

# Memorandos Internos

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## Parte 5

COMISIONADO DE INSTITUCIONES FINANCIERAS  
GOBIERNO DE PUERTO RICO

# MANUAL DE PROCEDIMIENTOS

Area de Valores



## **INTRODUCCIÓN**

La Oficina del Comisionado de Instituciones Financieras es creada en virtud de la Ley Núm.. 4, de 11 de octubre de 1985, según enmendada, y conocida como Ley de La Oficina del Comisionado de Instituciones Financieras.

Funcionalmente, la Oficina se ha dividido en áreas operacionales: Valores, Bancos, y No Depositarias. El Área de Valores, a su vez, se ha dividido en diferentes núcleos de trabajos: Inscripción de corredores-trafficantes, agentes y asesores de inversión; Inscripción de Valores; Exámenes; y Análisis Financiero. Está dirigido por un Comisionado Auxiliar y dos asistentes. Tenemos un asistente que está a cargo de la reglamentación, exenciones e inscripciones. Otro asistente está a cargo del programa de exámenes, a casas de corretaje, asesores de inversiones, fondos de capital y compañías de inversión. En el diagrama I ilustramos el organigrama del área.

El Área de Valores tiene a su cargo administrar la Ley Uniforme de Valores; Ley de Fondos de Capital; Ley de Compañías de Inversión; y sus respectivos reglamentos. Además, todo el análisis de las estadísticas financieras del país, se procesan y analizan aquí. Cada una de estas leyes requiere implementación el establecimiento de una serie de procesos diferentes, entrelazados entre sí.

El presente manual recoge en un solo documento todos los procedimientos seguidos por el Área de Valores. Pretendemos compilar todos los procesos a fin de que existan normas escritas que sean conocidas por nuestro personal, impartiendo a nuestros procesos más equidad en su aplicación a los casos que se nos presenten el futuro. Igualmente, tal compilación facilita el adiestramiento de nuevos empleados y permite una medición de mayor rigurosidad científica de nuestra productividad como Área.

# **SECCION A**

## **INTRODUCCION A LA DIVISION DE VALORES**

## **TABLA DE CONTENIDO**

- A. Introducción**
- B. Normas en la Tramitación y Expedición de Licencias A Corredores y Asesores**
- C. Términos para la Tramitación de Licencias**
- D. Anejos**
- E. Inscripción de Agentes de Corredores-Traficantes y Emisores de Valores**
  - 1. Agentes de Corredores-Traficantes**
  - 2. Agentes de Emisores**
    - a). Anejos**

## **DIVISION DE INSCRIPCION DE CORREDORES-TRAFICANTES. ASESORES DE INVERSIONES Y AGENTES**

### **A. Introducción**

La División de Inscripción de Corredores, Asesores y Agentes es la encargada de trabajar las solicitudes que radica la industria de valores para la obtención de una licencia.

### **B. Normas en la tramitación y expedición de licencias: Corredores y Asesores**

El Reglamento bajo la Ley Uniforme de Valores señala los requisitos necesarios para la expedición de licencias por la Oficina de Valores.

La Regla 2 del Reglamento establece que los formularios prescritos bajo la Ley de Valores y las instrucciones de los mismos tienen efectos de reglas.

La Regla 3 del Reglamento señala los documentos que deberán acompañar una solicitud de inscripción como corredor-trafficante, asesor de inversiones y agentes.

La Oficina preparó una hoja de cotejo donde enumera e identifica todos los documentos complementarios necesarios que el solicitante debe anexar a su solicitud.

El Artículo 202 de la Ley Uniforme de Valores amplía la descripción de los procedimientos de inscripción. Una vez recibida la solicitud, se revisa la misma y se llena la hoja de cotejo aplicable.

Si la solicitud está completada en todas sus partes y contiene los documentos complementarios requeridos se le expedirá la licencia correspondiente en un término de dos (2) semanas. Si la solicitud está incompleta se le escribe a los efectos de que complete los requisitos.

A todo solicitante se le otorgará un término de tres (3) meses para que complete su solicitud de inscripción; de otra forma se envía el expediente al archivo inactivo, luego de notificárselo por

mínimo computado es menor de \$25,000 y de \$2,000 para cada agente a registrarse. Además los derechos de inscripción que aplican a los corredores y asesores, por \$500.00.

Durante el año de inscripción la compañía debe mantener al día su inscripción con las enmiendas que correspondan a cualquier cambio de nombre, dirección o de organización o acciones legales por parte de algunas agencias reglamentarias estatales/federales.

La renovación de la licencia de un corredor se efectuará radicando los siguientes documentos: Solicitud de Inscripción, Derechos de Inscripción e Informes Financieros. Además, la fianza deberá estar al día de acuerdo al número de agentes y el cumplimiento con la Sección 149 de la Ley de Contribución sobre Ingresos (pago de intereses, dividendos, créditos brutos) a residentes de Puerto Rico y análisis del capital de la compañía (estados auditados, hoja de balance a tres (3) meses de la fecha de radicación).

**D. Anejos**

- Forma R-1 Solicitud de Inscripción Corredor-Traficante
- Forma R-3 Solicitud Inscripción Asesor de Inversiones
- Forma R-4 Información a ser suministrada por Promotores
- Forma R-5 Resolución Corporativa
- Forma R-6 Consentimiento para ser Empleado
- Forma R-7 Fianza para Corredores o Asesores
- Forma 11 Autorización del Dept. de Estado para hacer negocios en Puerto Rico
- Forma 480.5 Resumen de las Declaraciones Informativas
- Forma 480.6 Declaración Informativa

1) La forma en que el solicitante se propone hacer negocios, 2) qualificaciones y experiencias del solicitante, 3) cualquier "injunction" u orden administrativa o convicción por delito relacionado con valores, 4) condición e historial financiero del solicitante.

Además, la solicitud deberá acompañarse con los siguientes documentos: fianza, evidencia de aprobación de exámenes por el National Association of Securities Dealers o el New York Stock Exchange, Consentimiento para ser emplazado, Notificación del agente de contrato o Terminación de Servicios, Nombramiento de Inscripción con el Emisor.

Si la solicitud está completa en todas sus partes y contiene los documentos complementarios requeridos se le expedirá la licencia correspondiente en un término de dos (2) semanas. Si la solicitud está incompleta se les escribe a los efectos de que completen su solicitud. A todo olicitante se le otorgará un término de tres (3) meses para que complete su solicitud; de otra forma se envía el expediente al archivo inactivo luego de notificársele por escrito al solicitante.

a) Anejos

Forma R-2 Solicitud de Inscripción de Agentes

Forma R-6 Consentimiento para ser Emplazado

Forma R-7 Fianza

Forma R-8 Solicitud de Inscripción y nombramiento de Agente/ Emisor

Forma R-9 Notificación Terminación Agente

Forma R-10 Notificación de Compromiso o Terminación de un Agente/ Emisor

Una vez terminado el proceso de tramitación de licencias se prepara en computadora tarjetero y listado de compañías registradas las cuales se mantienen al día, a través de las enmiendas que reciben diariamente. Los listados se clasifican de la siguiente forma: Corredores-trafficantes/ Asesores de Inversión registrados, pendientes de inscripción, cancelados, compañías con oficinas



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS  
SECURITIES OFFICE  
G.P.O. CALL BOX 70324  
SAN JUAN, PUERTO RICO 00936  
  
437 PONCE DE LEON AVENUE  
14TH FLOOR  
HATO REY, PUERTO RICO 00918

APPLICATION FOR REGISTRATION, RENEWAL OR AMENDMENT TO  
AN APPLICATION OF BROKER-DEALER

Check the appropriate box:

- Application for Registration ( )  
Application for renewal of registration ( )  
Amendment to an application ( )

- 
1. Full name of applicant \_\_\_\_\_
2. Address of Main Office \_\_\_\_\_  
\_\_\_\_\_
3. Name under which business will be conducted and address \_\_\_\_\_  
\_\_\_\_\_
4. Address of each branch office in Puerto Rico giving the date each such branch office was established and the name of the person in charge of each branch office \_\_\_\_\_  
\_\_\_\_\_
5. Organization of Applicant:
- (a) Form \_\_\_\_\_
  - (b) Date organized or\*incorporated \_\_\_\_\_
  - (c) Under laws of \_\_\_\_\_  
\_\_\_\_\_

(c) Has ever been permanently or temporarily enjoined from engaging in, or continuing any conduct or practice involving any aspect of, the securities business.

\_\_\_\_\_  
\_\_\_\_\_

(d) Has ever been the subject of an order of the Administrator denying, suspending or revoking registration as a broker-dealer agent or investment adviser.

\_\_\_\_\_  
\_\_\_\_\_

(e) Has ever been the subject of an order entered by the Securities Administrator of any other state or by the Securities and Exchange Commission denying or revoking registration as a broker-dealer, agent or investment adviser.

\_\_\_\_\_  
\_\_\_\_\_

(f) Has ever been the subject of any order of the Securities and Exchange Commission suspending or expelling him from a national securities exchange or national securities association registered under the Securities Exchange Act of 1934.

\_\_\_\_\_

(g) Has ever been adjudicated as bankrupt or insolvent. \_\_\_\_\_

\_\_\_\_\_

(h) Has ever been censured or fined, suspended or expelled by the National Association of Securities Dealers, Inc. or by any stock exchange.

\_\_\_\_\_  
\_\_\_\_\_

(i) Has ever been the subject of a United States Post Office fraud order.

\_\_\_\_\_

(j) Has ever been sued civilly for fraud, deceit or misrepresentation.

\_\_\_\_\_  
\_\_\_\_\_

If the answer to any question is in the affirmative furnish complete details including dates and the current status of the case on a separate sheet.

13. Is applicant a successor to another organization? \_\_\_\_\_ If so, furnish the name of such firm, the date on which the applicant succeeded to the business of such firm, the reason for such succession and the method by which effected. \_\_\_\_\_

\_\_\_\_\_

(b) If a partnership, does applicant have a minimum capital of not less than \$10,000 plus \$2,500 for each branch Office in Puerto Rico? \_\_\_\_\_

(c) If a sole proprietor, does applicant have a minimum capital not less than \$5,000 plus \$2,500 for each branch Office in Puerto Rico? \_\_\_\_\_

20. The following exhibits are to be filed herewith:

- I. Appointment and Consent to Service of Process, and if Applicant is a corporation, a certified copy of the resolution of the Board of Directors of Applicant authorizing the execution and filing thereof.
- II. A Bond in the amount of \$10,000 as required by Rule 7 under the Uniform Securities Act.
- III. A detailed Balance Sheet and a Profit and Loss Statement as required by Rule 8.
- IV. (a) If Applicant is a corporation, a copy of the Articles of Incorporation and By-Laws and all amendments thereto.  
  
