“Economic Development Bank for Puerto Rico Act”

Act No. 22 of July 24, 1985 as amended

(Contains amendments incorporated by:
Act No. 17 of May 3, 1986
Act No. 63 of August 16, 1989
Act No. 13 of December 6, 1989
Act No. 36 of July 30, 1991
Act No. 12 of April 26, 1994
Act No. 67 of August 12, 1994
Act No. 246 of December 24, 1995
Act No. 61 of June 29, 1996
Act No. 88 of June 20, 1998
Act No. 189 of December 28, 2001)

(Amendments non-incorporated
Act No. 197 of December 29, 2009
Act No. 27 of March 18, 2010)

To create the Economic Development Bank for Puerto Rico, and establish its faculties and powers.

Be it enacted by the Legislature of Puerto Rico:

Section 1. — Title of the Act. (7 L.P.R.A. § 611)

This Act shall be known as the "Economic Development Bank for Puerto Rico Act".

Section 2. — Creation of the Bank. (7 L.P.R.A. § 611a)

(a) A corporate and political body is hereby created which shall constitute an instrumentality of the Commonwealth of Puerto Rico, which shall be known as the "Economic Development Bank for Puerto Rico," hereinafter denominated as "the Bank," which has as its purpose the promotion of the development of the private sector of the economy of Puerto Rico, making available to any person, firm, corporation, partnership, financial institution, cooperative or other private profit or non-profit organizations devoted to manufacture, commerce, agriculture, tourism and other service enterprises, such as, but without it being construed as a limitation, those institutions devoted to education or health care, whose economic activity has the effect (directly or indirectly) of replacing imports, without this being construed as a limitation, direct loans, loan

collateral and funds to invest in said enterprises, giving preference to small- and medium-sized Puerto Rican entrepreneurs, as defined by the regulations of the Board of Directors of the Bank.
(b) The Bank shall have its own legal personality and existence apart from the Commonwealth of Puerto Rico and any of its agencies, instrumentalities or public corporations.
(c) The debts, obligations, contracts, notes, receipts, expenses, accounts, funds, enterprises and properties of the Bank shall be its sole responsibility and not the responsibility of the Commonwealth of Puerto Rico, its agencies, instrumentalities and public corporations.
(d) The Bank shall have perpetual existence.
(e) The Bank's main office shall be in San Juan, Puerto Rico.

Section 3. — Faculties and Powers. (7 L.P.R.A. § 611b)

(a) To sue and be sued.
(b) To have an official seal and alter it from time to time.
(c) To invest in industrial, commercial, agricultural, hotel and service enterprises located in Puerto Rico, without this being construed as a limitation, through the acquisition of common and preferred stock, as well as of capital liabilities of said firms, and exercise all and each of the rights and powers related to or inherent thereto.
(d) To loan money, with or without collateral, to any person, firm, corporation or other private organization when such loans are to be used to promote the government's purpose of developing the economy of Puerto Rico. Such loans shall be secured by notes, bonds, certificates of exchange, convertible certificates of exchange, certificates entitled to acquisition of stock, certificates of equipment in trust, assets received through the organization of the issuing entity, or other obligations or documents from said debtors. Provided, That the total debt of any borrower with the Bank shall not exceed at any time ten percent (10%) of the capital and surplus of the Bank, plus an additional margin of fifteen percent (15%) of said capital and surplus when said debt, in whole or in part, but always when the part in excess of the ten percent (10%) of said capital and surplus, is secured by collateral of a specific value of not less than twenty-five percent (25%) more than the sum of the debt in excess of the ten percent (10%) of said capital and surplus. Provided, further, That the Bank and/or its subsidiaries and/or affiliates shall not make loans or secure loans to their directors, officials, agents, employees, or to any private enterprise whatsoever in which one or more of said directors, officials, agents or employees own an interest, nor shall it grant loans with the collateral of a director, official, agent or employee, except, and in every case, with the unanimous approval of all the directors, excluding any director or directors concerned, who are present at a meeting of the Board of Directors to which at least seventy-five percent (75%) of the minimum of the total number of members of the Board are present, excluding any director or directors concerned, and during the consideration of said loans and/or collateral, as well as during the voting thereon, said director or directors concerned shall be excused from said meeting.
(e) To borrow money and contract debts for its corporate ends, under such terms and conditions which its Board of Directors shall determine from time to time, with or without collateral, dispose of its obligations securing such loans, make, grant and hand over trust instruments and other agreements in regard to any of said loans, debts, bond issues, notes, mortgage obligations or other obligations, and by authority of the Commonwealth of Puerto Rico granted herein, issue its own bonds, notes, mortgage obligations or other obligations.

