



COMISIONADO DE INSTITUCIONES FINANCIERAS
ESTADO LIBRE ASOCIADO DE PUERTO RICO

May 27, 1993

CIRCULAR LETTER 52-1

TO : International Banking Entities

FROM : Virgilio Vega III, CPA *V Vega III*
Acting Commissioner

SUBJECT : Declaration Required by Article 11 (b) (2)
of Regulation 4324

The Office of the Commissioner of Financial Institutions has considered convenient to issue this Circular Letter pursuant to the provisions of Act Number 4 of October 11, 1985, as amended and Section 3 (a) (1) of Act No. 52 of August 11, 1989.

Article 11 (b) (2) of Regulation 4324 requires that every International Banking Entity (IBE), shall file with the Commissioner of Financial Institutions together with its annual audited financial statements a statement, certified by an independent Certified Public Accountant licensed to practice under the laws of Puerto Rico, stating that the IBE is complying with Act No. 52 and its Regulation.

To facilitate the compliance with the provisions of said Article 11 (b) (2) of the Regulation, attached is a sample of the statement prepared by this Office; its adoption is recommended to the IBE'S.

The use of the suggested format of the statement will insure uniform compliance with the provisions of Article 11 (b) (2) of Regulation 4324.

As required by the above mentioned Article 11 of the Regulation, the statement shall be received by the Commissioner not later than ninety (90) days after the end of the fiscal year of the IBE'S.

Enclosure:

HC/nfl

INDEPENDENT AUDITORS' COMPLIANCE REPORT

The Board of Directors of

We have audited, in accordance with generally accepted auditing standards, the balance sheets of _____ (a wholly-owned subsidiary of _____ and subsidiary as of _____ and _____ and the related statements of income, changes in shareholder's equity and cash flows for the years then ended and have issued our report thereon dated _____.

The audits referred to above included tests of the records and documents relating to the Bank's compliance with Regulation No. 4324 of the Commissioner of Financial Institutions established to regulate the procedure to be followed in the implementation of "The International Banking Center Regulation Act". In conducting our audits nothing came to our exceptions that are reportable.

This report is solely for the purpose of complying with the provisions of Article 11-(b) (2) of Regulation 4324 and is not to be referred to for any purpose or distributed to anyone not related with the administration of the aforementioned regulation.

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS
OF PUERTO RICO
INTERNATIONAL BANKING CENTER

REGULATION NUMBER 4324



TO COMPLEMENT AND IMPLEMENT ACT NO. 52 OF
AUGUST 11, 1989, KNOWN AS THE INTERNATIONAL
BANKING CENTER REGULATORY ACT.

ARTICLE 1. SHORT TITLE

This Regulation shall be known as "Regulation of the International Banking Center Regulatory Act" (hereinafter referred to as the "Regulation").

ARTICLE 2. AUTHORITY

This Regulation is adopted pursuant to the authority conferred by Act No. 52, approved August 11, 1989, known as "The International Banking Center Regulatory Act" (the "Act"), Act No. 4 of October 11, 1985, as amended, known as "The Commissioner of Financial Institutions Act", and in accordance with Act No. 170 of August 12, 1988, as amended, known as "The Commonwealth of Puerto Rico Uniform Administrative Procedures Act".

ARTICLE 3. PURPOSE

This Regulation is adopted with the purpose of complementing and clarifying the Act, and will be applied to all International Banking Entities (IBE) established or to be established in the future in Puerto Rico under the Act.

ARTICLE 4. DEFINITIONS

For purposes of this Regulation:

- (a) "Commissioner"- means the Commissioner of Financial Institutions.
- (b) "Parent Company" - means any juridical person who directly or indirectly controls more than twenty five percent (25%) of the interest

in the capital of an IBE or who controls in any manner the election of the majority of the governing body of such IBE.

