

ACT 273 -2012

To regulate the organization and operation of international financial entities in Puerto Rico authorized by the Office of the Commissioner of Financial Institutions, to provide tax benefits, to permit consent decrees, to establish penalties, and other related purposes.

STATEMENT OF PURPOSE

Act 52-1989, as amended, known as “The International Banking Center Regulatory Act” was enacted as an adequate instrument to transform Puerto Rico as an important international banking center. Also, Act 73-2008, known as “Economic Incentives for the Development of Puerto Rico Act” and similar laws from previous years, established that several type of financial services for foreign markets were considered eligible services in order to obtain a decree. As of June 30, 2011, there were 31 international banking entities operating in Puerto Rico with total assets of approximately \$43.6 billion and only five (5) entities with tax exemption decree to offer financial services in foreign markets. It is understood that Act 52-1989 and Act 73-2008 have serve as a baseline to promote Puerto Rico as an international financial center. But to achieve the level of desired exposure and development, it is necessary that the law that would regulate this economic activity be more attractive. For such purposes, it is proposed the approval of a new law that will allow for the international financial entities to carry out business and authorized activities in a more competitive and efficient manner.

The export of services is an economic activity that has been identified as one of the crucial pieces for the economic development of Puerto Rico and the financial services are not an exception. This is one of the strategies proposed in the Strategic Model for a New Economy (“MENE”, for its Spanish acronym) as strategic plan of this Administration to return to economic growth of the Island. The plan established in the MENE is to foster the development of local companies to expand it capacity to export goods and services competitively worldwide, attract foreign service suppliers with new capital which in turn would boost the export of services and insert Puerto Rico fully in the global economy.

Through this Act, and in conjunction with the Law to Promote the Export of Services, seeks to expand the potential market of the International Financial Center of Puerto Rico and significantly increase the promotion and awareness of the Island through financial circles around the world.

The main benefits of an international financial center in Puerto Rico are the expansion of the service sector, the direct and indirect creation of employment and growth in the economic activity. Puerto Rico offers many favorable conditions to

perform international financial transactions, such as political stability, the soundness of its banking system, the close economic relationship with the United States, the high degree of professionalism, bilingualism and technical capacity of its human resources, a unified market and monetary system, its privileged geographical position and a communications network developed properly.

To meet the purposes hereinafter mentioned, the law provides for the organization of international financial entities under the regulation of the Commissioner of Financial Institutions, which in some cases may obtain a decree of the Department of Economic Development and Commerce that would include tax benefits for the duration of the decree to achieve income tax rate from 4% to 2% in some cases. The granting of a decree solidify the presence of international financial entities in Puerto Rico for a certain term and promote the export of financial services to foreign markets, expanding the possibilities of economic growth on the Island.

ENACTED BY THE LEGISLATURE OF PUERTO RICO

Section 1.-This Act will be known as the "International Financial Center Regulatory Act".

Section 2.-Definitions.-

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

- (a) Bank Secrecy Act or "BSA."- refers to the federal law, entitled "Currency and Foreign Transactions Reporting Act," better known as the "Bank Secrecy Act" (BSA), codified at 31 USC Sections 5311-5330 and 12 USC Sections 1818 (s), 1829 (b), and 1951 to 1959, or any law that would replace or amend it.
- (b) Code.-refers to Act 1-2011, known as the Internal Revenue Code for a New Puerto Rico or any law that would replace or amend it.
- (c) Commissioner.-The Commissioner of Financial Institutions as defined by the Act No. 4 of October 11, 1985, as amended.
- (d) International banking entity.- A person, other than an individual, which has been issued a license to operate as international banking entity pursuant to Section 7 of Act No. 52 of August 11, 1989, as amended, known as the "International Banking Center Regulatory Act", and has not been converted into an international financial entity in accordance with the provisions of Section 27 of this Act.

- (e) International financial entity.-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 that person, which has been issued a license pursuant to Section 8 of this Act.
- (f) United States.-The United States of America, including any state in the nation, the District of Columbia, and every possession, territory, political subdivision or agency thereof, excluding Puerto Rico.
- (g) Insolvency.-Refers to the financial condition in which an international financial entity may find itself or the person of which an international financial entity is a unit, when it is unable to pay its debts as they become due or when its paid-in capital has been reduced to less than one third (1/3).
- (h) OFAC.-refers to the "Office of Foreign Asset Control of the United States Department of the Treasury".
- (i) Person.-An individual, corporation, partnership, association, unit, trust or estate, syndicate or enterprise of any kind, government, its agencies, instrumentalities, political subdivisions, public corporations, or other entities of the Government of Puerto Rico.
- (j) Domestic person-Any natural person who is a resident of Puerto Rico, a person incorporated or organized under the laws of Puerto Rico, or a person whose principal place of business is located in Puerto Rico, or a foreign corporation that has an office that under the Code provisions deemed doing business in Puerto Rico, and the Government of Puerto Rico, its agencies, instrumentalities, political subdivisions, public corporations, or other entities of the Government of Puerto Rico. The Secretary of the Treasury may establish by regulation those instances in which this definition excludes foreign corporations doing business with offices in Puerto Rico.
- (k) Foreign person-Any person who is not a domestic person.
- (l) Regulations of the Commissioner- Rules and regulations adopted or to be adopted in the future by the Commissioner, pursuant to Section 3 of this Act. This concept also includes those regulations adopted or to be adopted in the future by the Commissioner under the Act No. 4 of October 11, 1985, as amended, known as the "Law of the Office of the Commissioner of Financial Institutions" (the "Act No. 4") and any regulations adopted or to be adopted in the future by the Commissioner

under any of the laws that the Commissioner manages, when such Regulations of the Commissioner results applicable to the activity to which the international financial institution intends to pursue.