(f) To sell, trade, retain or dispose of the debt instruments which it acquires as a result of its operations.
(g) To acquire every type of assets for its corporate ends, by concession, gift, purchase, deed or donation, and own and exercise property rights thereon, and dispose of the same.
(h) To acquire all kinds of assets in payment of, or on account of credit balances, or in exchange for investments made in the course of its business, when such acquisition is desirable or necessary to reduce or avoid a loss in connection therewith, and to retain said assets for the term that the Board of Directors deems convenient, and to exercise property rights thereon and to dispose thereof.
(i) To secure the payment of principal and interest on loans granted by other financial institutions to private persons and entities, when said loans are to be used for the purposes and under the terms of this chapter.
(j) To invest its funds, primarily, in bonds of the Commonwealth of Puerto Rico or secured in principal as well as in interest by the Commonwealth of Puerto Rico; or in bonds of any agency, instrumentality, commission, authority, municipality, or other political subdivisions of the Commonwealth of Puerto Rico; or in direct United States bonds; or in bonds secured in principal and interest by the United States; or in bonds of any agency, instrumentality, commission, authority, or other political subdivisions of the United States; or in bonds of international banking institutions recognized by the United States and to which the United States has furnished capital; or in bonds issued by public or private domestic or foreign corporate entities, rated by a credit rating agency nationally recognized in the United States in one of its three (3) highest generic scales. The Bank may also invest its funds in bank acceptances or certificates of deposit, endorsed or issued, as the case may be, by banks organized under the laws of the Commonwealth of Puerto Rico or the States of the American Union, or by any foreign bank of proven financial solvency, authorized to do business in Puerto Rico or the United States of America.
(k) To exert all those corporate powers that are not incompatible with those expressed herein which, pursuant to the laws of Puerto Rico, are conferred on the corporations, and exercise them within and without Puerto Rico in the same extent and form that a natural person would.
(l) To create subsidiary or affiliate firms by resolution of its Board of Directors when, in its judgment, such action is advisable, desirable or necessary for the performance of the Bank's functions or to meet its institutional purposes or to exercise its powers. No subsidiary which is thus created by disposition of the Board of Directors shall have the power to carry out financing or investment transactions which the Development Bank itself is not empowered to carry out. The Bank may sell, lease, loan, donate or transfer any of its assets to the subsidiary firms thus created. The subsidiaries created by the Bank by virtue of the powers conferred by this subsection shall constitute government instrumentalities of the Commonwealth of Puerto Rico, independent and separate from the Bank, and shall have those powers, rights, functions and duties which this chapter confers on the Bank, and which its Board of Directors delegates thereon. The provisions of Section 7 of this Act shall apply to all subsidiary firms thus organized and which are subject to the Bank's control.
(m) To act as trustee and receive fixed-rate deposits from the Commonwealth of Puerto Rico or from the United States and any of its political subdivisions, instrumentalities, agencies and public corporations, from the Commonwealth Retirement Funds, as well as from any bank or trust company or any other financial institution that operates in the Commonwealth of Puerto Rico.

(n) To establish the offices it deems are necessary or convenient for the transaction of its business.
(o) To grant and award scholarships and cash prizes, plaques, medals or any other award, to natural or juridical persons as a way of promoting, developing and stimulating the economic development of the private sector in Puerto Rico, all in accordance with the norms authorized to such effect by the Board of Directors of the Bank.

Section 4. — Personnel. (7 L.P.R.A. § 611c)

The Bank may appoint, employ and contract the services of all its officials, agents and employees and confer upon them the powers, faculties, responsibilities and authority that it deems pertinent, establish their duties, fix, change and pay the remuneration that it may determine subject to the policy, regulations and procedures approved by the Bank's Board of Directors. The disposition of all personnel matters shall be made without being subject to Act No. 5 of October 14, 1975, known as the "Puerto Rico Public Service Personnel Act".