- (c) "Demand Deposits Solely for Commercial Purposes" - means deposits made by juridical persons which are not interbank deposits, where the depositor has the right to make withdrawals at will and which are derived from and are used for commercial, industrial, agricultural or service activities.
- (d) "IBE" - means an International Banking Entity to which a license has been issued pursuant to Section 7 of the Act.
- (e) "Person" - means an individual, corporation, partnership, association, unit, trust or estate, syndicate or enterprise of any kind, government instrumentality, political subdivision or agency thereof.
- (f) "Domestic Person" - means any natural person who is a resident of Puerto Rico, or a person incorporated, organized or authorized to operate under the laws of Puerto Rico, or a juridical person whose principal place of business is located in Puerto Rico, and the government or any instrumentality, political subdivision or agency of the Commonwealth of Puerto Rico. An IBE will not be considered a domestic person for purposes of the Act and this Regulation.
- (g) "Foreign Person" - means any person who is not a domestic person.
- (h) "Resident of Puerto Rico" - means any person who has established himself in Puerto Rico with a definite purpose or interest, the nature of which requires a lengthy stay in Puerto Rico. Such person must make Puerto Rico his home temporarily, even when his intention is to return to his domicile outside Puerto Rico after the purpose or interest that originally brought him to Puerto Rico has been terminated or abandoned. Such person shall be deemed to be a resident of Puerto Rico from the date on which he establishes his residence in Puerto Rico, even if temporarily. In order to be considered a resident of Puerto Rico for purposes of this Regulation, such person must be subject to Puerto Rico income taxes.
- (i) "Subsidiary" - means any IBE whose capital is controlled twenty five percent (25%) or more by another person or any IBE in which



the election of the majority of the governing body is controlled by another person.

- (j) "Unit" - means any subdivision or branch of any person other than an individual, whose business and operations are separated and distinct from other businesses and operations of such person, as may be required by the Act.

ARTICLE 5. ORGANIZATION

Every IBE must meet the following requirements in its organization:

- (a) Shall be organized only as a corporation, partnership, trust, association, or any other similar juridical person or as a unit thereof. No permission to organize or licenses to operate will be granted to individuals.
- (b) The name of the IBE must include the words "International", "Foreign" or "Overseas" or other similar words which connote the international character of the IBE. No IBE may be organized using the same name or one which resembles the name of any other organization so as to be confusing.
- (c) Will obtain acceptable office space in Puerto Rico, wherein the IBE will conduct its business with the required personnel and will maintain the necessary records, documents and equipment. In the event that the IBE is a unit of another person, said premises and the activities of the IBE must be separated from any other activity being performed by the person of which the IBE is a unit.
- (d) The IBE shall have authorized or proposed capital of at least five million dollars (US \$5,000,000), and paid-in capital of at least two hundred fifty thousand dollars (US \$250,000).
- (e) It shall possess and maintain in Puerto Rico at least three hundred thousand dollars (US \$300,000) in unencumbered assets or financial guarantees acceptable to the Commissioner. Such guarantees may consist of deposits in the Government Development Bank for Puerto Rico or The Economic Development Bank for Puerto Rico or in banks in Puerto Rico, subject to withdrawal with the written consent of the Commissioner, or bonds and obligations of the Commonwealth of Puerto Rico, its municipalities or instrumentalities. The Com-

missioner may establish other financial instruments, terms and conditions for compliance with this requirement.

- (f) Upon commencement of operations, every IBE shall employ a minimum of six (6) full-time persons in its offices in Puerto Rico. During the first twelve (12) months of operations, at least forty percent (40%) of all its full-time employees shall be residents of Puerto Rico; during the second twelve (12) month period of operations at least sixty percent (60%) of all its full-time employees shall be residents of Puerto Rico; during the third twelve (12) month period of operations at least eighty percent (80%) of all its full-time employees shall be residents of Puerto Rico, and from then on, all of its full-time employees shall be residents of Puerto Rico. The full-time employees of a person of which an IBE is a unit who render substantial and continuous services to such unit shall be deemed to be full-time employees of such unit for purposes of the employment requirements hereinabove mentioned.