- (m) Resident of Puerto Rico.-Will have the same meaning provided in the Code and applicable regulations under the Code.
- (n) Unit,-Includes any subdivision or branch of any person other than an individual, whose business and operations are segregated from other business and operations of such person, as required by this Act.
- (o) USA Patriot Act,-Refers to the "Law for the Uniting and Strengthening of America through the Appropriate Tools to Intercept and Obstruct Terrorism", as amended, 115 Stat. 272 (2001).

Section 3.-Authority and duties of the Commissioner.-

- (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 by the regulations of the Commissioner;
 - (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 financial entities;
 - (5) approve, grant conditional approval, or deny applications for permits and licenses to operate international financial entities; any person whose application has been denied or conditionally approved may request a hearing pursuant to the regulations provided in the Section 20 of this Act;

- (6) supervise, inspect, and audit international financial 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 financial entity at least once a year, which shall include an audit of the financial condition of each international financial 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 financial entities and ensure that they comply with the laws and regulations of the Commissioner and with any other provisions or requirement which the Commissioner may require by order or regulations;
- (9) revoke or suspend a license to operate an international financial entity or impose any sanctions he may deem necessary and convenient pursuant to the Regulations of the Commissioner; 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 on Section 20 of this Act;
- (10) suspend, remove or otherwise sanction any director, official, employee, agent or individual acting similar in capacity for an international financial entity, who violates, or voluntarily allows another person to violate this Act, the Regulations of the Commissioner or any order or provision of the certificate of incorporation, partnership agreement or any written document established by the international financial entity; any individual who is suspended, removed or sanctioned may request a hearing pursuant to the regulations provided in the Section 20 of this Act;
- (11) perform studies and investigations, at the request of an interested party or on its own initiative, on matters authorized or alleged violations of this Act or Regulations of the Commissioner, and for such purposes may require the information necessary, relevant and essential for such purposes, and any other investigations required for the proper administration of the Act or Regulations of the Commissioner. For purposes of this subsection, the international financial entity will be responsible for the costs of any special

- investigation that the Commissioner understands to be needed, and
- (12) carry out other activities or establish procedures that are incidental to the compliance with his duties under this Act.
 - (b) 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.
 - (c) If a person fails to comply with a summons or requirement issued by the Commissioner, the latter may seek whatever remedy may be legally applicable, from the Court of First Instance of Puerto Rico; the court with jurisdiction may order such person to comply with the summons of the Commissioner, under admonition of contempt of court.
 - (d) Besides all the faculties and powers conferred to the Commissioner by this Act, as supervisor of the international financial entities, the Commissioner shall have all the powers to monitor and fiscalize the financial institutions that are conferred to him by Act No. 4 including, but not limited, to the power of investigation, examination, procedures of voluntary or involuntary liquidation and prosecution of several actions for the enforcement of this Act or penalize its violation.
 - (e) Within the term of ninety (90) days after the closing of each fiscal year of the Government of Puerto Rico, the Commissioner shall remit to the Treasury Department, to be covered into the General Fund of the Government of Puerto Rico, seven point five percent (7.5%) of the net income obtained from his functions related to this Act for such fiscal year.

Section 4.-Interest rates and reserves.-

The Commissioner may not establish interest rates to be paid or charged by an international financial entity.

Notwithstanding the above, in cases of international financial entities that are expressly authorized by its license to receive deposits pursuant to the provisions of Section 12 (a) (1) and (2), the Commissioner may establish reserve requirements, which in no case shall exceed twenty percent (20%) of the total demand deposits maintained by the international financial entity (except the demand deposits maintained from the Government Development Bank for Puerto Rico and the Economic Development Bank of Puerto Rico duly secured with acceptable collateral). The Commissioner shall establish

the level requirements of the reserve, its calculation and other details on the licenses concerned or by regulation, circular letter or other statement.

Section 5.-Organization.-

- (a) An international financial entity may be:
 - (1) Any person, other than an individual, incorporated or organized under the laws of Puerto Rico, of the United States, or any other country, or
 - (2) Only in those cases where the Commissioner otherwise authorized, a unit of another person, other than an individual, incorporated or organized under the laws of Puerto Rico, the United States or any other country.
- (b) The articles of incorporation, the partnership agreement or any other written document establishing an international financial entity shall specify:
 - (1) The name by which it is to be known.
 - (2) The street, number and municipality 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) or such higher amount as required by the Commissioner, and of which at least two hundred and fifty thousand dollars (\$250,000) shall be fully paid-in at the time the license is issued in accordance with the provisions of Section 8 of this Act. The Commissioner may authorize a lesser authorized and/or paid-in capital, by request of the interested party and when the type of business or powers that the international financial entity intends to exercise or when other circumstances at the discretion of the Commissioner so warrant it. It will also be specified 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, it must be specified in the application, the date of the 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 a corporation, the amount of its authorized capital stock, which shall not be less than five million dollars (\$5,000,000) such higher amount as required by the Commissioner, 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 8 of this Act. The Commissioner may authorize a lesser proposed and/or paid-in capital, at the request of an interested party when the kind of business or powers that intend to perform the international financial entity or when other circumstances at the discretion of the Commissioner so warrant it.