Section 5. — Administration. (7 L.P.R.A. § 611d)

(a) The business of the Bank and its subsidiaries shall be administered and its corporate powers shall be exercised by a Board of Directors, which shall be composed of nine (9) members. The President of the Government Bank, who is hereby designated as the Chairman of the Board of Directors of the Economic Development Bank for Puerto Rico, the Secretary of Economic Development and Commerce, or one of the directors or chiefs of the components of the Department of Economic Development and Commerce appointed by the Secretary, the Executive Director of the Tourist Company, the Economic Development Administrator and the Secretary of Agriculture shall be ex-officio members of the Board while they hold office. The remaining four (4) members shall represent the private sector and shall be appointed by the Governor of Puerto Rico with the advice and consent of the Senate. One of the members that shall represent the private sector shall be a person identified actively with [the] agricultural sector; another one shall be identified actively with the commercial sector, and the other, with the manufacturing sector. The initial appointments of the members of the Board of Directors representing the private sector shall be of two (2) for a term of two (2) years, and two (2) members for a term of three (3) years. Thereafter, as the term[s] of the directors of the private sector expire, the Governor of Puerto Rico shall appoint the succeeding director for the term of three (3) years. Any vacancy arising among the members who represent the private sector shall be covered by a new appointment for the remainder of the term of the person who causes it. In such cases, the Governor shall fill the vacancy within the term of sixty (60) [days], after it occurs. A majority of the directors in office shall constitute quorum of the Board of Directors, for all purposes. The Board of Directors shall establish, through regulations, the sum to be paid for the reimbursement of expenses of the members of the private sector for each day of attendance to the meetings of the Board of Directors.
(b) The Board of Directors shall adopt through regulations the norms to grant loans, securities and investments granted thereby, and shall establish the norms for the administration of the Bank. The meetings to be held periodically by the Board shall include within its agenda the consideration of matters related to the administration of the Bank.

(c) The Board of Directors, with the affirmative vote of the majority of the entire Board, may adopt, amend, change, repeal or make additions to the Bank's regulations that are not in conflict with what is provided herein or with the law, establishing all that is needed to carry out the Bank's business, the regulation of its affairs, the organization, government and meetings of the Board of Directors, the waiver of meetings, the designation of the committees of the Board of Directors and the powers of said committees, the number, titles, requirements, terms, election or appointment, dismissals and duties of the officials, the design of the Bank's seal, and the preparation and presentation of annual reports and other reports to the Legislature.
(d) From the resulting net income at the close of each year of operations, the sum which the Board of Directors deems necessary or pertinent shall be added to the Bank's reserve account, and the balance of said income may be covered over, in whole or in part, to the Bank's surplus account, or be kept in an unallocated revenue account, as may be determined by the Board of Directors. From time to time the Board of Directors may, at its discretion, make transfers from the reserve account to the surplus account, from the surplus account to the reserve account, and from the surplus account to the Bank's capital account.

Section 6. — Regulations for loans, securities and investments. (7 L.P.R.A. § 611e)

Within the ninety (90) days following the approval of this act, the Board of Directors shall adopt one or more regulations which shall rule the granting of loans, the securities and investments to be granted or made under the terms of this chapter including, but not limited to, the following criteria:
(1) Eligibility requirements, procedures, conditions to obtain loans and on the guarantees for financing, as well as other provisions that the Board of Directors deems pertinent to implement the purposes and powers hereby conferred to the Bank.
(2) Adequate provisions to assure that the loans and the revenue of the secured loans will be used by the person or firm solely for the purposes established in this chapter.

