

[No. 17]
[Approved, September 23, 1948]

AN ACT

TO CREATE A CORPORATION AS A GOVERNMENTAL INSTRUMENTALITY OF THE INSULAR GOVERNMENT UNDER THE TITLE OF "GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO", GRANTING THE SAME A CHARTER PRESCRIBING ITS POWERS, DUTIES, RIGHTS, OBLIGATIONS, PRIVILEGES, IMMUNITIES, PURPOSES, CONSTITUTION AND STATUS; TO DEFINE CRIMINAL ACTS COMMITTED IN VIOLATION OF THIS LAW AND FIX THE PENALTIES THEREFOR; TO DISSOLVE THE DEVELOPMENT BANK OF PUERTO RICO CREATED UNDER ACT 252 APPROVED MAY 13, 1942, EXCEPT AS TO THE LIMITATIONS SET FORTH IN THIS LAW FOR THE TRANSFER OF ITS ASSETS TO THE NEW BANK HEREBY CREATED, TO REPEAL SAID ACT 252 OF MAY 13, 1942; TO REPEAL ACT 46 APPROVED MAY 4, 1943; TO AMEND THE TITLE OF ACT No. 272 APPROVED MAY 15, 1945; TO AMEND SECTION 1 OF ACT 272 APPROVED MAY 15, 1945; TO DECLARE THE OFFICIAL TEXT OF THIS LAW IN THE ENGLISH LANGUAGE; TO DECLARE THAT THE SAME WILL PREVAIL OVER THE SPANISH TEXT; TO DECLARE AN EMERGENCY AND FOR OTHER PURPOSES.

Be it enacted by the Legislature of Puerto Rico:

Section 1.—To aid the Insular Government in the performance of its fiscal duties and more effectively to carry out its governmental responsibility to develop the economy of Puerto Rico, particularly with respect to its industrialization, there is hereby created a corporation as a governmental instrumentality of the Insular Government to act by its authority under the title of "Government Development Bank for Puerto Rico" (hereinafter referred to as "the Bank").

Section 2.—The Charter of the Bank shall be as follow:

Charter

First: The existence of the Bank shall be perpetual.

Second: The principal office of the Bank shall be at San Juan, Puerto Rico.

Third: The purposes for which the Bank is formed and the business or objects to be carried on and promoted by it are as follows:

(A) To act as fiscal agent and as paying agent and as a financial advisory and reporting agency of the Insular Government and of the agencies, instrumentalities, commissions, authorities, municipalities and political subdivisions of Puerto Rico, the Governor of Puerto Rico, the Executive Council of Puerto Rico and the Treasurer of Puerto Rico.

(B) To act as depository or trustee of funds for the Insular Government or for the United States and for any agency, instrumentality, commission, authority, municipality or political subdivision of Puerto Rico or the United States and of funds within the custody or jurisdiction of any court, to give

security for the repayment of any such funds and to pay interest thereon, and to act as depository of funds for any bank or trust company organized under or subject to the Banking Law.

(C) To lend money, with or without security, to the Insular Government or to any agency, instrumentality, commission, authority, municipality or political subdivision of Puerto Rico.

(D) To lend money, with or without security, to any person, firm, corporation or other organization engaged or to engage in industrial or commercial enterprises where such moneys are to be used to further the governmental purpose of developing the economy of Puerto Rico, particularly with respect to its industrialization, such loans to be represented by the promissory notes, bonds, debentures or other obligations or evidences of debt of such borrowers; *Provided, however,* that the aggregate indebtedness of any such borrower to the Bank shall not exceed at any time 10 per cent of the capital funds and surplus of the Bank plus an additional 15 per cent of such capital funds and surplus if such indebtedness, either in whole or in part, but in any event that part thereof in excess of 10 per cent of such capital funds and surplus, is secured by collateral of an ascertained value of at least 25 per cent more than the amount of such indebtedness in excess of 10 per cent of such capital funds and surplus.

(E) To invest its funds in direct obligations of the United States or obligations guarantee as to both principal and interest by the United States, or obligations of Puerto Rico or guaranteed as to both principal and interest by Puerto Rico, or obligations of any agency, instrumentality, commission, authority, municipality or political subdivision thereof, or obligations insured or guaranteed under housing laws of the United States.

(F) To discount, at a uniform rate or rates of interest to be fixed from time to time by the Board of Directors of the Bank, for banks or trust companies organized under or subject to the Banking Law, negotiable drafts, notes, bills of exchange and acceptance, bearing the endorsement of the bank or trust company for which discounted, of the character eligible for discount by Federal Reserve Banks of the United States under Regulations of the Board of Governors of the Federal Reserve System from time to time in effect, subject to the conditions and limitations prescribed by such Regulations; *Provided, however,* That the aggregate amount of notes, draft, bills of exchange and acceptance upon which any person, partnership, association or corporation is liable as maker, acceptor, endorser, drawer or guarantor discounted for any bank or trust company shall not be subject to any limitation contained in such Regulations but shall at no time exceed the amount for which such person, partnership, association or corporation may lawfully become liable to such Bank or trust company under the applicable provisions of the Banking Law as from time to time amended.

(G) To lend money, at a uniform rate or rates of interest to be fixed from time to time by the Board of Directors of the Bank, to any bank or trust company organized under or subject to the Banking Law, for a period not exceeding ninety days, on the promissory note of such bank or trust company, secured by notes, drafts, bills of exchange or acceptance eligible for discount by the Bank under the provisions of the preceding paragraph (F) hereof, or secured by obligations of the Insular Government or of the United States or guaranteed as to both principal and interest by the Insular Government or the United States or obligations of any agency, instrumentality, commission, authority, municipality or political subdivision of Puerto Rico, or secured by other collateral satisfactory to the Bank; *Provided, however,* that in case the security consist of such other collateral, the rate of interest on such loan shall in no event be less than one-half of one percent per annum higher than the highest rate then currently applicable to discounts provided for by the preceding paragraph (F) hereof.

(H) To lend securities, on a fully secured basis, to any bank or trust company organized under or subject to the Banking Law.

