

<español>

## ***“International Banking Center Regulatory Act”***

Act No. 52 of August 11, 1989, as amended

(Contains amendments incorporated by:

[Act No. 121 of August 11, 1996](#)

[Act No. 13 of January 8, 2004](#)

[Act No. 7 of March 9, 2009](#)

[Act No. 37 of July 10, 2009](#)

[Act No. 110 of September 23, 2013](#)

[Act No. 105 of July 2, 2015](#)

[Act No. 187 of November 17, 2015](#)

[Act No. 81 of July 22, 2016](#)

[Act No. 208 of December 28, 2016](#))

[Amendments non-incorporated:

Act No. 45 of February 16, 2024 (*amended Sects. 2-23*)]

### AN ACT

To regulate the organization, incorporation, operation and regulation of International Banking Entities in Puerto Rico by the Office of the Commissioner of Financial Institutions; provide tax benefits; repeal Act No. 16 of July 2, 1980, as amended; and establish penalties.

### STATEMENT OF MOTIVES

Act No. 16 of July 2, 1980, as amended, known as “International Banking Center Regulatory Act” was originally conceived as an adequate instrument to convert Puerto Rico into an important international banking center. Neither said Act nor the amendments made thereto in 1985, have achieved the expected results.

Considering that current conditions are favorable for Puerto Rico to really become the international banking center, which was always desired, it is necessary and convenient, that the legislation which regulates that economic activity be made even more attractive. To that end, the aforementioned Act No. 16 is repealed and the approval of a new Act that will allow international banking entities to undertake the business activities authorized by this Act in a more competitive and efficient manner, is hereby proposed.

The new Act significantly increases the number of persons and entities that may participate and the scope of the business activities that may be undertaken. It also increases the economic incentives to make it more attractive and consolidates in one legislative bill all the rights and obligations which affect the international banking entities, including, specifically, all tax provisions.

Explicitly individuals and entities from the United States are permitted to participate in the business activities of the international banking entities; new financial activities are permitted to such entities; their organization is made more flexible and the distribution of dividends and profits to foreign persons and entities is exempted from taxation.

This Act is intended to expand the potential market for Puerto Rico’s international banking center and will significantly enhance the knowledge and promotion of Puerto Rico through the world’s financial community.

The principal benefits of an international banking center in Puerto Rico are the expansion of the service sector, the direct and indirect creation of jobs and the increase of the island’s economic activity.

Puerto Rico offers many favorable conditions for carrying out international banking transactions, such as its political stability, the soundness of its banking system, the close economic ties with the United States, the high degree of professionalism, bilingualism and technical capacity of its human resources, a unified monetary market and system, its privileged geographical location, and a well-developed communications network.

In order to comply with the purposes stated herein, this Act provides for the establishment of international banking entities under the supervision and regulation of the Commissioner of Financial Institutions.

*Be it enacted by the Legislature of Puerto Rico:*

**Section 1. — Short Title.** — (7 L.P.R.A § 232 note)

This Act shall be known as the “International Banking Center Regulatory Act”.

**Section 2. — Definitions.** — (7 L.P.R.A § 232) [*Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version*]

For purposes of this Act, the following terms are defined as set forth below:

- (a) **Bank Secrecy Act.** — means the “Bank Secrecy Act,” as amended, [31 U.S.C. §§ 5311 et seq.](#) and [12 U.S.C. Sections 1818\(s\), 1829\(b\),](#) and [1951-1959](#), or any law succeeding or amending it.
- (b) **Commissioner.** — means the Commissioner of Financial Institutions of Puerto Rico.
- (c) **International Banking Entity.** — 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 has been issued pursuant to Section 7 of this Act.
- (d) **United States.** — means the United States of America, any state of the United States, the District of Columbia, and every possession, territory, political subdivision, and agency thereof, excluding Puerto Rico.
- (e) **Insolvency.** — refers to the financial condition in which an international banking entity may find itself or the person of which an international banking entity is a unit, when it is unable to pay its debts when they become due or when its paid-in capital has been reduced to less than one-third (1/3).

(t) **OFAC.** — means the Office of Foreign Asset Control of the United States Department of the Treasury

(g) **Person.** — means an individual, corporation, partnership, association, unit, trust or estate, syndicate or enterprise of any kind, government or political subdivision or agency thereof.

(h) **Domestic Person.** — means any natural person who is a resident of Puerto Rico or a person incorporated or organized under the laws of Puerto Rico, or a person whose principal place of business is located in Puerto Rico, and the Government or any political subdivision or agency of the Commonwealth of Puerto Rico.

(i) **Foreign Person.** — means any person other than a domestic person.

(j) **Puerto Rico.** — means the Commonwealth of Puerto Rico and every political subdivision and agency thereof.

(k) **Resident of Puerto Rico.** — any person established in Puerto Rico with a defined purpose or interest, the nature of which requires a lengthy stay on the Island, shall be deemed to be a resident of Puerto Rico for purposes of this Act. Such person must make Puerto Rico his/her home temporarily, even when his/her intention is to return to his/her domicile outside of Puerto Rico after the purpose or interest that originally brought him/her to Puerto Rico has been terminated or abandoned. Such person shall be deemed to be a resident of Puerto Rico as of the day he/she establishes his/her residence in Puerto Rico, even though temporarily.

An essential requirement for any person to be deemed a resident of Puerto Rico pursuant to the previous paragraph is to be subject to the Puerto Rico income tax law as if he/she were a resident of Puerto Rico.

(l) **Unit.** — includes any subdivision or branch of any person other than an individual, whose business and operations are segregated from the other business and operations of such person, as required by this Act.

(m) **USA Patriot Act.** — means the [“Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act,”](#) as amended, 115 Stat. 272 (2001).

**Section 3. — Authority and Duties of the Commissioner** — (7 L.P.R.A § 232a) *[Note: Act No. 45-2024 amended Subsection 3(a) but the official translation is not available. Please consult the Spanish version]*

(a) The Commissioner shall:

(1) Adopt, and may thereafter, from time to time, repeal, amend, or supplement rules and regulations in order to comply with the provisions of this Act;

(2) Collect fees for examinations and audits, receive monies and make disbursements according to its budget or as otherwise provided by law or regulations; Provided, That for Fiscal Year 2015-2016, of the funds collected on this account or any other in accordance with this Act, the sum of two million, seven hundred thousand dollars (\$2,700,000) in account number 0750000238-779-1998, or in any other created for the same purposes in the Department of the Treasury’s accounting system shall be transferred to the [“2015-2016 Legal Liability Fund”](#). Provided, further, That for Fiscal Year 2016-2017, the sum of one million dollars (\$1,000,000) shall be transferred from account 0750000-238-779-1998 or any other account created for the same purposes in the Department of the Treasury’s accounting system to the [“Elections Support Fund”](#).

