Company serve or function as a source of *strength* for such International Regulated Entity. Provided that the Parent Company complies with the *Bank Holding Company Act* of 1956 (12 U.S.C. §1841-1850), the Parent Company may serve as a *source of strength* for the International Regulated Entity.
5. ***Capital Calculation of the Units of Regulated International Entities.*** For the purposes of International Regulated Entities operating as a Unit, the Capital shall be that of the Person of which the International Regulated Entity is a Unit.

c. Procedure for Requesting a Paid-In Capital of Less than Ten Million Dollars (US \$10,000,000).

1. Any Regulated International Entity that is interested in starting operations with a Paid-in Capital of less than ten million dollars (\$10,000,000), shall submit a written request to the Commissioner, stating the reasons that justify owning a smaller amount of Capital, including the information required by the Commissioner, which must be sworn by the applicant before a notary authorized to practice in Puerto Rico or with an apostille if it is notarized outside Puerto Rico.

2. Any application for a Paid-in Capital of less than ten million dollars (\$10,000,000) shall be approved or denied by the Commissioner by Administrative Determination, considering the classes of business or activities to be carried out by the International Regulated Entity in its sole discretion, as part of the Commissioner's determination on the Application to Organize or during the operation of the International Regulated Entity.

d. Changes in the Capital of an International Regulated Entity.

1. The Paid-in Capital of an International Regulated Entity (or the Capital allocated in the case of a Unit) may not be reduced without the prior written approval of the Commissioner.

ARTICLE 20. PERMITTED ACTIVITIES

A. General Provisions

- i. The Licence to Operate granted to an International Regulated Entity shall specify the activities authorised to be carried out by it, among the authorised activities described below, under Act No. 273-2012, Act No. 52-1989 and these Regulations. In the case of a proposed EFI, proponents of a Permit to Organize must specify in the application the activities they propose to carry out the permit. The authorization of the requested activities will be made taking into account the experience and business history of the proponents in said business areas.
- ii. The International Regulated Entity that is operating and wishes to apply for authorization to carry out any activity in addition to those listed in its License to Operate will apply for the activity(s) to which it wishes to engage. Authorization

of the requested activities will be made taking into account the applicants' experience and business history in such business areas.

- iii. A Depository Institution may, with prior authorization from the Commissioner, provide correspondent banking services to organized banks or other financial institutions operating outside Puerto Rico and to other International Regulated Entities, as services incidental to the activity of accepting deposits and providing services to other foreign financial entities. The entity to which the service will be provided may not be a "*shell bank*" as defined in applicable federal law.
 - a) Prior to commencing the service, the Depository Entity shall provide the Commissioner with a statement signed by the Chief Executive Officer and the BSA Compliance Officer certifying that the Depository Institution (1) is aware of and has evaluated the risks associated with such activity, (2) has adopted and is in compliance with the policies and procedures required by applicable federal and local regulations, including but not limited to compliance with BSA, AML, and OFAC applicable to this type of activity, and (3) has the necessary internal systems and controls in place to provide the services in a secure and reliable manner.
 - b) The Commissioner may require any Depository Institution to submit to the OCIF, if deemed necessary in its discretion, a copy of the service contract that it has entered into with a supplier that is providing correspondent banking services to said Depository Institution.

B. Permitted Activities for EFIs

- i. As provided in Law No. 273-2012, and provided that it is previously and specifically approved by the Commissioner and included in the License to Operate, an EFI may carry out the transactions established in Article 10 of Law 273-2012. In the case of an EFI, however, a Branch may not accept deposits or establish accounts at any time if such transaction involves the acceptance of a deposit.
 - 1) In addition, as set forth in subparagraphs (15) and (20) of Article 10 of Law 273-2012, an EFI may, with the prior authorization of the Commissioner:

- i. Perform those other activities that are expressly authorized by the regulations or orders of the Commissioner or that are incidental to the execution of the services authorized by Law 273-2012 and the Commissioner's Regulations, except activities expressly prohibited by Law 273-2012.
- ii. Provide to other EFIs or Foreign Persons outside of Puerto Rico, those services of a financial nature as defined and generally accepted in the banking industry of the United States and Puerto Rico, and that are not listed in Article 10 of Law 273-2012.
- iii. The Commissioner may request any information that he deems necessary from the EFIs regarding the internal controls and policies established or to be established in accordance with the provisions of this subsection (B)(i)(1).

2) The EFI may also provide services of:

- i. asset management;
- ii. alternative investment management;
- iii. management of activities related to private equity investments;
- iv. hedge fund or hedge fund management;
- v. capital fund management;
- vi. administration of trusts that serve to convert different groups of assets into securities; and
- vii. escrow account *management services*, provided that such services are provided to Foreign Persons.

3) For the purposes of Article 10(5) of Law 273-2012, in the case of an EFI that is a Depository Institution, it may only invest for itself in securities, bonds, promissory notes and similar instruments that are considered to be permissible investment securities for national banks by the OCC or other Supervisory Agency, or that the Commissioner determines that they are eligible and so indicates by order, regulation or administrative determination.

- i. It is clarified that the term "permissible investment securities", for which reference must be made to the *FDIC Risk Management Manual*, includes, without limitation:
 - (a) those permitted for international banking operations under Regulation K of the Board of Governors of the Federal Reserve System;
 - (b) instruments issued by Foreign Persons provided that the International Regulated Entity documents that it conducted due diligence to understand the risks inherent in each of these investments and determines that (i) the security is investment *grade*, meaning that the issuer has an adequate ability to meet financial commitments under the value over the projected life of the investment or the security is creditworthiness such as that the pledged values are sufficient to guarantee the responsibility it guarantees; (ii) *marketable*, (iii) liquid, and (iv) subject to investment limits depending on the risk profile, along with monitoring controls that such investment is aligned with safe and sound banking practices;

C. Permitted Activities for EBIS

- i. Provided that it is previously and specifically approved by the Commissioner and included in the License to Operate, an EBI may carry out the transactions established in Section 13(a) of Law 52-1989.
- ii. In the case of an EBI, a Branch may, with the express prior approval of the Commissioner, on a case-by-case basis, accept deposits and such deposits shall be subject to the rules applicable to deposits received and accepted at the EBI's Main Office.
 - 1) In addition, as set forth in subparagraphs (19) and (23) of Section 13(a) of Act 52-1989, an EBI may, with the prior authorization of the Commissioner:

- i. To carry out those other activities that are expressly authorized by order of the Commissioner or by the Commissioner's Regulations, or those that are incidental to the execution of the services authorized by Law 52-1989 and the Commissioner's Regulations;
- ii. To provide to other EBIs or to foreign persons or entities outside Puerto Rico, those services of a financial nature as defined and generally accepted in the banking industry of the United States and Puerto Rico and that are not listed in Section 13(a) of Act 52-1989.
- iii. Carry out those transactions permitted to an EFI, as established in Article 10 of Law 273-2012 and the provisions of Section (B) of this Article 19 of these Regulations.
- iv. The Commissioner may request any information that he deems necessary from the FIIs regarding the internal controls and policies established or to be established around the provisions of this subsection (C)(ii)(1).

2) In addition, any EBI may carry out the following activities:

- i. Invest, in addition to securities, stocks, and notes, in securities of the Government of Puerto Rico, its public agencies and instrumentality, municipalities, and their political subdivisions. You may also invest in other local securities exempt from paying taxes in Puerto Rico.
- ii. In the case of investment in securities or shares, or other instruments that create an ownership interest in excess of ten percent (10%) of the net capital of any financial institution or insurance company, the EBI shall obtain prior approval for such investment from the Commissioner for the proposed acquisition thirty days prior to the investment.