(I) To borrow money and contract debts for its corporate purposes upon such terms and conditions as the Bank may from time to time determine, with or without security, to dispose of its obligations evidencing such borrowing, to make, execute and deliver trust indentures and other agreements with respect to any such borrowing, contracting of debt, issuance of bonds, notes, debentures or other obligations, and by the authority of the Government of Puerto Rico which is hereby granted, to issue its bonds, notes debentures or other obligations in such form, secured in such manner, and subject to such terms of redemption with or without premium, and to sell the same at public or private sale for such price or prices, all as may be determined by its Board of Directors.

(J) To exercise all such incidental powers as may be necessary or convenient for the purpose of carrying on the foregoing business and objects. The power granted in paragraphs (C), (D) and (E) above shall not include the power to lend moneys on short term or to invest in short term securities other than marketable securities, where the borrower or obligor has facilities available to it in banks organized under or subject to the Banking Law.

Fourth: The Bank shall also have the following powers:

(A) To have a common seal and to alter the same from time to time.

(B) To acquire property for its corporate purposes by grant, gift, purchase, devise, or bequest, and to hold and to exercise the rights of ownership of and to dispose of the same.

(C) To acquire any property in settlement or reduction of debts previously contracted or in exchange for investments previously made in the course of its business, where such acquisition is

necessary to minimize or avoid loss in connection therewith, and to hold such property for such periods as the Board of Directors may deem advisable and to exercise the rights of ownership of and to dispose of the same.

(D) To establish one or more branches, offices or agencies necessary or convenient for the transaction of its business within or without Puerto Rico.

(E) To purchase, hold, lease, mortgage and convey real property as follows: (1) a plot whereon there is or may be erected a building suitable for the transaction of its business, from portions of which not required for its own use a revenue may be derived, (2) such real estate as may be conveyed to it in settlement or reduction of debts previously contracted or in exchange for investments previously made in the course of its business, (3) such as it shall purchase or otherwise acquire at sale under judgments, decrees or mortgages held by it and (4) such as may be necessary for residence of its employees; *Provided, however,* that real property purchased or acquired by it shall be sold within ten years of the date of such purchase or acquisition unless there shall be a building thereon occupied by it as an office or by its employees as a residence or the Treasurer of Puerto Rico shall have extended the time within which such sale shall be made.

(F) To sue and be sued.

(G) To appoint, employ and contract for the services of officers, agents, employees and professional assistants and to pay such compensation for their services as the Bank may determine, and to fix and pay Directors' fees.

(H) To exercise such other corporate powers, not inconsistent herewith, as are conferred upon corporations by the Laws of Puerto Rico and to exercise all its powers within and without Puerto Rico to the same extent as natural persons might or could do.

Fifth: The affairs of the Bank shall be managed and its corporate powers exercised by a Board of Directors seven in number. The Governor of Puerto Rico with the approval of the Executive Council of Puerto Rico, shall appoint the first members of the Board of Directors, two of whom shall be appointed for a term of two years, two of whom shall be appointed for a term of three years and three of whom shall be appointed for a term of four years. Thereafter, as the terms of office of directors expire, successor directors shall be appointed by the Governor, with the approval of the Executive Council, for terms of four years. All vacancies in the office of directors shall be filled by appointment by the Governor, with the approval of the Executive Council, *Provided, however,* That any vacancy occurring between such appointment shall, within sixty days, be filled by the Governor for the unexpired term. All directors shall, unless sooner removed or disqualified, hold office during the term for which appointed

and until their successors are appointed and qualified. A majority of the directors in office shall constitute a quorum of the Board of Directors for all purposes.

Sixth: The Board of Directors, by the affirmative vote of a majority of the whole Board, may adopt, add to, amend, alter or repeal By-Laws of the Bank, not inconsistent herewith or with law, providing for the management of the business of the Bank, the regulation of its affairs, the organization, conduct and meetings of the Board of Directors, notice of meeting of the Board of Directors and waivers of notice, the appointment of committees of the Board of Directors and the power of such committees, the number, titles, qualifications, terms, election or appointment, removal and duties of officers, the form of the seal of the Bank, and the preparation and submission to the Legislature of annual and other reports; Provided, however, That the By-Laws shall not be added to, amended or altered nor shall any By-Law be repealed at any meeting of the Board of Directors unless written notice of the proposed addition, amendment, alteration or repeal shall have been delivered or mailed to each director at least one week before such meeting.

Seventh: The Bank shall not make any loans to its directors, officers, agents or employees or to any privately-owned enterprise in which one or more of the directors, officers, agents or employees own a substantial interest, or make any loans guaranteed by a director, officer, agent or employee, except in each case with the unanimous approval of all the directors, exclusive of any interested director or directors, present at a meeting of the Board of Directors attended by at least 75% of the full Board, exclusive of any interested director or directors, from which meeting such interested director or directors shall be excused during consideration and voting with regard to such loans.

Eighth: Out of the net income resulting at the end of the business year, such amount shall be added to the reserve account of the Bank as the Board of Directors may consider necessary or pertinent; and the balance of such income, may, in whole or in part, be added to the surplus account of the Bank or remain in an unassigned income account, as the Board of Directors may determine. From time to time the Board of Directors may in 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 capital account of the Bank.

Section 3.—The Development Bank of Puerto Rico, created under Act No. 252, approved May 13, 1942 is hereby dissolved, except to the extent necessary for the transfer of assets, and said Act and Act No. 46, approved May 4, 1943 are hereby repealed and, without further act or execution of deed or document of conveyance, or endorsement or transfer of any kind, all properties, trusts, agency relationships, shares, rights, franchises, powers of attorney, privileges, negotiable instruments, notes,

bonds, expressly including all chattel and real estate mortgages, properties of every kind, movable or immovable, deposits in banks in accounts current or in any other forms and all liabilities and obligations of said Development Bank of Puerto Rico, shall become the property of and are by this Law transferred and conveyed to the Bank, hereby created and the Bank shall have as regards such property, trusts, agency relationships, shares, rights, franchises, powers of attorney, privileges, negotiable instruments, notes, bonds, chattel and real estate mortgages, properties of any kind, movable or immovable and deposits in banks, the same rights as were had by the Development Bank of Puerto Rico, and shall dispose of them freely and without any limitation. *Provided, however,* that if, for any unforeseen circumstance a registration or recording in any private or public register, the Registry of Property included, is needed, such registration or recording shall be made by the officers in charge, absolutely free of the payment of any fee or charge.