- (3) open and maintain such bank accounts as may be necessary and appropriate for his operations;
  - (4) review and carry out investigations with regard to all applications for licenses to operate international banking entities;
  - (5) approve, grant conditional approval, or deny applications for permits and licenses to operate international banking entities; Provided, that any person whose applications has been denied or conditionally approved may request a hearing pursuant to the regulations provided in Section 21 of this Act *[Note: Current Section 23 renumbered by Act 110-2013, Art. 9]*;
  - (6) supervise, inspect, and audit international banking entities and require from them periodic reports and other information specified in the regulations of the Commissioner;
  - (7) require periodic auditing of the accounts of each international banking entity at least once a year, which shall include an audit of the financial condition of each international banking entity, its compliance with the terms of this Act and the regulations of the Commissioner, and such other matters as the Commissioner may deem appropriate;
  - (8) ascertain the financial security and operating soundness of international banking entities and ensure that they comply with applicable laws and regulations and with any other provision or requirement which the Commissioner may require by order or regulation;
  - (9) revoke or suspend a license to operate an international banking entity or impose any sanctions he may deem necessary and convenient pursuant to regulations; Provided, That any person whose license has been revoked or suspended, or to whom any other sanction has been imposed, shall have the right to request a hearing pursuant to the regulations provided in Section 21 of this Act *[Note: Current Section 23 renumbered by Act 110-2013, Art. 9]*;
  - (10) suspend, dismiss, or otherwise sanction any director, official, employee, agent, or individual acting in a similar capacity for an international banking entity, who violates, or voluntarily or negligently allows another person to violate this Act, its regulations, order, or any provision of the certificate of incorporation, partnership agreement or any written document establishing the international banking entity; Provided, That any individual who is suspended, dismissed, or sanctioned may request a hearing pursuant to the regulations provided for in Section 21 of this Act *[Note: Current Section 23 renumbered by Act 110-2013, Art. 9]*;
  - (11) conduct studies and investigations, on petition of any interested party or on his/her own motion, of authorized matters or on apparent violations of this Act or the regulations of the Commissioner, and in doing so, he/she may require the necessary, pertinent, and critical information to achieve such purposes, as well as any other investigations as are necessary for the proper administration of the act or the regulations of the Commissioner. For purposes of this subsection, the applicant or licensee shall be responsible for defraying the costs of any special investigation ordered by the Commissioner. Any examination or investigation shall be kept confidential except as provided in Section 21 of this Act *[Note: Current Section 23 renumbered by Act 110-2013, Art. 9]*, and
  - (12) take actions and grant remedies as are necessary to enforce the provisions of this Act or the regulations thereunder.
- (b)** In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentives or benefits granted under this Act, the Commissioner of Financial Institutions shall be required to oversee and ensure compliance with all the provisions of this Act. The Commissioner shall be the official responsible for verifying and ensuring that international banking entities meet the eligibility requirements established in this Act.

The Commissioner shall be required and responsible for preparing a Certificate of Compliance every two years, once the international banking entities validate, in the judgment of said official, that they meet the requirements of this Act. Every two years, the Commissioner shall verify the information submitted by international banking entities so that the Certificate of Compliance is issued not later than on the fifteenth (15th) day of the second (2nd) month after the close of the taxable year of the applicant.

The Certificate of Compliance shall include, in turn, the following information regarding international banking entities: the name of the entity; the cadastre number of the property or properties connected to the entity; the merchant registration number; the account connected to the business as required in the Puerto Rico Internal Revenue Code; the employer identification number; and the information required by Act No. 216-2014, better known as the “Fiscal Information and Permit Control Act”, as applicable. .

The Certificate of Compliance shall be issued by the Commissioner through the Interagency Validation Portal for the Granting of Incentives for the Economic Development of Puerto Rico, to the agencies, public corporations, and municipalities responsible for awarding benefits or incentives under this Act. However, during the period in which the Portal is still not operating, it shall be the duty of the Commissioner to issue a Certificate of Compliance to the agencies, , public corporations, ‘and municipalities responsible for awarding the benefits or incentives under this Act following the ordinary procedure. The filing of the Certificate of Compliance by an international banking entity shall be an essential requirement for the agency, public corporation, or municipality to grant the benefit or incentive provided for in this Act.

Actions taken by the Secretary of the Department of the Treasury, the Executive Director of the Municipal Revenues Collection Center (CRIM), or any other government official or body, or public corporation concerned, in connection with the qualification process for the granting of the benefits or incentives under this Act shall be limited to the taxation aspects of the granting of the benefit or incentive in question, upon the issuance of the Certificate of Compliance in effect, as provided in this section. The Commissioner shall be responsible, first and foremost, for overseeing eligibility under any and all provisions of this Act. However, the Secretary of the Department of the Treasury, the Executive Director of the Municipal Revenues Collection Center (CRIM), or any other government official or body, or public corporation concerned with any of the benefits or incentives granted under this Act may contact the applicant and the Commissioner should further information be needed to validate the data on the Certificate of Compliance, and shall notify and request the applicant to supply such information in order to rectify the situation. The Secretary of the Department of the Treasury or the Executive Director of the Municipal Revenues Collection Center (CRIM) may deny any tax incentives or benefits requested if, in their judgment, the information requested has not been supplied. Moreover, the provisions of this Act shall not preclude in any manner the power conferred to the Secretary of the Treasury under Section 6051.02 of [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#); and, if necessary, the power to revoke any incentives previously granted by virtue of a Certificate of Compliance, in accordance with the corresponding act; or the power to refer the case to the pertinent agency or public corporation for the corresponding action.

(c) The Commissioner shall be empowered to summon witnesses and request the production of such documents as he may deem necessary to carry out any investigation which, in his judgment, shall be required to comply with the provisions of this Act: The information obtained through this process shall be kept confidential.

(d) If a person fails to comply with a summons issued by the Commissioner, the latter may seek whatever remedy may be legally applicable, from the Court of First Instance of Puerto Rico; Provided, That the court with jurisdiction may order such person to comply with the summons of the Commissioner, under admonition of contempt of court. ' ,

(e) Within the term of ninety (90,) days after the closing of each fiscal year of the Commonwealth of Puerto Rico, the Commissioner shall remit to the Treasury Department, to be covered into the General Fund of the Government of Puerto Rico, fifteen percent (15%) of the net income obtained from his functions related to this Act for such fiscal year.