(b) If Applicant is a partnership, a copy of the Articles of Partnership.
- V. Applicant shall file as an exhibit a Form R-4 report completed and executed by each of its promoters and such of its directors, officers or partners whose services are rendered in Puerto Rico.

## GENERAL INSTRUCTIONS

1. This Form must be typewritten and filed in duplicate with the Securities Office, Office of the Commissioner of Financial Institutions, San Juan, Puerto Rico. An exact copy should be retained by Applicant.
2. A Form which is not prepared and executed in compliance with applicable requirements may be returned as not acceptable for filing. However, acceptance of this Form shall not constitute any finding that it has been filed as required or that the information submitted is true, correct, or complete.
3. If the space provided for any answer is insufficient, the complete answer shall be prepared on a separate sheet which shall be attached to the Form and identified as "Answer to Item \_\_\_\_\_" and reference thereto shall be made under the item on the Form.
4. If this is an application for initial registration all items in the Form must be answered in full.
5. If this is an application for renewal or registration, applicant may incorporate by reference exhibits filed to previous applications if no change has occurred in the information contained in the exhibits.
6. If this is an amendment to an application, fill in items 1, 2, 3, and furnish the corrected information in the corresponding item.
7. If this is an application for registration on behalf of successor whether or not the successor is then in existence, the information furnished shall relate to said successor. The Form must be executed and filed by the predecessor and registration, when effective, will be for the balance of the year. There will be no filing fee.
8. If the information contained in the application is or becomes inaccurate for any reason, it is the responsibility of Applicant to file an amendment on Form R-1 immediately, correcting such information. (See Instruction Number 6).
9.
  - (a) If Applicant is a partnership, the application must be signed and sworn to by a General Partner.
  - (b) If Applicant is a partnership, the application must be signed and sworn to by a General Partner.
  - (c) If Applicant is a sole proprietorship, application must be signed and sworn to by the Proprietor.
  - (d) If Applicant is an unincorporated organization or association which is not a partnership, application must be signed and sworn to by a duly authorized person who directs or manages or who participates in the directing or managing of its affairs.



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF  
FINANCIAL INSTITUTIONS  
SECURITIES OFFICE  
G.P.O. CALL BOX 70324  
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437 PONCE DE LEON AVENUE  
14TH FLOOR  
HATO REY, PUERTO RICO 00918

2" x 2"  
Photograph  
(Taken within the  
last six months)

APPLICATION FOR REGISTRATION, RENEWAL OR AMENDMENT TO  
AN APPLICATION OF AN AGENT

Check the appropriate box:

- Application for Registration ( )  
Application for renewal of registration ( )  
Amendment to an application ( )

1. Name of Applicant \_\_\_\_\_  
Social Sec. No. \_\_\_\_\_
2. Home Address of Applicant \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. Name and Address of broker-dealer or issuer whom Applicant will represent  
\_\_\_\_\_
4. Address of Applicant's regular place of business in Puerto Rico \_\_\_\_\_  
\_\_\_\_\_
5. Date and place of birth \_\_\_\_\_  
Citizenship \_\_\_\_\_
6. How long has Applicant lived in Puerto Rico \_\_\_\_\_
7. Summarize Applicant's educational background, including schools attended, dates of attendance and degrees received.  
\_\_\_\_\_  
\_\_\_\_\_

15. Describe Applicant's proposed method of doing business, including (1) whether Applicant will specialize in any type of business or securities, (2) whether Applicant will devote his full time to the securities business, and if not, the approximate percentage of Applicant's time which will be devoted to the securities business. (3) whether Applicant will solicit employment as an issuer's agent from issuers of securities.

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16. State whether Applicant:

(a) Has ever been convicted of any misdemeanor involving a security or any aspect of the securities business? \_\_\_\_\_

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(b) Has ever been convicted of any felony? \_\_\_\_\_

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(c) Has ever been permanently or temporarily enjoined from engaging in, or continuing any conduct or practice involving any aspect of the securities business?

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(d) Has ever been the subject of an order of the Administrator denying, suspending or revoking registration as a broker-dealer, agent or investment adviser?

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(e) Has ever been the subject of an order entered by the Securities Administrator of any other state or by the Securities and Exchange Commission denying or revoking registration as a broker-dealer, agent or investment adviser?

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(f) Has ever been the subject of an order of the Securities and Exchange Commission suspending or expelling him from a national securities exchange or national securities association registered under the Securities Exchange Act of 1934?

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(g) Has ever been adjudicated as bankrupt or insolvent? \_\_\_\_\_

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19.

**EXECUTION**

I, the undersigned Applicant, being duly sworn on oath, state that I have read and knowingly made the foregoing statements and representations and that each and all such statements and representations are true, and ask that the license herein applied for be granted. If the foregoing is an amendment to a current registration the undersigned represents that the statements made in the amendment and in the current registration to the extent not corrected by the amendment, are true, correct, and complete.

\_\_\_\_\_  
Date of signing

\_\_\_\_\_  
Signature of Applicant

Affidavit Number: \_\_\_\_\_

Subscribed and sworn to before me by \_\_\_\_\_  
of legal age, \_\_\_\_\_, and resident of \_\_\_\_\_ personally  
known to me this \_\_\_ day of \_\_\_\_\_ of 19\_\_\_, at \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

A filing fee of \$150.00 as required by Section 202(b) of the Uniform Act of Puerto Rico must accompany this application in the form of a check or money order drawn to the "Secretary of the Treasury"

## GENERAL INSTRUCTIONS

1. This Form must be typewritten and filed with the Securities Office, Office of the Commissioner of Financial Institutions, San Juan, Puerto Rico. An exact copy should be retained by Applicant.
2. A Form which is not prepared and executed in compliance with applicable requirements may be returned as not acceptable for filing. However, acceptance of this Form shall not constitute any finding that it has been filed as required or that the information submitted is true, correct, or complete.
3. If this is an application for initial registration all items in the Form must be answered in full.
4. If this is an application for renewal or registration, it should be filed not later than fifteen days prior to the expiration date of the previous registration.
5. If this is an application for renewal of registration, applicant need not file Form R-6 (Consent to Service of Process)
6. If this is an amendment or renewal to an application, fill in Items 1, 2, 3 and furnish the corrected information in the corresponding item.
7. If the information contained in the application is or becomes inaccurate for any reason, it is the responsibility of Applicant to file an amendment on Form R-2 immediately, correcting such information. (See Instruction Number 6).
8. If the space for any answer is insufficient, the complete answer shall be prepared on a separate sheet which shall be attached to the form and identified as "Answer to Item " and reference thereto shall be made under the item on the form.



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SECURITIES OFFICE  
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437 PONCE DE LEON AVENUE  
14TH FLOOR  
HATO REY, PUERTO RICO 00918

APPLICATION FOR REGISTRATION, RENEWAL  
OR AMENDMENT TO  
AN APPLICATION OF INVESTMENT ADVISER

Check the appropriate box:

Application for Registration	(    )
Application for renewal of registration	(    )
Amendment to an application	(    )

1. Full name of applicant

\_\_\_\_\_

2. Social Security No.

\_\_\_\_\_

3. Address and telephone number of principal place of business

\_\_\_\_\_

\_\_\_\_\_

4. Address of each branch office in Puerto Rico giving the date each such branch office was established and the name of the person in charge of each branch office \_\_\_\_\_

\_\_\_\_\_

5. Organization of Applicant:

(a) Form \_\_\_\_\_

(b) Date organized or incorporated \_\_\_\_\_

(c) Under laws of \_\_\_\_\_

13. State whether applicant, any predecessor of applicant, any employees, or any person named in items 6 to 12:

- (a) Has ever been convicted of any misdemeanor involving a security or any aspect of the securities business.
- (b) Has ever been convicted of any felony.
- (c) Has ever been permanently or temporarily enjoined from engaging in, or continuing any conduct or practice involving any aspect of, the securities business.
- (d) Has ever been the subject of an order of the Administrator denying, suspending or revoking registration as a broker-dealer, agent or investment adviser.
- (e) Has ever been the subject of an order entered by the Securities Administrator of any other state or by the Securities and Exchange Commission denying or revoking registration as a broker-dealer, agent or investment adviser.
- (f) Has ever been adjudicated as bankrupt or insolvent.
- (g) Has ever been censured or fined, suspended or expelled by any association of investment advisers.
- (h) Has ever been the subject of a United States Post Office Fraud Order.
- (i) Has ever been sued civilly for fraud, deceit or misrepresentation.

If the answer to any question is affirmative, furnish complete details, including the dates and the current status of the case, on a separate attached sheet.

14. Is applicant a successor to another organization? \_\_\_\_\_

If so, furnish the name of such firm, the date in which the applicant succeeded to the business of such firm, the reason for such succession and the method by which effected. \_\_\_\_\_

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(f) Does applicant prepare or issue, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities?

If so, describe such services in detail and state price, fee, or basis of compensation.

(g) Does applicant furnish investment advice in any manner not described above?

If so, describe such service in detail and state basis of compensation.

17 (a) Is applicant or registrant engaged in any business or profession other than acting as investment adviser with respect to securities?

If so, describe briefly each such other business or profession other than acting as investment adviser with respect to securities.

(b) Is the principal business of applicant or registrant that of an investment adviser?

(c) Does a substantial part of applicants or registrant's investment advisory business consist of giving continuous advice to clients as to the investment of funds on the basis of the individual needs of such clients?

18. Does applicant or registrant, or any person connected with applicant or registrant have discretionary authority to make any of the following determinations without the consent of the client before the transaction is effected?:

- (c) If a sole proprietorship, does applicant have a minimum capital of not less than \$2,500 plus \$2,500 for each branch office in Puerto Rico?
- 

22. The following exhibits are to be filed herewith:

- I. Appointment and Consent to Service of process, and if applicant is a corporation, a certified copy of the resolution of the Board of Directors of applicant authorizing the execution and filing thereof.
- II. A Bond in the amount of \$10,000 as required by Rule 7 under the Uniform Securities Act.
- III. A detailed Balance Sheet and a Profit and Loss Statement as required by Rule 8.
- IV. (a) If applicant is a corporation, a copy of the Articles of Incorporation and By-Laws and all amendments thereto.  
(b) If applicant is a partnership, a copy of the Articles of Partnership.
- V. Applicant shall file as an exhibit a Form R-4 report completed and executed by each of its promoters and such of its directors, officers or partners whose services are performed in Puerto Rico.

#### **EXECUTION**

I, the undersigned being of lawful age and first duly sworn, depose and say that I have read the foregoing application and know the contents thereof, and that the statements and allegations and exhibits therein contained and attached are true, correct, and complete. If the foregoing is an amendment to a current registration the undersigned represents that the statements made in the amendment and in the current registration, to the extent not corrected by the amendment, are true, correct, and complete.