Section 4.—The title of Act No. 272 approved May 15, 1945, is hereby amended to read as follows: “Authorizing the Government Development Bank for Puerto Rico to act as fiscal agent, paying and co-paying agent and as agent for other purposes of the Insular Government, its agencies and municipalities, and of the Treasurer of Puerto Rico and on behalf of the Treasurer of Puerto Rico; authorizing and directing the Government Development Bank for Puerto Rico to act as a financial advisory and reporting agency to the Governor of Puerto Rico, to the Executive Council of Puerto Rico and to the Treasurer of Puerto Rico; authorizing and appointing the Government Development Bank for Puerto Rico as fiscal agent, paying agent and as agent for the purchase, sale, issue and exchange of all bonds, notes, or other evidences of indebtedness for all public service enterprises and authorities owned and controlled by the Insular Government; authorizing and directing all public service enterprises and authorities owned and controlled by the Insular Government to contract with the Government Development Bank for Puerto Rico for certain purposes, defining and determining the terms and conditions of contracts therefor and providing for a method of appeal from the decisions of the Government Development Bank for Puerto Rico as to rate and other aspects of such contracts; defining the responsibilities of the Government Development Bank for Puerto Rico and limiting the rates it may charge; stating the authority of the Government Development Bank for Puerto Rico to buy, sell, own, hold and deal in any of the bonds, notes, evidences of indebtedness and of interest coupons or evidences of interest, appurtenant thereto, of the Insular Government, its agencies, municipalities and authorities and of the Treasurer of Puerto Rico and to join in any action at law relative to such securities; to declare the official text of this law in the English language; to declare that the same will prevail over the Spanish text, to declare an emergency, and for other purposes.”

Section 1 of Act No. 272, approved May 15, 1945, is hereby amended to read as follows:

“Section 1.—The Government Development Bank for Puerto Rico (hereinafter called the “Bank”) shall be and it is hereby authorized to act as fiscal agent of the Insular Government, its agencies and municipalities and of the Treasurer of Puerto Rico for the purpose of registering, authenticating or countersigning the bonds, notes or other evidences of indebtedness of the Insular Government, its agencies and municipalities and of the Treasurer of Puerto Rico, and to perform, without limitation such other services for the Insular Government, its agencies and municipalities and for the Treasurer of Puerto Rico, for any purpose not contrary to already existent legislation, subject, however, to the approval of the Treasurer of Puerto Rico on such terms as may be agreed upon by and between the Bank and the Treasurer of Puerto Rico for services rendered to the Insular Government, its agencies and the Treasurer of Puerto Rico, and on such terms as may be agreed upon by and between the Bank and the municipalities of Puerto Rico for services rendered to the municipalities of Puerto Rico.”

Section 5.—It is hereby found and declared that the purpose for which the Bank is created is to aid the Insular Government in the performance of its fiscal duties and more effectively to carry out its government responsibility to develop the economy of Puerto Rico, particularly with respect to its industrialization, and is a public purpose in all respects for the benefit of The People of Puerto Rico, and that therefore the Bank shall not be required to pay any taxes or assessments on any of the property acquired or to be acquired by it, or on its operations or activities, or on the income derived from any of its operations or activities. In order to facilitate the procurement of funds by the Bank to enable it to carry out its said purpose, all bonds, notes, debentures or other obligations of the Bank and the income therefrom and any profits from the sale, resale or exchange of such bonds, notes, debentures or other obligations shall be exempt from any income tax, any estate or inheritance taxes and any personal property tax of Puerto Rico or any municipality or other political subdivision thereof. The debts or obligations of the Bank shall not be debts or obligations of the Insular Government or of any of the municipalities or other political subdivisions of Puerto Rico and neither the Insular Government nor any such municipalities or other political subdivisions shall be responsible for the same.

Section 6.—The Bank shall maintain a reserve of not less than 20 per cent of its liability on account of deposits other than deposits fully secured by collateral. Such reserve shall be composed of the following:

(A) Reserve to the extent of not less than $6\frac{2}{3}$ per cent of such deposits shall consist of lawful money of the United States.

(B) The remainder of such reserves shall consist of money deposited in other banks, provided that said deposits are authorized by the Treasurer of Puerto Rico and are subject to immediate collection. Other assets of the Bank to the extent of at least 80 per cent of the amount of such deposits shall consist of obligations (not including mortgages) maturing in not more than 180 days, or marketable securities.

Section 7.—The endorsement by any bank or trust company organized under or subject to the Banking Law of any draft, note, bill of exchange or acceptance discounted or pledged by it to the Bank shall constitute a waiver of demand, notice and protest by such bank or trust company as to its own endorsement exclusively.

Section 8.—The Bank shall make and submit to the Governor of Puerto Rico and the Treasurer of Puerto Rico a written report of its condition as of the last day of each month, in such a manner as the Treasurer of Puerto Rico may prescribe. Such report shall show the total amount of outstanding loans, to directors, officers, agents and employees or to any privately-owned enterprises in which one or more of the directors, officers, agents or employees may own a substantial interest and outstanding loans guaranteed by a director, officer, agent or employee; shall be subscribed by an officer of the Bank and verified by his oath stating that to the best of his knowledge and belief the report is true and correct in all respects; and shall be submitted to the Governor and the Treasurer within the first ten days of the following month, legal holidays excluded.

Section 9.—The Bank shall file in the office of the Executive Secretary of Puerto Rico, annually, within ninety days after the close of its fiscal year, a report sworn to by an officer or by any two directors of the Bank, stating: (1) the name of the Bank; (2) the location, town or city, street and number, if there is a number, of its main office in Puerto Rico; (3) a profit and loss statement for the last fiscal year and a statement of its assets and liabilities as of the close of such year; and (4) the names and post office addresses of all directors and officers of the Bank and the time when the term of office of each expires. Such report shall be published by the Bank in a newspaper of general circulation in Puerto Rico.

