

PUERTO RICO INTERNATIONAL BANKS ASSOCIATION, EDUARDO COLÓN

Proposal and Comment Information

Title: Request for Information and Comment on Reserve Bank Payment Account Prototype, OP-1877

Comment ID: FR-2025-0083-01-C88

Submitter Information

Organization Name: Puerto Rico International Banks Association

Organization Type: Organization

Name: Eduardo Colón

Submitted Date: 02/06/2026



February 6, 2026

Via electronic mail(publiccomments@frb.gov)

Benjamin W. McDonough

Deputy Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Attention: Comments

**Re: Request for Information and Comment on Reserve Bank Payment Account
Prototype, Docket No. OP-1877**

Dear Mr. McDonough:

The Puerto Rico International Banks Association (“**PRIBA**”) submits this comment letter in response to the Request for Information and Comment issued by the Board of Governors of the Federal Reserve System (the “**Board**”) regarding the proposed Reserve Bank Payment Account prototype, as published in the *Federal Register* on December 23, 2025 (Docket No. OP-1877) (the “**RFI**”).

Formed in 2016, PRIBA is a not-for-profit association that brings together the several International Banking Entities (“**IBEs**”) and International Financial Entities (“**IFEs**”) registered under Puerto Rico’s Act No. 52 of August 11, 1989, as amended (the “**International Banking Center Regulatory Act**” or “**Act 52**”)¹ and Act No. 273 of September 25, 2012, as amended (the “**International Financial Center Regulatory Act**” or “**Act 273**”).

PRIBA’s principal mission is to integrate IBEs and IFEs under one association to address their needs as to international financial and banking matters before Puerto Rico’s Office of the Commissioner of Financial Institutions (the “**OCFI**”), federal and other commonwealth government agencies, and the local, federal, and international financial community, in order to promote and protect the national and international reputation of Puerto Rico’s banking sector as well as the economic development of the island.

¹ Upon effectiveness of the International Financial Center Regulatory Act adopted in 2012, no new licenses are issued under the International Banking Center Regulatory Act. The foregoing notwithstanding, the licenses issued up to such date continue to exist and are to the International Financial Center Regulatory Act.

PRIBA respectfully submits that a Payment Account framework designed to be operationally accessible to properly supervised institutions across all U.S. jurisdictions, including Puerto Rico-chartered IBEs and IFEs, would advance the Board’s objectives of promoting a safe, efficient, and resilient payment system. These institutions operate fully within the U.S. legal and regulatory framework and are subject to comprehensive prudential supervision and examination by OCFI. In addition, they are subject to ongoing federal compliance obligations, including Bank Secrecy Act and anti-money laundering oversight administered through the Financial Crimes Enforcement Network (FinCEN), as well as sanctions compliance frameworks enforced by the Office of Foreign Assets Control (OFAC).²

Summary of the RFI

The RFI asks the public whether the Board should create a new, limited-purpose type of account – a Payment Account – that would give certain financial institutions access to a portion of the Federal Reserve’s payment systems without granting them a master account, which offers more services. The Board issued this RFI after many regulated financial institutions became unable to obtain or retain Federal Reserve master accounts following the adoption by the Federal Reserve of its 2022 master account access guidelines (the “**2022 Guidelines**”).³ Although these institutions are legally eligible to receive master account services under the Federal Reserve Act and are subject to state or territorial licensing, regulation and supervision, the 2022 Guidelines and review practices have resulted in the applicable Reserve Banks engaging in prolonged master account application review periods, application denials, or master account terminations that effectively bar these institutions from direct access to core payment systems and other Reserve Bank services.

As a possible solution for these affected institutions, the RFI explores whether a limited-purpose Payment Account prototype could serve as a practical alternative for institutions whose business models are focused on payment activity, but who have been unable to secure master account access pursuant to the framework established by the 2022 Guidelines. Rather than expanding master account access, the proposal seeks to determine whether a more narrowly tailored account could allow such institutions to clear and settle payments while addressing the Federal Reserve’s purported risk and supervisory concerns.

Access to Federal Reserve master account services is of critical importance to our member institutions because Puerto Rico, as a commonwealth jurisdiction of the United States, cannot establish its own central bank. Consequently, Puerto Rico-licensed institutions such as IBEs and IFEs must obtain the cost-effective services they need to compete effectively in the marketplace

² IBEs and IFEs also maintain risk-based compliance programs, transaction monitoring systems, independent audits, and reporting obligations consistent with U.S. federal standards. Facilitating their measured participation in Federal Reserve payment infrastructure would leverage these existing supervisory safeguards while promoting consistency and integration within the national financial architecture.

³ *Guidelines for Evaluating Account and Services Requests*, 87 Fed. Reg. 51,099 (Docket No. OP-1747) (Aug. 19, 2022).

and provide their customers with innovative service by either (i) obtaining a master account from the applicable Reserve Bank (for Puerto Rico, the Federal Reserve Bank of New York) or (ii) entering into a correspondent bank relationship with a U.S. commercial bank, which is necessarily more costly than the master account services provided by the Reserve Banks.

Comments on the Objectives and Design of the Payment Account Prototype

The proposed framework for the Payment Account prototype appears intended to address institutions that the appropriate Reserve Bank has determined do not qualify for traditional master accounts under the 2022 Guidelines. While these objectives are recognized and appreciated, the proposal requires refinement to address the operational realities faced by regulated financial institutions, including IBEs and IFEs, almost all of which have lost their access to master account services by the Federal Reserve Bank of New York.

Contraction in Access to Federal Reserve Bank Master Accounts for IBEs and IFEs

In 2021, sixteen (16) IBEs and IFEs maintained Federal Reserve master accounts. As a result of the changes in the Board's guidelines and supervisory practices governing master account access,⁴ as of today, only one such institution maintains a master account. This contraction reflects the practical effects of the Board's revised standards rather than any demonstrated misconduct by the affected institutions. Whatever the intent, the effect of these actions has been to make it more difficult for these institutions to operate in an environment where banks that offer correspondent banking services have been derisking, limiting the alternatives IBE's and IFE's have to send and receive funds. The resulting decrease of the IBE's and IFE's have reduced well remunerated jobs in an economy that badly needs them. Please find economic analysis on the impact of IBE's and IFE's on the Puerto Rico economy attached herein, *Assessment of the Economic Impact of Act 399-204 and 273-2012* (Oct. 8, 2024).

Operational Considerations Affecting the Viability of the Payment Account Prototype

To the extent the proposed Payment Account prototype is intended to provide a limited form of access for institutions that the Board has determined are not eligible for traditional master accounts, that objective is understandable and constructive. However, as currently designed, and as discussed below, the proposal does not sufficiently address the practical operational challenges confronting regulated innovative financial institutions, including IBEs and IFEs. Without certain adjustments, the Payment Account prototype risks offering a theoretical alternative that does not function as a workable solution in practice.

Necessity for Access to Core Payment Systems

First, innovative financial institutions require access to Automated Clearing House (ACH) systems to operate. While such institutions may be willing to limit their services to a narrow range

⁴ *Id.*

of activities, such as ACH transactions, offline wire services, ACH functionality is indispensable. It is essential for payroll processing, client settlements, vendor payments, and routine account activity. An account framework that does not reliably support access to FedACH® Services fails to meet the minimum operational requirements necessary for lawful and efficient financial activity.

Limitation on Holding Deposits and Managing Liquidity

Second, innovative financial institutions require the ability to maintain deposited funds for more than a brief intraday period. Under the contemplated Payment Account prototype structure, however, institutions would be required to clear balances on a daily basis, effectively forcing accounts to be emptied at the end of each business day. This requirement would obligate institutions to engage in continuous transfers of funds to correspondent banks, resulting in the repeated incurrence of transaction fees, increased operational complexity, and elevated costs. In practical terms, this design feature renders the Payment Account prototype neither pragmatic nor sustainable as currently contemplated.

