



COMMONWEALTH OF  
PUERTO RICO  
Office of the Commissioner of  
Financial Institutions

DEPTO. DE ESTADO  
SECRETARIA AUX. DE SERVICIOS  
RECIBIDO

Rafael Blanco-Latorre, Esq.  
Commissioner

2016 JUN -3 AM 10:51

May 13, 2016

Claudia G. Motta, Esq.  
Reichard & Escalera



RE: CHOICE FINANCIAL INTERNATIONAL, LLC; PERMIT TO ORGANIZE AS AN  
INTERNATIONAL FINANCIAL ENTITY

Dear Ms. Motta:

In the exercise of the faculties granted by Puerto Rico Act No. 4 of October 11, 1985, as amended, which created the Office of the Commissioner of Financial Institutions (the "Office" or "OCFI"), Puerto Rico Act No. 273-2012, as amended ("Act 273-2012" or "the IFE Act"), known as the International Financial Center Regulatory Act, and Regulation 5653<sup>1</sup> issued by the Office pursuant to Puerto Rico Act No. 52 of August 11, 1989, as amended, ("Act 52"), known as the International Banking Center Regulatory Act, subject to the terms and conditions set out below, this Office hereby grants a permit to Choice Financial International, LLC (the "IFE"), to organize as an international financial entity under Act 273-2012, subject to the conditions and limitations set forth below.

**LIMITED ACTIVITIES**

The authorization granted for the organization of the IFE is limited to the following activities:

1. With the prior specific approval of the Commissioner, accept deposits, from foreign persons in checking account as well as deposit accounts or time deposits, including demand deposits and deposits of funds between banks, or otherwise borrow from other international financial entities and any foreign person as defined in the Act and in Regulation 5653, as authorized in Article 12(a)(1) of the IFE Act;

<sup>1</sup> Article 27 of Act 273-2012 provides that regulations enacted under Act 52 shall apply to the organization and governance of IFEs until such a time as regulations are enacted under Act 273-2012.

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2. With the prior approval of the Commissioner, accept adequately collateralized deposits or otherwise borrow properly secured money from the Government Development Bank for Puerto Rico and the Economic Development Bank of Puerto Rico, as authorized in Article 12(a)(2) of the IFE Act;
3. Make or place deposits in, and otherwise give money as a loan, to the Government Development Bank for Puerto Rico, to the Economic Development Bank of Puerto Rico, to any international financial entity, or to any bank, including banks organized under the laws of Puerto Rico, and branches in Puerto Rico of banks that are foreign persons, as authorized in Article 12(a)(3) of the IFE Act;
4. Make, procure, place, guarantee, or provide service to loans to foreign persons; none of such loans may be granted to a domestic person, except as provided in relation to the activities described in clauses (3), (7), (18), (19), (20) and (21) of subsection (a) of Article 12 of the Act, as authorized in Article 12(a)(4) of the IFE Act;
5. (A) Issue, confirm, give notice, negotiate, or refinance letters of credit, provided that the client and the beneficiary requesting the letter of credit is not a domestic person, or (B) issue, confirm, give notice, negotiate or refinance letters of credit in transactions for the financing of exports, even if the beneficiary is a domestic person, as authorized in Article 12(a)(5) of the IFE Act;
6. Discount, rediscount, deal or otherwise trade in money orders, bills of exchange and similar instruments, provided that the drawer and the original debtor, is not a domestic person; as authorized in Article 12(a)(6) of the IFE Act;
7. Invest in securities, stocks, notes and bonds of the Government of Puerto Rico exempt from contributions in Puerto Rico; as authorized in Article 12(a)(7) of the IFE Act;
8. Carry out any banking transactions permitted by this Act in the currency of any country, or in gold or silver, and participate in foreign currency trade; as authorized in Article 12(a)(8) of the IFE Act;
9. After obtaining a special permit from the Commissioner, Underwrite, distribute and otherwise trade in securities, notes, debt instruments, money orders and bills of exchange issued by a foreign person for final purchase outside of Puerto Rico, as authorized in Article 12(a)(9) of the IFE Act;

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10. Engage in trade financing activities of import, export, swap and exchange of raw materials and finished products, with domestic persons, when the Commissioner has determined by regulation, order or administrative determination that the international aspects of the underlying transaction outweigh any financial community local business involvement and that such activities will be suitable for an international financial entity; as authorized in Article 12(a)(10) of the Act. Provided, however that such transactions as exceptions will not enjoy the exemption granted under Sections 21 and 22 of the Act, or the preferential rate provided in Section 6 (a) of the IFE Act;
11. Engage in any activity of a financial nature outside of Puerto Rico, which would be allowed to be done, directly or indirectly, by a bank holding company or by a foreign office or subsidiary of a United States bank under applicable United States law, as authorized in Article 12(a)(11) of the IFE Act;
12. After obtaining a special permit from the Commissioner, act as fiduciary, executor, administrator, registrar of stocks and bonds, property custodian, assignee, trustee, attorney-in-fact, agent, or in any other fiduciary capacity; provided that such fiduciary services shall not be offered to, nor be to the benefit of domestic persons, as authorized in Article 12(a)(12) of the IFE Act;
13. Acquire and lease personal property at the request of a lessee who is a foreign person, pursuant to a financial lease agreement, which complies with the Regulations of the Commissioner, as authorized in Article 12(a)(13) of the IFE Act;
14. After obtaining a special permit from the Commissioner, buy and sell securities outside Puerto Rico, to the order of, or at its discretion, for foreign persons and provide investment advice in relation to such transactions or separate therefrom, to such persons, as authorized in Article 12(a)(14) of the IFE Act;
15. Act as a clearinghouse in relation to financial contract or instruments of foreign persons, as authorized by Regulations adopted by the Commissioner, as authorized in Article 12(a)(15) of the IFE Act;
16. Organize, manage and provide management services to international financial entities and other financial entities located outside of Puerto Rico, such as investment companies and mutual fund, provided that the stock and participation in the capital