Section 10.—The Bank shall be subject to examination and supervision by the Treasurer of Puerto Rico, in accordance with the terms of the Banking Law applicable to banks organized under or subject to the provisions thereof, provided, however, that no fee shall be required to be paid by the Bank in connection with any such examination.

The Treasurer of Puerto Rico shall issue to the Bank a certificate setting forth the result of each such examination, which certificate shall be presented to the Board of Directors at its next regular or special meeting.

The Bank shall also be subject to an annual examination and audit by certified public accountants of national reputation selected by the Board of Directors of the Bank.

Section 11.—If, in consequence of an examination or a report made by an examiner, the Treasurer of Puerto Rico shall have reason to believe that the Bank is not in sound financial condition or that its affairs are conducted in such manner as to endanger its funds or other assets, or if the Bank shall refuse to submit its books, documents and affairs for the inspection of any duly authorized examiner or if it shall fail to establish reserves as required by this Act after thirty days' notice by the Treasurer of Puerto Rico, or if it shall become insolvent in the judgment of the Treasurer of Puerto Rico, the Treasurer shall report such facts to the Governor. The Governor may then direct the Treasurer to apply to the District Court for the judicial district where the main office of the Bank is located, and if, after having heard the Bank, the Court deems that the facts alleged by the Treasurer are well founded, then the Court shall proceed to appoint a receiver to suspend operations and settle the obligations of the Bank.

The receiver, upon his appointment, shall, under the direction of the District Court, take possession of the assets and liabilities, books (including the minute book), records, papers and files of every description, belonging to the Bank, and shall collect all loans, fees and claims of the Bank, and shall see to the payment of its obligations and debts and of the necessary expenditures of receivership. He shall proceed to settle the affairs of the Bank as soon as possible, and to this end he may sell the personal and real property and other assets of the Bank, subject to the order of the District Court.

Section 12.—If any director of the Bank shall violate or knowingly or negligently permit any of the officers, agents or employees of the Bank to violate any laws or any of the provisions of the Charter of the Bank, the matter shall be reported to the Governor by the Treasurer of Puerto Rico. Upon receiving such report the Governor shall call a meeting of the Executive Council and shall submit to it the report with his recommendations. The Executive Council shall give the director under charge the opportunity to be heard and thereafter it may remove such director and take whatever additional action it may deem necessary.

Section 13.—Neither the Bank nor any officer, agent or employee thereof shall certify any check drawn upon it unless the drawer of such check has on deposit with the Bank at the time such check is certified an amount not less than the amount of such check. Any check so certified by a duly authorized

officer, agent or employee of the Bank shall be a valid obligation of the Bank in the hands of any person holding such check in good faith; but any officer, agent or employee of the Bank who knowingly acts in violation of the provisions of this Section shall be deemed guilty of misdemeanor and shall be liable to imprisonment for not less than one nor more than two years.

Section 14.—All transfers of notes, bonds, bills of exchange or credits of the Bank or of deposits to the credit thereof, and all assignments of mortgages, security on real property, or of judgments or decrees in favor of the Bank, and all deposits of money, gold and silver in bars, or other thing of value and all payments of money to its creditors, made while the Bank is insolvent, or in anticipation of insolvency, with the intent of preventing the application of the assets of the Bank in the manner prescribed in this Act, or with the intent of giving preference to one creditor over another, shall be null and ineffective; and no attachment, levy, execution, foreclosure or writ of injunction shall issue against the Bank or against its properties, before final judgment is rendered in any suit, action or proceedings in the district or municipal court.

Section 15.—Any officer, employee or agent of the Bank who shall receive any deposit knowing that the Bank is insolvent, shall be guilty of a misdemeanor if the amount or value of such deposit is less than twenty-five dollars, or if the amount or value of such deposit is twenty-five dollars or over, such person shall be guilty of a felony, and shall be punished by imprisonment for not less than one or more than five years, or by a fine of not less than five hundred dollars or more than three thousand dollars, or by both penalties.

Section 16.—Every director, officer, employee or agent of the Bank who embezzles, abstracts or willfully misapplies any moneys, funds, credits or securities of the Bank, or who, without being duly authorized, issues or draws any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, draft, bill of exchange, mortgage, judgment or decree for, or who makes any false entry in any book, report or statement of, the Bank, with intent, in any of such cases, to injure or defraud the Bank or any other company, body politic or corporate, or any individual person, or to deceive any officer of the Bank or any agent appointed to examine the affairs of the Bank, and every person who with like intent aids or abets any director, officer, agent or employee in any violation of this section, shall be deemed guilty of a felony, and shall be imprisoned for not less than ten years; *Provided*, That the Bank shall collect and cover into its funds, from the amount of any life insurance policy which the Bank may have taken for such director, officer, employee or agent and the premiums which the Bank may have paid, up to the sum embezzled or disposed of by the director, officer, employee or

agent, and the director, officer, employee or agent, his beneficiaries, assignees or successors in interest shall lose all rights to the benefits of such policy.

Section 17.—Any person or publication that knowingly and maliciously makes, circulates or transmits to another, or to others, any statement, rumor or suggestion, whether written, printed, or by word of mouth, which directly or by inference discredits the financial condition of the Bank or any of its branches, or which affects its solvency or credit, or any person or publication that advises, aids, procures, or induces another to originate, transmit, or circulate any such statement or rumor, shall be guilty of a felony, and upon conviction shall be punished by a fine of not less than five hundred dollars, or by confinement in the penitentiary for a term of not more than five years, or by both penalties.

Section 18.—In view of the inclusion in this Act of all necessary and pertinent provisions similar to provisions contained in the Banking Law, none of the provisions of the Banking Law shall apply to the Bank, its directors, officers, employees or agents.

Section 19.—No amendment to this Act or to any other law of Puerto Rico shall impair any obligations or commitment of the Bank.

Section 20.—If any provisions of this Act or the application of such provisions to any person or circumstance shall be held invalid, the remainder of the Act and the application of such provisions to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

Section 21.—It is hereby declared that the official text of this Act is the English version thereof and if in the interpretation and application of this Act any conflict arises as between the Spanish and the English texts thereof, the latter shall prevail over the former.