Alternative Approaches to Risk Management

The Board might consider requiring eligible institutions to pledge U.S. Treasury securities as collateral to mitigate overdraft risk, combined with prohibitions on access to the discount window. These measures would meaningfully reduce risk to the Federal Reserve System without depriving institutions of the basic functionality needed to operate.

Absent such adjustments, the proposed structure for the Payment Account prototype does not effectively mitigate the operational harm caused by loss of master account access and therefore falls short of its intended purpose as PRIBA understands it.

Interaction Between Payment Accounts and Correspondent Banking Relationships

Institutions that lose access to a Federal Reserve master account often face severe difficulty obtaining or maintaining correspondent banking relationships, as correspondent banks routinely rely on Reserve Bank determinations when assessing counterparty risk. This has been the case with many Puerto Rico IBEs and IFEs that have lost their Federal Reserve Bank master accounts. As a result, the loss of a master account frequently triggers a cascading loss of correspondent services, significantly amplifying the practical impact beyond the immediate denial of Reserve Bank access.

To mitigate this effect, the Board should consider conditional or supervised access mechanisms that would prompt those institutions that enjoy master accounts to extend correspondent banking relationships to those institutions that do not. Such arrangements would enhance compliance oversight while preserving functional payment-system access for institutions operating lawfully under state or territorial supervision and aligning with broader safety and soundness objectives. By incentivizing more institutions to provide correspondent relationships and by eliminating the stigma attached to those institutions that have lost their master accounts,

the Board can effectively shift the responsibility of monitoring the transactions of institutions that do not currently maintain a master account to those that do.

Necessity for Predictability, Stability, and Procedural Guardrails

For the Payment Account prototype to function as a meaningful and reliable tool, eligible institutions must be able to rely on predictable access governed by clear procedural safeguards. In particular, the framework should establish objective standards for termination or revocation and defined timelines for application review, so that eligible institutions can plan operations, maintain compliance programs, and engage with counterparties with reasonable certainty.

Standards for Account Termination or Revocation

The Payment Account prototype should be supported by clear, objective, and consistently applied standards governing account termination or revocation. Institutions cannot responsibly plan operations, maintain compliance programs, or interact with counterparties if their access can be withdrawn without demonstrable cause. Accordingly, termination should occur only upon a documented showing of illicit activity or material violations of stated conditions. Transparent standards, articulated in advance, would help ensure fairness, reduce uncertainty, and align the Payment Account prototype framework with the Board's stated emphasis on consistency and predictability in account-access determinations.

Certainty in Review Timelines

Predictability is equally essential in the review and approval process. Although the RFI contemplates a 90-day review period for the applicable Reserve Bank to review an application for a Payment Account prototype, the possibility of open-ended extensions of time to review an application to use a Federal Reserve service that has extremely low risk to the US financial system creates uncertainty that can function as a de facto denial. To avoid this outcome, any extensions beyond the initial 90-day period should be strictly time-limited and permitted only in exceptional circumstances tied to specific, articulated due diligence needs. Establishing clear expectations regarding timing, such as limiting extensions to one or perhaps up to two additional 30-day periods, would enable institutions to plan responsibly while preserving the Board's ability to conduct appropriate risk assessments. A defined and disciplined timeline is therefore critical to ensuring the Payment Account prototype achieves its intended purpose as a streamlined, functional alternative for eligible institutions.

Responses to Certain Questions Posed by the Board

In the discussion below, PRIBA responds to those questions posed by the Board that are most relevant to the operational realities and regulatory posture of IBEs and IFEs. The responses are intended to highlight practical considerations that bear directly on the usefulness, stability, and risk profile of the proposed Payment Account prototype.

Would the design of the Payment Account prototype support payment activities of eligible institutions?

The proposed structure of the Payment Account prototype does not address the operational realities of many eligible institutions. While the Payment Account prototype may facilitate limited clearing and settlement functions, it does not provide reliable access to essential payment rails, particularly FedACH® Services. In addition, requirements that effectively prevent institutions from maintaining overnight balances would force constant reliance on correspondent banks, relationships that are often unavailable once master-account access is denied or revoked. As a result, the Payment Account, as currently contemplated, likely would not be a resource that could be readily accessed by the audience it targets and would fall short of its intended goal.

In sum, unless modified to permit practical use of FedACH® Services and modest overnight balances, the Payment Account prototype is not expected to function as a workable alternative for innovative institutions, including IBEs and IFEs.

What payment activities or use cases would a Payment Account best facilitate (or be unable to facilitate)?

The proposed structure of the Payment Account prototype would most effectively facilitate narrow, intraday clearing and settlement activities, particularly where payment flows can be fully cycled within the business day. It may support limited payment use cases involving pass-through transactions with predictable timing. However, the Payment Account would be unable to support core operational payment activities that require ACH access coupled with modest overnight liquidity, such as payroll, recurring customer debits, and settlement timing mismatches. Restrictions on holding balances and uncertainty regarding correspondent banking access significantly limit its usefulness. As a result, as currently structured, the Payment Account may function as a supplemental settlement tool but cannot serve as a practical substitute for broader payment functionality needed by innovative institutions, including IBEs and IFEs.

What are the benefits and challenges of imposing an overnight balance limit on a Payment Account? Are there adjustments to the proposed formula for setting the balance limit that the Board should consider if it decides to establish a Payment Account?

An overnight balance limit creates serious operational challenges. Such constraint undermines basic liquidity management, force constant transfers to correspondent banks, and increases costs, often where correspondent access is already limited.

Restricting balances of regulated depository institutions creates a disparate playing field.

How might the Federal Reserve condition access to a Payment Account on the applicant having an acceptable AML, Bank Secrecy Act (BSA) and Countering the Financing of Terrorism (CFT) compliance programs and, more generally, how can the Federal Reserve best constrain AML/BSA/CFT risks associated with a Payment Account?

Access to a Payment Account should be conditioned on compliance frameworks that align with existing supervisory expectations, not new or duplicative requirements. These institutions are already subject to rigorous AML/BSA/CFT oversight by OCIF, their own risk-based monitoring, reporting to FinCEN, and independent testing by a number of well-credentialed AML consulting firms. The Federal Reserve can best constrain financial-crime risk by leveraging this existing supervision, requiring clear use limitations on the account, transaction monitoring tied to payment activity, and ongoing information-sharing and transparency with primary regulators (such as OCIF) and external auditors. Risk should be addressed through operational controls and continuous oversight and ongoing communication, rather than by denying or revoking access absent demonstrable and systemic compliance failures. This approach protects the payment system while allowing compliant IBEs and IFEs to operate effectively within established regulatory frameworks.

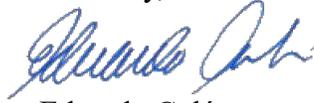
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From a financial stability and risk management perspective, processing payment flows directly through Federal Reserve infrastructure may reduce intermediary and operational risk compared to routing transactions through multiple correspondent institutions. When payments are required to pass through third-party intermediaries, they ultimately settle through the same Federal Reserve systems but with additional layers of operational dependency and counterparty exposure. Enabling appropriately supervised IBEs and IFEs to access Payment Accounts would streamline settlement pathways, reduce avoidable intermediary risk, and enhance transparency and efficiency in payment processing, reinforcing the robustness of the U.S. payment ecosystem in a manner consistent with the Board's safety and soundness mandate.

Puerto Rico's internationally oriented financial sector plays a constructive role in connecting U.S. markets to cross-border financial flows. A Payment Account framework that accommodates territorial institutions would support the competitiveness of U.S. payment infrastructure in global markets and encourage responsible innovation in cross-border settlement. Such inclusion would reinforce the United States' leadership in payment modernization while maintaining appropriate safeguards.