(C) In the case of a corporation or person other than a corporation whose operations as international financial entity are related solely to the generation of income through the provision of services permitted under Section 12 (a) (23) and (24) of this Act, the amount of capital proposed or authorized shares, as applicable, of not less than five hundred thousand dollars (\$500,000), or such higher amount as required by the Commissioner, and of which at least fifty thousand dollars (\$50,000) must be fully paid at the time the license is issued pursuant to the provisions of Section 8 of this Act. The Commissioner may authorize a lesser proposed and/or paid-in capital, at the request of an interested party when the kind of business or powers that intend to run the international financial entity or when other circumstances at the discretion of the Commissioner, so warrant it.

(D) The international financial entity shall maintain the number of fully paid-in capital in unencumbered assets or financial guarantees acceptable, or that lesser amount, at the request of the interested party and authorized by the Commissioner when the type of business or powers that the international financial entity intends to exercise or other circumstances at the discretion of the Commissioner so warrant. Unencumbered assets must be positioned in Puerto Rico and will be subject to the same requirements regarding provided by the Regulations of the Commissioner.

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

- (ii) Without prior written approval of the Commissioner, any international financial entity may issue:
 - (I) additional capital stock or other securities convertible into shares of additional capital, in the case of a corporation, or
 - (II) additional capital or other securities convertible into additional capital, in the case of a person other than a corporation.
- (iii) Notwithstanding the foregoing, in the case of a corporation, provided it does not exceed the authorized capital by the Commissioner, it may issue additional capital stocks or other securities convertible into capital stocks and in the case of a person other than corporation, issue additional capital or other securities convertible into additional capital, without the prior written approval of the Commissioner, provided that such additional capital stock or assets are issued directly to the shareholders of the international financial entity previously identified under Section 7 (b) (3) of this Act. In this case, the international financial entity will notify the Commissioner the details of such issue within ten (10) business days following the date of such issuance.
- (4) The name and address of the partners and other owners.
- (5) The term of its existence, which in the case of a corporation may be perpetual.
- (6) The purposes for which it is organized, including a specific limitation of its operations to carry out only those services authorized in Section 12 (a) of this Act, as listed on the license.
- (7) Any other provisions which may be convenient for the proper operation of the business. Such provisions shall not be in conflict with any other laws of Puerto Rico.
- (8) Any other provisions required by the Regulations of the Commissioner.

- (c) An international financial 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 municipality where the unit will maintain its principal place of business in Puerto Rico;
 - (3) the amount of authorized and paid-in capital of the person from whom the international financial entity will be a unit whose capital meets the requirements of this Act, as applicable. The Commissioner may authorize a lesser authorized, proposed and/or paid-in capital, at the request of the interested party and when the type of business or the powers seeking the international financial entity or other circumstances at the discretion of the Commissioner so warrant;
 - (4) the purposes by which the unit is authorized, including a specific limitation of its operations to carry out only those services authorized in the Section 12(a) of this Act, as listed on the license, and
 - (5) such other provisions as may be required by the Regulations of the Commissioner

Section 6.-Income Tax.-

- (a) Income derived by the international financial entities that obtain a decree under this Act, from the activities described in Section 12 (a) of this Act, shall be subject to a flat rate income tax of four percent (4%) on its net income, in lieu of any tax imposed by the Code, except as provided in subsection (b) of this Section.
- (b) General rule. - In the case of an international financial entity that functions as a unit of a bank, the net income, computed in accordance with the provisions of Section 1031.05 of the Code, derived by the international financial entity of the activities described in the Section 12 (a) of this Act that exceeds twenty percent (20%) of total net income in the taxable year derived by the bank which functions as a unit (including the income derived by the unit) will be subject to tax rates provided in the Code for corporations and partnerships.