ARTICLE 6. APPLICATION PROCEDURE AND GRANTING OF PERMIT.

(a) Application for a Permit

Every application for a permit to organize an IBE shall be in writing in the forms prescribed by the Commissioner and shall be sworn by the applicant and notarized by a notary public authorized to practice in Puerto Rico. Said application shall be submitted together with the additional documents required in the application form and a ten thousand dollars (US \$10,000) nonrefundable fee in the forms of a draft, official check or certified check payable to the Secretary of the Treasury of Puerto Rico.

(b) Investigation

The Commissioner shall investigate all the data and information furnished in the application and all other additional information which he may deem pertinent, such as the financial capacity and experience of the applicant, as well as the character, integrity and experience in or knowledge of in banking or international business of applicant's management. In every application, the Commissioner shall investigate any person



who holds or controls or intends to hold or control ten percent (10%) or more of the interest in the capital of the IBE, without this being understood as a limitation to the investigative power of the Commissioner.

(c) Approval or Denial

After the required investigation, the Commissioner shall approve or deny the permit to organize an IBE, which permit, if approved, shall contain the permitted activities in which a proposed IBE may engage once the license is issued and may include any conditions which the Commissioner may deem necessary. The permit cannot be sold, transferred, assigned, encumbered or in any way pledged in favor of another person.

The granting of a permit pursuant to this Article does not give a right to commence operations until a license is issued under Article 7 of this Regulation.

(d) Term of the Permit

Every permit granted by the Commissioner shall be in effect for a period of six (6) months from the date it was granted, during which time the IBE shall be organized and the application for the corresponding license filed. In meritorious or exceptional cases, the permit may be renewed at the Commissioner's discretion.

(e) Continuous Obligation to Inform

The holder of the permit shall have the obligation to inform the Commissioner of any material change in the information submitted with the application for a permit. Failure to notify any material change shall constitute just cause to revoke the permit.

(f) Suspension or Revocation

The Commissioner may suspend or revoke a permit for just cause. If denied, suspended or revoked, the applicant may apply for an administrative hearing, which shall take place pursuant to the Regulation of Adjudicative Procedures of the Commissioner of Financial Institutions, as approved pursuant to Act No. 170 of August 12, 1988, as amended.

ARTICLE 7. GRANTING OF A LICENSE TO OPERATE AN IBE

(a) Filing of Documents

Once the permit is granted, the applicant shall file the following documents with the Department of State of the Commonwealth of Puerto Rico:

1. The articles of incorporation, the partnership agreement or any other written document which establishes the legal status of the IBE or of the person of which the IBE will be a unit, together, in the latter case, with the certification specified in Section 5(c) of the Act.
2. Copy of the permit granted by the Commissioner. The Department of State of Puerto Rico shall issue, under its official seal, a certification specifying that such documents have been filed. It is the responsibility of the applicant to submit such certification to the Commissioner before the license is granted.

(b) Approval or Denial of the License

The Commissioner may grant (or if deemed pertinent, conditionally grant) or deny the requested license after receiving and approving the following documents and evidence:

1. the Certification from the Department of State referred to in Section 7(a) of this Regulation;
2. evidence of payment of the annual license fee in the amount of five thousand dollars (US \$5,000). The license issued by the Commissioner shall identify the activity or activities authorized to the IBE as stated in article 10 of this Regulation. The Commissioner shall evaluate the business experience and history of the applicants in each area;
3. a copy of all the documents filed with the Department of State of Puerto Rico in compliance with Article 7(a) of this Regulation;
4. a copy of the by-laws or internal regulations adopted by the Board of Directors or the governing body of the IBE or of the person of which said IBE will be a unit, certified by the secretary or person who acts in a similar capacity, authenticated by a notary public;
5. evidence that the IBE has a suitable place in which to conduct its activities;
6. evidence that the capital of the IBE has been subscribed, issued and paid or assigned in the case of a unit, and that the IBE