PRIBA appreciates the Board's consideration of the foregoing comments. Should any question arise in connection with these comments, please do not hesitate to contact the undersigned.

Sincerely,



Eduardo Colón

President

PUERTO RICO
FINANCIAL SERVICES
FORUM





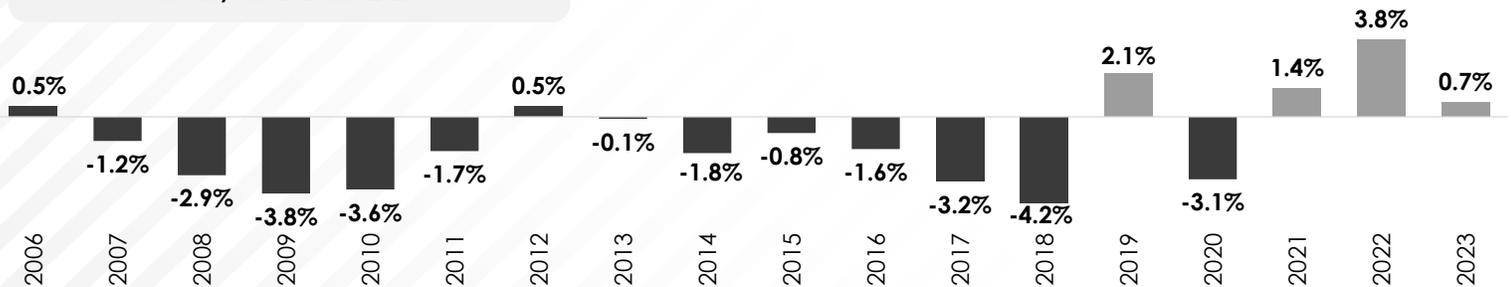
**ASSESSMENT OF THE ECONOMIC
IMPACT OF ACT 399-204 & ACT 273-2012**

PUERTO RICO
FINANCIAL SERVICES
FORUM

PUERTO RICO'S PROTRACTED SLUMP HAS RECEDED, DRIVEN BY COVID-19 RELIEF AND RECOVERY FUNDS

REAL GNP Growth in Puerto Rico Fiscal Years 2006-2023

In 2020, PR's economy was 19% smaller than in 2006. It recovered an average 4.6% of the activity between fiscal years 2021 and 2023



Source: Puerto Rico Planning Board

THERE IS A COMPLEX ECONOMIC ENVIRONMENT

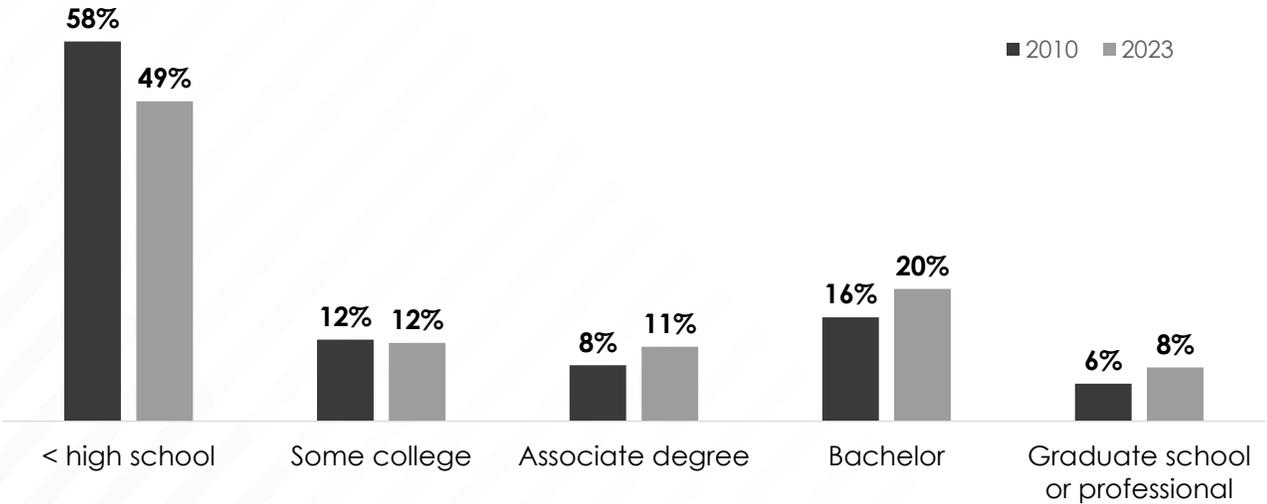
		2019	2023	2024	Δ YoY	Period
Labor Market	Private Employment (# jobs created)	18,100	19,300	18,700	↓	Jan-Aug
	Unemployment Rate (%)	8.2%	6.0%	5.8%	↓	Jan-Aug
Commerce	Real Retail Sales (% YoY growth)	-4.3%	-2.0%	1.6%	↑	Jan-Apr
	Commercial Bankruptcies (#)	2,018	918	1,240	↑	Jan-Aug
Construction	Cement Sales (# of bags)	7,996	8,783	8,577	↓	Jan-Jul
	Construction Material Costs (% YoY growth)	3.0%	-4.1%	0.7%	↑	Jan-May
Consumer	Avg. Weekly Earnings (% YoY growth)	4.4%	-0.3%	8.1%	↑	Jan-Jul
	Personal Bankruptcies (#)	3,043	1,852	2,470	↑	Jan-Aug
Other	BDE Index of Economic Activity (% YoY growth)	0.7%	1.9%	-0.2%	↓	Jan-Jul
	Consumer Price Index (% YoY growth)	0.1%	3.9%	2.2%	↓	Jan-Aug



Source: Economic Development Bank for Puerto Rico, Puerto Rico Department of Labor, Boletín de Puerto Rico, and Puerto Rico Department of Economic Development and Commerce.

LIMITED EDUCATIONAL ATTAINMENT IS A CHALLENGE

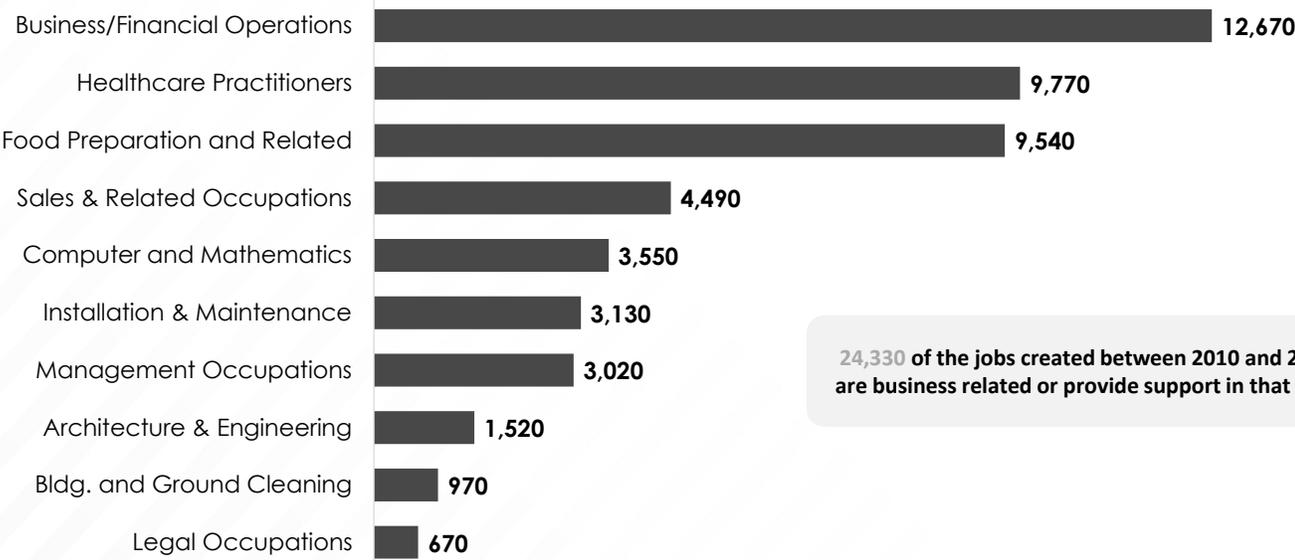
Educational Attainment of Population > 25 yrs. of age (#)



Source: U.S. Census Bureau (2024). ACS 5-years estimate.