- (c) It will not be considered as gross income from sources in Puerto Rico, for the purposes of Section 1035.01 (a) (1) and (2) of the Code, the interests, finance charges, dividends or partnership profits received from international financial entities duly authorized by this Act.
- (d) The provisions of Section 1062.08 of the Code, which impose the obligation to withhold at the origin an income tax in case of payments made to non-resident individuals, shall not apply to interest, finance charges, dividends or participations in profit sharing received from international financial entities duly authorized by this Act.
- (e) The provisions of Section 1062.11 of the Code, which impose the obligation to withhold at the origin an income tax if payments made to corporations and nonresident foreign corporations, or earning income effectively connected with a trade or business in Puerto Rico, not shall apply to interest, finance charges, share dividends or profits sharing received from international financial entities duly authorized by this Act
- (f) It will not be subject to the tax imposed by Section 1091.01 of the Code, the income derived by a nonresident foreign individual, consisting of interest, finance charges, dividends or the profit sharing received from corporate international financial entity duly authorized by this Act.
- (g) It will not be subject to the tax imposed by Section 1092.01 (a) (1) (A) of the Code, the income derived by a foreign corporation or partnership, consisting of interest, finance charges, dividends or the profit sharing received from international financial entities duly authorized by this Act.
- (h) The provisions of Section 1092.02 of the Code, shall not apply to an international financial entity duly authorized under this Act
- (i) The shareholders or partners residents of Puerto Rico of the international financial entities duly authorized by this Act, shall be subject to an income tax of six percent (6%) on dividends distributions or net income benefits from such international financial entity, including the alternate basic tax and the alternative minimum tax imposed by the Code, to the extent they have been subject to the flat rate of income tax provided in subsection (a) of this Section.
- (j) Nothing in this Section shall be construed as limiting the authority of the Secretary of the Treasury to apply to the international financial entity or any other person the provisions of Section 1040.09 of the Code.

Section 7.-Application for Permit.-

- (a) Any person, other than an individual, may apply to the Commissioner for a permit to organize an international financial 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 financial entity or the certification required by Section 5 of this Act;
 - (2) a nonrefundable application fee of five thousand dollars (\$5,000) to cover the cost of the initial investigation, and
 - (3) such other documents as may be specified or required by the Regulations of the Commissioner.

- (b) Every application shall include:
 - (1) the identity and business history of the applicants;
 - (2) the city or municipality 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 financial entity;
 - (4) a financial statement for each of the three (3) years preceding the application, of the assets and liabilities of any applicant and any person who owns or controls or attempts to possess or control ten percent (10%) or more of interest in the capital of the international financial entity or person to which the proposed international financial entity will be a unit;
 - (5) the identity and background of all proposed directors, and officials or persons who intend to act in a similar capacity in the international financial 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 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 financial entity;
 - (2) the adequacy of the capital available for the operations of the proposed international financial 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 financial entity; and
 - (4) the impact that the proposed international financial entity shall have on the economy of Puerto Rico.
- (d) Expenditures in excess of five thousand dollars (\$5,000) incurred the Commissioner in connection with the original investigation conducted shall be borne by the applicants by means of a deposit in accordance with the previous estimate. The Commissioner will claim such expenses incurred in the investigations to the petitioners.
- (e) Should the Commissioner determine that the results of his investigation are favorable, he may, at his sole discretion, issue the applicants a permit to organize an international financial entity, subject to such conditions set by the Commissioner.
- (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 financial entity, or those of the person of which the international financial entity shall be a unit, as well as the certification provided on Section 5(c) 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 8.- License.-

- (a) The Commissioner, at its discretion and upon such terms and conditions as are set forth in an administrative determination, may issue to the applicants a license to operate an international financial entity upon receipt of:
- (1) the certificate by the Department of State referred to in Section 7(f) of this Act;
 - (2) the annual license fee established by Regulation of the Commissioner to operate an international financial entity. The license fee shall be paid annually within fifteen (15) days prior to each anniversary of the issue date of the original license;
 - (3) a certified copy of the articles of incorporation, partnership agreement or other written document establishing the international financial entity or the certification of the person of which the international financial entity shall be a unit;
 - (4) a copy of the bylaws or internal governing regulations adopted by the Board of Directors or similar governing body of the international financial entity, which shall be certified by its Secretary or an individual acting in a similar capacity, before a public notary;
 - (5) evidence that the capital of the international financial entity has been subscribed to, issued and paid-in, under such conditions as the Commissioner establishes at his sole discretion;
 - (6) a statement authenticated before a public notary by the Secretary of the Board of Directors or the person acting in a similar capacity for the international financial entity or for the person of which the international financial entity shall be a unit, to the effect that the international financial entity has complied with the provisions of this Act and the Regulations of the Commissioners and it is ready to commence operations. 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 the Regulations of the Commissioner. Any person to whom a license has been denied, may request a hearing pursuant to the regulations provided in Section 20 of this Act;

- (7) as a requirement to obtain a license, every international financial entity must have at least three hundred thousand dollars (\$300,000) in unencumbered assets or acceptable financial guarantees, or such lesser amount as authorized by the Commissioner, at the request of an interested party, when the type of business or powers that the international financial entity intends to exercise, or other circumstances at the discretion of the Commissioner so warrant. Unencumbered assets must be physically located in Puerto Rico and will be subject to the requirements provided by the Regulations of the Commissioner, and
 - (8) an affidavit signed by the chief executive officer of the institution certifying, among other things, that the international financial entity has adopted and implemented systems and procedures necessary and appropriate to comply with the provisions of the "Bank Secrecy Act". Will also certify the efforts of the management of the institution relating to the implementation of the compliance program with the "Bank Secrecy Act" at the institution and that the necessary policies and procedures have been or will be adopted in the business to comply with the OFAC, as applicable.
 - (b) The license to operate an international financial entity will enumerate the powers permitted to the international financial entity. The international financial entity may only carry out those powers enumerated in the license issued by the Commissioner. A license issued under this Act will be issued as "International Financial Entity", or to the applicant, and to apply, as "under the International Banking Act 273-2012". Regardless of the quality in which the license is issued, either "International Financial Entity" or the "International Banking Entity" under Act 273-2012", the entity will be subject to all provisions of this Act
 - (c) No international financial entity shall commence operations unless it has been previously issued a license in accordance with the provisions of this Act.
 - (d) License Renewal
 - (1) Each license will remain in force until maturity, which will be the anniversary date in which the original license was issued.
 - (2) Every application for renewal of license shall be filed within thirty (30) days prior to the expiration date of each license. It should