Section 7. — [Exemptions]. (7 L.P.R.A. § 611f)

It is hereby determined and declared that the purpose for which the Bank is created is to help the Commonwealth of Puerto Rico in the execution of its government responsibilities of promoting the development of the economy of Puerto Rico, which is the public purpose in all respects for the benefit of all the residents of the Commonwealth of Puerto Rico; and, therefore, that the Bank will not be required to pay any contributions or taxes on any assets acquired or to be acquired by the Bank, on its operations or activities, or on the revenues received from any of its operations or activities. In order to expedite the obtaining of funds by the Bank and so that it may comply with its stated purposes, all bonds, notes, mortgage obligations and other obligations of the Bank, and the revenues derived therefrom shall be exempted from the payment of income, property or estate taxes. Furthermore, the Bank shall be exempted from the payment of fees and duties required by the property registry and the "Notary Act", as well as those required in the courts of Puerto Rico.

Section 8. — Bank Bonds. (7 L.P.R.A. § 611g)

(a) The Bank is hereby empowered to issue its own bonds from time to time, in the principal amounts that are necessary or adequate in the bank's opinion up to the limit established in this subsection, to provide the funds to achieve any of its corporate purposes, including the payment of interest on the Bank's bonds and for the term that the Bank determines, the establishment of reserves to secure said bonds, to cover, reimburse, redeem, buy, handle, pay or release any of the Bank's outstanding bonds; and to pay all the other bank expenses that are incidental to and necessary or convenient for the exercise of its powers and the attainment of its corporate purposes. The outstanding bonds of the Bank shall not exceed, at any time, the aggregate principal amount of two hundred and fifty million dollars ($250,000,000); Provided, That:

(1) Those bonds that are collateralized by stock that:

(A) At the time of their issue have a market value of not less than the total amount of the principal of said bonds, and

(B) have one of the three highest credit ratings from at least one nationally recognized credit rating agency shall not be subject to this limitation, and

(2) those bonds that at the time of issue have a maturity date equal to or less than two (2) years are not subject to this limitation. In order to apply this limitation, the principal of the bonds shall be equal to their selling price on the date they were issued.

The bonds issued by the Bank may be secured by the good faith and the credit of the Bank and shall be payable in whole or in part from the Bank's revenue from its operations, as provided in the Bank's trust agreement under which the bond issue is authorized. The principal of, and the interest on any bonds issued by the Bank may be secured through pignoration of all or part of said revenues and other available funds in the Bank. The trust agreement which secures the bonds may contain provisions that shall be a part of the contract with the holders of the bonds issued thereunder with respect to the pignoration and creation of liens on the Bank's income and assets, to the establishment and conservation of the sinking and redemption funds, with respect to limitations of the purposes to which the proceeds of the bonds shall be applicable, limitations as to the issue of additional bonds, limitations as to amending or supplementing any such trust agreement, as to the granting of rights, faculties and privileges to the trustees, and the imposing on them of obligations and responsibilities under the trust agreement; the rights, powers, obligations and responsibilities which may arise in case of nonpayment or noncompliance with any obligation under said trust agreement and with respect to any rights, powers or privileges conferred to the bond-holders as security of the bonds, and with respect to any other matter that is not in conflict with the provisions of this act that may be necessary or convenient to secure the bonds and enhance their market value.

(b) The bonds may be authorized by a resolution or resolutions of the Board of Directors and may be of such series, bear such date or dates, mature on said installment or installments which shall not exceed forty (40) years from their respective issue, accrue interest at such rate or rates that do not exceed the maximum legal rate, be payable in such places in or outside the Commonwealth of Puerto Rico, may be of such denomination or denominations, in the form of bonds with coupons or registered, may have such registration or conversion privileges, may be granted in such form, be payable by said means of payment, be subject to such redemption terms, with or without premiums, may be authenticated in such manner once said conditions have been met, and may contain such other terms and stipulations as provided in said resolution or resolutions. The bonds may be sold publicly or privately at the price or prices determined by the Bank. Notwithstanding their form and text and the lack of an express reference on the bond stating that it is not negotiable, all the Bank bonds, including any coupons belonging to the same, shall have and shall be understood to have at all times all the qualities, properties and characteristics (including negotiability) of instruments negotiable under the laws of the Commonwealth of Puerto Rico.

(c) The proceeds of each bond issue shall be applied only to the purposes for which said bonds shall have been issued and shall be disbursed in the manner and under the restrictions, if any, that the Bank provides in the trust agreement which provides for the issue of such bonds.