- b. If the activities and operations of the IBE are contrary to the highest norms of banking and financial prudence to the point of risking the financial soundness and operational adequacy of the IBE or are not carried out in a manner compatible with the public interest.
 - c. If it is discovered or determined that the applicant submitted false information, documentation or evidence.
2. Any IBE or the person of which the IBE is a unit may surrender its license by filing with the Commissioner a notarized sworn statement clearly expressing its decision to surrender such license no later than (45) forty five days prior to the date in which it intends to cease operations and surrender the license. After receipt of the license by the Commissioner or by the designated official, the Office will proceed to perform the investigations, audits and exams which may be deemed necessary or convenient to authorize the cessation of operations of said IBE.




Upon completion of the investigations by the Office of the Commissioner, he may postpone or authorize, with or without the imposition of certain restrictions or conditions, the cessation of the operations of the IBE in question upon surrender thereof. Any IBE which surrenders its license shall comply with each and every one of the conditions imposed by the Commissioner to cease operations.

3. If he deems it necessary or convenient, the Commissioner shall order the dissolution and/or liquidation of the IBE whose license has been suspended, revoked or surrendered pursuant to Section 17 of the Act.

**ARTICLE 8. AMENDMENTS TO THE CHARTER: ISSUANCE OF
ADDITIONAL CAPITAL**

- (a) Any amendment to the documents establishing an IBE, shall require the prior written approval of the Commissioner and shall comply with the provisions of Section 8 of the Act.

- complies with the minimum requirement of unencumbered assets in accordance with the provisions of Article 5(e) of this Regulation;
7. evidence that the person of which the IBE is a unit or a subsidiary has complied with all the requirements of any regulatory agency responsible for supervising the activities of such person in the jurisdiction of its origin with respect to the establishment of a branch or subsidiary outside of said jurisdiction. Such evidence may consist of a certification issued by the regulatory agency or a legal opinion acceptable to the Commissioner;
 8. a statement or resolution authenticated by a notary public in which the Board of Directors, or the governing body, or the person who acts in a similar capacity, of the IBE or of the person of which the IBE is a unit, indicates that the IBE has complied with all the terms and conditions of the Act and this Regulation and that it is ready to commence operations;
 9. any other document or information which the Commissioner may have required during the process of the granting of the permit and prior to the granting of the license.



Once the license is granted, the same will be effective on the date of its issue by the Commissioner until the expiration thereof, unless the same is suspended, revoked or renounced. A copy of the license shall be filed in the Department of State of Puerto Rico by the IBE no later than ten (10) days after it has been granted.

A license issued to operate an IBE may not be sold, assigned, transferred, pledged, used as a security or in any way encumbered and any action contrary to this section will result in the immediate revocation of the license.

(c) Suspension, Revocation or Surrender of the License

1. The Commissioner may suspend or revoke a license to operate an IBE for any of the following reasons:
 - a. For any violation of the Act, rules, regulations and orders issued under the Act or of any condition imposed by the Commissioner in writing when granting a permit or license to operate an IBE.

- (b) Any issuance of additional shares of capital stock or issuance of additional capital by an IBE not made directly to the stockholders or owners identified in the application for a permit originally filed with the Commissioner, shall require the Commissioner's prior written approval. Such approval shall be requested from the Commissioner at least thirty (30) days prior to the proposed issuance.
- (c) Every issuance of additional shares of capital stock or issuance of additional capital made directly to the shareholders or owners of an IBE previously identified in the application for a permit shall be notified to the Commissioner within ten (10) business days from the date of such issuance.

ARTICLE 9. CHANGE IN CONTROL

(a)(1) Every IBE, except those organized as a unit of another person, shall obtain the prior written approval of the Commissioner for any sale, encumbrance, assignment, merger, barter, exchange or other transfer of ten percent (10%) or more of the stock, interest or participation in the capital of said IBE or person, to a person or group of persons acting in concert, in a single transaction or a series of transactions for that purpose, or which results in the ownership or control by any person or group of persons acting in concert, of ten percent (10%) or more of the stock, interest or participation in the capital of said IBE.