I, \_\_\_\_\_ do solemnly swear that the foregoing answers and statements, together with those in all Exhibits attached hereto, have been knowingly made by me and that the same are true and correct, and that I have not omitted to state any material fact bearing upon such matters.

Given under my hand this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_

\_\_\_\_\_  
Signature of Principal

Affidavit number \_\_\_\_\_

Subscribed and sworn to before me by \_\_\_\_\_  
of legal age, \_\_\_\_\_, and resident of \_\_\_\_\_  
(married or single)

personally known to me this \_\_\_\_\_ day of \_\_\_\_\_ of  
19\_\_

at \_\_\_\_\_

\_\_\_\_\_  
Notary Public

**Instructions:**

The principal executing this form undertakes to keep the information up to date.



### RESOLUTION

RESOLVED, that the President and the Secretary of this corporation \_\_\_\_\_ be and they are hereby authorized and directed in the name of and on behalf of this corporation to take any and all action which they may deem necessary or advisable in order to register this corporation as a broker-dealer or as an investment adviser, or to register its securities for sale, under the Uniform Securities Act of Puerto Rico, and in connection with such registration to execute, acknowledge, verify, deliver, file and publish all documents and exhibits which may be required under said Act, including but not limited to application, reports, irrevocable consents to service of process, powers of attorney, and surety bonds, in forms prescribed by the Administrator or such other forms as to them may seem proper, and to take any and all further actions which they may deem necessary or advisable in order to maintain such registration in effect for as long as they may deem to be in the best interest of this corporation.

### CERTIFICATE

I, \_\_\_\_\_, Secretary of \_\_\_\_\_, do certify that the foregoing is a true and exact copy of a resolution of the board of directors of said corporation, which resolution was duly made, passed and adopted at a legal meeting of said board of directors, held at \_\_\_\_\_, on the \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, and that the passage of said resolution was in all respects regular and in accordance with the by-laws of said corporation and remains in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Secretary



CONSENT TO SERVICE OF PROCESS

KNOW ALL MEN BY THESE PRESENT:

That the undersigned \_\_\_\_\_  
(a corporation organized under the laws of the State of \_\_\_\_\_)  
(a partnership) (an individual) (other \_\_\_\_\_)  
for the purpose of complying with the Uniform Securities Act of Puerto Rico hereby irrevocably appoints the Administrator of said Act, and his successors in Office, its attorney upon whom may be served any notice, process or pleading in any non-criminal action or proceeding against it arising out of or in connection with the purchase or sale of securities, the conduct of the securities business or the business of an investment adviser, or violation of the Uniform Securities Act of Puerto Rico; and the undersigned does hereby consent that any such action proceeding against it may be commenced in any court of competent jurisdiction and proper venue by service of process upon said officer with the same effect as if the undersigned has been personally served with process in said jurisdiction.

It is requested that a copy of any notice, process or pleading served hereunder be mailed to

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

Dated \_\_\_\_\_, 19\_\_

\_\_\_\_\_  
By: \_\_\_\_\_

\_\_\_\_\_  
Title

By: \_\_\_\_\_

\_\_\_\_\_  
Title



OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS  
COMMONWEALTH OF PUERTO RICO  
SAN JUAN, PUERTO RICO

BOND FOR BROKER-DEALER, INVESTMENT ADVISERS, AND AGENT  
UNDER THE  
UNIFORM SECURITIES ACT AND BLANKET BOND  
FOR AGENTS OF A BROKER-DEALER

KNOW ALL MEN BY THESE PRESENT:

That \_\_\_\_\_, as Principal and \_\_\_\_\_, as Surety are firmly bound unto the people of the Commonwealth of Puerto Rico for the use and benefit of any person sustaining damages as a result of any breach of the conditions hereinafter set forth in the penal sum of \_\_\_\_\_ thousand dollars (\$ \_\_\_\_\_) and in the case of a blanket bond \$2,000.00 per agent without limitation of the number of agents, for the payment of which sum, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THE ABOVE OBLIGATION ARE SUCH THAT:

WHEREAS, the principal has made or is about to make an application to the Securities Office, Office of the Commissioner of Financial Institutions, for registration as broker-dealer, investment adviser, or agent, pursuant to the Uniform Securities Act of Puerto Rico; and

NOW THEREFORE the principal and Surety are each liable to the amount of the bond, or if a blanket bond covering agent to the amount of \$2,000.00 for each agent, for the payment of any judgment that may be obtained against the Principal or Surety on any suit under the Uniform Securities Act of Puerto Rico arising out of the conduct of the Principal or its agents in the securities business or the business of investment adviser; and for the reimbursement to customers for conversion, misappropriation or embezzlement by the Principal of its agents of funds or securities belonging to such customers; and apart from these conditions this bond will be of no force and effect.

APPOINTMENT AND APPLICATION FOR REGISTRATION AS AGENT

Director  
Securities Office  
Department of the Treasury  
San Juan, Puerto Rico

The undersigned ----- hereby certifies that it  
Issuer or Broker-Dealer  
has employed -----  
Name Street Address City State  
as its agent under the provisions of the Uniform Securities Act.

Dated and signed this ----- day of -----, 19 -----.

-----  
Name of Issuer or Broker-Dealer

By -----  
Name and Title



NOTICE BY AN AGENT OF ENGAGEMENT OR TERMINATION  
OF SERVICES

Director  
Securities Office  
Department of the Treasury  
San Juan, Puerto Rico

Notice is hereby given to the Administrator of the Uniform Securities Act, pursuant to Section 201(b) of said Act, that:

My services as an agent have been ~~terminated~~ <sup>engaged</sup> (strike inapplicable word) by \_\_\_\_\_

\_\_\_\_\_  
name of broker-dealer or issuer

Signed this \_\_\_\_\_

day of \_\_\_\_\_, 19 \_\_\_\_\_

\_\_\_\_\_  
Signature of Agent

\_\_\_\_\_  
Name of Agent  
(Type or Print)

\_\_\_\_\_  
Address of Agent

**INSTRUCTION:** In the event of a termination of services the agent may attach a separate letter to the Administrator explaining the reason for the termination of services, if he so desires. Such letters will be kept confidential by the Administrator.

Número de Cuenta (Seguro Social) - Account Number (Social Security) or Employer's Id)

Clase de Contribuyente - Type of Taxpayer  
 Individuo Individual  
 Sociedad Partnership  
 Corporación Corporation  
 Sucesión de Federaciones Estate or Trust  
 Otros Other

Nombre del Informante - Payor's Name

Dirección - Address Municipio - City Estado - State Zip Code

Total Número de Documentos - Total Number of Documents Contribución Retenida - Income Tax Withheld Total Cantidad Informada con esta Forma - Total Amount Reported with this Form

Marque sólo un encastillado - Check only one box, indique el tipo de formas enviadas - Indicate the type of forms attached  
 480.6  480.6A  480.7

**HACIENDA PARA SERVIRLE!**

JURAMENTO - OATH

Declaro bajo las penalidades de perjurio que esta declaración ha sido examinada por mí y que según mi mejor información y creencia es cierta, correcta y completa.  
 I declare under the penalties of perjury that this declaration has been examined by me and to the best of my knowledge and belief is true, correct and complete.

Fecha - Date Firma - Signature Título - Title

VEA INSTRUCCIONES AL DORSO - SEE INSTRUCTIONS ON BACK  
 ORIGINAL PARA EL NEGOCIADO DE CONTRIBUCION SOBRE INGRESO - ORIGINAL FOR BUREAU OF INCOME TAX



Información de quien recibe el pago - Payee's Information

Cantidades no sujetas a retención

Amounts not subject to withholding

Número de Cuenta (Seguro Social) - Account Number (Social Security)	Salarios y Jornales - Salaries and Wages	Beneficios de Sociedades - Partnership Profits
Primer Apellido - Last Name Segundo Apellido - Second Surname Nombre - First Name	Comisiones - Commissions	Dividendos - Dividends
Dirección - Address	Rentas - Rents	Otros Pagos - Other Payments
Municipio - City Estado - State Zip Code	Intereses - Interest	Rédito Bruto - Gross Proceeds
Número de Cuenta Bancaria - Bank Account Number	Servicios Profesionales - Professional Services	Total Pagado - Total Paid
Num. de Cuenta del Agente Retenedor - Withholding Agent Account Number	Nombre y dirección del Agente Retenedor - Name and Address of Withholding Agent	

VEA INSTRUCCIONES AL DORSO - SEE INSTRUCTIONS ON BACK  
 ORIGINAL PARA EL NEGOCIADO DE CONTRIBUCION SOBRE INGRESO - ORIGINAL FOR BUREAU OF INCOME TAX

## **SECCION C**

# **INSCRIPCION E INVESTIGACION DE VALORES**

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## I. INTRODUCCION

El Artículo 301 de la Ley Uniforme de Valores (la "Ley") de Puerto Rico estipula: "Será ilegal que cualquier persona ofrezca o venda cualquier valor en Puerto Rico a menos que dicho (1) valor haya sido inscrito bajo las disposiciones de esta Ley o (2) el valor o transacción esté exenta bajo las disposiciones del Artículo 402". Al amparo de este Artículo es que se crea en el Area de Valores la División de Inscripción e Investigación de Valores, la cual tiene a su cargo la inscripción y evaluación de los valores que serán ofrecidos por los diferentes emisores a los inversionistas potenciales en el mercado financiero de Puerto Rico.

Los valores elegibles para inscripción son aquellos que están definidos en el Artículo 401 (k)(1) de la Ley, y citamos: "Valor" significará cualquier pagaré, acción, acciones en cartera, bono, vale, comprobante de deuda, certificado de interés o participación en algún convenio de distribución de beneficios o sociedad, certificado de preoriginación o suscripción, acción transferible, contrato de inversión, certificado de fideicomiso con derecho al voto, certificado de depósitos en garantía, cuota de interés indiviso en petróleo, gas u otros derechos sobre minerales, o , en general, cualquier interés o instrumento conocido comúnmente como "valor", o cualquier certificado de interés o participación en cualquiera de los precedentes valores, certificado temporero o provisional o recibo por los mismos, garantía de dichos valores o instrumentos de autorización u opción o derecho para suscribirlos".

#### **IV. NUESTROS CLIENTES**

##### **A. Internos**

1. Comisionado, Comisionados Auxiliares y Supervisores.
2. División Legal
3. Examinadores
4. Análisis Financiero y "FRED"

##### **B. Externos**

1. Emisores de Valores - Cualquier empresa o individuo que desee levantar capital en el mercado local.
2. Casas de corretajes
3. Bufetes de abogados
4. Asesores de inversión
5. Corredores y Representantes individuales
6. Cualquier individuo con interés de invertir que desee información sobre si el valor se encuentra debidamente inscrito en nuestra Oficina.