Section 22.—Subdivision (a): The official translation into the English language of the title of this Act shall be the following:

“To create a corporation as a governmental instrumentality of the Insular Government under the title of “Government Development Bank for Puerto Rico”, granting the same a Charter prescribing its powers, duties, rights, obligations, privileges, immunities, purposes, constitution and status; to define criminal acts committed in violation of this law and fix the penalties therefor; to dissolve the Development Bank of Puerto Rico created under Act 252 approved May 13, 1942, except as to the limitations set forth in this Law for the transfer of its assets to the new Bank hereby created, to repeal said Act 252 of May 13, 1942; to repeal Act 46, approved May 4, 1943; to amend the title of Act No. 272, approved May 15, 1945; to amend Section 1 of Act 272, approved May 15, 1945; to declare the official text of this Law in the English language; to declare that the same will prevail over the Spanish text; to declare an emergency and for other purposes.”

Subdivision (b):—The official translation into the English language of Sections No. 1 to No. 21 of this Act, both inclusive, shall be the following:

“Section 1.—To aid the Insular Government in the performance of its fiscal duties and more effectively to carry out its governmental responsibility to develop the economy of Puerto Rico, particularly with respect to its industrialization, there is hereby created a corporation as a governmental instrumentality of the Insular Government to act by its authority under the title of “Government Development Bank for Puerto Rico” (hereinafter referred to as “the Bank”).

“Section 2.—The Charter of the Bank shall be as follow:

“Charter

“*First*: The existence of the Bank shall be perpetual.

“*Second*: The principal office of the Bank shall be at San Juan, Puerto Rico.

“*Third*: The purposes for which the Bank is formed and the business or objects to be carried on and promoted by it are as follows:

“(A) To act as fiscal agent and as paying agent and as a financial advisory and reporting agency of the Insular Government and of the agencies, instrumentalities, commissions, authorities, municipalities and political subdivisions of Puerto Rico, the Governor of Puerto Rico, the Executive Council of Puerto Rico and the Treasurer of Puerto Rico.

“(B) To act as depository or trustee of funds for the Insular Government or for the United States and for any agency, instrumentality, commission, authority, municipality or political subdivision of Puerto Rico or the United States and of funds within the custody or jurisdiction of any court, to give security for the repayment of any such funds and to pay interest thereon, and to act as depository of funds for any bank or trust company organized under or subject to the Banking Law.

“(C) To lend money, with or without security, to the Insular Government or to any agency, instrumentality, commission, authority, municipality or political subdivision of Puerto Rico.

“(D) To lend money, with or without security, to any person, firm, corporation or other organization engaged or to engage in industrial or commercial enterprises where such moneys are to be used to further the governmental purpose of developing the economy of Puerto Rico, particularly with respect to its industrialization, such loans to be represented by the promissory notes, bonds, debentures or other obligations or evidences of debt of such borrowers; *Provided, however*, That the aggregate indebtedness of any such borrower to the Bank shall not exceed at any time 10 per cent of the capital funds and surplus of the Bank plus an additional 15 per cent of such capital funds and surplus if such indebtedness, either in whole or in part, but in any event that part thereof in excess of 10 per cent of

such capital funds and surplus, is secured by collateral of an ascertained value of at least 25 per cent more than the amount of such indebtedness in excess of 10 per cent of such capital funds and surplus.

“(E) To invest its funds in direct obligations of the United States or obligations guarantee as to both principal and interest by the United States, or obligations of Puerto Rico or guaranteed as to both principal and interest by Puerto Rico, or obligations of any agency, instrumentality, commission, authority, municipality or political subdivision thereof, or obligations insured or guaranteed under housing laws of the United States.

“(F) To discount, at a uniform rate or rates of interest to be fixed from time to time by the Board of Directors of the Bank, for banks or trust companies organized under or subject to the Banking Law, negotiable drafts, notes, bills of exchange and acceptance, bearing the endorsement of the bank or trust company for which discounted, of the character eligible for discount by Federal Reserve Banks of the United States under Regulations of the Board of Governors of the Federal Reserve System from time to time in effect, subject to the conditions and limitations prescribed by such Regulations; *Provided, however,* That the aggregate amount of notes, draft, bills of exchange and acceptance upon which any person, partnership, association or corporation is liable as maker, acceptor, endorser, drawer or guarantor discounted for any bank or trust company shall not be subject to any limitation contained in such Regulations but shall at no time exceed the amount for which such person, partnership, association or corporation may lawfully become liable to such Bank or trust company under the applicable provisions of the Banking Law as from time to time amended.

“(G) To lend money, at a uniform rate or rates of interest to be fixed from time to time by the Board of Directors of the Bank, to any bank or trust company organized under or subject to the Banking Law, for a period not exceeding ninety days, on the promissory note of such bank or trust company, secured by notes, drafts, bills of exchange or acceptance eligible for discount by the Bank under the provisions of the preceding paragraph (F) hereof, or secured by obligations of the Insular Government or of the United States or guaranteed as to both principal and interest by the Insular Government or the United States or obligations of any agency, instrumentality, commission, authority, municipality or political subdivision of Puerto Rico, or secured by other collateral satisfactory to the Bank; *Provided, however,* That in case the security consist of such other collateral, the rate of interest on such loan shall in no event be less than one-half of one percent per annum higher than the highest rate then currently applicable to discounts provided for by the preceding paragraph (F) hereof.

“(H) To lend securities, on a fully secured basis, to any bank or trust company organized under or subject to the Banking Law.

“(I) To borrow money and contract debts for its corporate purposes upon such terms and conditions as the Bank may from time to time determine, with or without security, to dispose of its obligations evidencing such borrowing, to make, execute and deliver trust indentures and other agreements with respect to any such borrowing, contracting of debt, issuance of bonds, notes, debentures or other obligations, and by the authority of the Government of Puerto Rico which is hereby granted, to issue its bonds, notes debentures or other obligations in such form, secured in such manner, and subject to such terms of redemption with or without premium, and to sell the same at public or private sale for such price or prices, all as may be determined by its Board of Directors.