(d) Except for the provisions to the contrary of Section 22 of this Act, bonds may be issued pursuant to the provisions of this chapter without obtaining the consent of any department, division, commission, board, body, bureau or agency of the Commonwealth of Puerto Rico, and without any other procedure or occurrence of any condition or thing other than such procedures, conditions or things specifically required by this chapter and the provisions of the resolution authorizing the issue of such bonds or the trust agreement securing them.

(e) The bonds of the Bank which bear the signatures or facsimiles of the signatures of Bank officials in office on the date of their signing shall be valid and shall constitute unavoidable obligations, even when any or all of the officials whose signatures or facsimile signatures that appear on them have ceased as officials of the Bank before delivery and payment of said bonds. Any trust agreement that secures the bonds may provide that such bonds may include a statement that they are issued pursuant to the provisions of this chapter, and any bond which includes such a statement authorized by the said trust agreement shall be conclusively deemed valid and issued according to the provisions of this chapter. Neither the members of the Board of Directors of the Bank nor any other person who grants the bonds shall be personally responsible therefor. The Bank is empowered to buy, with whatever funds are available for such purposes, any outstanding bonds issued or assumed by it at a price that does not exceed the total of the principal, or their current redemption value, plus accrued interest.

(f) The bonds of the Bank which are outstanding at any given moment and do not exceed the limit established in subsection (a) of this section, if so determined by the Bank, shall enjoy the additional security of a special reserve fund in which the monies assigned to the Bank shall be deposited and put at its disposal by the Commonwealth of Puerto Rico for the purpose of said special reserve fund. Moneys accrued or credited to any special reserve fund for the payment of the debt established under the provisions contained herein, except as subsequently provided, shall be used exclusively for the payment of the principal of the bonds of the Bank secured by said special reserve fund, as they become due, for the redemption of said Bank bonds, payment of interest on said bonds or payment of any required redemption premium when said bonds are redeemed before maturity; Provided, however, That the monies in any of these funds shall not be withdrawn from them at any time, in an amount which has the effect of reducing the amount of said funds to an amount that is less than the maximum required to be on deposit in credit of said funds, as determined by a resolution of the Bank, except for the payment of principal and interest of the bonds secured by said reserve funds which become due and are payable, and for the payment of which there are no other Bank funds available. Any income or interest accrued or incremented by any of said reserve funds for the payment of the debt originating from the investment thereof, may be transferred to any other fund or account of the Bank, to extent that it does not reduce the amount of said reserve fund for the payment of the debt below the maximum amount required to be maintained in said fund.

In order to further guarantee that said reserve funds are maintained at the required level for the payment of the debt, such amount, if any, must be set aside and paid annually to the Bank to be deposited in each one of the reserve funds for the payment of the debt, that the President of the Bank certifies to the Secretary of the Treasury as necessary to replenish said reserve funds to an amount equivalent to what is required for the payment of the servicing of said debt. The President of the Bank must prepare and send to the Secretary of the Treasury annually, on or before the first of December, his certification determining said amount, if any, which is required to replenish each of said reserve funds to the level required for the payment of the servicing of the debt, and the amount or amounts so certified, if any, shall be set aside and paid to the Bank from whatever funds are available and unencumbered in the Commonwealth Treasury in the Commonwealth of Puerto Rico's current fiscal year and if there were no such funds available, the Secretary of the Treasury shall request the amount thus certified from the Director of the Office of the Management and Budget and he will proceed to include it in the General Expenses Budget of the Government for the next fiscal year. The President's certificate will be based on an evaluation made by him of the investment of any of the fund's monies, which shall be conclusive.

For the purposes of this chapter the term "bonds" shall mean bonds, temporary bonds, refinancing bonds, debentures, promissory notes, interim receipts of indebtedness or any other evidence of indebtedness, issued under the provisions of this chapter.