ARTICLE 21. PROCEDURE FOR REQUESTING AUTHORIZATION TO PROVIDE OTHER FINANCIAL SERVICES, WHICH ARE PERMITTED BY FEDERAL REGULATION, TO REGULATED INTERNATIONAL ENTITIES OR FOREIGN ENTITIES OUTSIDE OF PUERTO RICO.

to. Request

Any International Regulated Entity may request authorization from the Commissioner to offer other Regulated International Entities, or foreign entities outside Puerto Rico, other types of financial services that are not listed in Law No. 273-2012 or Law No. 52-1989, as long as they are permitted by federal regulation, in accordance with the provisions of this Article.

i. The Commissioner's authorization to offer financial services that are not listed in Act No. 273-2012 or Act No. 52-1989 may be extended to all Regulated International Entities or be limited to those that meet the requirements that may be established by the Commissioner by circular letter.

ii. For purposes of this Article, the phrase "foreign entities" refers to entities organized outside of Puerto Rico and doing business outside of Puerto Rico.

b. General Requirements

Any International Regulated Entity that is interested in offering other types of financial services to Regulated International Entities, or foreign entities outside Puerto Rico, shall submit a written request to the Commissioner signed by a Person duly authorized to carry out such procedures on behalf of the International Regulated Entity.

c. Information Contained in the Application Form.

Any request to offer other types of financial services, which are not listed in Act No. 273-2012, Act No. 52-1989 or these Regulations, to Regulated International Entities or foreign entities outside of Puerto Rico, shall be filed in writing with the Commissioner, on the forms prepared and published by the Commissioner and must include:

1. Financial Condition of the International Regulated Entity. Copy of the last audited financial statement of the International Regulated Entity.
2. Description of the Proposed Financial Service(s). Detailed description of the type of financial service that the International Regulated Entity is interested in offering to other International Regulated Entities, or foreign entities outside of Puerto Rico. The legal nature of the proposed service will be included, and a list of the law applicable to it.
3. Certification. A certification signed by an authorized officer of the International

Regulated Entity to the effect that the granting of the type of financial service requested will be made in accordance with applicable laws and regulations.

4. Additional Information. The Commissioner may require, and the applicant shall submit, any other information he deems necessary for a proper evaluation of the application.

d. Period for Approving or Denying an Application.

Any request to offer other types of financial services shall be approved or denied by the Commissioner in accordance with the provisions of Regulation No. 4088.

Any denial made by the Commissioner shall be subject to review in accordance with the provisions of Act No. 38-2017.

and. Duty to Provide Information. The International Regulated Entities, their officers and employees shall furnish to the Commissioner, or their authorized representatives, all such information requested by them in any investigation relating to the implementation of the provisions of this Article.

ARTICLE 22. OBLIGATION TO FILE SARs

a. Regulated International Entities, pursuant to Article 6(f) of Act No. 273-2012 and/or Section 14 of Act No. 52-1989, have a legal obligation to adopt business policies and procedures in writing, to implement the necessary rules and procedures, and to faithfully comply with applicable local and federal laws, including but not limited to the BSA, USA Patriot Act, and AMLA.

b. Accordingly, International Regulated Entities are required to file suspicious activity or transaction reports with FinCEN ("SAR") upon detection of any unusual or potentially suspicious activity, in accordance with applicable federal regulations.

c. The affidavit that the International Regulated Entity will submit together with its renewal applications will provide that they acknowledge that:

1. OCFI will make use of all tools provided by Act No. 273-2012, Act No. 52-1989, by BSA, and AMLA regulations.

2. Under Law No. 273-2012 and/or Law No. 52-1989, International Regulated

Entities are required to file reports of any suspicious activity or transaction with FinCEN within the time limit provided for in federal regulation.

3. Failure to timely file a SAR constitutes a violation of Act No. 273-2012 and Act No. 52-1989, the BSA, the US Patriot Act, and these Regulations.

ARTICLE 23. PROCEDURE FOR REQUESTING AUTHORIZATION TO FINANCE PROJECTS IN PRIORITY AREAS FOR THE GOVERNMENT OF PUERTO RICO IN EXTRAORDINARY CASES

to. **Application.**

Any Regulated International Entity may request authorization from the Secretary of the Treasury and the Commissioner to finance projects in priority areas for the Government of Puerto Rico in extraordinary cases, as provided in this article. For purposes of this article, the term "extraordinary" means financing, in any of its forms, that under normal circumstances would not be permitted to International Regulated Entities.

b. **When there is a Priority Area Determination for the Government of Puerto Rico.**

By means of a Circular Letter to that effect, the Commissioner, with the consent of the Secretary of the Treasury, may announce those areas that they determine are priorities for the Government of Puerto Rico. In the case of a loan to finance a project in an area previously defined as a priority, an International Regulated Entity may request the Secretary of Finance and the Commissioner to authorize it to grant an extraordinary loan because it is one that benefits an area that has been designated as a priority for the Government. Such request shall comply with the provisions of subsection (c) of this Article.

c. **When there is no Priority Area Determination for the Government of Puerto Rico.**

In the absence of the determination referred to in subsection (b) of this Article, an International Regulated Entity may request the Secretary of Finance and the Commissioner to determine that a loan qualifies as extraordinary and affects an area that should be designated as a priority for the Government. Such request shall comply with the provisions of subsection number (d) of this Article.

d. **Rare Requirements Request Authorization to Finance Projects in Priority Areas for the Government of Puerto Rico in Extraordinary Cases.**

Applications under this Article shall be filed with the Commissioner, who shall process them with the Secretary of the Treasury. Applications must be in writing and must be sworn by the applicant before a notary public authorized to practice in Puerto Rico. In addition to the typical information in such a letter, such requests must include:

1. Specification of whether the project belongs to an area previously designated as of priority interest to the Government of Puerto Rico.
2. If the project does not belong to an area previously designated as of priority interest to the Government, grounds and reasons why it should be determined that the area to be financed by such project should be designated as one of priority interest to the Government of Puerto Rico, for purposes of the financing for which authorization is requested.
3. A detailed description of the type of project together with the details of the financing that the International Regulated Entity is interested in offering and for which authorization is requested.
4. Justification.
 - i. It shall be specified whether the banks organized or authorized to do business in Puerto Rico participate in any way in the type of project that is the subject of the application. In those cases of Regulated International Entities that are Units or Branches, or are in any way affiliated with a bank authorized to do business in Puerto Rico, the justification must also specify the reasons why it is not justified for said bank to grant financing directly.
 - ii. The International Regulated Entity shall include a justification with a description of the reasons that the Secretary of Finance and the Commissioner must consider to designate the case as extraordinary and, therefore, meritorious of the requested request.
5. The Secretary of Finance and/or the Commissioner may require, and the applicant shall submit, any other information they deem necessary for an adequate evaluation of the application. If the applicant does not provide such information, the application will be

denied.

and. **Nature of the Determination.**

Because these are matters of public policy, the determinations of which areas are a priority for the Government of Puerto Rico, as well as the determination that it is an extraordinary case for the financing of a priority area for the Government, are strictly discretionary of both the Secretary of Finance and the Commissioner. Therefore, the approval or denial of this application shall not be subject to review or the provisions of Regulation No. 4088, or any other regulations subsequently adopted to amend or replace the same. Any rejection of such an application shall be final and final.

ARTICLE 24. TRANSFER OF CAPITAL OR CHANGE OF CONTROL

- a. Except as provided in these Regulations, in circular letters or guide documents applicable to Regulated International Entities, the sale, offer, encumbrance, assignment, merger, exchange, exchange or other transfer of capital shares or interests in the capital of an International Regulated Entity may not be carried out without the prior written authorization of the Commissioner, if by means of such transaction a Person could directly or indirectly acquire Control of an International Regulated Entity.