NEW JOBS REQUIRE MODERATE TO HIGH SKILL LEVELS

Employment by Occupation for Selected Groups
(# new jobs, 2023 vs. 2010)

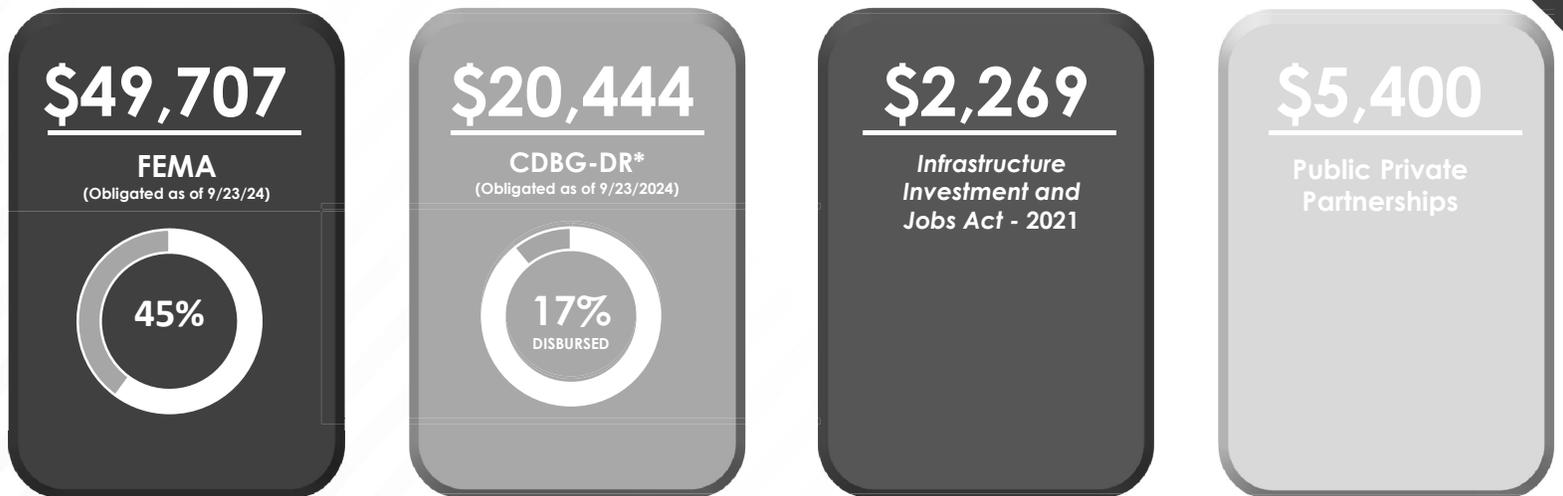


24,330 of the jobs created between 2010 and 2023 are business related or provide support in that area

Source: U.S. Census Bureau (2024). ACS 5-years estimate.

THE INVESTMENT OF ~\$5B ANNUALLY IN INFRASTRUCTURE WILL SUPPORT SHORT-TERM ECONOMIC GROWTH

Funding for Infrastructure Projects (\$ millions)

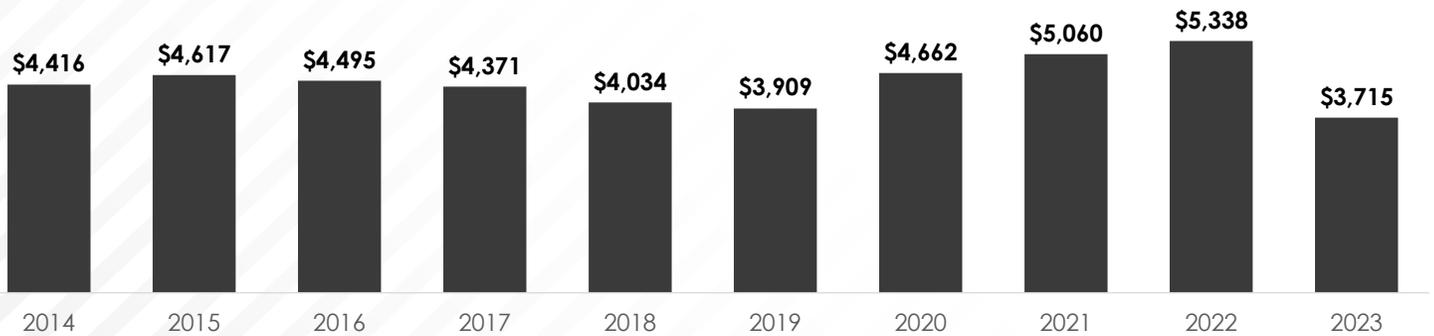


Source: COR3



THE FINANCE AND INSURANCE SECTOR'S GDP DECLINED BY \$700 MILLION TO \$3.7 BILLION BETWEEN 2014 & 2023...

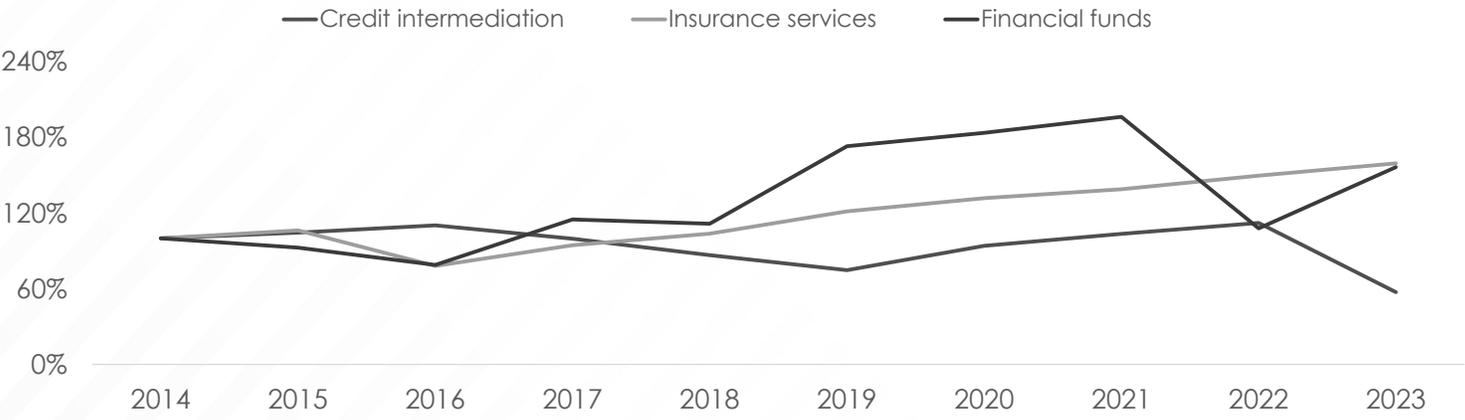
GDP in the Finance and Insurance Sector (\$ millions)
Fiscal Years 2010-2023



Source: *Ingreso y Producto 2023*. Puerto Rico Planning Board.