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of such companies is not distributed directly by the international financial entity to domestic persons, as authorized in Article 12(a)(16) of the IFE Act;

17. Engage in such other activities as are expressly authorized by the regulations or order of the Commissioner, or are incidental to the execution of the services authorized by this Act and the Regulations of the Commissioner, except activities expressly prohibited by this Act, as authorized in Article 12(a)(17) of the IFE Act;
18. Participate in the granting and/or guaranty of loans that originate and/or are secured by the Government Development Bank for Puerto Rico and the Economic Development Bank of Puerto Rico, as authorized in Article 12(a)(18) of the IFE Act;
19. With the prior approval of the Commissioner and up to December 31, 2017, participate in the granting and/or guaranty of the loans they originate and/or guarantee by any bank that is considered domestic person, but not including any bank transactions deemed a domestic person and an affiliated entity, as authorized in Article 12(a)(19) of the IFE Act;
20. With the prior approval of the Commissioner and up to December 31, 2018, purchase loans that are considered classified or in distress from any bank that is considered a domestic person or a Puerto Rico branch of a foreign bank, including the foreclosure of collateral related to these loans and the sale of the property that served as collateral for such loans. The foreclosure of the collateral and the sale of the property that served as collateral may be made within the period reasonably understood to be within industry standards, as authorized in Article 12(a)(20) of the IFE Act;
21. With the prior approval by the Secretary of the Treasury and the Commissioner, finance, through loans or financial guaranties, projects in those areas of priority for the Government of Puerto Rico in those cases designated as extraordinary by the Secretary of the Treasury and the Commissioner, as authorized in Article 12(a)(21)(A) and (B) of the IFE Act;
22. Establish, with the Commissioner's previous authorization, branches within and outside of Puerto Rico, in the United States mainland and its possessions or in other foreign countries, provided that branches outside of Puerto Rico will not accept any kind of deposits, and to establish a service unit or office in Puerto Rico, as authorized in Article 12(a)(22) of the IFE Act;



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23. With the prior authorization of the Commissioner, provide to other international financial entities or to foreign persons outside of Puerto Rico, those services of financial nature, as these are defined and generally accepted in the banking industry of the United States and Puerto Rico and which are not listed in this Section; as authorized in Article 12(a)(11) and (23) of the IFE Act;
24. With the prior authorization of the Commissioner, engage in providing services of: (i) asset management, (ii) alternative investment management, (iii) management of activities related to private equity investments, (iv) hedge fund management, (v) "pools of capital" management (vi) administration of trusts that serve to convert different asset groups in securities, and (vii) management services of escrow accounts, provided that such services are provided to foreigners, as authorized in Article 12(a)(24) of the IFE Act.

In connection with the above-listed activities we remind you that securities activities and any other activity governed by special laws or which are subject to specific regulatory requirements under Regulation 5653 must be separately authorized by the Commissioner before the IFE may engage in any such special activity.

#### AUTHORIZED CAPITAL AND INITIAL CAPITALIZATION

As submitted in your application, the proposed capitalization of the IFE will be five million dollars (\$5,000,000.00). We also understand that at least three hundred thousand dollars (\$300,000.00) shall be fully paid-in at the time the license to operate as an international financial entity is issued by the Commissioner.

We thus authorize the IFE to organize itself with an authorized minimum capital of five million dollars (\$5,000,000), of which the amount of \$300,000<sup>2</sup> shall be fully paid in at the time of commencement of operations.

Please note that increases and decreases in the IFE's authorized capital are governed by the IFE Act and the Regulation 5653.

<sup>2</sup> We note that in the Proposed Operating Agreement, at page 8, the minimum paid-in capital is \$250,000. We understand that the IFE will commence with a paid-in capital of \$300,000, an amount larger than the proposed minimum paid-in capital mentioned in the Proposed Operating Agreement.



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**UNENCUMBERED ASSETS**

In addition, as represented in the application, the IFE shall also purchase a certificate of deposit or pledge unencumbered assets in the amount of \$300,000.00, which shall be pledged in favor of and for the benefit of the Commissioner, to comply with the unencumbered assets requirement established in Section 8(a)(7) of the IFE Act.<sup>3</sup>

**BUSINESS PLAN**

We have examined a draft of the document titled "Business Plan" which was submitted with the Application to organize the IFE. Please be advised that the Office does not pass judgment upon the sufficiency or legality of such Business Plan, and that the same shall at all times be ultimately governed by the permits to be issued by the Office.