#### **V. PROCESO PARA LA RADICACION Y CONTROL DE DOCUMENTOS**

##### **A. Correspondencia**

1. La correspondencia que se recibe en el Area de Valores proviene del correo externo o interno, ya sea vía Cartero, Compañía de Servicio Expreso, Mensajeros, etc.
2. El Area de Administración División de Servicios Generales prepara un

listado llamado Control de Correspondencia Recibida, en donde se detalla la siguiente información:

- a. quién la envió,
  - b. persona a quién viene dirigida, y
  - c. contenido del documento (Veáse al Anejo 1.5 Hoja de Control de Documentos)
3. En el Area de Valores recibimos la correspondencia junto con la Hoja descrita en el párrafo anterior.
  4. Se verifica que la correspondencia recibida sea la que se encuentra desglosada en la Hoja de Control.
  5. Abrimos sobres y cajas, leemos el contenido de la correspondencia y luego la sellamos con el "ponchador".
  6. Se clasifica la correpondencia, y rápidamente distribuimos la que requiere atención inmediata.
  7. Se procede a trabajar con la correspondencia que viene acompañada por cheques.
  8. Anotamos la siguiente información del cheque en el documento correspondiente:
    - a. Persona que paga.
    - b. Fecha.
    - c. Cantidad.
    - d. Nombre del Banco.
    - e. Número del cheque.

el Banco.

16. Luego procedemos a preparar una Tabla donde se desglosan los cheques que serán incluidos en el Informe Mensual de la Oficina.
17. Se envía a los solicitantes el recibo Oficial de Pago.

**B. Radicación de Notificaciones de Efectividad y Enmiendas Sobre Precio -**

Para las inscripciones por coordinación el Técnico es responsable de llevar un control de los Telegramas de Efectividad. - (Veáse Anejo 1.7- Telegrama)

**Procedimiento:**

1. Se recibe el telegrama "vía fax " o la enmienda sobre precio efectiva con la siguiente información:
  - a. Fecha y hora en que la declaración de inscripción federal ha tenido efecto,
  - b. Precio de oferta,
  - c. Comisiones por Concepto de Suscripción,
  - d. Tarifas de conversión,
  - e. Precio de Redención,
  - f. y otras materias que dependen del precio de oferta,
2. Una vez el telegrama es recibido, el Técnico procede a asignarle el número de expediente que le corresponde.
3. Busca el expediente en los anaqueles y le refiere el caso al investigador a cargo de la evaluación de dicha inscripción.

la información requerida por el Artículo 303(b) y venir acompañada por los documentos especificados en los Artículos 305(c) y el consentimiento a ser emplazado que requiere del Artículo 414 (g).

**a. Descripción del Proceso**

1. El Investigador recibe la inscripción inicial con el formulario de Solicitud de Inscripción correspondiente y sus documentos preliminares. (Véase Anejo 1.8- Solicitud de Inscripción Mediante Coordinación).
2. Se verifica que todos los documentos requeridos al amparo del Artículo 303 (b) hayan sido debidamente radicados. (Véase Anejo 1.9- Hoja de Cotejo).
3. Si la inscripción se encuentra incompleta le enviamos por "fax" o "vía correo" una Carta de Solicitud de Documento. (Véase Anejo 1.10- Carta de Solicitud de Documentos).
4. Se analiza el prospecto y de ser necesario se recomiendan cambios al mismo. (Refiérase a la Parte XI - Guías Para El Análisis de Inscripción de Valores)
5. Se recibe el telegrama de efectividad o la Enmienda Sobre Precio "vía fax" o "correo".
6. Si todas las condiciones han sido cumplidas bajo el Artículo 303(b) y si la institución no contempla un

efectividad, y que a de ser usado en conexión con la oferta. (Refiérase a la Parte XI- Guías para el Análisis de Inscripciones)

4. Una vez el solicitante de inscripción haya efectuado los cambios solicitados por la Oficina a los documentos enumerados en el párrafo anterior, se da seguimiento a la inscripción para los documentos finales sean Radicados con los cambios aprobados.
5. Al Completarse el examen de todos los documentos, la Orden es emitida.

## **VII. PROCEDIMIENTO GENERAL DE RENOVACION DE INSCRIPCION**

1. El Investigador o Técnico recibe la solicitud de inscripción con la carta explicativa.
2. De no estar disponible el número de expediente en la carta o declaración de inscripción se busca y anota en dichos documentos.
3. Se clasifican las solicitudes por familia de fondos.
4. Antes de renovar cualquier valor, el Técnico o Investigador busca el expediente y revisa que los siguientes documentos se encuentren al día:
  - a. U(2) o R(6) - Consentimiento a ser emplazado a nombre del emisor.
  - b. Informes trimestrales de ventas que muestran el progreso de la oferta y contenga la información requerida por el Formulario S-4.

enmienda a la cantidad solicitada. Estas son:

1. Orden 3- Enmienda agregando cantidad definida adicional.
2. Orden 7- Enmienda para cambiar la cantidad de Definida a Indefinida.

(Véase Anejos 1.3 y 1.4- Ordenes de Enmiendas)

Estas enmiendas son solicitadas por el emisor cuando la demanda esperada por el valor en el mercado local sobrepasará las expectativas originales.

**B. Cambios de Nombres a las Inscripciones por Coordinación**

Los cambios de nombres son comúnmente solicitados por compañías de inversiones y fideicomisos. Este tipo de enmiendas son el resultado de fusiones, adquisiciones o cambios propuestos por los propios accionistas del fondo.

**1. Descripción del Proceso**

- (a) recibimos la carta explicativa del cambio junto con la declaración o solicitud de inscripción enmendada.
- (b) se les requiere por teléfono o correo un consentimiento a ser emplazado actualizado, el nuevo prospecto, material de anuncios o publicitario y un Informe de Ventas para el último trimestre.
- (c) Se realiza una anotación en el expediente y mantenemos un

- la declaración de inscripción, o el emisor, entre otros;
- (c) si el valor inscrito o que se procura inscribir ha sido objeto de una orden administrativa de suspensión u orden administrativa similar o de una orden de "injunction" permanente o provisional dictada por cualquier tribunal de jurisdicción competente;
  - (d) si la empresa o método de conducir el negocio del emisor incluye o habría de incluir actividades que son ilegales en el sitio en que se llevan a efecto;
  - (e) la oferta ha defraudado o ha tendido a defraudar a los compradores, o habría de defraudarlos;
  - (f) la oferta ha sido hecha o habría de hacerse mediando cantidades irrazonables de descuentos, comisiones, u otra compensación a favor de subscriptores asegurados o de vendedores, ganancias o participaciones de promotores, o cantidades o clases irrazonables de opciones;
  - (g) si una inscripción por coordinación, ha omitido cumplir con el compromiso de remitir toda futura enmienda al prospecto.
  - (h) si el solicitante o persona que inscribe ha dejado de pagar el derecho de inscripción correspondiente.

**Procedimiento:**

1. Este procedimiento de orden de suspensión, denegación o

la información que no debe incluirse. El Anexo A de esta regla describe la Información Requerida en el Prospecto.

El Prospecto debe contener las siguientes partidas:

<u>Partida</u>	<u>Descripción</u>
1	<u>Información de la Portada.</u>
2	<u>Uso del Producto.</u>
3	<u>Costo de Valores Consistentes en Acciones poseídas por los organizadores.</u>
4	<u>Plan de Distribución.</u>
5	<u>Capitalización y Deuda a Largo Plazo.</u>
6	<u>Ventas que no sean por Efectivo.</u>
7	<u>Estados Financieros del Emisor</u>
8	<u>Organización del Emisor</u>
9	<u>Tenedores Vendedores de Valores</u>
10	<u>Descripción del Negocio</u>
11	<u>Descripción de la Propiedad</u>
12	<u>Organización Dentro de Tres Años</u>
13	<u>Procedimientos Legales</u>

3. Cualquier materia que vaya más allá de una presentación clara y precisa necesaria para exponer los hechos materiales.

- (3) Regla S-2 Aceptabilidad de Formas Uniformes en la Inscripción Mediante Coordinación
- (4) Regla S-4 Informes Trimestrales de Valores Inscritos
- (5) Regla S-5 Certificación de Estados Financieros Para Inscribir Valores (Estado de Situación y de Ganacias y pérdida, y análisis del sobrante del emisor).
- (6) Regla S-6 Depósito en Plica De Ciertos Valores
- (7) Regla S-7 Contenido de Anuncios de Valores
- (8) Regla S-8 Entrega del Prospecto
- (9) Regla S-9 Radicación de Literatura

## **B. Guías Complementarias**

### **1. NASAA**

Con el objetivo de complementar y ampliar el alcance del análisis que efectúa el Investigador de Valores, este puede a su discreción referirse a las siguientes políticas emitidas por NASAA, según éstas son publicadas por el "Commerce Clering House, Inc.":

#### **Párrafos**

(501-509)

#### **Descripción**

"Registration of Asset Backed

IN THE MATTER OF

██████████ 1

██████████ 2

FILE NO. ██████████ 3

ORDER AMENDING THE TOTAL AMOUNT OF SECURITIES OFFERED IN PUERTO RICO

Pursuant to section 305 (k) of the Uniform Securities Act of Puerto Rico, the above named issuer filed with the Securities Office an amended application statement for the securities identified above so as to change the registration from a DEFINITE to an INDEFINITE amount of securities offered in Puerto Rico.

The said registration statement was filed on ██████████ 4.

It is ORDERED, that the effective date of such registration statement shall be ██████████ 5.

Attention is directed to the filing of an Annual Sales Report. The SEC 24f-2 annual notice is accepted for the compliance with this requirement.

This amendment will expire concurrently with the order that is currently in force.

Given at San Juan, Puerto Rico this ██████████ 6.

By the Commissioner, pursuant to  
delegated authority,

Juan Rivera-Reyes  
Assistant Securities Commissioner

**COMISIONADO DE INSTITUCIONES FINANCIERAS  
DIVISION DE SERVICIOS GENERALES**

**CONTROL DE CORRESPONDENCIA RECIBIDA**

AREA: VALORES  
RECIBIDO POR: \_\_\_\_\_

Fecha: 05/22/96

Recibido de:	Dirigido a:	Comentarios
STRAFFORD PUBLIC.		
T. ROWE PRICE		
CARTA DEVUELTA	MS. AMY OWENS	
NASAA	JUAN RIVERA	VIDEO CASSETTE
PRACTISING LAW	FELIPE CRUZ	DOC. INFORMATIVO
ORRICK, HERRINGTON	JUAN RIVERA	
KIRKPATRICK		
VANGUARD GROUP	JUAN RIVERA	
AMWAY CORP.	ZAMIA BAERGA	
STEPHENS	LAURA GONZALEZ	
KELLY MCCONVERY		
PAINE WEBBER	MIRTA VELEZ	
OPPENHEIMER CAPITAL	JUAN RIVERA	
OPPENHEIMER FUNDS		
TEMPLETON		
PHOENIX EQUITY		
ETNA		
3PS INC.		
A I M	JUAN RIVERA	
FPC	ASDRUBAL APONTE	
M F S		
ERNSTEIN		
ERNSTEIN		
T ROWE PRICE		

IN THE MATTER OF: (RENEWAL)

FIELD(1)

FIELD(2)

FILE NO. FIELD(3)

**ORDER FIXING THE EFFECTIVE DATE OF THE REGISTRATION STATEMENT**

The above named issuer filed with the Securities Office pursuant to Section 303 of the Uniform Securities Act of Puerto Rico a registration statement for the securities identified above so as to register \$FIELD(4) as the aggregate amount of securities to be offered in Puerto Rico.

