



GOVERNMENT OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS

MEMORANDUM

To: Broker-Dealers
From: Securities Division
Subject: Registration Requirements

Who should register?

Section 881(c) of the Uniform Securities Act of Puerto Rico states that:

...

(c) Broker-dealer.

Shall mean any person engaged in effecting transactions in securities, on the account of others or on his own account.

Broker-dealer shall not include:

(1) A government instrumentality.

(2) An agent.

(3) An issuer.

(4) A bank, savings institution, or a trust company with banking powers, provided the activities of these institutions related to the securities business are limited to:

(A) Those categories listed in subsections (B)(i)--(B)(xi) of Section 3(a)(4) and subsections (C)(ii) and (C)(iii) of Section 3(a)(5) of the Securities Exchange Act of 1934, and

(B) the offer and sale to individuals for the investment of funds deposited in:

(i) An individual retirement account, as the term is defined in § 8569 of Title 13;

(ii) a non-deductible individual retirement account, as defined in § 8569b of Title 13, or

(iii) an educational savings account, as defined in § 8572 of Title 13.

(5) A person who does not have a place of business in Puerto Rico if:

(A) The person carries out transactions in Puerto Rico exclusively with or through:

(i) The issuers of the securities involved in the transaction;

(ii) other broker-dealers;

(iii) banks, savings institutions, trust companies, insurance companies, investment companies as such are defined in the Investment Companies Act of Puerto Rico, §§ 661--683 of this title, pension trusts or shares in the benefit or other financial institutions or institutional buyers acting on their own account or as trustees, or

(B) during any other period of twelve consecutive months does not in any way make more than fifteen sale or purchase offers in Puerto Rico to persons other than those specified in paragraph (A) of this clause, whether the person making the offer or the persons to whom the offer is made are in Puerto Rico.

If the firm does not fall in any of the exemptions listed above, you will need to register as broker dealer in Puerto Rico.



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To begin the registration process, follow these steps:

Forms that should be filed with FINRA (do not send to Puerto Rico)

- 1- Form BD electronically.
- 2- Financial Statements, including net capital computation dated no more than ninety (90) days prior to filing date. Every broker-dealer must maintain a minimum net capital as designated in Rule 15c3-11 for the activities of the broker-dealer.
- 3- One (1) copy of all currently effective subordinated agreements
- 4- One (1) copy of Articles of Incorporation, all amendments and By-Laws, Partnership Agreement, Articles of Formation, as applicable
- 5- Copy of the Clearing Agreement

Fees that should be forwarded to FINRA.

- 1- Filing Fees
 - a. \$500.00 for broker-dealer registration.
 - b. \$150.00 for each broker-dealer representative registration.

Forms that must be forwarded to Puerto Rico (in original form, complete package)

- 1- Corporate Resolution on Form R-5, or Written Consent of Members for Limited Liability Companies, Sole Proprietorships or Partnerships. (Don't send both, just the one that applies to your organization)
- 2- Certifications:
 - a. Broker-Dealer Questionnaire and Affidavit: Prior Sales
 - b. Branch Office - certify that the broker-dealer will not open a branch office in Puerto Rico. **Otherwise, for those that wish to open a branch, an Authorization to do business in Puerto Rico, issued by the Department of State of Puerto Rico, is required (Dept. of State, Corporate Division, 787/722-2121 Exts. 6226, 6246 and 6332 or 787/724-3830).**
Or visit their webpage at:
<https://prcorpiling.f1hst.com/CorporationSearch.aspx>
- 3- Name and CRD number of the designated principal that will be registered for the company business in Puerto Rico. (Registration is required prior firm approval)
For those opening a branch in Puerto Rico, as per Article 28.3.1 of Regulation 6078, Regulation under the Uniform Securities Act of Puerto Rico, **unless otherwise provided, by the Commissioner pursuant to section 28.3.2, every broker-dealer that maintains one or more Branch offices in Puerto Rico, must maintain at least one full time supervisor in Puerto Rico. (Emphasis supplied).**



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Post Effective Requirements:

Annual Renewal

- a. Due date: Beginning in November of each year, you will be notified by FINRA of the commencement of the renewal process and the due date. All registrations expire as of December 31 of each year.
- b. Fee: Same as initial fee (\$500.00 for the Firm and \$150.00 for each agent).
- c. Forms: Audited Financial Statement for the last fiscal year **(only for broker dealers with physical presence in Puerto Rico)**
- d. Certification of compliance with Section 1063.06 of the Internal Revenue Code for a New Puerto Rico (Act No. 1 of January 31, 2011).

The requirement of Section 1063.06 is the following:

Section 1063.06.– Statements of Brokers and Stockbrokers.–

Any person doing business as a broker or stockbroker, as determined by the Secretary through regulations, including financial institutions established in Section 1063.02(c) of this Subtitle, that act as a broker or stockbroker shall submit to the Secretary a true and exact statement that contains the name, street or mailing address, his/her taxpayer account number, and information concerning interests, gross interests, and dividends paid to every natural person, as determined by the Secretary by regulations. This statement shall be filed on or before February 28 of the year following the calendar year in which said income payment was made.

The broker or stockbroker shall exercise the highest degree of diligence in complying with the obligation imposed by this section.

Important: This is a matter under the jurisdiction of the Puerto Rico Treasury Department. For more information, call (787) 622-0123. You may also visit their webpage: <http://www.hacienda.gobierno.pr/contactenos>

- e. Reporting Requirements will apply to Broker Dealers with physical location in Puerto Rico and will be notified after opening the branch.

Any questions concerning registration in Puerto Rico should be addressed to:

Mrs. Mariel Martínez or Mrs. Damaris Mendoza
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(REV. 05/2021)