**Section 4. — Interest Rates and Reserves** — (7 L.P.R.A § 232b) [*Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version*]

The Commissioner may not establish interest rates to be paid or charged by an international banking entity, nor require that deposit reserves be kept.

**Section 5. — Organization** — (7 L.P.R.A § 232c) [*Note: Act No. 45-2024 amended Subsection 5(b) but the official translation is not available. Please consult the Spanish version*]

(a) An international banking entity may be:

(1) Any person, other than an individual, incorporated or organized under the laws of Puerto Rico, of the United States, or of any other country, or

(2) constituted as a unit of another person, other than an individual, incorporated or organized under the laws of Puerto Rico, of the United States, or of any other country.

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

(1) The name by which it is to be known.

(2) The street, number and town where its principal place of business shall be established in Puerto Rico.

(3)

(A) In the case of a corporation, the amount of its authorized capital stock, which shall not be less than five million dollars (\$5,000,000) and of which at least two hundred and fifty thousand dollars (\$250,000) shall be fully paid at the time the license is issued in accordance with the provisions of Section 7 of this Act [7 L.P.R.A. § 232e]; Provided, That the Commissioner may authorize a lesser authorized and/or paid-in capital, by request of the interested party, when the type of business or powers that the international banking entity intends to exercise or other circumstances thus merit it, in the criterion of the Commissioner; the number of shares into which it shall be divided and the par value of each share. If the shares are to be issued in series, the date of issue of each series, as well as the manner and term in which payment thereof shall be made.

(B) In the case of a person other than an individual or a corporation, the amount of the proposed capital, which shall not be less than five million dollars (\$5,000,000) and of which at least two hundred and fifty thousand dollars (\$250,000) shall have been fully paid at the time the license is issued in accordance to the provisions of Section 7 of this Act [7 L.P.R.A. § 232e]; Provided, That the Commissioner may

authorize a lesser proposed and/or paid-in capital, by request of the interested party, when the type of business or powers that the international banking entity intends to exercise or other circumstances thus merit it, in the criterion of the Commissioner; the name and address of its partners and other owners.

(4) The term of its existence, which in the case of a corporation, may be perpetual.

(5) The purposes for which it is organized, including a specific limitation of its operations to carry out only those services authorized in Section 12 of this Act [7 L.P.R.A. § 232j]

*[Note: Current Section 13 renumbered by Act 110-2013, Art. 4].*

(6) Any other provisions which may be convenient for the proper operation of the business. Such provisions shall not be in conflict with other laws of Puerto Rico.

(7) Any other provisions required by the regulations of the Commissioner.

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

(1) The name by which the unit shall be known.

(2) The street, number, and town where its principal place of business in Puerto Rico shall be established.

(3) The amount of the authorized or proposed paid-in capital of the person of whom the international banking entity is to be a unit, whose capital shall not be less than five million dollars (\$5,000,000), of which at least two hundred and fifty thousand dollars (\$250,000) shall have been fully paid at the time the license is issued; Provided, That the Commissioner may authorize a lesser authorized, proposed, and/or paid-in capital, by petition of the interested party, when the type of business or powers that the international banking entity intends to exercise or other circumstances thus merit it, in the criterion of the Commissioner.

(4) The purposes for which the unit is organized, including a specific limitation of its operations to carry out only those services authorized in Section 12 of this Act [7 L.P.R.A. § 232j] *[Note: Current Section 13 renumbered by Act 110-2013, Art. 4]*

(5) such other provisions as may be required by the regulations of the Commissioner.

## **Section 6. — Application for Permit.** (7 L.P.R.A § 232d)

(a) Any person may apply to the Commissioner for a permit to organize an international banking entity. The application shall be in writing, in the form specified by the regulations of the Commissioner and shall be accompanied by:

(1) The proposed articles of incorporation, partnership agreement or other written document establishing the international banking entity or the certification required by Section 5 of this Act;

(2) a nonrefundable application fee of five thousand dollars (\$5,000), and

(3) such other documents as may be specified or required by the regulations of the Commissioner.

(b) Every application shall include, in the form required by the regulations of the Commissioner:

(1) The identity and business history of the applicants;

(2) the city or town in Puerto Rico and the street and number or any other address where its principal place of business in Puerto Rico shall be maintained;

- (3) the identity and business and credit history of any person who, directly or indirectly, possesses or controls or intends to possess or control ten percent (10%) or more in the capital of the proposed international banking entity;
  - (4) a statement of the assets and liabilities of any applicant and of any person who possesses or controls or intends to possess or control ten percent (10%) or more of the interest in the capital of the international banking entity, or of the person of which the proposed international banking entity shall be a unit, for each of the three (3) years preceding the application;
  - (5) the identity and background of all proposed directors, and officials or persons who intend to act in a similar capacity in the international banking entity, and
  - (6) such additional information as may be required by the regulations of the Commissioner.
- (c) Upon receipt of the sworn application, all the required documents and the application fee, the Commissioner shall carry out all the necessary investigations of the applicants and of the application, including a review of:
- (1) The financial solvency, credit, banking experience and business integrity of the applicants, their directors and officers, or persons who intend to act in a similar capacity in the proposed international banking entity;
  - (2) the adequacy of the capital available for the operations of the proposed international banking entity;
  - (3) the adequacy of the articles of incorporation, partnership agreement or other written document belonging to any applicant and, when appropriate, of the articles of incorporation, partnership agreement or other written document establishing the proposed international banking entity, and
  - (4) the impact that the proposed international banking entity shall have on the economy of Puerto Rico.
- (d) The expenses incurred by the Commissioner for the above indicated investigation shall be defrayed by the applicants. The Commissioner shall claim said investigation expenses from the applicants.
- (e) Should the Commissioner determine that the results of his investigation are favorable, he may, at his sole and exclusive discretion, and after payment of the investigation expenses as established in subsection (d) of this section, issue to the applicants a permit to organize an international banking entity, subject to such conditions as the Commissioner may establish.
- (f) When the Commissioner issues a permit pursuant to the provisions of this section, the interested party shall file with the Department of State of Puerto Rico the articles of incorporation, partnership agreement or other written document establishing the proposed international banking entity, or those of the person of which the international banking entity shall be a unit, as well as the certification provided for in Section 5 of this Act in the case of a unit, and the permit issued by the Commissioner. The Department of State shall issue under its official seal, a certification of the filing of the stipulated documents.