... INFLUENCED BY COMMERCIAL BANKS' CONSOLIDATION

GDP Growth in the Finance and Insurance Subsectors (2014 = 100) Fiscal Years 2014-2023

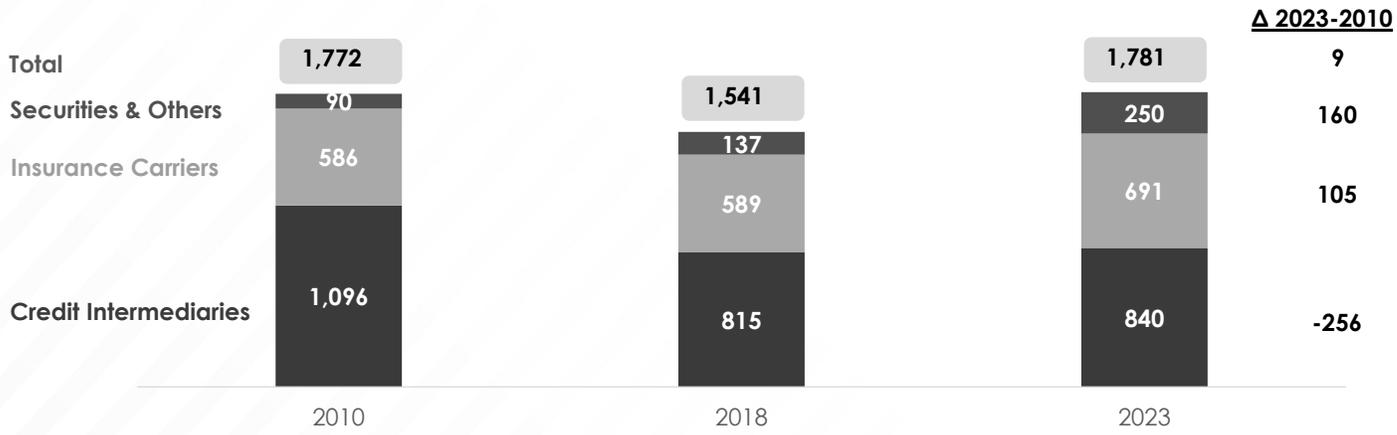


Source: *Ingreso y Producto 2023*. Puerto Rico Planning Board.



MORE THAN TWO-HUNDRED ESTABLISHMENTS WERE LOST IN CREDIT INTERMEDIATION BETWEEN 2010-2018...

Establishments in Finance and Insurance Sector, 2010-2023 (#)

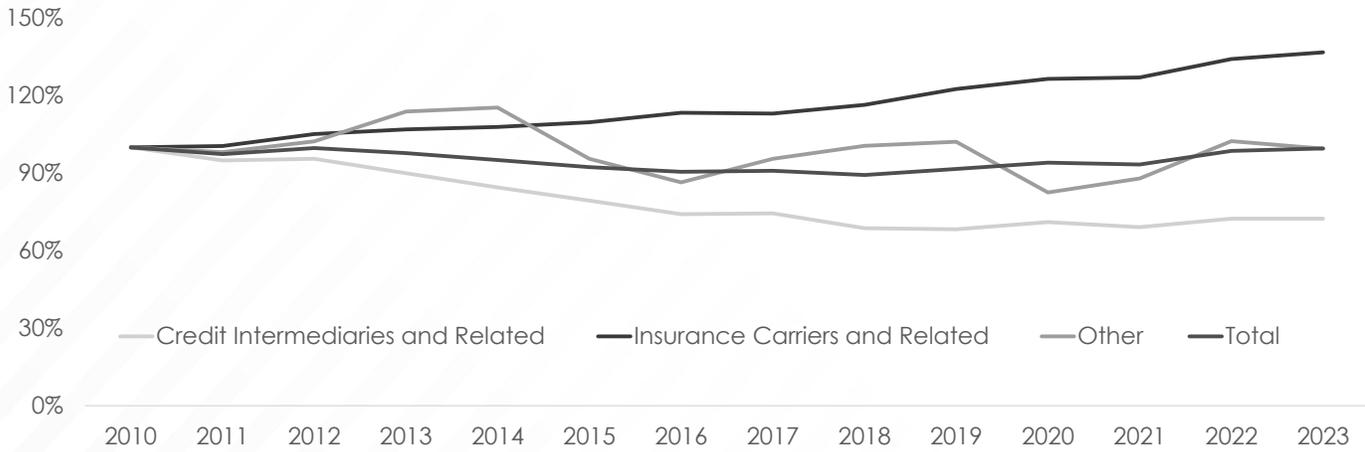


Source: US Census. Quarterly Census of Employees and Wages.



... BUT EMPLOYMENT LOSSES IN CREDIT INTERMEDIATION WERE PARTIALLY OFFSET BY NEW JOBS IN INSURANCE

Employment in the Finance and Insurance Sector, 2010-2023 (2010 = 100)

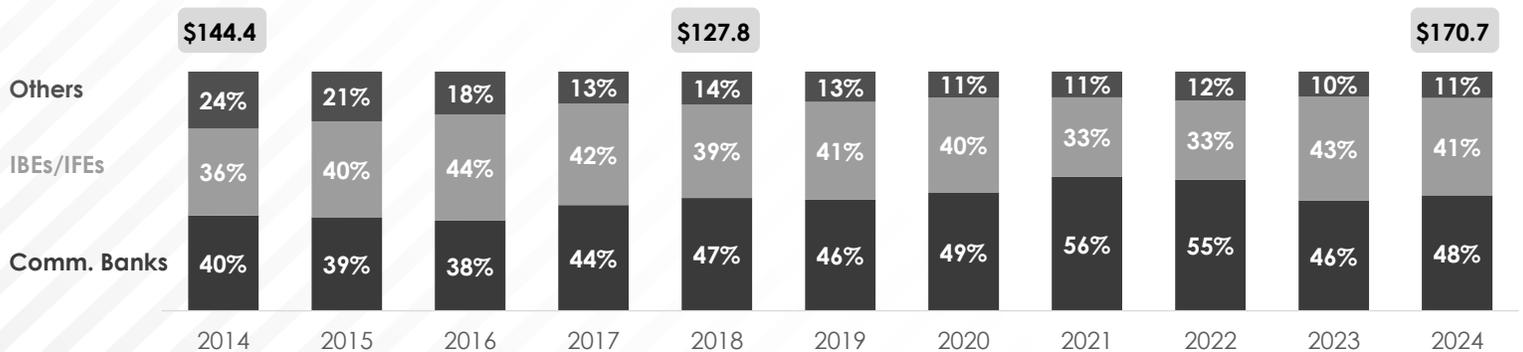


Source: US Census. Quarterly Census of Employees and Wages.