- i. For the purposes of these Regulations:

- (a) if the Commissioner has already approved a change of Control for a legal person or natural person and the same is interested in acquiring directly or indirectly any additional percentage of the capital shares or interests in the capital of an International Regulated Entity, prior authorization of the Commissioner shall not be required except if more than five (5) years have elapsed since the date on which the prior approval was notified, in which case a new prior approval will be required.

- 1) Notwithstanding the foregoing, if by means of a transaction, the holder or holder of Control of an International Regulated Entity is willing to obtain, directly or indirectly, more than 25% of the Control thereof, such transaction shall require prior authorization from the

Commissioner, but shall not require the payment of \$25,000.00 in the case of an EFI or \$35,000.00 in the case of an EBI, unless more than five (5) years have elapsed since the date on which prior approval was notified, in which case a new prior approval will be required.

(b) If an International Regulated Entity is about to undertake, for the first time, a transfer of Capital or Control to an unaffiliated entity that results in a direct or indirect holding of ten percent (10%) or more, it shall be subject to prior approval by the Commissioner and the following payment of a non-refundable application fee:

- i. In the case of an IFS, fifty thousand dollars (\$50,000.00) in the case of IFIs, which include the payment of research fees amounting to twenty-five thousand dollars (\$25,000.00) described in subsection (g)(7) of this Article 24 and subsection (c)(7) of Law No. 273-2012; or
- ii. Thirty-five thousand dollars (\$35,000.00) in the case of EBIS, as established in subsection (g)(7) of this Article 24 and Section 11(c) of Law No. 52-1989.
- iii. Subsequent transfers described in this subsection shall not be subject to the applicable application fee unless more than five (5) years have elapsed since the date on which prior approval was notified.
- iv. Expenses in excess of (\$50,000.00) in the case of EFIs or in excess of thirty-five thousand (\$35,000.00) in the case of EBIS, incurred by the OCIF as a result of the first investigation carried out shall be borne by the proponents through advance payment, as estimated or through agreement with the entities recognized by the Commissioner to carry out the investigation.

The Commissioner will demand such investigation expenses from the petitioners, by providing the corresponding evidence.

(c) If a legal or natural person has already acquired less than 10% of the shares of Capital or interests in the Capital of an International Regulated Entity and is preparing to obtain any additional interest, which in aggregate results in 10% or more, such transaction shall require prior written authorization from the Commissioner.

- b. Any sale, offer, encumbrance, assignment, merger, exchange, exchange, or other transfer of the equity shares of an International Regulated Entity as set forth in subsection (a) of this Article shall be null and void *ab initio* unless the prior written approval of the Commissioner is obtained.
- c. For any other transaction through which less than 10% of the shares of Capital or interests in the Capital of an International Regulated Entity is acquired, prior notification to the Commissioner shall be required, without the need to comply with the requirements of subsection (c) of Article 9 of Law No. 273-2012 and/or Section 11(c) of Law No. 52-1989.
- d. The Commissioner shall have full authority to investigate all shareholders or holders, direct or indirect, of any interest in the capital of an International Regulated Entity, to verify the source and legality of funds from such shareholders or holders of any part of the capital of the International Regulated Entity.
- e. If there is any doubt as to whether a control situation exists, or whether a transaction will result in a change of Control, of an International Regulated Entity, the relevant information shall be submitted to the Commissioner, who shall determine whether a control situation exists or whether the proposed transaction constitutes a change of Control. The Commissioner, within the term that he deems meritorious to complete his analysis of the transaction in question, will respond to the request for clarification of the International Regulated Entity.
- f. Regardless of the amount or percentage involved, any merger, sale, lien, exchange, assignment, swap, or other transfer of any kind of equity or equity interests in an IFE shall be void *ab initio* without the prior written authorization of the Commissioner. The

Commissioner may impose sanctions on the parties, as he deems appropriate, for not having requested the prior authorization required in this Article.

- g. The International Regulated Entity shall notify the Commissioner thirty (30) days prior to the transaction, by means of a request on the form that will be available to the OCIF for these purposes, of the transfers referred to in this Article that are applicable to it, and the notification shall contain the following:

1. Name and address of the transferor and the proposed purchaser;
2. Description or nature of the transaction;
3. Copy of the resolution of the board of directors or agreement of shareholders, members or partners approving the proposed transaction and change of Control;
4. A copy of the purchase or option or other legal transaction indicating the total number of voting shares issued, the number of shares involved in the transaction, the total number of voting shares held by the seller and the buyer or assignee, or the proportion of the capital of the company or limited liability company held by the seller or transferor, the purchaser or transferee, the number of outstanding voting shares or units issued by the entity as of the date on which the proposed transaction is submitted, the name of the purchaser(s) or acquirers of rights to the shares involved in the transaction, the total sale price and the purchase price;
5. The reasons for the transaction;
6. The personal history statement, *curriculum vitae* or *resume*, a two-by-two (2" x 2") portrait and financial statements of each Person who acquires ten percent (10%) or more of the shares or interests, and official photo identification and signature; and
7. The payment of research fees amounting to twenty-five thousand dollars (\$25,000.00), in the case of EFIS, and thirty-five thousand dollars (\$35,000.00) in the case of EBIS.

- h. It shall be the duty of the Commissioner, as soon as it receives notice of a proposed transaction resulting in the Control or a change in Control of an International Regulated Entity, to make such inquiries as it deems necessary with respect to such transfer of capital or change of Control. Specifically, but without being understood as a limitation, the following will be investigated:

1. The reputation, experience, and moral and financial responsibility of the proposed purchasers or assignees, as provided in this Article;
 2. Whether such reputation, experience, and moral and financial responsibility warrant the belief that the business will be run soundly, legally, efficiently, and fairly within the purposes of Law 273-2012; and
 3. Whether the proposed change will be convenient and advantageous to the community within which the business will operate and will not affect the public interest or whether it would jeopardize the interests of depositors, creditors or shareholders of the Regulated International Entity.
- i. The Commissioner may investigate the proposed acquirers, as provided in Act No. 273-2012 and Act No. 52-1989, and may also require such additional information as he deems necessary to determine whether the transfer will be detrimental to the security or financial soundness of the International Regulated Entity or violates any law, rule, circular letter, guidance document, or regulation applicable to EFIs, in which case the Commissioner may deny authorization for such transaction. Evidence that the OCIF may require, but not limited to, includes: bank statements, transfer confirmations from the account of the Person making the transfer (*"transfer out"*) and confirmations of transfer to the account of the Person receiving the transfer *in*, information on the source of wealth of the Persons contributing capital, directly or indirectly to the International Regulated Entity, and any other pertinent information that allows knowing the source of funds and/or where the capital to be injected into the International Regulated Entity comes from.
- j. Transactions between affiliated entities. A Parent Company may transfer, encumber, merge or exchange or otherwise trade all shares, interest or Capital of such International Regulated Entity to any other Person, other than an individual who is not a shareholder or holder of interests in the capital of the International Regulated Entity, who owns, owns or belongs in common, to said Parent Company, upon prior notice and obtaining a no-objection from the Commissioner. The International Regulated Entity shall notify the Commissioner not less than thirty (30) days prior to the date of the proposed transaction. Such notification shall contain the particulars of the proposed transaction.