contain: (i) a description of any material change in the information provided to the Commissioner in the initial license application, (ii) evidence that the concessionaire keeps the capital required by the Commissioner pursuant to the provisions of Section 5 of this Act, calculated in accordance with general accepted accounting principles (iii) the annual license fees amounting to five thousand dollars (\$5,000.00) for each office, by cashier's check, certified check, or money order, to order of the Secretary of the Treasury.

- (3) The Commissioner may extend the renewal period for just cause. If the dealer does not file the renewal application and/or does not pay the duties applicable to the term granted or during the additional time authorized by the Commissioner, if any, it shall mean that the applicant has renounced to the license to operate the international financial entity, and can not continue to operate the business.
- (4) Every international financial entity must accompany their application for a license or license renewal application with an affidavit signed by the chief executive officer of the institution certifying compliance with the provisions of the BSA as may be applicable. Among other things, the aforesaid certificate shall make reference to the systems and procedures that the institution has taken to implement the dispositions of the BSA, as applicable. Will also, certify the efforts of the management of the institution relating to the implementation of the compliance program with the BSA as it may apply in the institution and have adopted policies and procedures in the business to comply with the OFAC, as applicable.
- (e) When a license is issued to an international financial entity in accordance to this Act, the international financial entity will be taxed according to the tax rate established by the Internal Revenue Code for a New Puerto Rico, Law 1-2011, as amended. Notwithstanding the foregoing, the international financial entity may submit a copy of its license to the Secretary of Economic Development and Commerce and upon recommendation of the Secretary of the Treasury made within fifteen (15) days of the request, the Secretary of Economic Development and Commerce will issue a tax decree exemption which will detail all the tax treatment provided in this Act. If it is understood that it is in the best interests of the Government of Puerto Rico, the decree may have a term of fifteen (15) years with the intent of providing certainty about the tax treatment to the international financial entity applicant. As a requirement of the decree, and in accordance with regulations adopted, the Secretary of

Economic Development and Commerce may impose additional conditions on the international financial entity relevant to jobs or economic activity. Decrees under this Act shall be deemed a contract between the grantee, its shareholders, partners or owners and the Government of Puerto Rico, and the contract will be considered binding between the parties. The decree will be effective for a period of fifteen (15) years, beginning the first of January 2012 or on the date of issuance, if it is later, unless prior to the expiration of such term the license is revoked, suspended or not renewed, in which case the decree will lose its effectiveness at the date of such revocation or non-renewal, or during the period of suspension, as applicable. The decree shall not be transferable, but will not lose their effectiveness because of a change of control over the shares of the international financial entity, or by reason of a merger or consolidation thereof, or by reason of the conversion of the international financial entity to an entity for shares provided that the change of control, merger or consolidation or conversion, as applicable, is approved by the Commissioner. No new decree will be issued after December 31, 2019. However, any international financial entity possessing a decree issued under this Act that meets the requirements of employment, income, investment, or other factors set forth in the decree, may request the Secretary of Economic Development and Commerce, upon recommendation of the Secretary of Treasury, an extension of its decree for a period of fifteen (15) years for a total of thirty (30) years. The Secretary for Economic Development and Commerce, upon recommendation of the Commissioner and the Secretary of Treasury, may grant a second extension of the decree for a period of fifteen (15) years, for a total of forty-five (45) years if it is understood that the extension be in the best interests of the Government of Puerto Rico. In these cases the applicable rate will be between four and ten percent (4% -10%). The Secretary of Economic Development and Commerce, upon recommendation of the Commissioner and the Secretary of Treasury, will determine the rate that best safeguards the socioeconomic interests of Puerto Rico. Any recommendation required in this Section from the Secretary of the Treasury or the Commissioner shall be issued within fifteen (15) days following the application of the decree, a copy of which will be duly notified to the Secretary of the Treasury and the Commissioner on the same date of the application of the decree, or renewal of it, or it shall be deemed to have no objection to the determination of the Secretary of Economic Development and Commerce. The extension request must be filed with the Secretary of Economic Development and Commerce no more than twenty-four (24) months and not less than six (6) months before the expiration of the decree, and shall include the information required for that purpose by the Secretary of

Economic Development and Commerce as established by regulation, circular letter or administrative determination.