PR'S IBEs AND IFEs REPRESENTED 41% OF THE FINANCIAL INDUSTRY'S ASSETS* AND 94% OF THE GNP IN 2023

Total Assets in PR's Financial Industry, 2014-2024 (\$ billions)



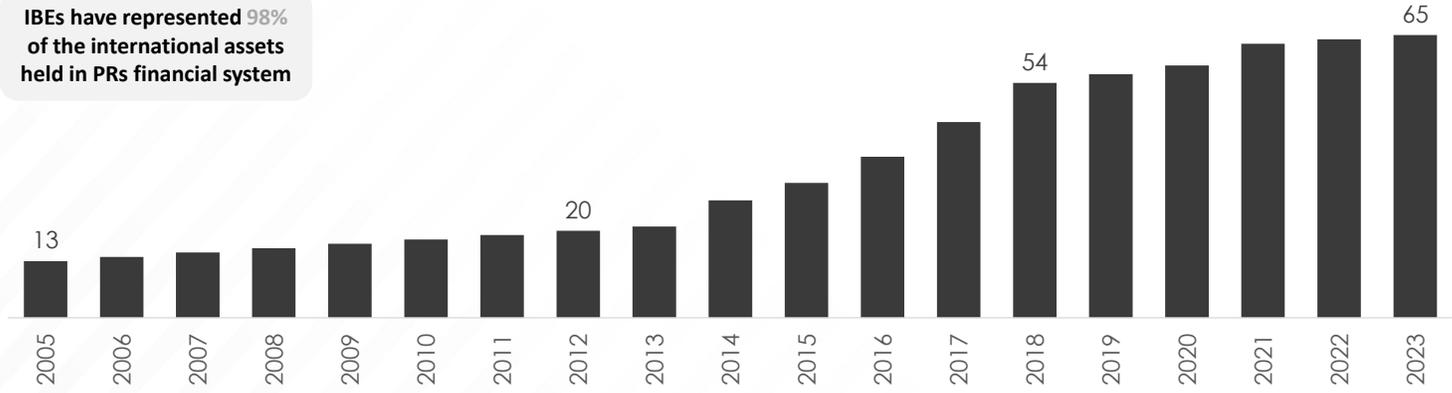
Source: Puerto Rico Planning Board

*Figure as of first quarter of 2024. Excludes insurance, reinsurance, and international insurers and reinsurers.

THE INTERNATIONAL FINANCIAL CENTER (IFC) IN PR IS COMPRISED OF 22 IBEs AND 42 IFES

IBEs/IFEs in Puerto Rico, 2005-2023 (#)

IBEs have represented 98% of the international assets held in PRs financial system



Source: US Census. Quarterly Census of Employees and Wages.



ALTHOUGH IBEs EMPLOY 35% OF THE SECTOR’S WORKERS, THEY ARE RESPONSIBLE FOR 96% OF ITS LOANS

Facts about IBEs and IFEs in Puerto Rico

Indicator as of 1Q24	IBEs	IFEs	Total
Entities (#)	23	42	65
Employment (#)	92	168	260
Assets (\$ millions)	\$67,956	\$1,414	\$69,370
Loans (\$ millions)	\$5,331	\$264	\$5,529
Deposits (\$ millions)	\$3,275	\$945	\$4,220

Source: Office of the Commissioner of Financial Institutions and PRIIA.

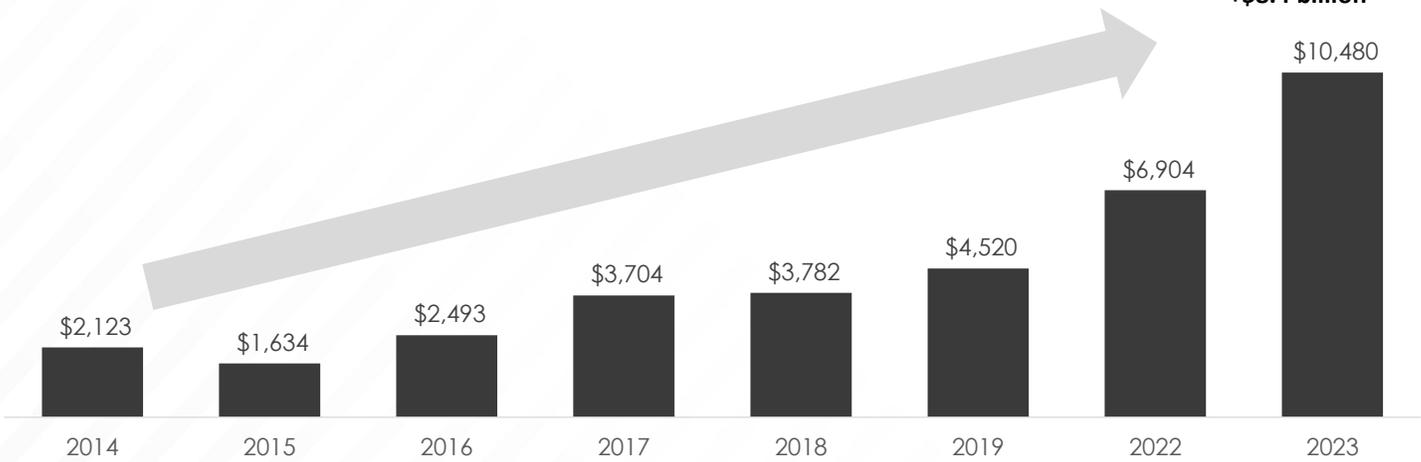


INTERNATIONAL INSURERS & REINSURERS (IIRs) ARE ALSO IMPORTANT PLAYERS IN PUERTO RICO'S IFC

- Total assets rose by \$3.6 billion YoY in 2023 due to the relocation of an insurance company from Bermuda and an entity transferring its portfolio to an international insurer

International Insurers and Reinsurers' Assets (\$ millions)

19% CAGR or
+\$8.4 billion



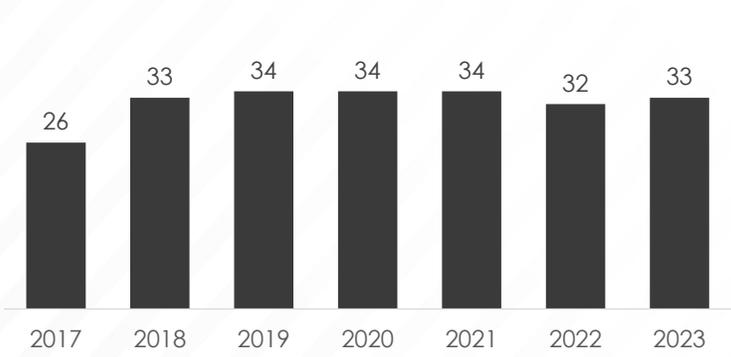
Source: Office of the Commissioner of Insurance



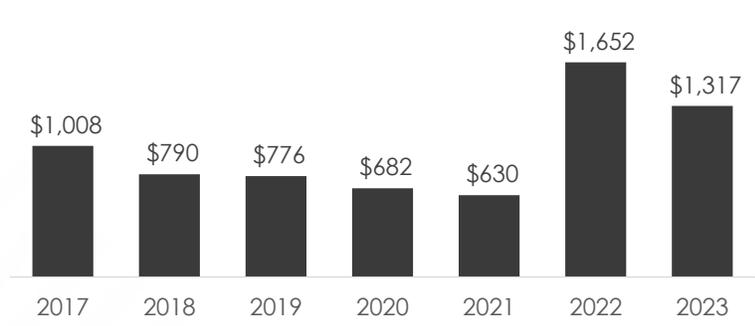
INTERNATIONAL INSURERS & REINSURERS (IIRs) ARE ALSO IMPORTANT PLAYERS IN PUERTO RICO'S IFC

- Despite challenges like hurricanes and the pandemic, IIRs doubled their underwritten premiums in 2022 with the same number of companies operating in the market

IIRs Operating in Puerto Rico (#)



IIRs' Premiums Underwritten (\$ millions)
Property & Contingency / Life & Disability