“(J) To exercise all such incidental powers as may be necessary or convenient for the purpose of carrying on the foregoing business and objects. The power granted in paragraphs (C), (D) and (E) above shall not include the power to lend moneys on short term or to invest in short term securities other than marketable securities, where the borrower or obligor has facilities available to it in banks organized under or subject to the Banking Law.

“Fourth: The Bank shall also have the following powers:

“(A) To have a common seal and to alter the same from time to time.

“(B) To acquire property for its corporate purposes by grant, gift, purchase, devise, or bequest, and to hold and to exercise the rights of ownership of and to dispose of the same.

“(C) To acquire any property in settlement or reduction of debts previously contracted or in exchange for investments previously made in the course of its business, where such acquisition is necessary to minimize or avoid loss in connection therewith, and to hold such property for such periods as the Board of Directors may deem advisable and to exercise the rights of ownership of and to dispose of the same.

“(D) To establish one or more branches, offices or agencies necessary or convenient for the transaction of its business within or without Puerto Rico.

“(E) To purchase, hold, lease, mortgage and convey real property as follows: (1) a plot whereon there is or may be erected a building suitable for the transaction of its business, from portions of which not required for its own use a revenue may be derived, (2) such real estate as may be conveyed to it in settlement or reduction of debts previously contracted or in exchange for investments previously made in the course of its business, (3) such as it shall purchase or otherwise acquire at sale under judgments, decrees or mortgages held by it and (4) such as may be necessary for residence of its employees; *Provided, however,* That real property purchased or acquired by it shall be sold within ten years of the date of such purchase or acquisition unless there shall be a building thereon occupied by it as an office

or by its employees as a residence or the Treasurer of Puerto Rico shall have extended the time within which such sale shall be made.

“(F) To sue and be sued.

“(G) To appoint, employ and contract for the services of officers, agents, employees and professional assistants and to pay such compensation for their services as the Bank may determine, and to fix and pay Directors’ fees.

“(H) To exercise such other corporate powers, not inconsistent herewith, as are conferred upon corporations by the Laws of Puerto Rico and to exercise all its powers within and without Puerto Rico to the same extent as natural persons might or could do.

“*Fifth*: The affairs of the Bank shall be managed and its corporate powers exercised by a Board of Directors seven in number. The Governor of Puerto Rico with the approval of the Executive Council of Puerto Rico, shall appoint the first members of the Board of Directors, two of whom shall be appointed for a term of two years, two of whom shall be appointed for a term of three years and three of whom shall be appointed for a term of four years. Thereafter, as the terms of office of directors expire, successor directors shall be appointed by the Governor, with the approval of the Executive Council, for terms of four years. All vacancies in the office of directors shall be filled by appointment by the Governor, with the approval of the Executive Council, Provided, however, That any vacancy occurring between such appointment shall, within sixty days, be filled by the Governor for the unexpired term. All directors shall, unless sooner removed or disqualified, hold office during the term for which appointed and until their successors are appointed and qualified. A majority of the directors in office shall constitute a quorum of the Board of Directors for all purposes.

“*Sixth*: The Board of Directors, by the affirmative vote of a majority of the whole Board, may adopt, add to, amend, alter or repeal By-Laws of the Bank, not inconsistent herewith or with law, providing for the management of the business of the Bank, the regulation of its affairs, the organization, conduct and meetings of the Board of Directors, notice of meeting of the Board of Directors and waivers of notice, the appointment of committees of the Board of Directors and the power of such committees, the number, titles, qualifications, terms, election or appointment, removal and duties of officers, the form of the seal of the Bank, and the preparation and submission to the Legislature of annual and other reports; Provided, however, That the By-Laws shall not be added to, amended or altered nor shall any By-Law be repealed at any meeting of the Board of Directors unless written notice of the proposed addition, amendment, alteration or repeal shall have been delivered or mailed to each director at least one week before such meeting.

“Seventh: The Bank shall not make any loans to its directors, officers, agents or employees or to any privately-owned enterprise in which one or more of the directors, officers, agents or employees own a substantial interest, or make any loans guaranteed by a director, officer, agent or employee, except in each case with the unanimous approval of all the directors, exclusive of any interested director or directors, present at a meeting of the Board of Directors attended by at least 75% of the full Board, exclusive of any interested director or directors, from which meeting such interested director or directors shall be excused during consideration and voting with regard to such loans.

“Eighth: Out of the net income resulting at the end of the business year, such amount shall be added to the reserve account of the Bank as the Board of Directors may consider necessary or pertinent; and the balance of such income, may, in whole or in part, be added to the surplus account of the Bank or remain in an unassigned income account, as the Board of Directors may determine. From time to time the Board of Directors may in 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 capital account of the Bank.

“Section 3.—The Development Bank of Puerto Rico, created under Act No. 252, approved May 13, 1942, is hereby dissolved, except to the extent necessary for the transfer of assets, and said Act and Act No. 46, approved May 4, 1943 are hereby repealed and, without further act or execution of deed or document of conveyance, or endorsement or transfer of any kind, all properties, trusts, agency relationships, shares, rights, franchises, powers of attorney, privileges, negotiable instruments, notes, bonds, expressly including all chattel and real estate mortgages, properties of every kind, movable or immovable deposits in banks in accounts current or in any other forms and all liabilities and obligations of said Development Bank of Puerto Rico, shall become the property of and are by this Law transferred and conveyed to the Bank, hereby created and the Bank shall have as regards such property, trusts, agency relationships, shares, rights, franchises, powers of attorney, privileges, negotiable instruments, notes, bonds, chattel and real estate mortgages, properties of any kind, movable or immovable and deposits in banks, the same rights as were had by the Development Bank of Puerto Rico, and shall dispose of them freely and without any limitation. *Provided, however,* That if, for any unforeseen circumstance a registration or recording in any private or public register, the Registry of Property included, is needed, such registration or recording shall be made by the officers in charge, absolutely free of the payment of any fee or charge.