**Section 7. — License** — (7 L.P.R.A § 232e) *[Note: Act No. 45-2024 amended Subsection 7(a) but the official translation is not available. Please consult the Spanish version]*

- (a) At his discretion, the Commissioner may issue to the applicants a license to operate an international banking entity upon receipt of:



- (1) the certification by the Department of State referred to in Section 6 of this Act;
- (2) the payment of five thousand dollars (\$5,000) as an annual fee for the license to operate an international banking entity. This license fee shall be paid annually within fifteen (15) days following each anniversary date of the issuance of the original license;
- (3) a certified copy of the articles of incorporation, partnership agreement or other written document establishing the international banking entity or the certification of the person of which the international banking entity shall be a unit;
- (4) a copy of the bylaws or internal governing agreements adopted by the Board of Directors or similar governing body of the international banking entity, which shall be certified by its Secretary or an individual acting in a similar capacity, before a notary public;
- (5) evidence, in the form required by the regulations of the Commissioner, that the capital of the international banking entity has been subscribed to, issued and paid-in, to the extent and under such conditions as the Commissioner may establish at his sole discretion;
- (6) a statement, in the form required by the regulations of the Commissioner and authenticated before a notary public, by the Secretary of the Board of Directors or the person acting in a similar capacity for the international banking entity, or for the person of which the international banking entity shall be a unit, to the effect that the international banking entity has complied with the provisions of this Act and of the regulations of the Commissioner and that it is ready to commence operations; Provided, that a license shall not be issued if the Commissioner believes, or has reason to believe, that the applicants have violated the provisions of this Act or of the regulations of the Commissioner; Provided, further, that any person to whom a license has been denied, may request a hearing pursuant to the regulations provided in Section 21 of this Act *[Note: Current Section 23 renumbered by Act 110-2013, Art. 9].*

(b) No international banking entity shall commence operations unless it has been previously issued a license in accordance with the provisions of this Act.

**Section 8. — License Renewal.** — (7 L.P.R.A § 232e-1) *[Note: Act No. 45-2024 amended Subsection 8(b) and 8(c) but the official translation is not available. Please consult the Spanish version]*

(a) Every license shall remain in effect until its expiration, which shall be on the anniversary date of the original license.

(b) Every license renewal application shall be submitted within thirty (30) days before the expiration date of each license. It shall contain:

- (1) A description of any material change in the information provided to OCIF in the initial license application;
- (2) Evidence that the licensee maintains the capital required by the Commissioner as provided in Section 5 of this Act, computed in accordance with generally accepted accounting principles;
- (3) A statement, as provided in the Regulations of the Commissioner, undersigned by the chief executive officer or any other executive officer expressly authorized by the Board of Directors of the concerned institution, certifying:
  - a) That the international banking entity has implemented the necessary and appropriate procedures and systems to comply with the provisions of the ‘[Bank Secrecy Act](#)’;

- b)** A statement acknowledging the entity’s management responsibility to establish in such entity, and to maintain and comply with the Bank Secrecy Act Compliance Program;
  - c)** That the necessary policies and procedures have been adopted in the entity to comply with the provisions of OFAC, as applicable; and
  - d)** Any other related information that the Commissioner may require by regulations.
- (c)** Annual license fees totaling five thousand dollars (\$5,000) for each office, by cashier’s check, certified check, postal or bank money order, payable to the Secretary of the Treasury. The Commissioner may extend the license renewal period.
- (d)** If the licensee fails to file the license renewal application and/or fails to pay the applicable fees within the established term or during any additional term that the Commissioner authorizes, if any, it shall be understood that the licensee intends to surrender the license to operate an international banking entity, and shall follow the process established therefor by Regulations, and may not continue operating such business.

**Section 9. — Amendments to the Articles of Incorporation** — (7 L.P.R.A § 232f) *[Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version]*

- (a)** No amendment whatsoever shall be adopted to the articles of incorporation, partnership agreement or other written document establishing an international banking entity or to any certification executed in accordance with Section 5 of this Act, unless such amendment has been previously approved, in writing, by the Commissioner.
- (b)** After the due adoption of any amendment to the articles of incorporation, partnership agreement or other written document establishing an international banking entity or to any certification executed in accordance with Section 5 of this Act, the same shall be filed with the Department of State.

**Section 10. — Unencumbered Assets, Capital, Shares of Capital Stock** — (7 L.P.R.A § 232g) *[Note: Act No. 45-2024 amended Subsection 10(a) but the official translation is not available. Please consult the Spanish version]*

- (a)** Every international banking entity shall possess not less than three hundred thousand dollars (\$300,000) of unencumbered assets or acceptable financial securities, or that lesser sum that, by request of the interested party, the Commissioner authorizes, when the type of business or powers that the international banking entity intends to exercise or other circumstances thus merit it, in the [judgment] of the Commissioner: The unencumbered assets shall be physically located in Puerto Rico and subject to the requirements regarding the same provided by the regulations of the Commissioner.
- (b)** The capital of, or assigned to an international banking entity shall not be reduced without the prior written approval of the Commissioner.
- (c)** Without the prior written approval of the Commissioner, no international banking entity may issue:
  - (1)** additional shares of capital stock or other securities convertible into additional shares of capital stock, in the case of a corporation; or

(2) additional capital or other securities convertible into additional capital, in the case of a person other than a corporation;

(3) notwithstanding the above, in the case of a corporation, it may issue additional shares of capital stock or other securities convertible into shares of capital stock, and in the case of a person other than a corporation, issue additional capital or other securities convertible into additional capital, without the prior written approval of the Commissioner, provided such additional shares or capital are issued directly to the shareholders of the international banking entity previously identified pursuant to Section 6(b)(3) of this Act. In such event, the international banking entity shall notify the Commissioner of all the particulars of such issuance within the ten (10) business days following said date of the issue.

**Section 11. — Transfer of Capital or Control of an International Banking Entity —** (7 L.P.R.A § 232h) *[Note: Act No. 45-2024 amended this Section and added Subsection 11(d) but the official translation is not available. Please consult the Spanish version]*

(a) Except as provided in the regulations adopted by the Commissioner, no sale, encumbrance, assignment, merger, barter, exchange or other transfer of shares, interest or participations in the capital of an international banking entity may be initiated without the previous written authorization of the Commissioner, if by way of such- transaction, a person could acquire, directly or indirectly, control of ten per-cent (10%) or more of any class of stock, interest or participations in the capital of an international banking entity.

(b) Every sale, encumbrance, assignment, merger, barter, exchange or other transfer of shares of capital stock, interest or participation in the capital of an international banking entity, as set forth in subsection (a) of this section, shall be null “ab initio” if the written authorization of the Commissioner has not been obtained.

