



Tax



Reports



Financial  
Entities

# Treasury Department exempts IBE and IFE from filing the monthly foreign transaction report

January 27, 2021

The Puerto Rico Department of Treasury (the Department) recently eliminated the requirement to International Banking Entities (IBE) and International Financial Entities (IFE) to submit the Transfer Funds Report for transactions performed outside of Puerto Rico of \$5,000 or more.

Administrative Determination 21-02 seeks to eliminate the duplicity of information already required by the Puerto Rico Commissioner Office of Financial Institution (“OCIF” for its Spanish acronym) and other different fiscal laws to IBE and IFE.

Act 131-1974, known as Foreign Fund Transaction Act, requires financial institutions to report with the Department of Treasury the transactions performed outside of Puerto Rico. This act grants authority to the Department of Treasury to regulate and monitor how the financial institutions established in Puerto Rico report transactions of \$5,000 or more with financial institutions organized in foreign jurisdictions with the purposes of overlooking any tax evasion or money laundering. Pursuant to Administrative Determination 14-04, the Transfer Funds Report already filed to OCIF must also be saved electronically on a CD and mailed to the Department on the fifteenth day of the next month when the transactions occurred.

Article VIII of Regulation 1965 (the Regulation) establishes, that the Secretary of the Department “may, when it deems is convenient in the best public interest, it may, through an order applicable to a particular person or a group of people (in our case IBE and IFE), or to a particular transaction or to different classes of transactions or when the amount involved in the transaction merits waiving the notification requirement as required under this Regulation.”

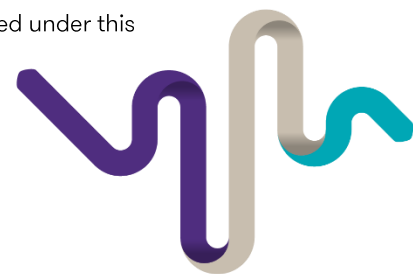
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Collaborated in the preparation of this article.



IBE organized pursuant to Act 52-1989 “International Center Bank Regulatory Act” and IFE organized under Act 273-2012 “International Center Financial Regulatory Act” provide services to banks and financial institutions outside of Puerto Rico and are certified by OCIF. Moreover, IBE and IFE also must be in compliance with different federal laws, such as Bank Secrecy Act, USA PATRIOT Act and are regulated by the Office of Foreign Assets Control of the U.S. Department of the Treasury. Subject to certain exceptions, IBE and IFE cannot perform transactions with banks or financial entities located in Puerto Rico. Therefore, the Secretary determined, that given the fact that IBE and IFE only perform transactions outside of Puerto Rico, and such financial institutions are already regulated by other federal laws, Law 131-1974 is not intended to apply to IBEs and IFEs, and therefore both will be exempt to file the Report with the Department.

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