Said authorization shall be requested at least thirty (30) days prior to the proposed date of said transaction.

(2) Notwithstanding the provision of section (a)(1) hereinabove, a parent company may sell, encumber, transfer, merge, exchange or otherwise transfer all or any of its stock, interest or capital participation in such IBE to any other person, that is not an individual, that is owned by, owns, or is under common ownership or control with such parent company without prior approval of the Commissioner, provided however, that the IBE shall notify the Commissioner of all the details of such transactions within ten (10) days following their consumation.



- (b) Every IBE organized as a unit and every person of which said IBE is a unit shall notify the Commissioner of any transaction described in paragraph (a)(1) above, within thirty (30) days of the same. Once the required notification has been submitted, the Commissioner shall evaluate the person or persons involved to determine whether or not said transaction affects the IBE, the International Banking Center or the public interest.
- (c) Any sale, encumbrance, assignment, merger, barter, exchange or other transfer made in violation of paragraphs (a) and (b) of this Article 9 or as a result of which the Commissioner has reason to believe that the IBE, the International Banking Center or the public interest may be affected, shall be cause for revocation of a license.

ARTICLE 10. PERMITTED ACTIVITIES

The license granted to an IBE shall empower it to perform the activities authorized by the Act and this Regulation as described below. The IBE shall request the activity or activities in which it desires to engage using the forms prescribed by the Commissioner. The authorization to perform the activities requested shall be made taking into consideration the experience and business history of the IBE in said business categories:

(a) **Commercial Banking**

Under this category the IBE may perform the following activities:

1. Accept deposits, including demand deposits solely for commercial purposes and interbank deposits or otherwise borrow money from another IBE and from any other foreign person.
2. Issue obligations to foreign persons.
3. Make, procure, place, guarantee or service loans; provided that no such loans may be made to a domestic person.
4. Issue, confirm, notify, negotiate or refinance letters of credit, provided that the client and the beneficiary requesting the letter of credit are not domestic persons.
5. Discount, rediscount, deal or otherwise trade in money orders, bills of exchange and similar instruments, provided that the drawer and the original obligor are not domestic persons.

6. Participate in foreign exchange transactions with foreign persons.
7. Engage in international trade financing of import, export, barter and exchange of raw materials and finished products in which domestic persons participate, when the Commissioner so authorizes in writing, after determining that the local commercial financial community is not interested in competing in those activities.

* (b) **Securities**

Under this category an IBE may perform the following activities:

1. Underwrite, distribute and otherwise trade in securities, notes, debt instruments, drafts and bills of exchange issued by a foreign person for ultimate purchase outside of Puerto Rico by foreign persons.
2. Purchase and sell securities issued by a foreign person outside of ~~Puerto Rico~~ for foreign persons and provide investment advise to such foreign persons.

* (c) **Insurance**

Under this category an IBE may perform the following activities:

1. Engage in insurance brokerage for risks or other objects which are located or will be executed outside of Puerto Rico, subject to the regulations and prior written approval of the Insurance Commissioner of Puerto Rico.
2. Underwrite insurance for risks or objects that reside, are located in or will be executed outside of Puerto Rico subject to the regulations and prior written approval of the Insurance Commissioner of Puerto Rico.

The Commissioner of Insurance, through his regulations shall have the authority to regulate the operation and supervision of the activities of the IBE related with the brokerage business and the business of underwriting foreign risks under the Act. Every IBE authorized to perform said insurance business shall comply with the provisions established in said regulation. Said IBE shall maintain the accounts, contracts, files and other documentation related to insurance, separate and distinct from any other transactions and shall have the same available for easy identification and analysis by the Commissioner of Insurance or his authorized representatives. The Commissioner of Insurance may charge for exams and audits

following his customary practice in accordance with the guidelines established in his regulation.