(c) The international banking entity shall notify the Commissioner, thirty (30) days in advance, the transfers referred to in subsection (a) of this section, the identity of the transferor and of the transferee and the nature of the transaction. The Commissioner may require such additional information as he deems necessary to determine if the transfer would be detrimental to the security or financial solvency of the international banking entity or if it would violate any law, rule or regulation governing the international banking entity, in which case the Commissioner may deny the authorization for such transaction; Provided, that any person to whom such authorization is denied shall have the right to request a hearing pursuant to the regulations provided in Section 21 of this Act *[Note: Current Section 23 renumbered by Act 110-2013, Art. 9].*

**Section 12. — No Transfer of License —** (7 L.P.R.A § 232i) *[Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version]*

No license issued in accordance with this Act may be sold, assigned, transferred, pledged, used as security, or otherwise encumbered.

**Section 13. — Permitted transactions; Prohibited Transactions** — (7 L.P.R.A § 232j) *[Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version]*

(a) Upon receipt of a license to operate an international banking entity in accordance with Section 7 of this Act, an international banking entity may:

(1) Accept deposits from foreign persons in checking accounts as well as demand or fixed term deposits and interbank deposit of funds, or otherwise borrow money from international banking entities and from any foreign person pursuant to the regulations adopted by the Commissioner.

(2) Accept properly collateralized deposits or otherwise borrow duly secured money from the Government Development Bank for Puerto Rico and the Economic Development Bank for Puerto Rico.

(3) Make or place deposits in, and otherwise give money as a loan to, the Government Development Bank for Puerto Rico, in the Economic Development Bank for Puerto Rico, in any international banking entity, or in any bank, including banks organized under the laws of Puerto Rico, and branches in Puerto Rico of banks that are foreign persons.

(4) Make, procure, place, guarantee, or service loans; Provided, that none of such loans may be granted to a domestic person, except as provided in subsection (3)(a) of this section and in the cases of financial securities for debt issue transactions in Puerto Rico.

(5)  
(A) Issue, confirm, give notice, negotiate or refinance letters of credit; Provided, That the client and the beneficiary requesting the letter of credit is not a domestic person, or;  
(B) issue, confirm, give notice, negotiate, or refinance letters of credit in transactions for the financing of exports, even if the beneficiary is a domestic person.

(6) Discount, rediscount, deal or otherwise trade in money orders, bills of exchange and similar instruments, provided that the drawer and the original debtor, is not a domestic person.

(7) Invest in securities, stocks, notes and bonds of the Caribbean Basin Projects Financing Authority, in securities of the Government of Puerto Rico, its public agencies and instrumentalities, its municipalities, and its political subdivisions, or in other local securities, if there should exist any, exempted from the payment of taxes in Puerto Rico.

(8) Carry out any banking transactions permitted by this Act in the currency of any country, or in gold or silver, and participate in foreign currency trade.

(9) Underwrite, distribute, and otherwise trade in securities, notes, debt instruments, drafts and bills of exchange issued by a foreign person for final purchase outside of Puerto Rico.

(10) Engage in insurance brokerage for risks or objects that reside, are located or that will be executed outside of Puerto Rico, subject to the regulations established by the Commissioner of Insurance of Puerto Rico.

(11) Underwrite insurance for risks or objects that reside, are located or that will be executed outside of Puerto Rico, subject to the regulations established by the Commissioner of Insurance of Puerto Rico.

(12) Engage in trade financing of import, export, barter and exchange of raw materials and finished products activities with domestic persons, when the Commissioner has determined

through regulations or order, that the international aspects of the underlying transaction override any involvement of the local financial and business community, and that such activities would be appropriate for the international banking entity; Provided, that these transactions allowed by exception shall not enjoy the exemption granted by subsection (25) of Section 9 of Act No. 113 of July 10, 1974, as amended [21 L.P.R.A. § 651h].

**(13)** Engage in any activity of a financial nature outside of Puerto Rico which would be allowed to be done, directly or indirectly, by a bank holding company or by a foreign office or subsidiary of a United States bank under applicable United States law.

**(14)** After obtaining a special permit from the Commissioner, act as fiduciary, executor, administrator; registrar of stocks and bonds, property custodian, assignee, trustee, attorney-in-fact, agent or in any other fiduciary capacity; provided, that such fiduciary services shall not be offered to, nor inure to the benefit of domestic persons.

**(15)** Acquire and lease personal property at the request of a lessee who is a foreign person, pursuant to a financial lease agreement which complies with the regulations of the Commissioner.

**(16)** Buy and sell securities outside Puerto Rico, on the order of, or at its discretion, for foreign persons and provide investment advice in relation to such transactions or separate therefrom, to such persons.

**(17)** Act as a clearinghouse in relation to financial contracts or instruments of foreign persons, as authorized by regulations adopted by the Commissioner.

**(18)** Organize, manage and provide management services to international financial entities such as investment companies and mutual funds, provided that the stock or participation in the capital of such companies is not distributed directly by the international banking entity to domestic persons.

**(19)** Engage in such other activities as are expressly authorized by the regulations or order of the Commissioner, or are incidental to the execution of the services authorized by this Act and the regulations of the Commissioner.

**(20)** Participate in the granting and securing of loans that originate and/or are secured by the Government Development Bank for Puerto Rico and the Economic Development Bank for Puerto Rico.

**(21)**

**(A)** Finance, through loans or financial securities, projects in those areas of priority for the Government of Puerto Rico in those cases designated as extraordinary by the Secretary of the Treasury and the Commissioner.

**(B)** The Commissioner shall adopt the pertinent regulations to implement this provision. However, said regulations shall require, in all cases, the prior authorization of such loans by the Secretary of the Treasury and the Commissioner.

**(22)**

**(A)** Establish, with the Commissioner’s authorization, branches outside of Puerto Rico, in the United States mainland and its possessions, or in other foreign countries. The Commissioner of Financial Institutions is hereby empowered to provide, through regulations, the procedure to obtain said authorization, and the amount payable for application investigation expenses and annual quota fees for each one of said branches.

(B) The Commissioner is hereby empowered to authorize an international banking entity to establish a service unit or office in Puerto Rico, in which only specific operations related to the services of the international banking entity shall be conducted, in the manner and form provided through regulations, but by no means shall said service unit or office constitute a branch.

(23) With the prior authorization of the Commissioner, provide to other international banking entities or to foreign persons or entities outside of Puerto Rico, those services of financial nature, as these are defined and generally accepted in the banking industry of the United States and Puerto Rico and which are not listed in this section.

(b) The international banking entity shall not:

(1) Accept deposits nor borrow money from domestic persons, except from the Government Development Bank for Puerto Rico, the Economic Development Bank for Puerto Rico and the international banking entities.