The said registration statement was filed on FIELD(5).

It is ORDERED, that the effective date of such registration statement shall be FIELD(6).

Quarterly Investment Companies Sales Report must be filed with the Securities Office of Puerto Rico.

The issuer should pay special attention to the provisions of Section 405 of the Uniform Securities Act of Puerto Rico which makes unlawful certain representations with respect of the effect of registration under the Act.

Given at San Juan, Puerto Rico this FIELD(7).

By the Commissioner, pursuant to  
delegated authority,

Juan Rivera-Reyes  
Assistant Securities Commissioner

O-2

NOTE: IN ORDER TO PROCESS ALL RENEWALS, IT IS REQUIRED TO INCLUDE THE ASSIGNED FILE NUMBER ON ALL YOUR DOCUMENTS.

mc

IN THE MATTER OF

FIELD(1)

FIELD(2)

FILE NO. FIELD(3)

ORDER AMENDING THE TOTAL AMOUNT OF SECURITIES OFFERED IN PUERTO  
RICO

Pursuant to section 305 (k) of the Uniform Securities Act of Puerto Rico, the above named issuer filed with the Securities Office an amended application statement for the securities identified above so as to increase to FIELD(4) the aggregate amount of securities offered in Puerto Rico.

The said registration statement was filed on FIELD(5);

It is ORDERED, that the effective date of such registration statement shall be FIELD(6).

Attention is directed to the filing of the Quarterly Investment Company Sales Report as cited on Rule S-4 of the Regulation 1007 of the Act.

This amendment will expire concurrently with the order that is currently in force.

Given at San Juan, Puerto Rico this FIELD(7).

By the Commissioner, pursuant to  
delegated authority,

Juan Rivera-Reyes  
Assistant Securities Commissioner

IN THE MATTER OF: (RENEWAL)  
FIELD(1)

FIELD(2)

FILE NO. FIELD(3)

**ORDER FIXING THE EFFECTIVE DATE OF THE REGISTRATION STATEMENT**

Pursuant to Section 303 of the Uniform Securities Act of Puerto Rico, the above named issuer filed with the Securities Office a registration statement for the securities identified above so as to register an INDEFINITE aggregate amount of securities to be offered in Puerto Rico.

The said registration statement was filed on FIELD(4).

It is ORDERED, that the effective date of such registration statement shall be FIELD(5).

An annual sales report must be filed with the Securities Office of Puerto Rico. The SEC Rule 24-f-2 Annual Notice is accepted for the compliance with this requirement.

The issuer should pay special attention to the provisions of Section 405 of the Uniform Securities Act of Puerto Rico which makes unlawful certain representations with respect of the effect of registration under the Act.

Given at San Juan, Puerto Rico this FIELD(6).

By the Commissioner, pursuant to  
delegated authority,

Juan Rivera-Reyes  
Assistant Securities Commissioner

O-5

NOTE: IN ORDER TO PROCESS ALL RENEWALS, IT IS REQUIRED TO INCLUDE THE ASSIGNED FILE NUMBER ON ALL YOUR DOCUMENTS.

mc

**COMISIONADO DE INSTITUCIONES FINANCIERAS  
DIVISION DE SERVICIOS GENERALES**

Anejo 1.5

**CONTROL DE CORRESPONDENCIA RECIBIDA**

Total de correspondencia recibida: 24



SYND 1306983A010.001 ( /1411) LIPUERTO 20DEC95 12:32  
TO: DIVISION OF SECURITIES  
1492 PONCE DE LEON AVE  
SUITE 600  
SANTURCE, PR 00909-1492  
FROM: LIDPW000  
FILE # N/A

DECEMBER 20, 1995  
BK:DPW-352

PRICING AND EFFECTIVENESS TELEGRAM  
=====

MUNICIPAL INVESTMENT TRUST FUND  
INTERMEDIATE TERM SERIES - 262  
DEFINED ASSET FUND

ORDERED EFFECTIVE BY THE SEC: DECEMBER 20, 1995 @ 9:30 A.M.  
NUMBER OF UNITS REGISTERED WITH SEC: 11,381  
FACE AMOUNT OF SECURITIES: \$ 5,040,000.00  
AGGREGATE OFFER SIDE EVALUATION OF SECURITIES: \$1,025,372.85  
INITIAL PUBLIC OFFERING PRICE: \$ 100.00  
ESTIMATED CURRENT RETURN: 5.00%  
ESTIMATED LONG TERM RETURN: 4.77%  
UNDERWRITING COMMISSION: 4.00%

AUDREY M. HERZ  
DAVIS POLK & WARDWELL

Via CommScan Inc.

NN-NN



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS  
SECURITIES OFFICE  
G.P.O. CALL BOX 70324  
San Juan, Puerto Rico 00936

437 PONCE DE LEON AVENUE  
14TH FLOOR  
HATO REY, PUERTO RICO 00918

REGISTRATION STATEMENT  
FOR REGISTRATION OF SECURITIES BY COORDINATION

INSTRUCTIONS

This form is to be used when permitted by Section 303 of the Uniform Securities Act i.e., where a registration statement covering the securities and offering described herein has been filed with the Securities & Exchange Commission. As used herein the term "registration statement" includes an amendment filed under Section 24(e) of the Investment Company Act of 1940.

This form may be filed by the issuer, any other person on whose behalf the offering is to be made, or a registered broker-dealer.

Application to the Administrator of the Uniform Securities Act of Puerto Rico pursuant to Section 303 of the Uniform Securities Act of Puerto Rico.

1. Name and address of Issuer and principal Office in Puerto Rico:
2. Name, address and telephone number of correspondent to whom notices and communications regarding this application may be sent:
3. Name and address of applicant:

**DOCUMENTS CHECKLIST**

Name: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

File No. \_\_\_\_\_

	Date _____ Initial _____	Date _____ Initial _____
Registration Statement	_____	_____
Final Prospectus	_____	_____
Underwriting Agreement	_____	_____
Indenture	_____	_____
Charter or article of incorporation	_____	_____
By Laws	_____	_____
Opinion of Counsel	_____	_____
Specimen	_____	_____
Consent to Service of Process (U2)	_____	_____
Corporate Resolution (U2-A)	_____	_____
Sales Report	_____	_____
Advertising Material	_____	_____
Registration fee	\$ _____	\$ _____

States in Which the offering was revoked, suspended or  
withddrawn: \_\_\_\_\_

Lead Underwriter: \_\_\_\_\_ Register: Yes/No

Selling Group Members \_\_\_\_\_ Register: Yes/No

Investment Advisors: \_\_\_\_\_ Register: Yes/No

PAGE 2

Documents Checklist

SUBSEQUENT FILING REVIEW

	DATE	DATE	DATE	DATE	REMARKS
1. Quarterly Sales Review					
2. Advertising Material					
3. Pre-Effective Amendments					
4. Post-Effective Amendments -Name Changes (NC) -Merger & Adq. (M&A)					



COMMISSIONER OF FINANCIAL INSTITUTIONS  
GOVERNMENT OF PUERTO RICO

Attention to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Ref. File No.: \_\_\_\_\_

Dear Sir/Madam:

We have assigned the number in reference to the application for Registration of the  
\_\_\_\_\_

Please use this number whenever you contact us regarding your securities.

The Registration Statement will be declared effective in our state on the SEC effective date.  
However, the final order is subject to the submittal of the following documents:

- \_\_\_\_\_ Final Prospectus
- \_\_\_\_\_ Agreement among Underwriters
- \_\_\_\_\_ Issuers Charter of or Article of Incorporation
- \_\_\_\_\_ Issuers By-Laws
- \_\_\_\_\_ Effectiveness telegram
- \_\_\_\_\_ Fee: \$ \_\_\_\_\_
- \_\_\_\_\_ Opinion of Counsel
- \_\_\_\_\_ Specimen
- \_\_\_\_\_ U2 (consent to services)
- \_\_\_\_\_ U2 (A) Resolutions
- \_\_\_\_\_ Brokers, dealers or agents are not duly registered in Puerto Rico

Should you have any question regarding this do not hesitate to contact us at (809) 723-3131 ext. 2359.

Very Truly Yours,

Securities Investigator

Form S-3  
1/93



**COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS  
SECURITIES OFFICE  
G.P.O. CALL BOX 70324  
San Juan, Puerto Rico 00936  
  
437 PONCE DE LEON AVENUE  
14TH FLOOR  
HATO REY, PUERTO RICO 00918**

**REGISTRATION STATEMENT FOR REGISTRATION OF  
SECURITY BY QUALIFICATION**

**INSTRUCTIONS**

This form may be filed by the issuer, any other person on whose behalf the offering is to be made, or a registered broker-dealer.

1. (a) Name and address of applicant \_\_\_\_\_  
\_\_\_\_\_

(b) Name, address and telephone number of person with whom the Securities Office is requested to communicate regarding the filing \_\_\_\_\_  
\_\_\_\_\_

2. State whether applicant is the issuer, or a broker-dealer registered in Puerto Rico or other person on whose behalf the securities will be offered:  
\_\_\_\_\_  
\_\_\_\_\_

3 (a) Name and address of issuer: \_\_\_\_\_  
\_\_\_\_\_

(b) Name and address of any significant subsidiary: \_\_\_\_\_  
\_\_\_\_\_

4 Name and address of any person on whose behalf any part of the offering is to be made in a non-issuer distribution: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(2) A copy of any underwriting or selling group agreement pursuant to which the distribution is to be made, or the proposed form of any such agreement, the term of which have not yet been determined.

(3) Copy of every management or other material contact made or to be made otherwise than in the ordinary course of business if it is to be performed in whole or in part at or after the filing of the registration statement, or was made within the past two years.

(4) A copy of any prospectus (other than the prospectus furnished pursuant to paragraph (1)), pamphlet, circular, form letter, advertisement or other sales literature intended as of the effective date to be used in connection with the offering.

(5) A specimen or copy of the security being registered.

(6) A copy of the issuer's articles of incorporation and by-laws, or their substantial equivalents, as currently in effect.

(7) A copy of any indenture or other instrument covering the security to be registered.