Source: Office of the Commissioner of Insurance

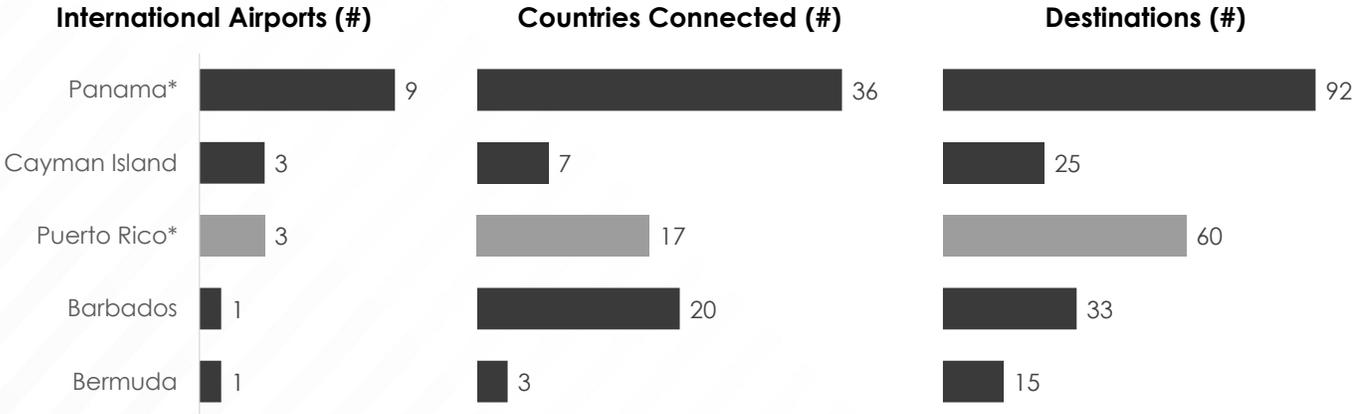
PR HAS SOME ATTRIBUTES THAT ARE POSITIVE FOR ITS COMPETITIVENESS AS AN IFC



Source: Z/Yen and China Development Institute (2024). The Global Financial Centre Index 35.

PR IS CLOSE TO MARKETS IN NORTH AMERICA, LATAM, AND THE CARIBBEAN...

Airport Connectivity to Countries and Destinations



Source: Flight Connections
* Reflects connections and destinations through LMM International Airport and Tocumen International Airport.



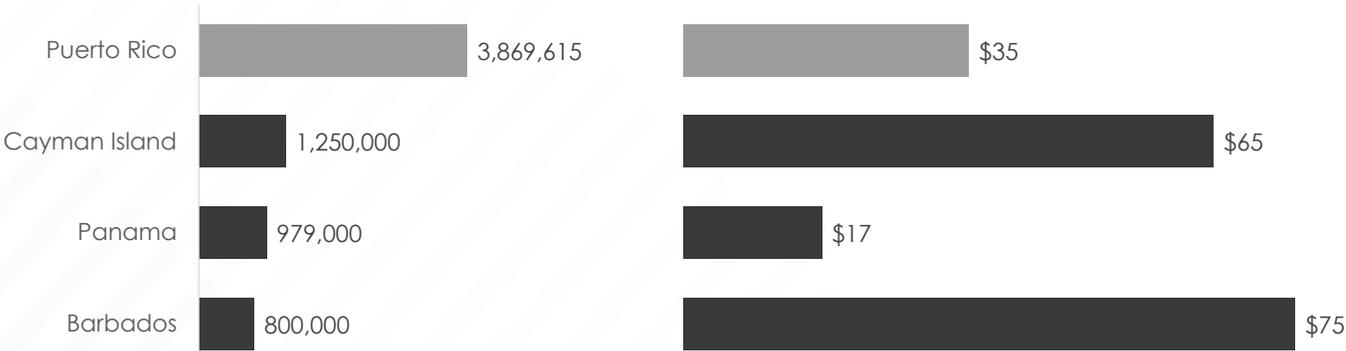
THERE ARE 3.9 MILLION SQUARE FEET OF CLASS A COMMERCIAL BUILDINGS IN THE METRO AREA

- Broadband access, proximity to the Intl. Airport, K-12 learning institutions and universities, upscale residential projects, and lower rental costs for commercial buildings relative to regional competitors are also positive attributes in the island

Rental Space for Commercial Class A Office Buildings

Commercial Class A (# of square feet)

Rental Cost Class A (\$ per square foot)



Source: Landmark Real Estate LLC



OVER 42,000 WORKERS HAVE HIGH-PAYING JOBS IN FIELDS VITAL TO IBES, IFEs, and IIRs

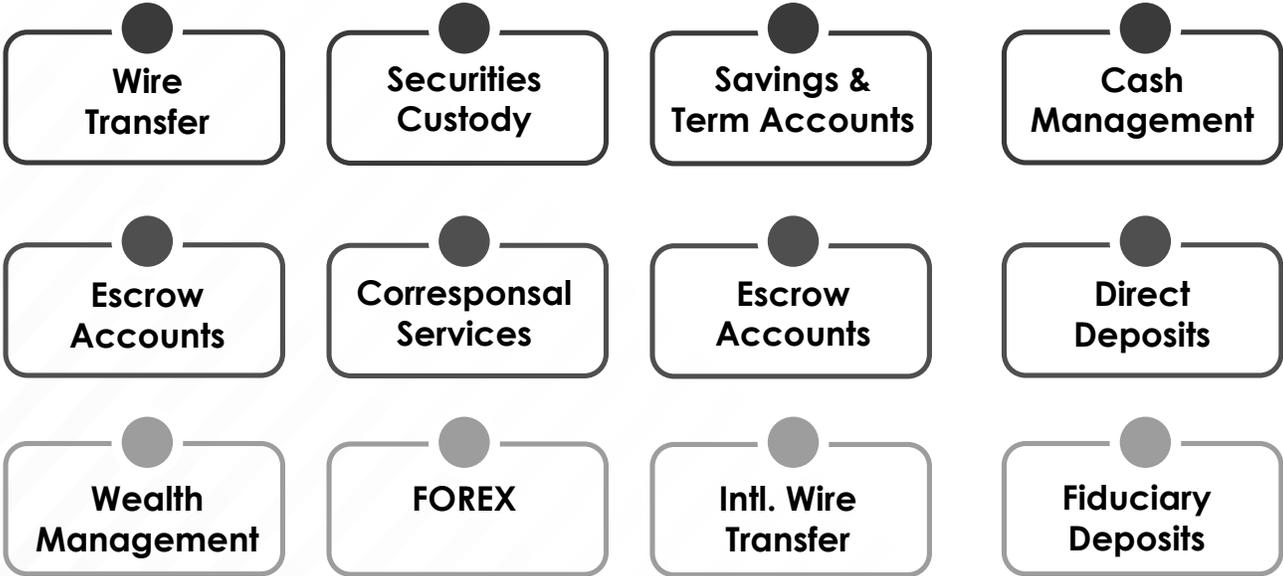
Workers in Areas Essential for the International Financial Centers (#)



Source: US Census. Quarterly Census of Employees and Wages.



THE RANGE AND COMPLEXITY OF SERVICES OFFERED BY IBEs/IFEs REQUIRES SPECIALIZED SUPPORT SERVICES



Source: PRIBA



PR HAS A CLUSTER OF FIRMS SUPPLYING SPECIALIZED SERVICES IN AREAS ESSENTIAL FOR THESE ENTITIES

- The cluster includes sixty-one firms (top ranked in their sectors) employing 2,704 workers providing accounting, consulting, IT, and legal services. They include the biggest international accounting firms.