(2) Make, procure, place, secure, or service loans, unless all loan proceeds are to be used outside of Puerto Rico, with the exception of the cases permitted in clauses (20) and (21) of subsection (a) of this section.

(3) Issue, confirm, or give notice of letters of credit, unless all proceeds of the letter of credit are to be used outside of Puerto Rico, and that both the issuer and the beneficiary are foreign persons, with the exception of export financing transactions in which the beneficiary is a domestic person.

(4) Discount bills of exchange, unless all the proceeds of the bills of exchange would be used outside of Puerto Rico and that both, the drawer and the beneficiary, are foreign persons.

(5) Purchase or hold any of its own capital stock, or the capital stock of or the interest in the capital of the person of which it is a unit, except when previously authorized by the Commissioner.

(6) Grant any kind of financing or credit to any of its directors, officers, employees or stockholders, except when previously authorized in writing by the Commissioner.

(7) Directly or indirectly place, underwrite, insure or reinsure risks or objects that reside, are located or will be executed in Puerto Rico, or participate in reciprocity or retrocession arrangements or agreements covering or relating to such risks or objects, or assign insurance to, or assume reinsurance from any insurer authorized to do or who is doing insurance business in Puerto Rico.

(c) An international banking entity which is a unit of another person shall segregate and keep separated all transactions made or conducted by such unit, from every other transaction made or conducted by the person of which the international banking entity is a unit.

**Section 14. — Responsibilities of the Holders of a License to Operate an International Banking Entity** — (7 L.P.R.A § 232j-1) *[Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version]*

Every holder of an International Banking Entity license shall:

(a) Adopt written business policies and procedures to ensure that the international banking entity complies with the applicable state and federal laws, including this Act, the [Bank Secrecy Act](#), and the [USA Patriot Act](#);

- (b) Faithfully comply with the applicable state and federal laws and the regulations applicable to the international banking entity, including this Act, the [Bank Secrecy Act](#), and the [USA Patriot Act](#);
- (c) File currency transaction or suspicious activity reports required by the [Bank Secrecy Act](#) and the [USA Patriot Act](#), when necessary;
- (d) Follow the practice rules and procedures that are necessary in the business to meet the requirements of OFAC, as applicable.

**Section 15. — Personnel.** (7 L.P.R.A § 232k) *[Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version]*

- (a) The international banking entity shall employ on a full-time basis a minimum of four (4) persons at its business office or offices in Puerto Rico. Provided, That the Commissioner may authorize a lesser number of employees upon request of the interested party, for which authorization the Commissioner shall evaluate factors such as the powers conferred by the license granted under this chapter, the nature and complexity of its operations in Puerto Rico, and those other criteria established in the regulations of the Commissioner.
- (b) The full-time employees of a person of which an international banking entity is a unit which render some services to such entity, shall be deemed to be full-time employees of such entity for purposes of the employment requirements set forth in subsection (a) of this section.

**Section 16. — Accounts and registers** — (7 L.P.R.A § 232l) *[Note: Act No. 45-2024 amended Subsection 16(a) but the official translation is not available. Please consult the Spanish version]*

- (a) The original of the account books and registers of the international banking entity shall be kept in its main business office in Puerto Rico and shall reflect such details and be kept in such a manner as may be required by the regulations of the Commissioner.
- (b) Such account books and registers have to be segregated and kept separately from the account books and registers of any other person.
- (c) The originals of the account books and registers of an international banking entity shall be deemed as belonging to such international banking entity regardless of Whether such entity is a person or constitutes a unit of another person, and a duplicate thereof may be kept and maintained in its country of origin.

**Section 17. — Reports** — (7 L.P.R.A § 232m) *[Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version]*

Every international banking entity shall submit to the Commissioner all such reports as may be required by the regulations of the Commissioner, including an annual financial statement prepared by certified public accountants, licensed to practice in Puerto Rico, as well as interim financial statements.

**Section 18. — Revocation, Suspension or Surrender** — (7 L.P.R.A § 232n) *[Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version]*

(a) The license issued under Section 7 of this Act shall be subject to revocation or suspension by the Commissioner, upon previous notice and hearing pursuant to the regulations provided in Section 21 of this Act [7 L.P.R.A. § 232s] *[Note: Current Section 23 renumbered by Act 110-2013, Art. 9]* if:

(1) An international banking entity or the person of which said international banking entity is a unit, contravenes or fails to comply with any of the provisions of this Act, any regulations of the Commissioner, or any of the terms and conditions of the license to operate an international banking entity.

(2) An international banking entity fails to pay the annual license fee of five thousand dollars (\$5,000).

(3) The Commissioner finds that the business or affairs of an international banking entity are conducted in a manner that is not consistent with the public interest.

(b) An international banking entity or the person of which said international banking entity is a unit, may at any time, and in the manner provided by the regulations of the Commissioner, surrender its license to operate an international banking entity.

**Section 19.—Dissolution** — (7 L.P.R.A § 232o) *[Note: Act No. 45-2024 amended Subsection 19(a) and 19(c) but the official translation is not available. Please consult the Spanish version]*

(a) The Commissioner may appoint a receiver and order the dissolution of an international banking entity if the license of said international banking entity or of the person of which the international banking entity is a unit, is revoked or surrendered pursuant to Section 16 of this Act.

(b) The receiver appointed shall be a person of recognized moral qualities, with vast experience in the field of banking or finance, and his performance with the international banking entity shall be secured by an adequate bond, to be paid by the international banking entity itself.

(c) The receiver shall manage the international banking entity in accordance with the provisions of this Act and shall:

(1) take possession of the assets and liabilities, books, records, documents and files which belong to the international banking entity;

(2) collect all loans, charges and fees owed to the international banking entity;

(3) pay all obligations and debts of the international banking entity, after having paid the necessary costs of the receivership; and (4) supervise the dissolution and liquidation of the international banking entity.

**Section 20.— Penalties** — (7 L.P.R.A § 232p) *[Note: Act No. 45-2024 amended Subsections 20(a), 20(b) and 20(e) but the official translation is not available. Please consult the Spanish version]*

(a) If any director, official or individual acting in a similar capacity of an international banking entity or of a person of which the international banking entity is a unit, violates, or voluntarily or negligently permits any director officer, agent, or employee of the international banking entity or of the person of which the international banking entity is a unit, to violate this Act, the regulations of the Commissioner, or any provision of the certificate of incorporation, partnership agreement or other written document establishing the international banking entity, the



Commissioner shall schedule and summon the interested parties to an administrative hearing pursuant to the regulations provided in Section 21 of this Act [Note: Current Section 23 renumbered by Act 110-2013, Art. 9]. Once the hearing is held and after the Commissioner determines that a provision mentioned in this subsection has been violated, he shall take the corresponding action, including the suspension or dismissal of such director, officer or individual.