(8) A signed or conformed copy of an opinion of counsel as to the legality of the security being registered, which shall state whether the security when sold will be legally issued, fully paid, and non-assessable, and if a debt security, a binding obligation of the issuer.

(9) The written consent of any accountant, engineer, appraiser, or other person whose profession gives authority to a statement made by him, if any such person is named as having prepared or certified a report or valuation (other than a public or official document or statement) which is used in connection with the registration statement.

(10) Appointment and Consent to Service of Process as required by Section 414(g) of the Uniform Securities Act, on Form R-6.

(11) Resolution of issuer's Board of Directors, if required by Section 414(g) of the Uniform Securities Act, on Form R-5.

(12) If the offering is to be made on behalf of the issuer of the securities being registered and the issuer has not been organized and in operation for at least two years prior to the date of filing, the issuer shall file a Form R-4 report completed and signed by each of its promoters, director officers and/or partners.

\_\_\_\_\_  
Registrant

Attest:

\_\_\_\_\_  
(Name and Title)

\_\_\_\_\_  
(Name and Title)

**FORM FOR USE IN FILLING QUARTERLY REPORTS REQUIRED BY  
RULE S-4 FOR SECURITIES REGISTERED BY  
NOTIFICATION OR QUALIFICATION**

1. Name of Applicant and file number of the registration statement \_\_\_\_\_  
\_\_\_\_\_
2. Name of Issuer \_\_\_\_\_  
\_\_\_\_\_
3. Name of underwriter, if any \_\_\_\_\_  
\_\_\_\_\_
4. Date of this report \_\_\_\_\_  
\_\_\_\_\_
5. (a) Date offering commenced \_\_\_\_\_  
(b) Date offering completed, if completed \_\_\_\_\_  
(c) If offering has not commenced, state reasons briefly \_\_\_\_\_  
\_\_\_\_\_
6. (a) Total number of shares or other units offered \_\_\_\_\_  
(b) Number of such shares or other units sold from commencement of offering  
to date \_\_\_\_\_  
(c) Number of shares or other units still being offered \_\_\_\_\_
7. (a) Total number of shares or other units offered in Puerto Rico \_\_\_\_\_  
(b) Number of such shares or other units sold in Puerto Rico \_\_\_\_\_  
(c) Number of shares or other units still being offered in Puerto  
Rico \_\_\_\_\_
8. (a) Total amount received from public since commencement of offering to date  
\$ \_\_\_\_\_



**OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

**GUIDELINES FOR REVIEW OF OPEN-END MUTUAL FUND  
REGISTRATIONS**

**1. Name of the Fund**

- A. Review the name of the fund to be sure it is appropriate for the types of investments which the fund makes and is not otherwise misleading or potentially misleading.
- B. At least 65% of net asset value must, under normal circumstances, be invested in the types of securities implied by the fund name.
- C. More than one federal regulatory agency has begun to focus on the issue of the use of names of national banks in the names of mutual funds. The concern is that some investors may believe that such funds are obligations of the bank and/or insured by the FDIC. Some agencies are concerned with sales practices; for the purposes of these reviews we are only concerned with proper disclosure. The SEC has taken the position that such use of a bank name is presumptively misleading. The presumption can be overcome by a statement on the cover of the prospectus that the fund is not an obligation of the bank and is not insured by the FDIC or anyone else. This statement should be printed in a typographically distinct manner (bold, red, etc.).
- D. Rules for use of the words "insured" or "guaranteed". (Example: U. S. Treasury Bills and Notes)
  - i. If all of the securities in the portfolio are insured, the use of these words is permitted in the prospectus, but should state that the insurance relates only to the securities in the portfolio and not to the fund shares offered by the prospectus.
  - ii. If all of the securities in the portfolio are not insured, the cover of the prospectus must state that fact.

**2. Investment Adviser**

- A. If the investment adviser is inexperienced (has managed funds for less than three

- C. Funds which may invest an amount of net asset value less than 35% but more than 5% in junk bonds must include in the prospectus a description of this risks involves. This disclosure should be made under an appropriately titled subheading.
- D. The proposed NASAA Guidelines on junk bond disclosure are helpful, but we do not follow them by the letter.

4. **Master/Feeder**

- A. A feeder fund is a mutual fund which invests all of its assets in another mutual fund, called the master fund.
- B. A fund which uses the master/feeder structure must comply with the disclosure requirements promulgated by NAASA.
- C. The Division, as well as several other state agencies which actively review mutual fund registrations, requires prominent cover page disclosures in bold print.

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**SECCION D**

**INSCRIPCION DE FONDOS DE**  
**CAPITAL**

# **SECCION E**

## **INSCRIPCION DE COMPAÑIAS DE INVERSION**

# **INSCRIPCION DE COMPAÑIAS DE INVERSION**

## **TABLA DE CONTENIDO**

- A.    Introducción
- B.    Normas en la Tramitación y expedición de licencias
- C.    Anejos

## **INSCRIPCIÓN DE FONDOS DE CAPITAL DE INVERSIÓN**

### **A. Introducción**

La División de Inscripción de Fondos de Capital de Inversión es la encargada de trabajar las solicitudes que radican los administradores o promotores de fondos de capital para la obtención de una licencia.

### **B. Normas de tramitación y expedición de licencias**

El Reglamento 3624 establece los procedimientos para la expedición de licencias para operar fondos de capital, por la Oficina de Valores.

El Artículo 4 del Reglamento señala la información que deberá contener la Solicitud de Inscripción para Operar como Fondo de Capital de Inversión. (Nombre, dirección, forma de organización y fecha, descripción del tipo de negocio tal como la naturaleza del solicitante, política de inversión, experiencia comercial de los promotores, porcentaje de participación del que controle al solicitante y capitalización del fondo. Anejos: Artículos de Incorporación, Contrato de Sociedad, Reglamento, Otros acuerdos, Resolución Corporativa, Estados Financieros, Derechos por \$2,000).

El Artículo 5 del Reglamento señala toda la información que deberá ser suministrada por los promotores de los fondos: Información a ser suministrada por Promotores, Directores, Oficiales y Socios de un Fondo de Capital de Inversión tal como nombre, dirección, educación, experiencia en valores, condición económica, porcentaje de participación en el fondo, remuneración y acuerdos para la compensación, historial disciplinario. Además establece dicho Artículo los términos de la capitalización y la fianza que se mantendrá conforme a los activos del fondo.

El Artículo 6 del Reglamento establece los términos para la renovación de una licencia. El término de tiempo para la vigencia de las licencias de los fondos está ya fijado, por lo cual se enmienda la Ley a fin de extender el tiempo de vigencia que ya se ha establecido. Una vez revisada

**C. Anejos**

1. Solicitud de Inscripción Fondo de Capital de Inversión
2. Información de ser suministrada por Oficiales o Directores del Fondo

## INSCRIPCION DE COMPAÑIAS DE INVERSIONES

### A. Introducción

La División de Inscripción de Compañías de Inversiones es la encargada de trabajar las solicitudes que radican los administradores y promotores de compañías de inversiones para la obtención de una licencia.

### B. Normas de tramitación y expedición de licencias

El Reglamento para cumplimentar las disposiciones de la Ley de Compañías de Inversiones de Puerto Rico establece los procedimientos para la expedición de licencias para operar compañías de inversiones, por la Oficina de Valores.

No obstante, mediante Determinaciones del Comisionado de Instituciones Financieras ("Rulings") fechadas 15 de noviembre de 1994 (PRITFF), 12 de abril de 1995 (PRITFF, II), 5 de julio de 1995 (MLPRTEF, 8 de septiembre de 1995 (PRITFF, III), 9 de febrero de 1996 (PRITFF, IV, V, VI y VII) se han obviado ciertos requisitos de Ley para la inscripción de compañías de inversiones, con el fin de facilitar la creación de los Fondos los cuales son compatibles con la protección del público inversionista y el propósito para el cual se hizo dicha ley.

La solicitud de inscripción de compañías de inversión se radica en la Forma 1, la cual debe contener la siguiente información: lista de directores con sus direcciones y experiencias en el negocio por los últimos 5 años, detalles sobre el negocio de inversiones a establecerse, tipos de valores a comprar, métodos para seleccionar los mismos, la medida en que se invertirá en valores del gobierno y otras clases de ofertas privadas, capitalización, número de accionistas que haya al presente, términos para la emisión de valores y planes para la suscripción de los mismos, servicio de asesorías de inversiones, remuneración a los oficiales y directores, custodia de los valores a ser adquiridos, el porcentaje de activos que se invertirá en valores de determinado emisor, acciones

FORM 1

COMMONWEALTH OF PUERTO RICO  
Before the Secretary of the Treasury

APPLICATION FOR REGISTRATION UNDER THE INVESTMENT COMPANIES

ACT

Name of Company

Address of Principal Executive

Part 1

1. State the address of principal office of registrant.
2. List all directors, officers and affiliated persons of the registrant with their residence addresses.  
  
Indicate specifically which directors and officers are residents of Puerto Rico.
3. Specify the name and principal address of every company other than the registrant of which each person listed in Item 2 is an officer, director or partner.
4. State briefly the business experience during the past 5 years of each member of the board of directors, and of each officer of the registrant.
- 4-a. State to the fullest extent possible such details concerning proposed business of the registrant and the character of its management as will establish that registrant's business will be conducted in accordance with the purpose of the Act and that granting of a certificate of registration is in the public interest. In particular, describe in detail the nature and extent of proposed investment in Puerto Rican governmental and private securities, setting forth the names of the securities to be purchased if determined and if not yet determined, the types of securities and the method by which they will be selected.
- 4-b. State the proposed program of the registrant with respect to:
  - (a) Capitalization - i.e., common stock, preferred stock, funded debt, loans, etc.
  - (b) Number of shareholders presently holding shares and proposed further issuance or further offering of shares.

- (a) State whether the registrant intends to operate as a diversified or non-diversified company.
- (b) State its policy with respect to borrowing money
- (c) State its policy with respect to the issuance of senior securities.
- (d) State its policy with respect to engaging in business of underwriting securities issued by other persons.
- (e) State its policy with respect to concentrating its investment in a particular industry or group of industries.
- (f) State its policy with respect to the purchase and sale of real estate and commodities, or either of them.
- (g) State its policy with respect to making loans to other persons.
- (h) State its policy with respect to proposed portfolio turnover.
- (i) Concerning the nature of investment proposed to be made, state the following:
  - (1). The type of Puerto Rican securities, governmental and private, in which it proposes to invest and the amount of funds proposed to be invested in each type of such security with as much detail as possible.

Part 2

If the registrant is registered with the United States Securities and Exchange Commission under Section 6 of the Investment Company Act of 1940, it shall be sufficient compliance with Part 2 of this form if registrant files a copy of the registration statement filed with that Commission of Form N-CB-1 including any documents or other statements incorporated therein, such as a registration statement under the Securities Act of 1933.