- (f) A holder of a license granted for an international financial entity under the provisions of this Act, shall:
- (1) adopt the business policies and procedures in writing to ensure that the international financial entity complies with applicable state and federal laws, including the Act, the "Bank Secrecy Act" and the "USA Patriot Act";
 - (2) comply faithfully with all applicable state and federal laws, and relevant international financial entity regulations, including this Act, the provisions of the "Bank Secrecy Act" and the "USA Patriot Act";
 - (3) file the reports on currency transaction or suspicious activity, as required by the "Bank Secrecy Act" and the "USA Patriot Act", when necessary, and
 - (4) have implemented the necessary rules and procedures in the business to comply with the OFAC, as applicable.

Section 9.-Amendments to articles of incorporation.-

- (a) No amendment whatsoever shall be adopted to the articles of incorporation, partnership agreement or other written document establishing an international financial entity or to any certification executed in accordance with Section 5 of this Act, unless the Commissioner has previously approved such amendment, in writing.
- (b) After the acceptance of any amendment to the articles of incorporation, partnership agreement or other written document establishing an international financial 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.-Transfer of capital or control of an International Financial Entity.-

- (a) Except as provided in the Regulations of the Commissioner, can not initiate the sale, encumbrance, assignment, merger, exchange, in lieu of or other transfer of shares or interest of an international financial entity. Nor may sell, offer, encumber, lease, exchange or otherwise transfer shares,

interests or shares in the capital of an international financial entity without the written approval of the Commissioner, if such transaction by a person could buy direct or indirect control of ten percent (10%) or more of any class of shares, interests or participation in the capital of an international financial entity.

- (b) Every merger, sale, pledge, exchange, assignment, in lieu of or other transfer of any capital shares, interests or participation in the capital of an international financial entity as set forth in subsection (a) of this Section, shall be void *ab initio* if prior written approval of the Commissioner is not obtained and the Commissioner may impose sanctions on the parties, as it deems appropriate.
- (c) The international financial 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 financial entity or if it would violate any law, rule or regulation applicable to the international financial entity, in which case the Commissioner may deny the authorization for such transaction; any person to whom such authorization is denied shall have the right to request a hearing pursuant to the regulations provided in Section 20 of this Act.

Section 11.- No transfer of license.-

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

Section 12.- Permitted transactions; prohibited transactions.-

- (a) Upon receipt of a license to operate an international financial entity in accordance with Section 8 of this Act and as specified in the license, an international financial entity may:
 - (1) With the prior approval of the Commissioner, accept deposits, from foreign persons in savings account as well as deposit accounts or time deposits, including demand deposits and deposits of funds between banks, or otherwise borrow from international financial entities and any foreign person under the Regulations of the Commissioner. All international financial entities may borrow funds provided that such transactions do not amount to acceptance of deposits.

- (2) With the prior approval of the Commissioner, accept deposits adequately collateralized or otherwise borrow money properly secured from the Government Development Bank for Puerto Rico and the Economic Development Bank of Puerto Rico.
- (3) Make or place deposits in, and otherwise give money as a loan to, the Government Development Bank for Puerto Rico, to the Economic Development Bank of Puerto Rico, to any international financial entity, or to 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 provide service to loans; none of such loans may be granted to a domestic person, except as provided in relation to the activities described in clauses (3), (7), (18), (19), (20) and (21) of subsection (a) of this Section and in the cases of financial guarantees for debt issuance transactions in Puerto Rico, subject to the Commissioner's approval.
- (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 Government of Puerto Rico exempt from contributions 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, money orders and bills of exchange issued by a foreign person for final purchase outside of Puerto Rico.

- (10) Engage in trade financing activities of import, export, swap and exchange of raw materials and finished products, with domestic persons, when the Commissioner has determined by regulation, order or administrative determination that the international aspects of the underlying transaction outweigh any financial community local business involvement and that such activities will be suitable for an international financial entity; such transactions as exceptions will not enjoy the exemption granted under Sections 21 and 22 of this Act, or the preferential rate provided in Section 6 (a) of this Act.
- (11) 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.
- (12) 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 be to the benefit of domestic persons.
- (13) 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.
- (14) Buy and sell securities outside Puerto Rico, to 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.
- (15) Act as a clearinghouse in relation to financial contract or instruments of foreign persons, as authorized by Regulations adopted by the Commissioner.
- (16) Organize, manage and provide management services to international financial entities and other financial entities located outside of Puerto Rico, such as investment companies and mutual fund, provided that the stock and participation in the capital of such companies is not distributed directly by the international financial entity to domestic persons.
- (17) 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, except activities expressly prohibited by this Act.