(b) Any official or employee of an international banking entity, or of a person of which it is a unit, who on behalf of such international banking entity receives any deposit or contract for a loan with the knowledge that the international banking entity or the person of which it is a unit is insolvent, shall commit a felony and, if convicted, shall be punished with imprisonment for not less than three (3) years nor more than seven (7) years, or with a fine of not less than five thousand dollars (\$5,000) nor more than ten thousand dollars (\$10,000) or with both penalties at the discretion of the Court.

(c) Any director, official or employee of the international banking entity or of the person of which the international banking entity is a unit, who illegally appropriates, embezzles, removes or voluntarily misuses any moneys, funds, credits or securities of an international banking entity, or who, without due authorization, issues or draws any certificate of deposit, draws any order or bill of exchange, carries out any type of acceptance or assignment of a note, bond, money order, bill of exchange, and any person who, with the same intention, aids or abets any director, official or employee to violate any provision of this section, shall commit a felony and, if convicted, shall be punished with imprisonment for a term of not less than ten (10) years nor more than twenty (20) years, or with a fine of not less than fifteen thousand dollars (\$15,000) nor more than thirty thousand dollars (\$30,000), or with both penalties at the discretion of the Court.

(d) Any director, official, or employee of an international banking entity or of the person of which the international banking entity is a unit, who voluntarily misrepresents the financial condition of an international banking entity or about any transaction to be carried out by, or carried out by the international banking entity, or who declines to provide information legally requested by the Commissioner, shall commit a felony and, if convicted, shall be punished with imprisonment for not less than five (5) years nor more than ten (10) years, or with a fine of not less than eight thousand dollars (\$8,000) nor more than seventeen thousand dollars (\$17,000), or with both penalties at the discretion of the Court. (e) The preceding provisions of this Section shall not be construed in any manner whatsoever to limit the power of the Commissioner to impose administrative fines for violations of this Act or the regulations of the Commissioner.

**Section 21.—Confidentiality — (7 L.P.R.A § 232q)**

(a) The information that the international banking entity provides to the Commissioner under the provisions of this Act and the regulations adopted by the Commissioner pursuant to the same, shall be kept confidential, except: (i) when disclosure of such information is required by law or judicial order, or (ii) through a formal petition of a domestic or foreign government agency in the course of the exercise of its supervisory function, when the Commissioner has grounds to believe that it is in the best public interest. In such case, the information shall be delivered under a binding agreement with the concerned government entity of maintaining the confidential nature of said information. Provided, That the exception under the preceding clause (2) shall under no circumstances be extended to information regarding clients of the international banking entity.

**Section 22.—Transitional Provisions** — (7 L.P.R.A § 232r) *[Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version]*

An international banking entity, to which a license was issued pursuant to Section 10 of Act No. 16 of July 2, 1980, as amended, known as “International Banking Center Regulatory Act” herein repealed, shall be deemed on the effective date of this Act as an international banking entity organized pursuant to this Act and shall enjoy all the rights, privileges, powers and authority and shall be subject to the duties, obligations, penalties, responsibilities, conditions and limitations provided in this Act.

Any regulations adopted pursuant to said Act No. 16 not in conflict with this new Act, shall remain in effect until amended or repealed.

**Section 23. — Administrative Hearings, Adjudication Proceedings and Judicial Review** — (7 L.P.R.A § 232s) *[Note: Act No. 45-2024 amended this Section but the official translation is not available. Please consult the Spanish version]*

All matters related to administrative hearings procedure, adjudicatory proceedings and judicial review shall be set forth by regulations to be promulgated by the Commissioner pursuant to the provisions of Act No. 170 of August 12, 1988, known as “Uniform Administrative Procedures Act of the Commonwealth of Puerto Rico” *[Note: Repealed and replaced by [Act No. 38-2017](#)]*.

**Section 24.—Inapplicability of Existing Laws.**

The provisions of Act No. 55 of May 12, 1933, as amended, known as the “Banking Law”, nor the provisions of Act No. 1 of October 15, 1973, which fixes the maximum interest rates or charges permitted on loans, nor Article 1649 of Act No. 5 of August 17, -1933, as amended, which fixes the interest rates in the absence of an agreement and the maximum interest rates that can be fixed by special agreements. Notwithstanding the above, nothing in this Act shall be understood to be a limitation of the powers of the Governor of Puerto Rico or of the person designated by him, conferred in Section 42 of Act No. 55 of May 12, 1933, as amended; Act No. 2 of March 21, 1933, as amended; Act No. 17 of April 18, 1933; Act No. 12 of July 15, 1935, and in Act No. 10 of May 7, 1951, shall not be applicable to the inter- national banking entities created by this Act.

**Section 25.—Property Tax Exemption** — (7 L.P.R.A § 232u)

The real and personal property belonging to an international banking entity duly authorized under this Act, shall be exempt from the levying of property taxes.

**Section 26.—Municipal License Tax Exemption** — (7 L.P.R.A § 232v)

The international banking entities duly authorized by this Act, shall be exempt from the payment of municipal license taxes levied by Act No. 113 of July 10, 1974, as amended, known as the “Municipal License Tax Act” *[Note: Repealed and replaced by Act No. 107-2020, “Municipal Code”]*.

**Section 27.—Income Tax Exemption — (7 L.P.R.A § 232w)**

(a) Income derived by the international banking entities duly authorized under this Act, from activities described in subsection (a) of Section 12 of this Act [7 L.P.R.A. § 232j], shall not be included in the gross income of said entities and shall be exempt from the tax imposed by Act No. 120 of October 31, 1994, [13 L.P.R.A. §§ 8006 et seq.], known as the “Puerto Rico Internal Revenue Code of 1994” or its preceding law, except for the provisions of subsection (b) of this section.

(b) General Rule.—

(1) Excess net income derived in the taxable year by every international banking entity subject to taxation, as said term is defined in paragraph (A) of this clause, shall be subject to the tax rates established in the Puerto Rico Internal Revenue Code of 1994, as amended [*Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)*], for corporations and partnerships. For the purposes of this subsection, the following terms shall mean:

(A) “Taxable international banking entity”. —Means an international banking entity that operates as the unit of a bank organized under the Puerto Rico Banking Act, whose net income derived from activities described in subsection (a) of Section 12 of this Act [7 L.P.R.A. § 232j] exceeds twenty percent (20%) of the net income derived in the taxable year by said bank (including income derived by said unit). Said net income shall be computed pursuant to the provisions of Subchapter B of Chapter 2 of Subtitle A of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8421-8428 et seq.] [*Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)*]

(B) Excess net income.—Means the net income, computed pursuant to the provisions of Subchapter B of Chapter 2 of Subtitle A of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8421-8428 et seq.] [*Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)*], derived by the taxable international banking entity from the activities described in Section 13(a) [7 L.P.R.A. § 232j], which exceeds twenty percent (20%) of the total net income derived in the taxable year by the bank of which it operates as a unit (including the income derived by said unit).

