



COMMONWEALTH OF PUERTO RICO
COMMISSIONER OF FINANCIAL INSTITUTIONS

ALFREDO PADILLA
Commissioner

CIRCULAR LETTER NO. CIF CC-05-2

TO : ELIGIBLE INSTITUTIONS

**RE : LIMITATION OF PERIOD OF RENEWED ELIGIBLE
INSTITUTIONS LICENSES AS A RESULT OF THE
REPEAL OF SECTION 936 OF THE U.S. INTERNAL
REVENUE CODE.**

DATE: APRIL 26, 2005

AUTHORITY

This Circular Letter is issued pursuant to the provisions of Articles 10(a)(2) and 10(a)(8) of Act Number 4 of October 11, 1985 and Articles 3 and 11 of Regulation 5105, approved on July 24, 1994, as subsequently amended (the "Regulation").

BACKGROUND

Section 936 of the U.S. Internal Revenue Code was repealed on August 20, 1996¹. Pursuant to the terms of the repealing language, the tax sparing credit benefits for 936 Companies will terminate for tax years beginning after 2005².

NOTICE

By means of this Circular Letter we hereby advise and remind Eligible Institutions that any licenses to act as such, renewed as of July 1, 2005, shall expire on December 31, 2005, in view of the termination of the effectiveness of certain provisions of the Regulation, in accordance

¹ PUBLIC LAW 104-188, 104th Congress - 2nd Session. August 20, 1996.



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with the phase out provisions provided as part of the repeal of Section 936 of the U.S. Internal Revenue Code.

Therefore, no license will be active after such period, and all 936 eligible funds can not be considered as such after December 31, 2005.