Section 9. — Trust agreement. (7 L.P.R.A. § 611h)

At the discretion of the Bank, any bond issued under the provisions of this chapter shall be secured by a trust agreement executed by and between the Bank and a corporate trust, which can be any trust company or bank with the faculties of a trust company in or outside the Commonwealth of Puerto Rico. It shall be legal for any bank or trust company incorporated under the laws of the Commonwealth of Puerto Rico or any state of the Union which can act as depositary of the proceeds of the bonds, income, and other money under this chapter, to furnish the sureties or pledge the collateral which might be required by the Bank. In addition to the above, any trust agreement may contain those provisions that the Bank deems reasonable and pertinent for the security of the bondholders. The term "trust agreement" shall mean the trust agreement or resolution that provides for the bond issue under the provisions of this chapter.

Section 10. — Examination and Supervision by the Secretary of the Treasury and Independent Auditors. (7 L.P.R.A. § 611i)

(a) The Bank shall be subject to examination and supervision by the Secretary of the Treasury of Puerto Rico pursuant to the terms of the "Banking Law", [7 L.P.R.A. §§ 1 et seq.], applicable to banks organized under it or subject to its provisions, provided, however, that the Bank shall not be compelled to pay any fee with regard to any examination of this nature.

The Secretary of the Treasury of Puerto Rico shall issue a certificate to the Bank stating the result of said examination. Said certificate shall be submitted to the Board of Directors during its next regular or special meeting.

(b) The Bank shall also be subject to an annual examination by authorized public accountants of national repute selected by the Board of Directors of the Bank.

Section 11. — Appointment of a trustee. (7 L.P.R.A. § 611j)

If, as a result of an examination and report made by an examiner, the Secretary of the Treasury of Puerto Rico has reason to believe that the financial situation of the Bank is not solid, or that its affairs are being handled in a manner that endangers its funds or other assets, or if the Bank refuses to surrender its books, documents and affairs for inspection by any duly authorized examiner, or if it fails to establish reserves as required by this chapter after having been given thirty (30) days notice by the Secretary of the Treasury of Puerto Rico, or if, in the judgment of the Secretary of the Treasury of Puerto Rico, it becomes insolvent, the Secretary of the Treasury shall advise the Governor of the facts. The Governor may then direct the Secretary of the Treasury to appear before the Court of First Instance, San Juan Part, and if after hearing the Bank the court judges that the facts alleged by the Secretary of the Treasury are well-grounded, the court shall then proceed to appoint a receiver to suspend the operations and liquidate the obligations of the Bank. In this situation the provisions of Section 13 of this Act shall be taken into consideration.

Once the trustee has been designated, he shall take possession, under court order, of the assets and liabilities, books (including the minute book), registers, documents and files of all kinds belonging to the Bank, and shall collect all the loans, equities and claims of the Bank and shall see to it that all its debts and obligations and the necessary expenses of the trusteeship are paid. The trustee shall proceed to liquidate the affairs of the Bank as soon as possible, and to such purpose he may sell the personal and real property and other assets of the Bank, but subject to an order of the court.

Section 12. — Violations to laws and regulations. (7 L.P.R.A. § 611k)

If any Bank Director violates or knowingly or negligently allows any official, agent or employee of the Bank to violate this chapter or any of the provisions of the Bank's regulations, the Bank's Board of Directors and/or the President of the Bank shall immediately inform the matter to the Governor of Puerto Rico. The Governor shall grant the Director thus charged the opportunity to be heard and may then dismiss said Director and take any other additional action he may deem necessary

Section 13. — Nullity of transfers. (7 L.P.R.A. § 611*l*)

Every transfer of notes, bonds, bills of exchange or credit balances of the Bank or deposits to the credit thereof, as well as every assignment of mortgage. collateral on real property or of a judgment or decree in favor of the Bank, and every deposit or other thing of value; and every cash payment made to its creditors while the Bank is bankrupt or pending bankruptcy, with the purpose of preventing the application of the assets of the Bank in the manner prescribed in this chapter, or with the idea of giving preference to one creditor over another.