Ecosystem of Firms Essential for International Financial Centers

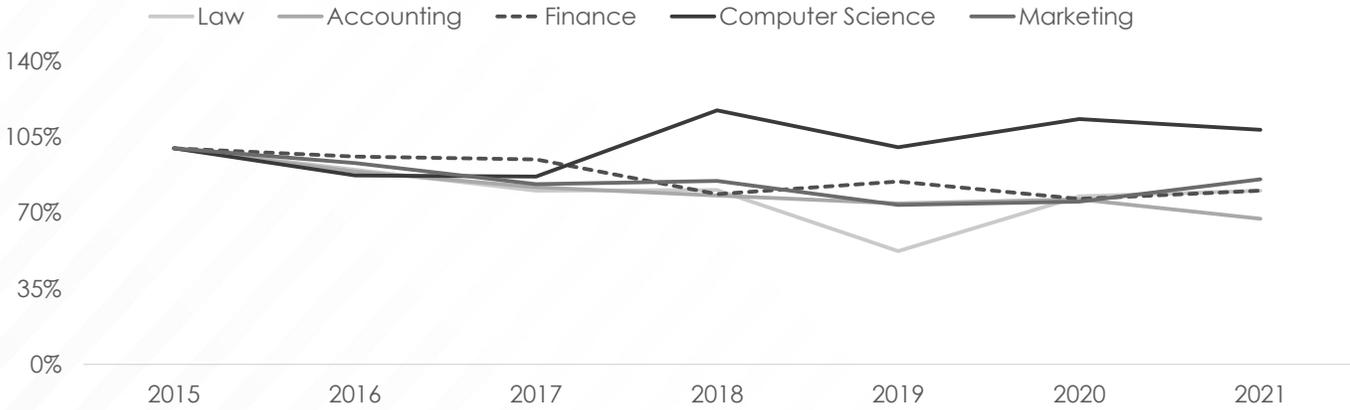


Source: Caribbean Business. Book of List 2022.

POTENTIAL GROWTH REQUIRES BROADENING THE TALENT POOL IN ESSENTIAL OCCUPATIONS

- Degrees granted in specialized fields needed to support IBEs, IFEs, and IIRs operations has been declining. More needs to be done in terms of human capital development strategies to support the sector's growth.

Academic Degrees Granted by Universities, 2015-2021 (2015=100%)



Source: Integrated Postsecondary Education Data System



ECONOMIC IMPACTS ASSESSMENT



EMPLOYMENT

- 2012 Input-Output Matrix
- QCEW figures for NAICS 5241 (Insurance Carriers), NAICS 5223 (Credit Intermediation) and NAICS 5222 (Non-depository credit intermediation)



WAGES

- Wages and employment multipliers from the 2012 Input-Output matrix
- Direct employment provided by PRABIA & PRIIA



TAXES

- Individual income tax based on Puerto Rico Treasury data and consumption taxes estimated using a tax base of 52.3% personal consumption expenditures

INTERNATIONAL BANKING ENTITIES

Economic Impacts



Total	591	\$19.6M	\$1.9M
Direct	92	\$4.8M	\$0.6M
Indirect	250	\$8.4M	\$0.8M
Induced	248	\$6.4M	\$0.5M

Source: Estudios Técnicos, Inc.



INTERNATIONAL FINANCIAL ENTITIES

Economic Impacts



Employment



Wages



Taxes

Total	1,295	\$45.4M	\$4.5M
Direct	168	\$10.0M	\$1.3M
Indirect	810	\$27.3M	\$2.5M
Induced	318	\$8.1M	\$0.7M

Source: Estudios Técnicos, Inc.



INTERNATIONAL INRURERS AND REINSURERS

Economic Impacts



Employment



Wages

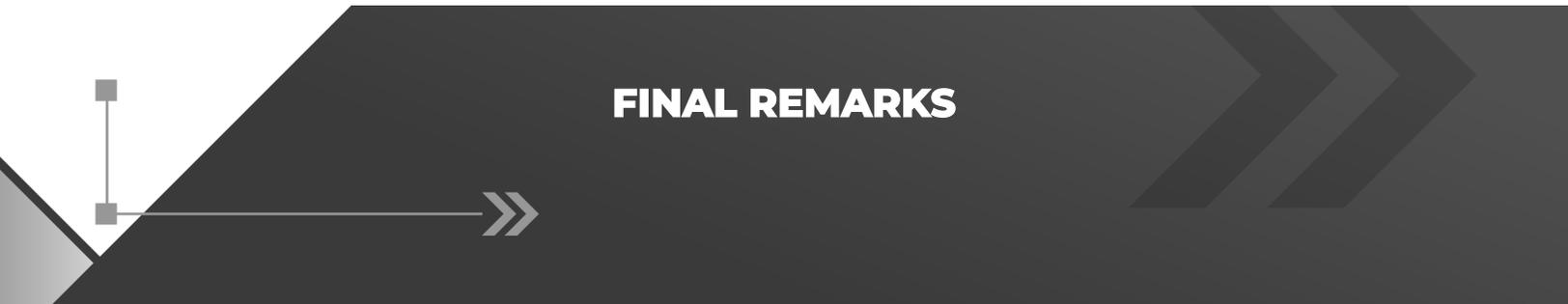


Taxes

	Employment	Wages	Taxes
Total	2,170	\$72.6M	\$9.0M
Direct	189	\$10.1M	\$3.4M
Indirect	1,463	\$49.3M	\$4.6M
Induced	517	\$13.3M	\$1.1M

Source: Estudios Técnicos, Inc.





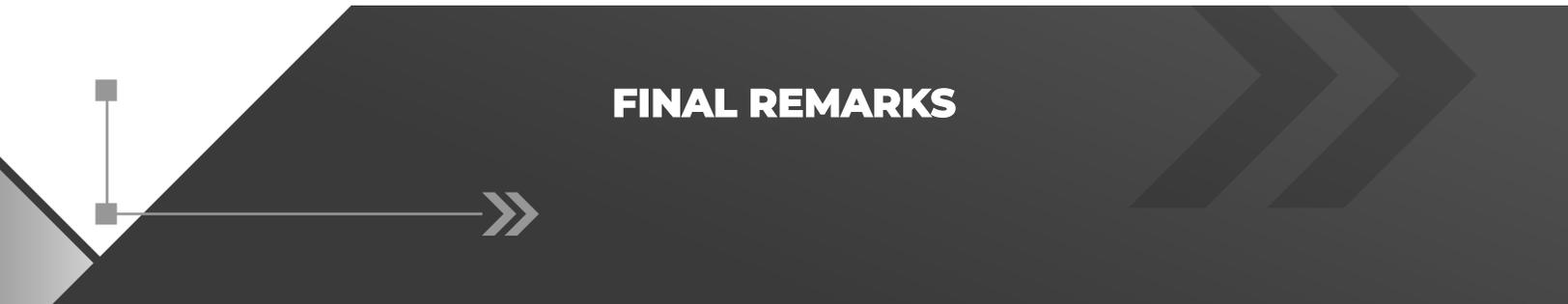
FINAL REMARKS

PR's positive attributes in key areas essential for the International Financial Center's competitiveness needs to be highlighted by the government and private sector in the efforts to attract new businesses and investment.

Act 60 has been important expanding the island's business ecosystem. Having access to offshore clients through direct interaction with these businesses and their customers could expand the sector's growth potential.

International reinsurers play an important role in assuming some of the risk ceded by domestic insurance companies. By ceding risks, local insurance companies increase their capacity and could invest in business growth.

The financial industry provides high wage, skilled jobs but there is a limited pool of talent relative to demand. Therefore, a close collaboration between universities and financial institutions in the development of specialized curricula is essential.



FINAL REMARKS

The IBEs, IFEs, and IIRs are supported by a robust regulatory framework that provides certainty and transparency to businesses and investors. Recent amendments by Act 49-2024 and OCIF's interventions are key steps in the right direction.

The government must prioritize on investing in the reliability of the electric grid and telecommunications infrastructure to support smooth business operations and financial transactions. Not doing so would affect the IFC's competitiveness.

Repealing the Federal Excise Tax (Section 4371 of the US Internal revenue Code) would level off the playing field between IIRs on the island and US/regional competitors. This could create between 2,449-6,123 jobs and \$7.7-\$19.3 million in taxes.

Expanding the island's financial ecosystem (depth and breadth) can improve the island's competitiveness as a business and investment destination that can support IBEs', IFEs', and IIRs' growth potential.