(d) Fiduciary Services

Under this category, an IBE may act as fiduciary, executor, administrator, registrar of stocks and bonds, custodian of property, assignee, trustee, attorney-in-fact, agent or in any other fiduciary capacity, provided that such fiduciary services are not offered to, or inure to the benefit of domestic persons. The trusts may be organized under the laws of the Commonwealth of Puerto Rico or the laws of any foreign country as determined by the IBE.

(e) Financial Leasing

Under this category the IBE may acquire and lease personal property at the request of and for the use of a lessee who is a foreign person.

(f) Clearinghouse

Under this category an IBE may act as a clearinghouse with respect to financial contracts or instruments of foreign persons or other IBEs.

(g) Management Services

Under this category an IBE may organize, manage and provide management services to international financial entities, such as investment and mutual funds companies, provided that the stock or participation in the capital of such companies is not distributed directly by the IBE to domestic persons.

(h) General Activities

In addition to the aforementioned activities listed by categories, any IBE may carry out the following activities:

1. Make deposits in the Government Development Bank for Puerto Rico, The Economic Development Bank for Puerto Rico, any bank, including banks duly organized and authorized to operate in Puerto Rico and any other IBE.
2. Invest for its own account in securities, stocks or obligations issued by foreign persons, the Government Development Bank for Puerto Rico, the Economic Development Bank for Puerto Rico or any other instrumentality of the Commonwealth of Puerto Rico.

at least the account number and the name, physical and mailing address and the occupation of the depositor(s). The demand deposits shall identify the commercial activity from which the funds are derived.

3. Every IBE is subject to the inspection and supervision of the Commissioner who will examine the operations of the IBE. An examination fee of two hundred dollars (\$200.00) per day or fraction thereof shall be charged to each IBE per examination, for each examiner who participates in the examination. Payment shall be made by check issued to the order of the Secretary of Treasury of Puerto Rico no later than thirty (30) days following the date of the invoice. The records of the IBE and the working documents of the independent auditors must be available for examination by the Commissioner's examiners for a period of at least five (5) years after the closing of the fiscal year of the IBE in which the records were made.

(b) Reports

Every IBE must remit to the Commissioner:


1. A report of its condition and results of operations as of the last day of each quarter of the year, in the form prescribed by the Commissioner, within thirty (30) days after the close of each quarter, and,
2. its annual audited financial statements at the close of its fiscal year or of the person of which the IBE is a unit, prepared consistently with the reports of condition filed quarterly. Together with said financial statements, a declaration shall be included stating that the IBE is complying with the Act and this Regulation, certified by an independent Certified Public Accountant authorized to exercise under the laws of Puerto Rico. The financial statements shall be received by the Commissioner not later than ninety (90) days after the end of the fiscal year of the IBE and the same must comply with the generally accepted accounting principles or with equivalent requirements of other jurisdictions, with the adjustments, notes and explanations necessary to comply with the generally accepted accounting principles.

3. Borrow money from any foreign person, from any other IBE and, when said loans are duly collateralized and guaranteed, from the Government Development Bank for Puerto Rico and the Economic Development Bank for Puerto Rico at their discretion and pursuant to their lending criteria.
4. Engage, with the authorization of the Commissioner, in any activity of a financial nature outside of Puerto Rico which would be allowed, directly or indirectly, to a bank holding company or a foreign office or subsidiary of a bank of the United States under the applicable United States law.
5. Any other activity incidental to the ones previously authorized and other activities expressly authorized by the Commissioner.


Every IBE may perform the authorized activities in the currency of any country or in gold or silver.