- (18) Participate in the granting and/or guaranty of loans that originate and/or are secured by the Government Development Bank for Puerto Rico and the Economic Development Bank of Puerto Rico.
- (19) With the prior approval of the Commissioner, participate in the granting and/or guaranty of the loans they originate and/or guarantee by any bank that is considered domestic person, but not including any bank transactions deemed a domestic person and an affiliated entity. These transactions will be authorized only for the remainder of the calendar year in which this Act is approved and the subsequent five (5) calendar years.
- (20) With the prior approval of the Commissioner, purchase loans that are considered classified or in distress from any bank that is considered a domestic person or a Puerto Rico branch of a foreign bank, including the foreclosure of collateral related to these loans and the sale of the property that served as collateral for such loans. The purchase of these loans will only be authorized for the remainder of the calendar year in which this Act was approved and the next two (2) years. The foreclosure of the collateral and the sell of the property that served as collateral may be made within the period reasonably understood responds to industry standards.
- (21) (A) Finance, through loans or financial guaranties, 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) In any case, the prior approval of such loans by the Secretary of the Treasury and the Commissioner is required.
- (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, provided that such branches will not accept any kind of deposits. The Commissioner 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 financial entity to establish a service unit or office in Puerto Rico, in which only specific operations related to the services of the international financial 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 financial entities or to foreign persons 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.
- (24) Engage in providing services of: (i) asset management, (ii) alternative investment management, (iii) management of activities related to private equity investments, (iv) hedge fund management, (v) "pools of capital" management (vi) administration of trusts that serve to convert different asset groups in securities, and (vii) management services of escrow accounts, provided that such services are provided to foreigners.

(b) The international financial entity shall not:

- (1) accept deposits not borrow money from domestic persons, except from the Government Development Bank for Puerto Rico, the Economic Development Bank of Puerto Rico and the international financial 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 the clauses (3), (7), (18), (19), (20) and (21) of subsection (a) of this Section and as determined by the Commissioner pursuant to clause (19) 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 the financing of export 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, and
 - (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 financial 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 financial entity is a unit.

Section 13.-Personnel.-

- (a) The international financial entity shall employ on a full-time basis a minimum of four (4) persons at its business office or offices in Puerto Rico.

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 Act, 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 whose international financial entity is a unit, that will provide some services to that entity, shall be considered as full-time employees of the entity for purposes of employment requirements established in subsection (a) of this Section.

- (c) The employment requirement of this Section may not be used in compliance with the terms and conditions of a tax exemption decree under any other law.

Section 14.-Accounts and Registers.-

- (a) The originals of the account books and registers of the international financial 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 financial entity shall be deemed as belonging to such international financial entity regardless of whether the international financial 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 15.-Reports.-

Every international financial 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 16.-Revocation, suspension or surrender.-

- (a) The license issued under Section 8 of this Act shall be subject to revocation or suspension by the Commissioner, upon previous notice and hearing pursuant to the regulation provided in Section 20 of this Act if:
 - (1) an international financial entity or the person of which said international financial 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 financial entity;
 - (2) an international financial entity fails to pay the annual license fee; or

- (3) the Commissioner finds that the business or affairs of an international financial entity are conducted in a manner that is inconsistent with the public interest.
- (b) An international financial entity or the person of which said international financial 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 17.-Dissolution.-

- (a) The Commissioner may, among other alternatives, appoint a receiver and order the dissolution of an international financial entity if the license of said international financial entity or of the person of which the international financial entity is a unit, is revoked or surrendered pursuant to Section 16 of this Act.
- (b) The appointed receiver shall be a person of recognized moral qualities, with vast experience in the field of banking and finance, and his performance with the international financial entity shall be secured by an adequate surety bond, to be paid by the international financial entity itself.
- (c) The receiver shall manage the international financial 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 financial entity;
 - (2) collect all loans, charges and fees owed to the international financial entity;
 - (3) pay all obligations and debts of the international financial entity, after having paid the necessary costs of the receivership; and
 - (4) supervise the dissolution and liquidation of the international financial entity.

Section 18.-Penalties.-

- (a) If any director, official or individual acting in a similar capacity of an international financial entity or of a person of which the international financial entity is a unit, violates, or voluntarily or negligently permits any

director, office, agent or employee of the international financial entity or of the person of which the international entity is a unit, to violate this Act, the Regulations of the Commissioner or any provisions of the certificate of incorporation, partnership agreement or other written document establishing the international financial entity, the Commissioner shall schedule and summon the interested parties to an administrative hearing pursuant to the regulations provided in Section 20 of this Act. 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 financial entity, or of a person of which it is a unit, who on behalf of such international financial entity receives any deposit or contract for a loan with the knowledge that the international financial entity or the person of which it is a unit is insolvent, will incur in a felony and, if convicted, shall be punished with imprisonment for not less than three (3) years and no more than seven (7) years, or with a fine of no less than five thousand five hundred dollars (\$5,500) and no 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 financial entity or of the person of which the international financial entity is a unit, who illegally appropriates, embezzles, removes or voluntarily misuses any moneys, funds, credits or securities of an international financial entity, or who, without due authorization, issues or draws any certificate of deposit, draws any order or exchange bill, carries out any type of acceptance or assignment of a note, bond, money order, exchange bill, 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 and no more than twenty (20) years, or with a fine of not less than fifteen thousand dollars (\$15,000) and no 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 financial entity or of the person of which the international financial entity is a unit, who voluntarily misrepresents the financial condition of an international financial entity or about any transaction to be carried out by, or carried out by the international financial 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 and no more than ten (10) years, or with a fine of not less than eight thousand dollars (\$8,000) and no 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 constructed 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 19.-Confidentiality.-

- (a) The information that the international financial 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:
 - (1) when the disclosure of such information is required by law or judicial order, or
 - (2) 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 providing it is in support of 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. The exception under this clause (2) shall under no circumstances be extended to information regarding clients of the international financial entity.
- (b) The requirements under any federal or Puerto Rico law regarding the privacy or confidentiality of any information or material provided to the Office of the Commissioner of Financial Institutions and any privilege arising under any federal or Puerto Rico law, including the rules of any Federal or Puerto Rico Court, with respect to such information or material, shall continue to apply to such information or material after the information or material has been disclosed to the Office of the Commissioner of Financial Institutions. Such information and material may be shared with all staff from federal and Puerto Rico agencies with authority to oversee the banking industry, without losing the protections of privilege or confidentiality protections provided by federal and Puerto Rico laws.