- k. The Commissioner shall deny an application under this Article if he or she makes any of the following determinations:
1. The experience and moral and financial responsibility of the buyer, assignee or purchaser do not justify the authorization of the transfer;
 2. The experience and moral and financial responsibility of the buyer, transferee or acquirer do not guarantee the efficient functioning of the International Regulated Entity;
 3. That the transfer of Control of the International Regulated Entity unduly jeopardizes the interests of the depositors, creditors or shareholders of said entity;
 4. That the transfer of Control is, in the opinion of the Commissioner, contrary to the public interest, including the interest of Puerto Rico and the United States in protecting the financial system against money laundering and the financing of terrorism; or
 5. Where the Commissioner has reasonable grounds to believe that the proposed transfer of Control affects the International Regulated Entity or the public interest in general.
- l. The Commissioner shall issue the corresponding authorization, if in his opinion he considers that the result of the investigation is satisfactory, within a period of sixty (60) days, counted from the date on which all the documentation related to the transfer of Control of the International Regulated Entity is received.
- m. In the specific case of transactions between affiliated entities, the Commissioner shall issue a corresponding non-objection, if in his opinion he considers that the result of the investigation is satisfactory, within a period of thirty (30) days, counted from the date on which all documentation related to the transfer of Control of the International Regulated Entity is received.
- i. However, within such thirty (30) day period, the Commissioner may require such additional information as the Commissioner, in his or her sole discretion, deems necessary. Once additional information has been obtained from the Commissioner, until the Commissioner issues the no-objection, the transaction between affiliated entities cannot be completed.

ARTICLE 25. RENEWAL OF LICENSE TO OPERATE

- a.** Each License to Operate will remain in effect for a period of one year or until the anniversary of its issuance (the "Expiration Date").
- b.** It is recommended that any application for renewal of License to Operate be submitted on or before forty-five (45) days prior to the Expiration Date. However, any application for renewal of a License to Operate must be submitted within thirty (30) days prior to the Expiration Date, in which case the International Regulated Entity may continue to operate during such process (unless otherwise stated by the Commissioner) but deficiencies identified, if any, in the renewal process must be corrected expeditiously. All renewal applications must be submitted in writing using the forms provided by the OCIF.

The renewal application must contain:

1. A description of any material changes to the information provided to the Commissioner in the initial Operating License application or in previous applications for Operating License renewal.
2. Evidence that the grantee maintains the Capital required by the Commissioner pursuant to Act No. 52-1989 and Act No. 273-2012, calculated in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") or such principles as may be adopted by the public accounting profession, as applicable to the activities authorized to the International Regulated Entities.
3. Evidence that you keep the assets free of encumbrances in force in favor of the Commissioner. The Regulated International Entities shall submit a certification issued by the financial institution in which the assets are free of encumbrances that, at least, contains the account number, the type of asset (CD or other previously authorized instrument), the principal balance, the maturity and representation that the assets are consigned in favor of the OCIF.
4. Annual fees for the renewal of the License to Operate amounting to twenty-five thousand dollars (\$25,000) by wire transfer of funds, manager's check, certified check, or money order, in favor of the Secretary of the Treasury and five thousand dollars (\$5,000) for each Office, Unit, Service Unit or Branch. If the payment is made by transfer, they must

submit evidence of that transfer.

5. An Affidavit before a notary public authorized to practice in Puerto Rico or with due certification if it comes from any state or territory of the United States or apostilled if it comes from abroad signed by the Chief Executive Officer of the institution certifying its compliance with the requirements of BSA, AMLA and OFAC regulations that are applicable to Regulated International Entities. Among other things, the aforementioned statement will refer to the procedures and systems that the institution has adopted to comply with the provisions of BSA, as they apply to the financial activities carried out by the International Regulated Entity. The statement will also certify the actions of the institution's management related to the implementation of the BSA compliance program, as applicable to the financial activities carried out by the International Regulated Entity, and that they have adopted the necessary policies and procedures in the business to comply and are complying with the provisions of OFAC and the applicable Supervisory Agencies. In cases where the International Regulated Entity is a Unit of another entity, the Affidavit of Compliance may be signed by the highest-ranking executive in Puerto Rico.

6. A report from an independent auditor giving an opinion on the effectiveness of the compliance programs of the International Regulated Entity with BSA and OFAC, and the compliance of such programs with the applicable regulations. Such a report shall be the last independent audit report completed. This reporting requirement shall not apply to any International Regulated Entity that is a Unit of another financial institution that is subject to regulation and supervision by a Supervisory Agency at the federal level.

7. A Certification that the International Regulated Entity is solvent and "*well capitalized*", in accordance with the standards established in these Regulations, as applicable based on the activities carried out by the International Regulated Entity, or those levels of Capital provided in the Commissioner's regulations, in the circular letters or guide documents applicable to the International Regulated Entities. In cases where the International Regulated Entity is a Unit of another entity, the Certification may be signed by the highest-ranking executive in Puerto Rico.

8. Such other information as may be required by the Commissioner, such as a certification that the International Regulated Entity **(i)** is in *good standing* with the appropriate Supervisory Agencies, **(ii)** is in compliance with any orders of the Commissioner, including any pending corrective action orders, and **(iii)** is up to date with the filing of all reports or reports required by applicable laws.
- c. Upon receipt of the renewal application, the Commissioner may, pursuant to Section 6(d)(2)(vi) of Act No. 273-2012 and Section 8(b)(6) of Act No. 52-1989, request any other information which, in its discretion, it deems relevant to its assessment.
- i. The International Regulated Entity shall respond to the request for information described in subparagraph (c) of this Article 25, within fifteen (15) days of receipt thereof.
 - ii. The Commissioner shall express himself on the response of the International Regulated Entity within the term that the Commissioner may determine, according to the particular circumstances of each case.
- d. The Commissioner may extend the period for renewal for just cause.
- e. All Regulated International Entities will also complete the forms that the OCIF requires from time to time for the renewal of the License to Operate, among others.
- f. If the Expiration Date occurs without the grantee having submitted the renewal application or a request to extend the renewal period, fails to provide evidence that it maintains the required Capital, fails to submit the affidavit or auditor's report, or fails to pay the applicable duties within the term granted or for such additional time as the Commissioner authorizes, if any, it shall be understood that he has renounced the License to Operate of the Regulated International Entity, in accordance with the provisions of Article 32(B) of these Regulations, and may not continue to operate the business, the Commissioner proceeding to renounce the License to Operate and to impose or issue such orders, fines or penalties as he deems appropriate, including but not limited to ordering the delivery of the License to Operate and the voluntary liquidation of the International Regulated Entity, as provided in Law No. 52-1989 and Law No. 273-2012. For the purposes of the renunciation of the License to Operate for not having submitted the renewal application, it will be understood that, after the

Expiration Date without the concessionaire having submitted its renewal application, the concessionaire has renounced its License to Operate, it will not be able to continue operating the business and will proceed to deliver the License to Operate.

- g. If the concessionaire submits its renewal application within thirty (30) days prior to the Expiration Date, and the OCIF does not issue the letter notifying that the License to Operate has been renewed, the International Regulated Entity may continue operating, subject to the action that OCIF deems appropriate to take, if any.
- h. If the Commissioner has granted an additional term to file the renewal application, any application for that purpose filed after the granted term (provided that the Commissioner has not granted an additional term) may be deemed waived, and/or will incur a late renewal penalty that will not be less than one thousand five hundred dollars (\$1,500.00) nor more than five thousand dollars (\$5,000.00) for each day on which the International Regulated Entity incurs in such non-compliance.

ARTICLE 26. PROCEDURE FOR ESTABLISHING BRANCHES, OFFICES AND SERVICE UNITS AND FOR THE RELOCATION OR TRANSFER OF THESE

Any Regulated International Entity may request the Commissioner, and the Commissioner, in its sole discretion, may approve or deny permission to establish, relocate, or relocate an Office, Branch, or Service Unit in or out of Puerto Rico, including in the United States, its possessions and territories, or in any foreign country, as provided in this Article.

No International Regulated Entity shall relocate, relocate or establish a Branch, Office or Service Unit without prior notice to the Commissioner at least sixty (60) days prior to the date on which the Branch, Office or Service Unit commences operation at the new location, except in cases of force majeure, in which case it shall notify the Commissioner as soon as practicable. If no objection is received from the Commissioner to such transfer, establishment or relocation, within the aforementioned period, it shall be deemed authorized by the Commissioner. However, such authorization by the Commissioner should not be understood as extending to those other permits or authorizations from other foreign agencies necessary for the transfer, establishment or relocation.

to. **General Application Requirements.**

Any request for the establishment, relocation, or transfer of an Office, Branch, or Service Unit in or out of Puerto Rico shall be submitted, in writing, to the Commissioner. Such request must be sworn before a notary public authorized to practice in Puerto Rico, by the president of the International Regulated Entity, or by an official duly authorized to carry out these procedures by resolution of the Board of Directors of the International Regulated Entity. The application shall contain all the information required by these Regulations and by the Commissioner.