**OPERATING AGREEMENT**

We have examined a revised draft of the document titled "Limited Liability Company Operating Agreement of Choice Financial, LLC" which was submitted in furtherance of the Application to organize the IFE. In the enclosed attachment we identify and mark the changes we deem necessary in order to conform such document to the IFE Act.

Please note that the Operating Agreement and all documents making reference to the IFE's authorized activities must list and described such activities in the manner listed in this permit to organize the IFE.

Notwithstanding the above, please be advised that the Office does not pass judgment upon the sufficiency or legality of such Operating Agreement, and that the same shall at all times be ultimately governed by the permits to be issued by the Office. We particularly emphasize that the activities of the IFE shall in all instances be governed by the IFE Act and the license

*Handwritten initials*

<sup>3</sup> For the purposes of a permit from the Office to organize an international financial entity and, ultimately, for the purpose of authorizing such entity to commence operations, the unencumbered assets required by the IFE Act do not constitute "capital" to the extent such unencumbered assets are pledged in favor of the Commissioner and may not be used in the operations of the entity nor to pay a shareholder's interest in the entity during the life of the entity. Whether the \$300,000 in assets pledged to the Commissioner may be reported as additional capital for accounting purposes is not passed upon in this permit to organize. Such accounting treatment depends on applicable accounting principles.



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to commence operations which is ultimately issued by the Office in connection with your application.

**PERMIT TO ORGANIZE AS AN INTERNATIONAL FINANCIAL ENTITY**

Subject to the conditions set forth below, this Office hereby grants a permit to Choice International Financial, LLC to organize as an international financial entity under Act 273-2012.

**CONDITIONS AND SPECIFICATIONS TO THE PERMIT TO ORGANIZE**

The validity and effectiveness of the authorization granted herein to organize the IFE is subject to compliance by the IFE of all applicable laws and regulations. Our permit is subject also to the following conditions:

**1. Name of the IFE**

Pursuant to the provisions of Article 5.2<sup>4</sup> of Regulation 5653, the name of the entity must contain the designation of "International" or "Overseas" or such other wording which is indicative of the international nature of the financial entity to be organized, such as "Choice International Financial, LLC" or any similar name.

Accordingly, all of the documents to be executed in connection with the application for, and organization of, the international financial entity to be organized must be uniformly amended to comply with the above-mentioned requirement.

**2. Operating Agreement**

The amendments to the Operating Agreement in the manner required in the enclosed attachment is an essential condition to the validity of this permit to organize the IFE.

**3. Reliance on representations**

Please be advised that for purposes of the permit to organize hereby granted this Office has relied on the representations contained in the Application and to the supplementary documents filed on behalf of the IFE. Any material change in the information contained in

<sup>4</sup> See note 1, above.



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the Application or in any of the documents submitted in support of the Application must be expressly notified to the Office.

#### **4. Concurrent filings**

Applicant must concurrently file with this Office copies, if any, of all pertinent requests submitted to, and authorizations, rulings or approvals issued by, any other State or Federal agency.

#### **5. Limited activities**

Once this Office issues the license to commence operations as required by Act 273-2012, the proposed IFE may only engage in those activities finally approved and specifically listed in the license.

#### **6. Locale**

Once this Office issues the license to commence operations as required by Act 273-2012, the proposed IFE will be authorized to operate an office at 2156 Calle Park Boulevard #202, San Juan, PR 00913.

#### **7. Employees.**

The IFE organized pursuant to the provisions of this permit shall comply with the employment requirement of Article 13 of Act 273-2012.

#### **8. Changes required**

As an essential condition for the validity of this permit to organize the proposed IFE, the IFE must agree to request, notify and effect the changes and/or pertinent substitutions in the event any adverse information is reported in regard to the applicant, the proposed IFE or any Member, director or officer of the IFE. The term "negative information" means any information received from, or issued by, any federal or local agency, including any federal or local court, or any private entity, or any other information developed by the Office, when said information or indication, when verified, tends to show that the IFE, or any of the Members, directors, officers or employees has violated or is violating any law applicable to said entity, or has incurred in questionable practices in the management of the business or matters related with the proposed IFE or has in any manner infringed the fiduciary duty

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imposed by law or by the position, function or task performed in connection with the proposed IFE.

**9. This permit is limited to the organization of the IFE**

The permit herein issued is limited to the organization of the IFE as an international financial entity and does not extend to such matters as the establishment of branches or other matters which under Act 273-2012 require specific and separate permits.

**10. Effective period**

This permit shall be in effect for a period of six (6) months from the date of this letter, unless an extension is requested and written confirmation of the concession is obtained from this Office before the end of the six-month period.

**11. Additional requirements**

The final approval of the application and the issuance of the license to commence operations are subject to the fulfillment by the IFE of the above requirements and of all other requirements for organization of international financial entities established under Act 273-2012.

Please do not hesitate to contact the undersigned should you need additional information on this matter.

Cordially,

Enclosure: Amendments required to  
Operating Agreement