ARTICLE 11. RECORDS, REPORTS, AND SUPERVISION

(a) Accounts and Records

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1. Every IBE must maintain accounts and records of all the transactions performed by it in the normal course of its operations. The records of the IBE shall consist of entries written in ink or typewritten, computerized printouts and other legible printed forms. A complete set of accounting books and records shall be kept in the IBE's place of business in Puerto Rico. The accounting books and records of the IBE shall be separate and apart from the accounting books of any other person, including the person of which the IBE is a unit or subsidiary.
 2. The records of lending transactions and other extensions of credit must include original documents or photocopies and information which includes account number, the name, physical and postal address and occupation of the debtor, a declaration of the proposed use of the loan and the terms and conditions of the same.


The IBE shall have the flexibility to manage and identify the deposit accounts in its possession as it may deem appropriate, provided it maintains in its files a record of every account available for examination by the Commissioner or his authorized representatives, which includes



ARTICLE 12. CONFIDENTIALITY

The information obtained by the Commissioner as a result of any investigation or report or provided by the IBE or its organizers, stockholders or owners with the purpose of obtaining a permit or license or to comply with any part of the Act shall be kept confidential and must not be disclosed to any person, except as required in compliance with a judicial order or summon legally issued.

The information related to the identity, financial statements, transactions and client's accounts obtained by the directors, officers, employees and agents of the IBE or persons involved with its business such as lawyers, auditors or accountants and others, shall be kept confidential, except when requested by the Commissioner or the Commissioner of Insurance or consented by the client or to comply with a judicial summon legally issued by a court of competent jurisdiction in Puerto Rico.



When the Commissioner has basis to believe that the confidentiality provisions herein contained have been violated or that there has been an attempt to disclose confidential information, he will take the necessary action pursuant to section 18 of the Act, including the suspension or destitution of the director, officer or employee of the IBE involved in said violation, and shall impose upon the IBE as well as on the offending individuals, the corresponding administrative fines pursuant to the Act and in accordance with the magnitude of the violation, not to exceed five thousand dollars (US \$5,000) per violation.

The Commissioner may disclose consolidate and aggregate statistical data with respect to the activities of IBE's as an industry.

ARTICLE 13. REMEDIES AND PENALTIES

(a) Cease and Desist Orders

The Commissioner may issue cease and desist orders and orders of immediate action and take the administrative actions conferred upon him by the Act and by Act No. 4 of October 11, 1985, as amended, when in the Commissioner's opinion there has been a violation or an attempt to violate the Act or the Regulation or an action has been taken which may jeopardize the public interest in general or a particular person. If an order to cease and desist is issued, the

IBE or the person to whom the order is issued may request an adjudicative hearing that will be held pursuant to the provisions of the Regulation for Adjudicative Proceedings of the Office of the Commissioner of Financial Institutions, adopted under Act No. 170 of August 12, 1988.

(b) **Penalties**

Any violation of the Act or this Regulation shall be punished with the penalties established by the Act, and if the Act does not provide a penalty, the Commissioner may impose the administrative fine which he deems appropriate, which shall not be less than five hundred dollars (U.S. \$500) nor more than five thousand dollars (U.S. \$5,000) per violation.

ARTICLE 14. EXCLUSION CLAUSE

Act No. 60, approved June 18, 1963, as amended, known as the "Uniform Securities Act of Puerto Rico", shall not apply to transactions of securities conducted by an IBE with foreign persons in connection with securities issued outside of Puerto Rico, provided that the IBE is authorized to perform such activity under the Act.

ARTICLE 15. REPEAL

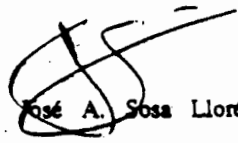
Regulation No. 3175 to implement Act. No. 16 of July 2, 1980, as amended, is hereby repealed.

ARTICLE 16. EFFECTIVE DATE

This Regulation shall become effective thirty (30) days after it has been filed in the Department of State of the Commonwealth of Puerto Rico, pursuant to the provisions of Act No. 170 of August 12, 1988.

ARTICLE 17. APPROVAL DATE

Approved in San Juan, Puerto Rico this day 6th of September 1990.


José A. Sosa Lloréns
Commissioner