Any application to establish an Office, Branch or Service Unit in Puerto Rico of an International Regulated Entity in or outside Puerto Rico must be accompanied by the annual license fees as established in Law No. 273-2012, Law No. 52-1989 and these Regulations.

b. Investigations.

After submitting a request to establish, relocate or transfer an Office, Branch or Service Unit in or out of Puerto Rico, in the manner required by these Regulations and having paid the corresponding fees, the Commissioner or his representatives shall carry out all investigations that may be necessary to determine whether such request should be granted or denied.

c. Information.

The International Regulated Entities, their officers and employees shall be required to furnish and facilitate to the Commissioner, or their authorized representatives, all information requested by them in any investigation relating to the activities, operations and services of the proposed Office, Branch or Service Unit, as appropriate.

d. Investigation Charges.

The expenses incurred by the Commissioner in connection with the above-mentioned investigation shall be borne by the applicants. The Commissioner will claim these research expenses from him by presenting an invoice duly completed in the form designed for this purpose by the Commissioner.

and. **Required Information.**

Any request to establish, relocate or relocate an Office, Branch or Service Unit in Puerto Rico in or out of Puerto Rico shall be filed in duplicate on the forms prescribed for that purpose by the Commissioner and shall contain:

1. Financial Condition of the International Regulated Entity. Copy of the last audited financial statement of the International Regulated Entity. The Commissioner may request additional reports if he deems it necessary.
2. Location. Exact location or area where the Office, Branch, or Service Unit is to be established, relocated, or moved in or out of Puerto Rico. In the event of relocation or transfer, the exact location of the current Office, Branch or Service Unit shall also be included.
3. Proposed Specific Transactions, Operations, or Activities. The specific transactions, operations, or activities to be carried out in the proposed Branch, Office, or Service Unit in or outside of Puerto Rico.
4. Certifications of Other Necessary Authorizations. The requesting International Regulated Entity must submit a certification of authorization to establish the Office, Branch or Service Unit by the regulatory agencies of the country or state where such Office, Branch or Service Unit is proposed to be located. In cases where the International Regulated Entity is not subject to the jurisdiction of the regulatory agencies, the International Regulated Entity shall certify this.
5. Necessary Foreign Permits or Authorizations. Copy of any other permits or authorizations from other foreign agencies necessary for the establishment, transfer or relocation.
6. Additional Information Requested by the Commissioner. The Commissioner may request any other information that he deems necessary for a proper evaluation of the application.
7. Additional Information Provided by the Applicant. The applicant may submit any other additional information that he/she deems appropriate or necessary to support his/her request.

f. Closure or Consolidation of Branches; closure or relocation of Offices or Service Units.

No International Regulated Entity shall close, relocate, or consolidate a Branch, Office, or Service Unit without giving the Commissioner sixty (60) days' written notice prior to the date of the proposed consolidation, relocation, or closure.

g. Rare Period Approving or Denying an Application to Establish, Relocate, or Relocate a Branch, Office, or Service Unit in or Out of Puerto Rico.

Any application to establish an Office, Branch, or Service Unit in or outside of Puerto Rico shall be approved or denied by the Commissioner as prescribed within sixty (60) days of the filing of the application pursuant to Regulation No. 4088, or any other Regulation subsequently approved to amend or replace the same. Any denial made by the Commissioner shall be subject to reconsideration in accordance with the provisions of Act No. 38-2017.

i. Grant of License.

If the establishment, relocation, or transfer of a Branch, Office, or Service Unit in or outside Puerto Rico of an International Regulated Entity is approved, the Commissioner shall issue a license to the International Regulated Entity indicating the exact address where it is to be established, relocated, or transferred and the date of its issuance and term of validity.

k. Period to Begin Operations in an Office, Branch, or Service Unit in or outside of Puerto Rico.

All Offices, Branches, or Service Units in or outside of Puerto Rico shall begin operations within one hundred and eighty (180) days from the date on which the Commissioner approves their establishment. If, for any justified reason, the International Regulated Entity is unable to begin operating the Office, Branch or Service Unit within the period established herein, it may request from the Commissioner an extension for the commencement of such operations. Such request shall specify the term of such extension.

m. Reasons for Denying or Canceling a License to Establish, Relocate, or Relocate an Office, Service Unit, or Branch in or Outside of Puerto Rico.

1. The Commissioner may deny or cancel an application to establish a Branch, Office, or Service Unit in or outside of Puerto Rico if:

- i. In the Commissioner's opinion, the financial and economic condition of the applicant International Regulated Entity does not permit it to establish the proposed Office, Service Unit or Branch.
- ii. The officers who are to direct or administer the proposed Office, Service Unit, or Branch, do not, in the judgment of the Commissioner, have sufficient experience, moral solvency, or financial or commercial ability to conduct matters

in such facility.

iii. The International Regulated Entity is not complying with the applicable provisions of law or refuses to comply with any order issued by the Commissioner under the powers conferred on it by Law No. 273-2012 or Law No. 52-1989.

2. The Commissioner shall have the power to order the revocation or cancellation of an authorization or license to operate one or more Offices, Service Units, and Branches, for any of the reasons set forth in these Regulations or for any violation of any of the terms, conditions, or limitations imposed by the Commissioner for the operation of such Offices, Service Units, or Branches, or an order issued by the Commissioner in connection with the operation thereof, if so determined by the Commissioner pursuant to the provisions of Act No. 38-2017.

3. When, in agreement with the Commissioner, there is a situation that may cause serious immediate damage to the industry, or to particular Persons, the Commissioner may summarily order the suspension, cancellation or revocation of the license to operate one or more Offices, Service Units, or Branches, obviating the requirement of notification and holding of a hearing, in accordance with the provisions of Act No. 4-1985.

ARTICLE 27. ACCOUNTS AND RECORDS

A. Retention of documents

- i. Each Regulated International Entity shall maintain accounts and records of all transactions it conducts in the normal course of its operations, in a computerized system located in Puerto Rico (accessible at the request of OCIF), and with a backup *electronic file in a cloud*.
- ii. The administration and principal operations of the International Regulated Entity, including management, accounting, compliance, and compliance with BSA, AML, and OFAC, shall be conducted at its principal business office in Puerto Rico, and the originals of its books of accounts and transaction records shall be retained therein. The International Regulated Entity may, prior to obtaining an Administrative Determination, outsource certain services, depending on the operations of the International Regulated Entity.

- iii. The books of accounts and records must be segregated and kept separately from the books of accounts and records of any other Person. An International Regulated Entity that is a Unit of another Person shall segregate and separate all transactions that are made or conducted by such Unit from any other transactions that are made or conducted by the Person of which the International Regulated Entity is a Unit.
- iv. Any Regulated International Entity shall make available such documents as may be determined by the Commissioner by means of circular letters or guidance documents applicable to Regulated International Entities.

B. Disposition of documents

- i. The originals of the books of accounts and records of an International Regulated Entity shall be deemed to belong to such International Regulated Entity, regardless of whether the International Regulated Entity is a Person or constitutes a Unit of another Person and may be kept and maintained in duplicate in its country of origin.
- ii. Any Regulated International Entity may destroy its books, files, records or documents only after five (5) years have elapsed from the date of the last entry in such books, files, records or documents, or from the date on which any obligation has ceased to be enforceable in accordance with the documents in its possession. Any Regulated International Entity shall maintain procedures, systems and operational processes for the destruction of documents that ensure that:
 - a) The destruction of documents is carried out in accordance with the document retention and destruction policy adopted by the International Regulated Entity.
 - b) The destruction of documents is stopped in the event that the OCIF submits written notification to the Regulated International Entity requesting that certain documents be preserved, which must be identified in said notification. If the notification arises after the period of five (5) years, and the

International Regulated Entity had already destroyed the documents, the entity will not be penalized.