“Section 4.—The title of Act No. 272 approved May 15, 1945, is hereby amended to read as follows: ‘Authorizing the Government Development Bank for Puerto Rico to act as fiscal agent, paying

and co-paying agent and as agent for other purposes of the Insular Government, its agencies and municipalities, and of the Treasurer of Puerto Rico and on behalf of the Treasurer of Puerto Rico; authorizing and directing the Government Development Bank for Puerto Rico to act as a financial advisory and reporting agency to the Governor of Puerto Rico, to the Executive Council of Puerto Rico and to the Treasurer of Puerto Rico; authorizing and appointing the Government Development Bank for Puerto Rico as fiscal agent, paying agent and as agent for the purchase, sale, issue and exchange of all bonds, notes, or other evidences of indebtedness for all public service enterprises and authorities owned and controlled by the Insular Government; authorizing and directing all public service enterprises and authorities owned and controlled by the Insular Government to contract with the Government Development Bank for Puerto Rico for certain purposes, defining and determining the terms and conditions of contracts therefor and providing for a method of appeal from the decisions of the Government Development Bank for Puerto Rico as to rate and other aspects of such contracts; defining the responsibilities of the Government Development Bank for Puerto Rico and limiting the rates it may charge; stating the authority of the Government Development Bank for Puerto Rico to buy, sell, own, hold and deal in any of the bonds, notes, evidences of indebtedness and of interest coupons or evidences of interest, appurtenant thereto, of the Insular Government, its agencies, municipalities and authorities and of the Treasurer of Puerto Rico and to join in any action at law relative to such securities; to declare the official text of this law in the English language; to declare that the same will prevail over the Spanish text, to declare an emergency, and for other purposes.'

"Section 1 of Act No. 272, approved May 15, 1945, is hereby amended to read as follows:

"Section 1.—The Government Development Bank for Puerto Rico (hereinafter called the "Bank") shall be and it is hereby authorized to act as fiscal agent of the Insular Government, its agencies and municipalities and of the Treasurer of Puerto Rico for the purpose of registering, authenticating or countersigning the bonds, notes or other evidences of indebtedness of the Insular Government, its agencies and municipalities and of the Treasurer of Puerto Rico, and to perform, without limitation, such other services for the Insular Government, its agencies and municipalities and for the Treasurer of Puerto Rico, for any purpose not contrary to already existent legislation, subject, however, to the approval of the Treasurer of Puerto Rico on such terms as may be agreed upon by and between the Bank and the Treasurer of Puerto Rico for services rendered to the Insular Government, its agencies and the Treasurer of Puerto Rico, and on such terms as may be agreed upon by and between the Bank and the municipalities of Puerto Rico for services rendered to the municipalities of Puerto Rico."

“Section 5.—It is hereby found and declared that the purpose for which the Bank is created is to aid the Insular Government in the performance of its fiscal duties and more effectively to carry out its government responsibility to develop the economy of Puerto Rico, particularly with respect to its industrialization and is a public purpose in all respects for the benefit of The People of Puerto Rico, and that therefore the Bank shall not be required to pay any taxes or assessments on any of the property acquired or to be acquired by it, or on its operations or activities, or on the income derived from any of its operations or activities. In order to facilitate the procurement of funds by the Bank to enable it to carry out its said purpose, all bonds, notes, debentures or other obligations of the Bank and the income therefrom and any profits from the sale, resale or exchange of such bonds, notes, debentures or other obligations shall be exempt from any income tax, any estate or inheritance taxes and any personal property tax of Puerto Rico or any municipality or other political subdivision thereof. The debts or obligations of the Bank shall not be debts or obligations of the Insular Government or of any of the municipalities or other political subdivisions of Puerto Rico and neither the Insular Government nor any such municipalities or other political subdivisions shall be responsible for the same.

“Section 6.—The Bank shall maintain a reserve of not less than 20 per cent of its liability on account of deposits other than deposits fully secured by collateral. Such reserve shall be composed of the following:

“(A) Reserve to the extent of not less than $6\frac{2}{3}$ per cent of such deposits shall consist of lawful money of the United States.

“(B) The remainder of such reserves shall consist of money deposited in other banks, provided that said deposits are authorized by the Treasurer of Puerto Rico and are subject to immediate collection. Other assets of the Bank to the extent of at least 80 per cent of the amount of such deposits shall consist of obligations (not including mortgages) maturing in not more than 180 days, or marketable securities.

“Section 7.—The endorsement by any bank or trust company organized under or subject to the Banking Law of any draft, note, bill of exchange or acceptance discounted or pledged by it to the Bank shall constitute a waiver of demand, notice and protest by such bank or trust company as to its own endorsement exclusively.

“Section 8.—The Bank shall make and submit to the Governor of Puerto Rico and the Treasurer of Puerto Rico a written report of its condition as of the last day of each month, in such a manner as the Treasurer of Puerto Rico may prescribe. Such report shall show the total amount of outstanding loans, to directors, officers, agents and employees or to any privately-owned enterprises in which one or more

of the directors, officers, agents or employees may own a substantial interest and outstanding loans guaranteed by a director, officer, agent or employee; shall be subscribed by an officer of the Bank and verified by his oath stating that to the best of his knowledge and belief the report is true and correct in all respects; and shall be submitted to the Governor and the Treasurer within the first ten days of the following month, legal holidays excluded.

“Section 9.—The Bank shall file in the office of the Executive Secretary of Puerto Rico, annually, within ninety days after the close of its fiscal year, a report sworn to by an officer or by any two directors of the Bank, stating: (1) the name of the Bank; (2) the location, town or city, street and number, if there is a number, of its main office in Puerto Rico; (3) a profit and loss statement for the last fiscal year and a statement of its assets and liabilities as of the close of such year; and (4) the names and post office addresses of all directors and officers of the Bank and the time when the term of office of each expires. Such report shall be published by the Bank in a newspaper of general circulation in Puerto Rico.

“Section 10.—The Bank shall be subject to examination and supervision by the Treasurer of Puerto Rico, in accordance with the terms of the Banking Law applicable to banks organized under or subject to the provisions thereof, *Provided, however,* That no fee shall be required to be paid by the Bank in connection with any such examination.

“The Treasurer of Puerto Rico shall issue to the Bank a certificate setting forth the result of each such examination, which certificate shall be presented to the Board of Directors at its next regular or special meeting.