In cases where the company is not registered with said Securities and Exchange Commission, the following items shall be set forth:

Preparation of Registration Statement

(a) This form is not to be used as a blank form to be filled in, but only as a guide in the preparation of the registration statement on paper meeting the requirements of the Rules. The registration statement shall contain the item numbers and captions, but the text of the items may be omitted provided the answers thereto are prepared in the manner specified.

(b) Unless otherwise stated, the information required shall be given as of the date of filing the registration application.

Item 1. General Information

Give the date and form of organization of the registrant and the name of the state or other sovereign power under the laws of which it was organized.

Instruction. As to the form of organization, only a statement such as the following is required: "a corporation," "and unincorporated association", "a common law trust", or other appropriate statement.

**CORPORATE ACKNOWLEDGEMENT**

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ at \_\_\_\_\_  
personally appeared before me, a notary public, the above named \_\_\_\_\_  
\_\_\_\_\_ and \_\_\_\_\_ know to me  
to be the persons whose signatures are attached to the foregoing consent to service,  
each of whom being duly sworn do depose and say they have authority to execute  
the foregoing consent, and each acknowledged the same to be his free act and deed  
of the corporation for which each person purports to act.

\_\_\_\_\_  
Notary Public

**INDIVIDUAL OR PARTNERSHIP ACKNOWLEDGEMENT**

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ at \_\_\_\_\_  
personally appeared before me, a notary public, \_\_\_\_\_  
known to me to be the persons whose signatures is attached to the foregoing consent  
to service, who being duly sworn to depose and say he has executed the foregoing  
instrument and acknowledged the same as his free act and deed.

\_\_\_\_\_  
Notary Public

## INTRODUCTION

Underwriting is a primary part of many Puerto Rican firm's business activities, and can contribute significant revenue to the firm's overall financial statement. Although most underwritings in Puerto Rico are in the fixed income category, the examiner can't ignore the potential for problems in general securities underwritings as well.

## INSTRUCTIONS

### I. & II. Fixed Income/General Securities

The following definitions and instructions apply to both fixed income and general securities underwritings

Syndicate Manager - The syndicate manager, or lead underwriter, generally handles negotiations in a negotiated underwriting of a new issue. The syndicate manager may also direct the process by which a bid is determined for a competitive underwriting. This manager is responsible for allocating securities among the members of the syndicate according to the terms of the syndicate agreement. The examiner should request a list of all underwritings in which the firm acted as the syndicate manager since the last examination by CFI, or the last 2 years (whichever is shorter). Out of the list, the examiner will select a reasonable sample of underwritings (but no less than 3 each of fixed income and general securities) and will then request the individual files for those underwritings. The syndicate manager is responsible for compliance with the registration provisions of Part III of the Puerto Rico Uniform Securities Act). Exhibit E should be completed for the selected files reviewed. In the case of municipal underwritings, the syndicate manager is responsible for maintaining syndicate records in accordance with MSRB Rule G-8(viii). In this situation, the manager must keep, at a minimum:

1. Description and aggregate par value of the issue,
2. Name and percentage (%) of participation by each member of the syndicate,
3. The terms and conditions regarding the formation and operation of the syndicate,
4. All orders received,
5. All allotments of securities to the members and the price at which sold,
6. The date and amount of any good faith deposits made to

group members in firm commitment underwritings are required to take a "haircut" on their open contractual commitments in accordance with SEC Rule 15c3-1. The haircut may not be required if the firm can show:

- 1) They have an unconditional right to return unsold securities to the underwriter or participant in the underwriting, and
- 2) The unconditional right is evidenced by a written agreement with the underwriter or participant.

Again, the examiners should select a reasonable sample from the list of underwritings provided by the firm to review the records of at least 3 new issues in both the fixed income and general securities categories in which the firm participated. Specifically, review the firm's trading/syndicate account statements and securities receipt and delivery blotter to determine if any unsold portion of the underwriting was retained by the selling group member. If so, a haircut is required in the firm's net capital computation. The examiner should briefly review the net capital computation for the relevant time period to ensure the firm made the appropriate adjustments to net capital.

Examiners should be aware that written agreements between selling group members and syndicate members are rare. Usually agreements are made on a "handshake". However, if the firm claims to be exempt from the open contractual commitment haircut, a written agreement must be established to show the selling group firm's "unconditional rights" clause.

### III. Financial Advisory Services

Firms that provide financial advisory services to issuers, and also act as underwriters on the issuer's securities, should make that disclosure in writing to any customers purchasing a new issue (Rule 16). A review of the customer confirmations, the firm's files on its financial advisory services, and customer order tickets should indicate whether proper written disclosures were made.

If the examiner's review indicates that full disclosure was not made, it will be necessary to copy the confirmations, order tickets, and the firm's financial advisory files as documentation of the deficiency.

funds must be promptly refunded to all customers in the event a minimum contingency was not met and the deal did not close. In this case, the firm should have fairly detailed records to show that all funds were promptly refunded. It would also be a violation of 10b-9 to "force" closing by selling securities to non-bona fide investors solely for the purpose of meeting a minimum contingency.

Example:

1. The examiner notices that the firm's proprietary account has purchased 5% of the contingent issue just prior to the closing, and sold the securities shortly after the closing. This would not be considered a "bona fide" investment due to the firm's failure to hold the securities for any significant period of time. Generally, holding periods of less than 6 months are not considered "for investment purposes". The examiner should also be aware that some firms may use nominee accounts to affect the sale of the needed amount of securities for escrow closing.
2. The same situation as #1, above, only the firm still owns the securities after 6 months. This may be considered a bona fide investment, and is okay as long as the offering memorandum states that the brokerage firm may purchase some of the securities.

V. Regulation D Offerings

Regulation D has gone through considerable amendments in recent years, and is still in the process of being updated. If the examiner incurs any Regulation D offerings, they should review an updated copy of the regulation for guidance.

The "integration doctrine" states that where an issuer makes 2 or more related offerings to raise funds for the same or very similar purposes, the dollar amount of the offerings and the number of investors must be lumped together to determine if the requirements of Rules 504-506 have been met.

Example:

An issuer, ABC Oil Company, owns a piece of land in Texas. To drill oil, they will make a Regulation D Rule 504 offering for \$400,000 to raise money for a well. 10 Investors purchase securities. They find no oil. Another offering is made to put a 2nd well on the same property. \$500,000 is raised and sold to 15 investors. For the integration doctrine, combine the 2 offerings for a total of \$900,000 and 25 investors to make sure the limits on the offering were not exceeded.

## INTRODUCTION

Unit #5 is used to examine a firm's investment company securities and variable contract business. The main areas of concern are related to sales practices; and include issues such as switching, sales just below the breakpoint, letters of intent, rights of accumulation, unauthorized redemptions, and payment for variable contracts.

## INSTRUCTIONS

### Types of Investment Company Shares

Most investment companies are "open-ended", meaning the company is required by law to redeem its shares on demand at a price equal to the customer's proportionate share of the fund's net assets at the time of redemption. Mutual funds issue and sell new shares on an ongoing basis.

Closed-end investment company shares are issued in a fixed number of shares in an initial offering. The shares are issued at a premium to the true value of each share, in order to cover the underwriting costs of bringing the shares to market. After the IPO closes, the shares are traded in the secondary market on a listed basis, such as NYSE or NASDAQ. Because of the nature of the secondary trading, firms selling closed-end funds must be registered to conduct a general securities business, and the agents must have at least a Series 7 license with the NASD.

Another type of investment company is a unit investment trust (UIT). The trust allows investors to buy units that are a fractional interest in a portfolio of securities. The trust owns the portfolio. The portfolio is fixed for the life of the trust. The most common type of UIT is a municipal bond trust. UIT's must redeem units at the net asset value if an investor wishes to terminate their investment. Some UIT's also maintain a secondary market for their units, such as by listing the units on NASDAQ.

### Types of Variable Contracts

Variable products are issued by insurance companies and are based on an underlying securities portfolio owned by the insurance company. A variable annuity means that the minimum rate of return and the annuity payments are not guaranteed as to the amount. Although these products are based on insurance, they are

Many investment companies will reduce sales charges on a "volume discount" basis. (Reference Rule 21.) The level of investment where the discount becomes effective is called a "breakpoint". Investors are permitted to reach a breakpoint in 3 different ways:

1. A single purchase
2. Several purchases over a 13 month period or less (letter of intent, or LOI)
3. Accumulate trades from the initial purchase date under a "rights of accumulation" agreement (ROA)

Firms may induce customers to make purchases just below the breakpoint in order to increase the commission to the agent and/or the firm. Some of the documents the examiner should review include customer account statements (either from the clearing firm or directly from the investment companies), the P&S Blotter, and individual agent's commission reports.

To review for breakpoint violations, the examiner must look for customer transactions that are split among different funds with similar investment objectives (such as GNMA income funds or several different high growth funds). If so, the underlying reason should be reviewed to see if the split was for the purpose of spreading the risk among several different funds or for the sole reason of generating additional commissions for the agent and/or firm. If the agent says the reason for splitting trades was for "diversification", the examiner should be suspicious since investment companies are diversified in nature. If given this answer by anyone at the firm, double the initial sample size to see if a pattern can be detected.

If the examiner is unsure as to the investment objectives of a particular investment company, they should review the prospectus.

Switching (Rule 17) occurs when a customer is persuaded by an agent to sell the shares of an investment company already owned and to use the proceeds to purchase the shares of another fund with similar investment objectives. This generates commissions for the agent, but does not benefit the customer in any way. To review for switching, the examiner should review the P&S Blotter and agent commission runs to look for a pattern of purchases by the same customer that redeemed shares just prior to the purchase. If any patterns are noted, the examiner should interview the agent, and in some cases contact the customer. Note that the switch must have been recommended by the agent in order for there to be a rule violation.

Unit #5 General Instructions

1/96

P&S Blotter, fund prospectus, and written explanations from the parties involved.

If time permits, the examiner should review a random sample of prospectus' for investment company shares offered by the firm (at least 5 different issues). The review should include the statement of fees and charges, which may not exceed 8 1/2%. Once back in the CFI office, the examiner should review the sample against registration records to ensure that all securities are properly registered in Puerto Rico. The review should include a determination of compliance with the sales volume limitation that may be included as part of the Puerto Rico registration statement (verify against the Purchase & Sales Blotter).

## **INTRODUCTION**

Unit #6 is to be used to conduct the options examination in firms that participate in such activity. If the firm conducts an options business, it will necessary to request additional documentation other than what was requested at the beginning of the on-site examination. Specifically, the examiner should ask for a copy of the firm's options exercise allocation procedures, a list of the top 20 options accounts in terms of activity, and a least of the top 5 agents in terms of options commissions. From those documents, the examiner may determine that additional relevant documents should also be requested.