- c) Document destruction is stopped in the event that the International Regulated Entity is notified of a lawsuit or claim, administrative or judicial order or injunction preventing the destruction of certain documents under applicable local and federal regulations.

- iii. It shall be the duty of the International Regulated Entity to maintain a register of documents destroyed per calendar year, in which a general description of the documents destroyed shall be recorded. The record of destroyed documents may be kept in an electronic medium, which must have a backup electronic file in the event of a technological malfunction, and it must be available for inspection by the OCIF. The record of destroyed documents shall be retained by the International Regulated Entity for a period of not less than fifteen (15) years from December 31 of the year to which it corresponds.
- iv. No later than January 31 of each year, an officer of the International Regulated Entity shall certify that the Annual Register for the previous year contains the required information on all documents that were destroyed during the year, which complied with the retention period set forth in the policy, as well as applicable local and federal regulations. Such certification shall be retained by the International Regulated Entity for a period of not less than fifteen (15) years from December 31 of the year to which it corresponds and it shall be available for inspection by the OCIF.

ARTICLE 28. REPORTS

- a. Each International Regulated Entity shall submit to the Commissioner an annual report of its financial condition and results of operations in the form prescribed by the Commissioner within ninety (90) days after the close of each fiscal year of the International Regulated Entity, or of the Person of which it is a Unit, prepared in a manner consistent with the condition reports submitted periodically. Together with this annual report, the International Regulated Entity

shall submit:

1. The annual financial statements audited at the end of its fiscal year of the International Regulated Entity or the Person of which it is a unit and the same shall comply with GAAP or the principles that may be adopted by the public accounting profession in Puerto Rico or, with the prior approval of the OCIF, with equivalent requirements from other jurisdictions with the necessary adjustments, notes and explanations to conform to GAAP.
 2. A statement by the management of the International Regulated Entity that the International Regulated Entity is in compliance with the terms of Act No. 273-2012 or Act No. 52-1989 and the Commissioner's Regulations, by completing the form designed and circulated by the Commissioner from time to time by means of a circular letter or guide documents applicable to International Regulated Entities to that effect. This form establishes the procedures that an Independent Certified Public Accountant (CPA) authorized to practice his or her profession under the laws of Puerto Rico will have to perform in order to issue a certification on the reasonableness of such assertions made by management.
- b. Failure to submit the reports described herein within the terms provided therefor shall result in the Commissioner imposing fines and penalties of one thousand dollars (\$1,000.00) for each report failed to timely file. In addition, failure to submit two (2) or more reports in a timely manner may be grounds for revocation of the License to Operate.
- c. Each International Regulated Entity shall submit to the Commissioner in a timely manner all accurate reports of its operations, in the form and content established by the Commissioner, as may be required by circular letters or guide documents applicable to Regulated International Entities.

ARTICLE 29. TESTS

- a. The Commissioner may conduct regular or special examinations, investigations or audits ("Examinations") of the operations of any International Regulated Entity. The Commissioner may also carry out extraordinary examinations when in his opinion it is necessary.
- b. The Reviews shall investigate the conditions and resources of the International Regulated Entity, the manner in which it conducts and manages its affairs, the actions of its directors,

the investment of its funds, the security and prudence of its administration, the guarantees it has given to ensure compliance with the obligations entered into, and whether the provisions of its tax decree and Law No. 52-1989, Law No. 273-2012 have been complied with in the administration of its affairs.

- c. The Examinations, for which reference may be made to the *FDIC Risk Management* examination guidelines , will be conducted in the time necessary and in accordance with the manuals and guides established by the Supervisory Agencies, as applicable, and by those provisions that the OCIF implements in its regulations, circular letters or guide documents applicable to the Regulated International Entities in accordance with the laws in force.
- d. Any Regulated International Entity shall be obliged to make available to the Commissioner for the conduct of the Examinations the accounting books, files, files, documents and any other data that the Commissioner deems necessary. The International Regulated Entity shall further allow the Commissioner or his or her representatives reasonable access to its properties, offices and sites of operation to carry out such work during business hours.
- e. Under Act No. 52-1989 and Act No. 273-2012, the Commissioner shall impose an examination fee of five hundred dollars (\$500) for each day or fraction thereof for each examiner who takes part in each examination. This charge will be paid by bank transfer of funds, certified or manager's check, or postal or bank order, issued in favor of the Secretary of Finance and will be notified to the OCIF.
- f. If the Commissioner deems it necessary, Examinations may be conducted outside of Puerto Rico; in such case, the International Regulated Entity shall pay the examination fee set forth in subsection (e) of this Article, plus all reasonable expenses incurred in such examination, including lodging and transportation expenses.
- g. During the examination, the International Regulated Entity shall provide examiners with an office and the documentation required by the examiners. If the required documentation cannot be provided within the established time, the International Regulated Entity may request an extension in writing from the examiners. If the International Regulated Entity does not request such an extension, fails to submit the required documentation within the extension time granted, or the International Regulated Entity refuses to provide such

documentation, regardless of the reason for doing so, the examiner shall so note in the confidential examination report ("Examination Report") described in subparagraph (h) of this Article, and the OCIF may issue the fines and/or penalties it deems necessary.

- h. Upon completion of the examination, the International Regulated Entity shall receive an Examination Report and shall have thirty (30) days from notification of the Examination Report to submit its response to the Examination Report. Along with the Review Report, the Commissioner may issue such orders or actions as he deems appropriate.
- i. Except in special circumstances, any request for a meeting to discuss possible review allegations or the allegations contained in the Review Report shall be granted after the International Financial Institution responds to the Review Report.
- j. The Commissioner, at his discretion, may order Special Examinations to an International Regulated Entity, under his charge, for matters of solvency, liquidity, technology and prevention of money laundering, such as a *Look-Back Review*.

ARTICLE 30. DENIAL OF LICENSE OR RENEWAL OF LICENSE TO OPERATE

In addition to the provisions of Law No. 273-2012 or Law No. 52-1989, the Commissioner may deny the granting or renewal of a License to Operate as an International Regulated Entity when, as a result of its analysis, evaluation and/or investigation, it concludes that:

1. The financial responsibility, experience, character and general aptitude of the proponents do not give you confidence or allow you to determine that they will operate the International Regulated Entity in an honest, fair and efficient manner to achieve the purposes of Law No. 52-1989, Law No. 273-2012;
2. The proponents or an International Regulated Entity have not complied with any of the requirements established in Law No. 52-1989 or Law No. 273-2012 for obtaining or renewing a license, respectively;
3. The proposers or an International Regulated Entity submitted false, incorrect or misleading information in their application;
4. The proponents or an International Regulated Entity have not complied with the payment of any fine or penalty imposed by the OCIF by order or final resolution, including any issued as a result of an Examination Report described in Article 29 of these

Regulations;

5. The proponents or an International Regulated Entity have not complied with the payment of the license, research or examination fees of their operations;
6. Proposers or an International Regulated Entity have failed to comply with the provisions of any final order or resolution of the OCIF, including any issued as a result of an Examination Report described in Article 29 of these Regulations;
7. The proponents or an International Regulated Entity have not complied with the delivery of any payment, document or information, as required by the OCIF and that is not the subject of any adjudicative procedure;
8. The International Regulated Entity is Insolvent;
9. Any of its shareholders, members, partners, directors, or executive officers has been charged with or convicted of any felony or any offense involving fraud, money laundering, tax evasion, or moral turpitude, or has been proscribed ("*barred*") by other banking or financial regulators in the United States, of any of its states or territories, including the District of Columbia, or from any foreign country; or
10. When an examination report concludes that the International Regulated Entity has unsatisfactory results, or repeatedly unsatisfactory results, including when it is determined that the International Regulated Entity has violated regulations under BSA, AML, or OFAC. The review report referred to in this subparagraph may be the periodic review report of the International Regulated Entity or a special review of the International Regulated Entity, as ordered by the Commissioner.