Section 14. — Penalties. (7 L.P.R.A. § 611m)

(a) Any official, employee or agent of the Bank who receives any deposit knowing that the Bank is bankrupt shall be guilty of a misdemeanor if the amount or value of said deposit is less than two hundred (200) dollars, but if the amount or value of said deposit is two hundred (200) dollars or more, said person shall be guilty of a felony and upon conviction shall be punished by imprisonment for a term of not less than one (1) year nor more than five (5) years, or with a fine of not less than five hundred (500) dollars nor more than three thousand (3,000) dollars, or by both penalties at the discretion of the court.
(b) Every director, official, employee or agent of the Bank who commits breach of trust, withdraws or voluntarily misappropriates any monies, funds, credit or securities of the Bank, or who, without being duly authorized for it, issues or releases any deposit certificate, draws any order or bill of exchange, performs any acceptance, transfers any note, bond, draft, bill of exchange, mortgage, sentence or decree or who makes a false entry in any book, report or bank statement with the intention, in any of those cases, of harming or defrauding the Bank or any other company, body politic or corporate or person, or of deceiving any Bank official or any agent appointed to examine the Bank's business; and any person who, with similar intention, aids or instigates any director, official, agent or employee to any violation of this section shall be guilty of a felony and upon conviction shall be punished with imprisonment for a term of not less than ten (10) years. Provided, That in case of said conviction the Bank shall collect and shall cover into its funds the amount of any life insurance policy or bond taken or required by the Bank for said director, official, employee or agent, and the premiums which the Bank should have paid up to the amount defaulted or disposed of by the director, official, employee or agent, and the director, official, employee, or agent and the beneficiaries, assignees or successors thereof shall lose every right to the benefits of said policy.
(c) Any person or publication which knowingly and maliciously makes, circulates or transmits to others any statement, rumor or indication, whether in writing, print, or verbally, which directly or by inference discredits the financial condition of the Bank, or any person or publication that advises, helps, procures or induces another person to originate, transmit or circulate any statement or rumor of this nature shall be guilty of a felony and, upon conviction, shall be punished with a fine of not less than five hundred (500) dollars or imprisonment for a term of not more than five (5) years or both penalties at the discretion of the court.

Section 15. — [Note: This Act as approved, did not contain Section 15]

Section 16. — "Banking Law" not applicable. (7 L.P.R.A. § 611n)

Considering that this chapter includes all the necessary and pertinent provisions which are analogous to those in the Bank Laws [7 L.P.R.A. § 1 et seq.], none of the provisions of the Bank Law apply to the Bank, its Directors, officials, employees or agents.

Section 17. — Reports. (7 L.P.R.A. § 611*o*)

The President of the Bank shall render an annual report of the Bank's operations to the Board of Directors; in turn, the Board of Directors shall render an annual report to the Governor and to

the Legislature of Puerto Rico of said operations at the beginning of each regular session. This report shall include:
(1) A financial statement audited by professionally-recognized independent auditors selected by the Board of Directors of the Bank.
(2) A report of the transactions made from the creation of the Bank or from the date of its last report.

Section 18. — [Note: This Act as approved, did not contain Section 18]

Section 19. — Capitalization. (7 L.P.R.A. § 611p)

The Economic Development Bank for Puerto Rico Fund, a subsidiary of the Government Development Bank for Puerto Rico, is hereby directed and authorized to transfer to the Bank the sum of fifteen million dollars ($ 15,000,000), which shall represent the Bank's original capital.

Section 20. — Transfer of Personnel. (7 L.P.R.A. § 611 note)

The Government Development Bank of Puerto Rico and its subsidiaries and affiliates are hereby authorized to transfer to the Bank all such personnel it may deem convenient and necessary for the Bank's administration and operation. The personnel thus transferred shall keep the rights, benefits, obligations, compensation, status and conditions of the positions they held at the time of their transfer, and those which the regulations or collective bargaining agreements had conferred and which are applicable at the time of their transfer.

Section 21. — Separability Clause. (7 L.P.R.A. § 611 note)

The provisions of this act are separable, and if any of its provisions should be declared null or unconstitutional by any court with jurisdiction to such respect, the findings of said court shall not affect or impair the other provisions hereof.

Section 22. — Fiscal Agent. (7 L.P.R.A. § 611 note)

According to the provisions of Act No. 272 of May 15, 1945 as amended, known as the Fiscal Agency Act, the Government Development Bank for Puerto Rico shall act as fiscal agent and financial advisor of the Bank.

Section 23. — Effectiveness. — This act shall take effect immediately after its approval.