“The Bank shall also be subject to an annual examination and audit by certified public accountants of national reputation selected by the Board of Directors of the Bank.

“Section 11.—If, in consequence of an examination or a report made by an examiner, the Treasurer of Puerto Rico shall have reason to believe that the Bank is not in sound financial condition or that its affairs are conducted in such manner as to endanger its funds or other assets, or if the Bank shall refuse to submit its books, documents and affairs for the inspection of any duly authorized examiner or if it shall fail to establish reserves as required by this Act after thirty days’ notice by the Treasurer of Puerto Rico, or if it shall become insolvent in the judgment of the Treasurer of Puerto Rico, the Treasurer shall report such facts to the Governor. The Governor may then direct the Treasurer to apply to the District Court for the judicial district where the main office of the Bank is located, and if, after having heard the Bank, the Court deems that the facts alleged by the Treasurer are well founded, then

the Court shall proceed to appoint a receiver to suspend operations and settle the obligations of the Bank.

“The receiver, upon his appointment, shall, under the direction of the District Court, take possession of the assets and liabilities, books (including the minute book), records, papers and files of every description, belonging to the Bank, and shall collect all loans fees and claims of the Bank, and shall see to the payment of its obligations and debts and of the necessary expenditures of receivership. He shall proceed to settle the affairs of the Bank as soon as possible, and to this end he may sell the personal and real property and other assets of the Bank, subject to the order of the District Court.

“Section 12.—If any director of the Bank shall violate or knowingly or negligently permit any of the officers, agents or employees of the Bank to violate any law or any of the provisions of the Charter of the Bank, the matter shall be reported to the Governor by the Treasurer of Puerto Rico. Upon receiving such report the Governor shall call a meeting of the Executive Council and shall submit to it the report with his recommendations. The Executive Council shall give the director under charge the opportunity to be heard and thereafter it may remove such director and take whatever additional action it may deem necessary.

“Section 13.—Neither the Bank nor any officer, agent or employee thereof shall certify any check drawn upon it unless the drawer of such check has on deposit with the Bank at the time such check is certified an amount not less than the amount of such check. Any check so certified by a duly authorized officer, agent or employee of the Bank shall be a valid obligation of the Bank in the hands of any person holding such check in good faith; but any officer, agent or employee of the Bank who knowingly acts in violation of the provisions of this Section shall be deemed guilty of misdemeanor and shall be liable to imprisonment for not less than one nor more than two years.

“Section 14.—All transfers of notes, bonds, bills of exchange or credits of the Bank or of deposits to the credit thereof, and all assignments of mortgages, security on real property, or of judgments or decrees in favor of the Bank, and all deposits of money, gold and silver in bars, or other thing of value and all payments of money to its creditors, made while the Bank is insolvent, or in anticipation of insolvency, with the intent of preventing the application of the assets of the Bank in the manner prescribed in this Act, or with the intent of giving preference to one creditor over another, shall be null and ineffective; and no attachment, levy, execution, foreclosure or writ of injunction shall issue against the Bank or against its properties, before final judgment is rendered in any suit, action or proceedings in the district or municipal court.

“Section 15.—Any officer, employee or agent of the Bank who shall receive any deposit knowing that the Bank is insolvent, shall be guilty of a misdemeanor if the amount or value of such deposit is less than twenty-five dollars, or if the amount or value of such deposit is twenty-five dollars or over, such person shall be guilty of a felony, and shall be punished by imprisonment for not less than one or more than five years, or by a fine of not less than five hundred dollars or more than three thousand dollars, or by both penalties.

“Section 16.—Every director, officer, employee or agent of the Bank who embezzles, abstracts or willfully misapplies any moneys, funds, credits or securities of the Bank, or who, without being duly authorized, issues or draws any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, draft, bill of exchange, mortgage, judgment or decree for, or who makes any false entry in any book, report or statement of, the Bank, with intent, in any of such cases, to injure or defraud the Bank or any other company, body politic or corporate, or any individual person, or to deceive any officer of the Bank or any agent appointed to examine the affairs of the Bank, and every person who with like intent aids or abets any director, officer, agent or employee in any violation of this section, shall be deemed guilty of a felony, and shall be imprisoned for not less than ten years; *Provided*, That the Bank shall collect and cover into its funds, from the amount of any life insurance policy which the Bank may have taken for such director, officer, employee or agent and the premiums which the Bank may have paid, up to the sum embezzled or disposed of by the director, officer, employee or agent, and the director, officer, employee or agent, his beneficiaries, assignees or successors in interest shall lose all rights to the benefits of such policy.

“Section 17.—Any person or publication that knowingly and maliciously makes, circulates or transmits to another, or to others, any statement, rumor or suggestion, whether written, printed, or by word of mouth, which directly or by inference discredits the financial condition of the Bank or any of its branches, or which affects its solvency or credit, or any person or publication that advises, aids, procures, or induces another to originate, transmit, or circulate any such statement or rumor, shall be guilty of a felony, and upon conviction shall be punished by a fine of not less than five hundred dollars, or by confinement in the penitentiary for a term of not more than five years, or by both penalties.

“Section 18.—In view of the inclusion in this Act of all necessary and pertinent provisions similar to provisions contained in the Banking Law, none of the provisions of the Banking Law shall apply to the Bank, its directors, officers, employees or agents.

“Section 19.—No amendments to this Act or to any other law of Puerto Rico shall impair any obligations or commitment of the Bank.

“Section 20.—If any provisions of this Act or the application of such provisions to any person or circumstance shall be held invalid, the remainder of the Act and the application of such provisions to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

“Section 21.—It is hereby declared that the official text of this Act is the English version thereof and if in the interpretation and application of this Act any conflict arises as between the Spanish and the English texts thereof, the latter shall prevail over the former.”

Section 23.—It is hereby declared that an emergency exists which justifies the immediate effectiveness of this Act, and the same shall, therefore, take effect immediately after its approval.

Approved, September 23, 1948.

[Transcribed from Laws of Puerto Rico, 1948, Sixteenth Legislature of Puerto Rico]