ARTICLE 31. REVOCATION, SUSPENSION, OR CANCELLATION OF LICENSE TO OPERATE

to. A Licence to Operate issued under Act No. 273-2012 or Act No. 52-1989 shall be subject to revocation, cancellation or suspension by the Commissioner, upon notice and hearing, in accordance with Regulation No. 9551 or subsequent regulations amending or replacing it, when:

1. The International Regulated Entity, or the Person of which such International Regulated Entity is a Unit, contravenes or fails to comply with any of the provisions of Act No. 52-1989, Act No. 273-2012, any regulations of the Commissioner, circular letters, guidance documents applicable to International Regulated Entities, any order issued by

the Commissioner or agreements of understanding established pursuant to Act No. 52-1989, Act No. 273-2012, or any of the terms and conditions of the Licence to Operate an International Regulated Entity;

2. The International Regulated Entity has failed to pay the annual fee for the License to Operate, or for the proponents or an International Regulated Entity to fail to pay any fine or penalty imposed by the OCIF by order or final resolution, including any issued as a result of an Examination Report described in Article 29 of these Regulations;

3. The International Regulated Entity is Insolvent;

4. the Commissioner finds that the business or affairs of an International Regulated Entity are conducted in a manner inconsistent with the public interest; or

5. If the Commissioner determines that there is any fact that, if it had existed or had been known at the time the License to Operate or Permit to Organize was issued or renewed, would have been sufficient cause for its denial; or

6. The International Regulated Entity has submitted false, incorrect, or misleading information to the OCIF; or

7. Any of the shareholders, members, partners, directors, or Executive Officers of the International Regulated Entity has been charged with or convicted of any felony or any offense involving fraud, money laundering, tax evasion, or moral turpitude, or has been proscribed ("*barred*") by other banking or financial regulators in the United States, of any of its states or territories, including the District of Columbia, or any foreign country; or

8. The International Regulated Entity has failed to submit two or more Reports in a timely manner, as established in Article 28 of these Regulations.

b. The OCIF will carry out the actions related to the revocation, cancellation or suspension of the License to Operate in accordance with the powers and faculties conferred on it by Law No. 4-1985, Law No. 52-1989, Law No. 273-2012 and Law No. 38-2017.

ARTICLE 32. WAIVER OF LICENSE TO OPERATE

A. Voluntary Resignation

i. An International Regulated Entity or the Person of which such International Regulated Entity is a Unit, may, by written notice informing the Commissioner of its

decision at least thirty (30) days prior to the date on which it anticipates giving effect, voluntarily waive its License to Operate. The written notification must contain a no-objection request to the OCIF for the delivery of the License to Operate and be accompanied by the following documents:

- a. Sworn document before a notary public clearly expressing your decision to renounce your License to Operate.
 - b. Original License to Operate document issued to the Regulated International Entity.
 - c. Voluntary Liquidation Plan of the International Regulated Entity.
 - d. Resolution of the Board of Directors, or similar authority, in which they have discussed and authorized the delivery of the License to Operate of the Regulated International Entity and the Liquidation Plan.
 - e. Certification from the International Regulated Entity listing the assets free of encumbrances endorsed in favor of the OCIF, containing, at least, information on the type of instrument consigned with, maturity date, amount of money consigned to the account number, and representations that the assets are endorsed in favor of the OCIF.
 - f. Statement of Situation, Statement of Income and Expenses, "*Trial Balance*" of the International Regulated Entity for the month prior to the date on which it is about to deliver for renunciation the License to Operate.
 - g. Draft documents to be submitted to the Department of State for the proposed type of transaction.
 - h. Any other documents and/or information required by the OCIF.
- ii. As part of such Liquidation Plan required for any voluntary resignation, the International Regulated Entity, subject to the approval of the Commissioner, may liquidate its assets, perform its obligations, merge or consolidate with another Legal Entity, become another Legal Entity, reorganize in another jurisdiction, or dissolve, in any event, in accordance with applicable laws. In the event that the International Regulated Entity plans to continue other types of operations, it must indicate what

they are, and request a change of name other than the one that identifies it as an International Regulated Entity, eliminating all reference to its operations as EFI or EBI in its organizational documents and in its records with the Department of State. In the event that the International Regulated Entity plans to continue conducting financial operations, it shall submit representations as to the type of license it will obtain to continue such operations.

- iii. Upon receipt of the notice of intent to renounce the License to Operate by the Commissioner or by the official designated by the Commissioner, the OCIF shall proceed to carry out the investigations, audits and examinations that it deems necessary or convenient to authorize the cessation of operations of the entity concerned.
- iv. The Commissioner may order and conduct a special examination of the business before accepting the waiver of the License to Operate. If, after examination, it is found that the International Regulated Entity has committed any violation of the law, the Commissioner may revoke the License to Operate and impose the corresponding penalty, in accordance with the provisions of Law No. 52-1989 or Law No. 273-2012. The Commissioner may summon the Person who has renounced the License to Operate to a meeting at which he or she will be obligated to surrender the License to Operate and pay any debts he or she has in force with the OCIF. Once the investigations have been completed by the Commissioner, the Commissioner may postpone or authorize, with or without conditions, the cessation of operations of the International Regulated Entity.
- v. No waiver of any Licence to Operate shall diminish or affect the obligations arising from any valid contract existing between the International Regulated Entity and other Persons. Therefore, the International Regulated Entity is responsible for fulfilling its obligations to third parties until the end of the existing contracts it has with its customers and creditors, subject to the terms and conditions of said agreement and applicable law.

- vi. Any Regulated International Entity that renounces its License to Operate will be obliged to comply with any and all conditions imposed by the Commissioner to cease operations.
- vii. If deemed necessary or desirable, the Commissioner shall order the dissolution and/or liquidation of an International Regulated Entity whose License to Operate has been renounced, in accordance with the provisions of Law No. 52-1989, Law No. 273-2012, or their respective regulations.

B. Resignation due to neglect

- i. Where an International Regulated Entity does not submit an application for renewal of the Licence to Operate on or before the Expiry Date, it shall be presumed to have renounced its Licence to Operate and the Commissioner may order the immediate liquidation of the entity, request that it submit a voluntary liquidation plan and/or may be understood as waived, and/or will impose a penalty for late renewal that will not be less than one thousand five hundred dollars (\$1,500.00) nor more than five thousand dollars (\$5,000.00) for each day in which the International Regulated Entity incurs in such non-compliance.
- ii. When the cause for the waiver of a License to Operate is the failure to timely apply for renewal of a License to Operate, the provisions of subparagraphs (i), (ii), (iii), (iv) and (vi) of Section (A) of this Article shall not apply and the waiver shall be effective upon expiration of the term for requesting renewal.
- iii. The Commissioner may, taking into account the circumstances of each particular case, give such time as he deems prudent and necessary to the International Regulated Entity to rebut the presumption of resignation due to negligence. The Commissioner, however, shall not be required to provide such a term.
- iv. Once the response of the International Regulated Entity has been filed within the term that the Commissioner grants to it to rebut the presumption of resignation due to neglect, if the Commissioner is satisfied that the circumstances for the neglect are excusable, he may give a new term to file the application for renewal,

with the fines he deems necessary and/or those provided for in subsection (B)(i) of this Article.