(2) The income generated by the international banking entities that, as determined by the Commissioner, function as an affiliated unit or entity of a business that operates under the industrial incentive laws, as said terms are defined in Act No. 135 of December 2, 1997, as amended [13 L.P.R.A. §§ 10101 et seq.], known as the “Tax Incentives Act of 1998”, or any preceding or successor act thereof, shall not be included in the gross income of said entities and shall be exempt from the tax imposed in clause (1) of this subsection (b) and in Act No. 120 of October 31, 1994, as amended, known as “Puerto Rico Internal Revenue Code of 1994” [*Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)*].

(3) Taxable years beginning after December 31, 2008, and before January 1, 2012.—Notwithstanding the provisions of Subtitle A of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8401-8697] [*Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)*], and this Act, during each of the

taxable years beginning after December 31, 2008, and before January 1, 2012, every international banking entity shall be subject to a special five-percent (5%) tax on the amount of its net income for the taxable year, to be computed in accordance with the provisions of Subtitle A of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8401-8697] *[Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)]*, but only to the extent that said net income does not constitute an excess net income for the purposes of clause (1) of this subsection. Unless otherwise provided by the Secretary of the Treasury by regulation, circular letter or other administrative determination or communication of a general nature, such tax shall be reported, paid, and collected in such form and manner as established in Subtitle A of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8401-8697] *[Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)]*, for corporations to pay general income taxes.

(c) The interest, finance charges, dividends or shares in partnership profits received by international banking entities duly authorized by this Act shall not be deemed gross income from sources in Puerto Rico for the purposes of Section 1123(a)(1) and (2) of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8523] *[Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)]*, or of any analogous provision from any preceding or subsequent Act.

(d) The provisions of Section 1147 of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8547] *[Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)]*, or of any analogous provision from any preceding or subsequent act, which imposes the obligation to withhold income taxes at source in the case of payments made to nonresident individuals, shall not apply to interest, finance charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act.

(e) The provisions of Section 1150 of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. §§ 8550] *[Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)]*, or of any analogous provision from any preceding or subsequent act, which imposes an obligation to withhold income taxes at source in the case of payments made to resident or foreign corporations and partnerships which have not received income actually connected with a trade or business in Puerto Rico, shall not apply to interest, finance charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act.

(f) Income derived by a nonresident foreign individual consisting of interest, finance charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act, shall not be subject to the tax levied by Section 1221(a)(1) of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. § 8605(a)(1)] *[Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)]*, or by any analogous provision from any preceding or subsequent Act.

(g) Income derived by a foreign corporation or partnership consisting of interest, finance charges, dividends or shares in partnership profits received from international banking entities duly authorized by this Act, shall not be subject to the tax levied by Section 1231(a)(1)(A) of the “Puerto Rico Internal Revenue Code of 1994” as amended [13 L.P.R.A. § 8615(a)(1)(A)] *[Note: Repealed and replaced by [Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”](#)]*, or by any analogous provision from any preceding or subsequent Act.

**(h)** The provisions of Section 1232 of Act No. 120 of October 31, 1994, as amended [13 L.P.R.A. § 8616], known as the “Puerto Rico Internal Revenue Code of 1994” [*Note: Repealed and replaced by Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”*], or any analogous provision from any preceding or subsequent act, shall not be applicable to international banking entities duly authorized by this Act.

**(i)** The interest and other income derived from [finance] granted to projects in areas of priority for the Government of Puerto Rico, that have been designated as extraordinary by the Secretary of the Treasury and the Commissioner pursuant to Section 12 of this Act [7 L.P.R.A. § 232j] , shall be treated as [non-exempt] for the exclusive purpose of assigning deductions to income exempt under Sections 1018, 1023 and 1024 of Act No. 120 of October 31, 1994, as amended [13 L.P.R.A. §§ 8418, 8423, and 8424], known as the “Puerto Rico Internal Revenue Code of 1994” [*Note: Repealed and replaced by Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”*]. Furthermore, the obligations resulting from said financing shall not be considered exempted obligations for the purposes of the above indicated sections of the Puerto Rico Internal Revenue Code of 1994.

**[(j)]** None of the provisions of this section shall be construed as a limitation to the power of the Secretary of the Treasury to apply to the international banking entity or to any other person the provisions of Act No. 120 of October 31, 1994, as amended known as the “Puerto Rico Internal Revenue Code of 1994” [*Note: Repealed and replaced by Act No. 1-2011, known as the “Puerto Rico Internal Revenue Code of 2011”*], or of any analogous provision from any preceding or subsequent act.

**Section 28.—Effect of Existing Legislation — (7 L.P.R.A § 232x)**

**(a)** Insofar as the laws of Puerto Rico are not inconsistent with the provisions of this Act, the laws of Puerto Rico shall prevail.

**(b)** Insofar as the provisions of this Act are inconsistent with any other laws of Puerto Rico, the provisions of this Act shall prevail.

**Section 29.—Severability of Provisions — (7 L.P.R.A § 232 note)**

The provisions of this Act are independent and severable; should any of its provisions be declared unconstitutional by a Court of competent jurisdiction, the other provisions of this Act shall not be affected, and the Act so modified by the decision of such Court shall continue in full force and effect.

**Section 30.—Construction — (7 L.P.R.A § 232 note)**

This Act shall be liberally construed in order to achieve its objectives in view of its benefits for the People of Puerto Rico.

**Section 31.—Repeal — (7 L.P.R.A § 232 note)**

Act No. 16 of July 2, 1980, as amended,<sup>3</sup> is hereby repealed.

**Section 32.—Effective Date** — This Act shall take effect immediately after its approval.

Note. This compilation was prepared by the [Puerto Rico Office of Management and Budget](#) staff who have striven to ensure it is complete and accurate. However, this is not an official compilation and may not be completely free of error. It contains all amendments incorporated for reading purposes only. For accuracy and exactitude please refer to the act original text and the collection of Laws of Puerto Rico Annotated LPRA. The state links acts are property of [Legislative Services Office](#) of Puerto Rico. The federal links acts are property of [US Government Publishing Office GPO](#). Compiled by the Office of Management and Budget Library.

See also the [Original version Act](#), as approved by the Legislature of Puerto Rico.