- (c) This Section does not apply to information or material relating to the employment history of any officer, or orders issued by the Commissioner to any international financial entity.

Section 20.-Administrative hearings, adjudication proceedings and judicial review.-

All matters relating to the application for administrative hearings, adjudicative procedures and judicial review is available by Regulation 3920 of June 23, 1989, known as "Rules to Regulate the Procedures to Award under the Jurisdiction of the Office of the Commissioner of Financial Institutions" or whichever replaces or amends it, promulgated by the Commissioner pursuant to the provisions of Act No. 170 of August 12, 1988, as amended, known as the "Uniform Administrative Procedures Act of the Commonwealth of Puerto Rico".

Section 21.-Property tax exemption.-

Real and personal property, tangible and intangible, belonging to an international financial entity, duly authorized under this Act, shall be exempt from from the levying of property taxes.

Section 22.-Municipal lisenca tax exemption.-

The international financial entity 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."

Section 23.- Contributions to the Special Fund for the Development of Export and Promotion Services.-

- (a) During the life of this Act, seven point five percent (7.5%) of the revenues from the income tax to pay the international financial entities will go to the Special Fund for the Development of Export and Promotion Services, created by the "Law to Promote the Export of Services".

Section 24.-Effect of existing legislation.-

- (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 25.- Decrees granted under Laws of industrial or tax incentives.-

The Office of Tax Exemption will not receive new applications for exempt business under Sections 2 (d) (1) (D) (i) and 2 (h) (2) of the Act 73-2008, as amended, from the effective date of this Act. The decrees granted under Act 73-2008, or previous similar laws, shall remain in force in their respective provisions. Requests for new decrees for eligible services under Sections 2 (d) (1) (D) (i) and 2 (h) (2) of Law 73-2008 filed before the effective date of this Act, which have not been granted to the effective date of this Act, may be processed under this Act, at the applicant request, provided they are considered eligible business under this Act.

Section 26.-Inapplicability of existing laws.-

The provisions of Act No. 55 of May 12, 1933, as amended, known as the "Banking Law", or the provisions of Act No. 1 of 15 October 1973, which sets the fees or interest charges on loans maximum allowed will not apply to international financial entities created by this Act. Nor will apply Section 1649 of Act No. 5 of August 17, 1933, as amended, which sets the interest rate in the absence of contract and the maximum interest rate set by special agreement. Notwithstanding the foregoing, nothing in this Act shall be construed as a limitation on the powers of the Governor of Puerto Rico or designee, conferred upon him under Section 42 of Law 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 Law No. 10 of March 7, 1951.

Section 27.- Transitional Measures.-

Act No. 52 of August 11, 1989, as amended, known as the "International Banking Center Regulatory Act" will remain in force and nothing in this Act shall be construed as preventing the renewal of licenses under the Act No. 52.

An international banking entity, which was issued a license pursuant to Section 7 of Act No. 52 of August 11, 1989, as amended, known as the "International Banking Center Regulatory Act", subject to the provisions of such Act No. 52, including license renewal under Act No. 52, or at the option of the international banking entity may claim under the provisions of this Act, subject to such conditions as the Commissioner established by regulation, circular letter or administrative determination. Granted the request for conversion, and a license issued under this Act, the international banking entity will be considered as an international financial entity organized under this Act and shall enjoy the rights, privileges, powers and authority and subject to the duties, obligations, penalties, liabilities, conditions and limitations provided in this Act, the decree that has been issued and its license.

Requests for permit to organize and license that do not constitute a renewal filed

for organizing an international banking entity under the Act No. 52, which have been submitted to the Commissioner and have not been granted before the date of the enactment of this Act, may be processed, at the applicant request, under this Act. Any regulations made under Act No. 52, which is not in conflict with this Act may be used to interpret and implement the provisions of this Act until the new regulations are issued under the provisions of this Act from the date of enactment of this Act. From the effective date of this Act no new applications for permits to organize an international banking entity under Act No. 52 will be accepted.

Section 28.- Severability clause.-

If any Section, subsection, paragraph, chapter, clause, phrase or portion of this Act is declared invalid or unconstitutional by a court of competent jurisdiction, the judgment to that effect does not affect, impair or invalidate the remainder of this Act, effects being limited to Section, subsection, paragraph, chapter, clause, phrase or portion of this Act as may be so declared invalid or unconstitutional.

Section 29.-Validity.-

This Act shall take effect immediately after its approval.

President of the Senate

Speaker of the House