ARTICLE 33. REMEDIES

- a) Among other actions, the Commissioner may issue cease and desist orders, orders for immediate action, or orders to show cause for which a License to Operate should not be fined, sanctioned, or revoked, suspended, or canceled, and take the administrative actions authorized by Law No. 52-1989, Law No. 273-2012, and Law No. 4-1985. when it considers that Law No. 52-1989, Law No. 273-2012, these Regulations have been violated, are being violated, or are being attempted to be violated, or acts to the detriment of the public interest in general or of any Person in particular.
- b) If an order is issued, the International Regulated Entity or the Person against whom it is issued may request an adjudicative hearing to be held in accordance with the provisions of Act No. 273-2012 or Act No. 52-1989.
- c) In the event that a final order is issued for the dissolution or liquidation of an EBI pursuant to Section 23 of Regulation 9551, any party adversely affected by the EBI in an adjudicative proceeding may file a motion for reconsideration within twenty (20) days from the date of filing of the notice of the resolution or order.
- d) In cases of dissolution or liquidation of an EFI, the Commissioner shall order its dissolution, assume the direction and administration or appoint a receiver, and the EFI shall have ten (10) days from the notification of the Order to appeal by Appeal for Judicial Review to the Court of First Instance, Superior Chamber of San Juan.

ARTICLE 34. PENALTIES

to. The Commissioner may:

1. Impose and collect administrative fines of not less than five thousand dollars (\$5,000.00) nor more than twenty-five thousand dollars (\$25,000) for each violation of the provisions of Law No. 52-1989, Law No. 273-2012 and these Regulations.
2. To impose the restitution or reimbursement of those payments received in

contravention of the provisions of the laws applicable to Regulated International Entities, and of these Regulations.

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 on which the International Regulated Entity fails to comply with the requirements or orders issued by the Commissioner.

4. To impose any other remedy that it deems necessary to enforce the purposes of Law No. 52-1989 and Law No. 273-2012, as well as to initiate the corresponding judicial action against the offender.

ARTICLE 35. SUSPENSION, DISMISSAL, OR IMPOSITION OF SANCTIONS ON DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, OR INDIVIDUALS ACTING IN A SIMILAR CAPACITY OF A REGULATED INTERNATIONAL ENTITY

- a. Pursuant to Article 3(a)(10) of Act No. 273-2012 and Section 3(a)(10) of Act No. 52-1989, the Commissioner may suspend, dismiss or sanction any director, officer, employee, agent or individual acting in a similar capacity in an International Regulated Entity when he or she violates or willfully or negligently permits another Person to violate Act No. 273-2012 or Act No. 52-1989, as the case may be, any regulation or order of the Commissioner, or the Articles of Incorporation, Articles of Organization, Bylaws, Limited Liability Company Agreement, Partnership Agreement, or other document organizing the International Regulated Entity, Permit to Organize, or License to Operate issued under Act No. 273-2012 or Act No. 52-1989, or agreement of understanding established in accordance with certain such laws.
- b. The suspension, dismissal and/or imposition of sanctions shall be governed by the provisions of Section 2.4 of Regulation 9551 issued by the OCIF or the analogous provisions of any other that replaces it.
- c. Pursuant to Article 11(a) of Act No. 4-1985, where the Commissioner has reasonable grounds to believe that any member of the board of directors or officers of an International Regulated Entity has committed a violation or is violating any law in relation to such entity, or has followed improper practices in the management thereof, the Commissioner shall, In addition,

charges shall be made to such member of the Board of Directors or officer to appear before him or his authorized representative, within a period of time not exceeding ten (10) days.

- d. If a complaint is filed by the OCIF on the grounds described in this Article, the Commissioner shall indicate and summon the interested parties to an administrative hearing within a period of no more than ten (10) days. Upon hearing, the Commissioner shall determine that any applicable provision has been violated, and shall take appropriate action, including the suspension or removal of such director, officer, or individual. The penalties set forth in Article 19 of Act No. 273-2012 and Section 20 of Act No. 52-1989 shall apply, at the discretion of the Commissioner, to individuals who are the subject of a complaint brought under this Section.
- e. If applicable, the OCIF may, but shall not be required to, consolidate a complaint brought against an individual under this Article with a complaint brought against an International Regulated Entity.
- f. Pursuant to Article 20 of Act No. 273-2012 and Section 23 of Act No. 52-1989, all matters relating to review of fines imposed through reviews shall be conducted through a reconsideration process by filing the appropriate motion for reconsideration with the Commissioner within twenty (20) days from the date of notification of the Commissioner's determination. If within fifteen (15) days of its presentation the OCIF denies or flatly rejects the reconsideration, the injured party will have a period of thirty (30) days to request review before the Court of Appeals.
- g. The order and findings of fact and conclusions of law on which a removal under this Section is based shall not be made public or disclosed to anyone, except as provided in Section 11(e) of Act No. 4-1985.
- h. Pursuant to Article 11(f) of Act No. 4-1985, no member of the board of directors or officer who has been removed from office may subsequently participate in any way in the management of any financial institution without the prior authorization of the Commissioner.

ARTICLE 36. CONFIDENTIALITY

to. Information provided by the International Regulated Entity to the Commissioner under the provisions of Act No. 52-1989, Act No. 273-2012 and the Commissioner's Regulations, circular letters or guidance documents applicable to International Regulated Entities, shall be kept

confidential, except:

1. When disclosure of such information is required by law or court order; or
 2. At the formal request of a domestic or foreign government agency in the course of the exercise of its supervisory function, where the Commissioner has reasonable grounds to believe that providing such is in the best public interest. In such a case, the information shall be provided under a mandatory agreement with the government agency concerned to keep such information confidential. The exception under this clause shall not extend in any case to information about the clients of the International Regulated Entity.
- b. The requirements under any federal or Puerto Rico law regarding the privacy or confidentiality of any information or material provided to the OCIF and any privileges arising under any federal or Puerto Rico law, including the rules of any federal or Puerto Rico court, with respect to such information or material, shall continue to apply to such information or material after the information or material has been disclosed to the OCIF. Such information and material may be shared with all officials of federal and Puerto Rico agencies with authority to oversee the banking industry, without losing the privilege protections or confidentiality protections provided by federal and Puerto Rico law.
- c. This Article shall not apply to information or material relating to the employment history of any officer, or orders issued by the Commissioner to any Regulated International Entity.
- d. Any study, findings, conclusions, and recommendations made by the Commissioner or his representatives in connection with any application, application to establish a Branch, Service Unit or Office, or Examination shall be deemed to be of a privileged and confidential nature and may not be disclosed except by court order.
- e. The Commissioner may make public statistical data regarding the activities of the International Regulated Entity as an industry, provided that such information is disclosed in a consolidated or aggregated form.

ARTICLE 37. SAVING CLAUSE

If any part of these Rules is declared invalid or unconstitutional by a court of competent jurisdiction, the judgment rendered to that effect shall not affect, prejudice or invalidate the remainder of these Rules, and its effects shall be limited to the specific part so declared invalid

or unconstitutional.

ARTICLE 38. REPEAL

The adoption of these Regulations repeals Regulation No. 5653 of 23 July 1997, known as the "International Banking Centre Regulations"; as well as the following circular letters: CIF-CC-18-01, CIF CC-00-3, CIF CC- 2021-07, CC-CFI-2023-001 and CIF CC-2024-002.

ARTICLE 39. VALIDITY

These Regulations shall enter into force thirty (30) days after their filing with the Department of State of the Commonwealth of Puerto Rico in accordance with the provisions of Act No. 38-2017.

ARTICLE 40. APPROVAL DATE

This was approved by the Commissioner of the Office of the Commissioner of Financial Institutions in San Juan, Puerto Rico, today, May ____, 2025.

Lcda. Natalia I. Zequeira Díaz
Commissioner