## **INSTRUCTIONS**

### **I. Management**

The examiner should record the name(s) of the individuals responsible for overall supervision of the firm's options business. All firms must have a Compliance Registered Options Principal (CROP) and a Senior Registered Options Principal (SROP). In most cases, it will be one person that fulfills both of these roles.

### **II. Business Activity**

Check the types of activity conducted by the firm since the last examination. Ask the CROP or SROP to approximate the percentage of revenue that is derived from each type of business in relation to its total options business. Also ask the CROP/SROP to approximate how many options trades occur in retail customer accounts each month, and how many total retail customers trade options on an "active" (trades in the last 12 month period) basis.

### **III. Customer Accounts**

The examiner should review the firm's customer accounts and activity in 3 areas:

1. Discretionary accounts
2. Customer complaints
3. Customer account information

The CROP should have specific supervisory procedures for

INTRODUCTION

Many of the brokerage firms operating within the Commonwealth of Puerto Rico are affiliated with banks or savings & loans. As such, often times the customer of the brokerage firm is also an established customer of the bank. The 2 different entities (the bank and the B/D) must obey different, yet similar, fiduciary standards. The OCC published the Interagency Statement on February 15, 1994 which establishes the minimum standards to be followed by banks in offering retail nondeposit investments to its customers. This Unit is derived from the Interagency Statement, but focuses on the minimum standards to be following by the broker/dealer when affiliated with a bank or other financial institution.

Antifraud provisions of the federal securities laws prohibit materially misleading or inaccurate representation in connection with offers and sales of securities (Reference SEC Act of 1935 and Rule 10b-5 thereunder). Sound banking practice also requires that bank-related retail sales activities in nondeposit investment vehicles be operated so as to avoid confusing the customers about either the products being offered or specific investment characteristics.

The various rules pertaining to broker-dealers (SEC, NASD, Uniform Securities Act of Puerto Rico, and other regulatory agencies) apply to bank-related securities sales by any entity registered as a broker/dealers with the SEC; whether affiliated or unaffiliated with a bank (if operating under a written agreement with the bank). The rules are the same whether nondeposit sales are made on or off of bank premises.

INSTRUCTIONS

The focus of the examination is on supervision, agent registration, and supervision. Because the Bank Examiners of the Commissioner of Financial Institutions will fully audit the nondeposit sales activities from the bank's perspective, the Securities Examiner should ensure that the same level of communication is occurring at the broker/dealer level.

I. Supervision

Review the firm's written supervisory procedures to determine if there are specific measures to be taken in soliciting sales from

In the event the CFI examiners believe a bank employee should be registered, but is not, ask the principal of the firm to make a written statement as to the presumed reasons for registration exemption. The statement should be presented to the Director of Examinations for further instruction and analysis.

### III. SALES ACTIVITIES

The focus of the sales practice review for this Unit is on sales resulting from referrals by bank personnel. The examiner should inquire from the senior management of the B/D what referral programs exist, and what the specific procedures are for referrals (referral forms, compensation to bank personnel, information provided to the B/D by bank personnel regarding the customer's financial profile, etc.) Sample the lesser of the most recent 3 months referral activity that resulted in securities sales or 25 referrals.

From the referrals selected, review the new account documentation and the transactions placed to determine overall suitability and the amount of disclosure provided to the customer regarding the relationship of the bank to the broker-dealer. Of course, any documentation to the effect that the securities sold are "insured" or "guaranteed" should be documented and fully described in the examination report.

### Summary

In most bank-affiliated firms, there is some "gray area" between the fiduciary responsibilities of the bank compared to those of the broker-dealer. In egregious situations, the examiner should immediately notify the Director of Examinations, who may at his/her discretion enlist the assistance of the Depository Institutions examiners in conducting a joint examination.

**OFFICE OF THE  
COMMISSIONER OF FINANCIAL INSTITUTIONS  
BROKER-DEALER  
EXAMINATION UNITS & EXHIBITS**

COMMISSIONER OF FINANCIAL INSTITUTIONS  
GOVERNMENT OF PUERTO RICO

SECURITIES DIVISION  
BROKER-DEALER EXAMINATION PROGRAM

UNIT #1

BACKGROUND & PLANNING

BROKER-DEALER \_\_\_\_\_ CONTROL NUMBER \_\_\_\_\_

DATES AT FIRM \_\_\_\_\_ PERIOD COVERED \_\_\_\_\_

TOTAL COSTS: \_\_\_\_\_ (See Exhibit H)

DAYS AT FIRM: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

CRD Number: \_\_\_\_\_

Contact: \_\_\_\_\_

Title: \_\_\_\_\_

Dates of Registration: Puerto Rico \_\_\_\_\_ NASD \_\_\_\_\_  
SEC \_\_\_\_\_

Examiner(s): \_\_\_\_\_

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**PLANNING**

**I. Background Information**

**EXHIBIT #**

In order to obtain the basic information of the Broker-Dealer, examine the FORM BD and the CRD Files.

- A. Type of Organization:
- \_\_\_\_\_ Corporation \_\_\_\_\_ Private
- \_\_\_\_\_ Partnership \_\_\_\_\_ Public
- \_\_\_\_\_ Sole Proprietorship-  
Owner: \_\_\_\_\_

\_\_\_\_\_

- B. The office is a:
- \_\_\_\_\_ Main Office
- \_\_\_\_\_ Branch Office
- \_\_\_\_\_ Other

\_\_\_\_\_

Supervised by: \_\_\_\_\_

\_\_\_\_\_

C. Clearing Arrangements

\_\_\_\_\_

<u>Method</u>	<u>Types of Business</u>
Self-Clearing	Equities _____
	Fixed Income _____
	Options _____
	Other _____
	Specify _____

Fully-Disclosed	Equities _____
	Fixed Income _____
	Options _____
	Other _____
	Specify _____

Name of Clearing Firm: \_\_\_\_\_

Comments: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

D. Types of Business in which Broker-Dealer is engaged: \_\_\_\_\_

BROKER-DEALER \_\_\_\_\_

CONTROL NUMBER \_\_\_\_\_

**II. Previous Examinations**

A. Check prior exams conducted by CFI, NASD, SEC, and the Exchanges for information regarding prior exams conducted by these agencies. \_\_\_\_\_

1) Name of Agency: \_\_\_\_\_  
Date of Last Exam: \_\_\_\_\_  
Findings: \_\_\_\_\_

Disposition/Action: \_\_\_\_\_

2) Name of Agency: \_\_\_\_\_  
Date of Last Exam: \_\_\_\_\_  
Findings: \_\_\_\_\_

Disposition/Action: \_\_\_\_\_

3) Name of Agency: \_\_\_\_\_  
Date of Last Exam: \_\_\_\_\_  
Findings: \_\_\_\_\_

Disposition/Action: \_\_\_\_\_

**III. Financial Review**

A. Date of Last Annual Audit: \_\_\_\_\_

B. Name of Accounting Firm: \_\_\_\_\_

C. Was the Auditor's Report Qualified?:  
\_\_\_\_\_ Yes \_\_\_\_\_ No

Explain: \_\_\_\_\_

BROKER-DEALER \_\_\_\_\_

CONTROL NUMBER \_\_\_\_\_

Asst. Manager: \_\_\_\_\_  
 Sales Manager: \_\_\_\_\_  
 Financial & Ops: \_\_\_\_\_  
 Other Manager: \_\_\_\_\_

d. Supervisory Principals

Type	Name	Series
_____	_____	_____
_____	_____	_____
_____	_____	_____

e. Number of other employees

Registered Agents: Full-time: \_\_\_\_\_ Part-time: \_\_\_\_\_  
 Investment Advisors: \_\_\_\_\_ Traders: \_\_\_\_\_  
 Others: \_\_\_\_\_

f. Is any employee the subject of special review of supervision by the firm? \_\_\_\_\_  
 Yes \_\_\_\_\_ No \_\_\_\_\_

Explain: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

g. Is the broker-dealer or any employee currently involved in any regulatory investigation or action, litigation or the subject of any civil complaint or criminal proceeding? \_\_\_\_\_  
 Yes \_\_\_\_\_ No \_\_\_\_\_

Explain: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

E. Business Mix

a. List the three main sources of income for the past 12 months. (Example, equities, municipals, options, etc.)

Type	Amount	Percentage
_____	\$ _____	_____ %
_____	\$ _____	_____ %
_____	\$ _____	_____ %

areas?

**Yes No**

- \_\_\_\_ Acceptance of new accounts
- \_\_\_\_ Review/endorsement of transactions and correspondence
- \_\_\_\_ Periodic review of customer's accounts
- \_\_\_\_ Inspection, at least annually, of offices of supervisory jurisdiction and review of the activities of other offices
- \_\_\_\_ Investigation of individuals prior to applying for registration
- \_\_\_\_ Requirements as to discretionary account, if carried, covering prior written authorization from the customer, prompt approval or each order, and frequent review of such accounts
- \_\_\_\_ Customer complaints

C. Date of Last Update: \_\_\_\_\_

D. Are the procedures distributed on a timely basis to agents and operations personnel?  
\_\_\_\_\_ Yes \_\_\_\_\_ No

E. Final responsibility for proper supervision rests with the firm, which should designate a partner, officer, or manager in each office to carry out the written supervisory procedures.

<u>Person(s) Designated</u>	<u>Title</u>
_____	_____
_____	_____
_____	_____

**II. Agent Supervision**

A. How are agents compensated?  
Commission \_\_\_\_\_ Flat % Payout Method \_\_\_\_\_  
or \_\_\_\_\_ Graduated Scale \_\_\_\_\_  
Salary \_\_\_\_\_

BROKER-DEALER \_\_\_\_\_

CONTROL NUMBER \_\_\_\_\_

I. Do managers monitor telephone calls of agents?  Yes  No  
Explain: \_\_\_\_\_

J. Grounds for dismissal of an agent:  
Examine the institution's procedures manual.

- a. In house procedures violation
- b. Customer Complaint
- c. Rule or law violations
- d. Lack of production
- e. Other

Interview Manual

_____	_____
_____	_____
_____	_____
_____	_____

Explain differences:  
\_\_\_\_\_  
\_\_\_\_\_

K. Does the B/D have an in-house disciplinary system? (fines, suspensions, other)  Yes  No  
Describe: \_\_\_\_\_

L. Obtain a list of all types of exception reports prepared. (Monthly activity reports, commission exception reports, excessive trading reports, etc.) The list should include the frequency with which these reports are prepared and the parameters established to generate each such report.

**III. General Supervision**

A. Indicate the manner in which the sales or branch manager is compensated.

Salary _____	Bonus _____
Commission _____	Override _____
Other: _____	

B. If the manager is also engaged in selling

**IV. Special Supervision**

**A. Employee and related accounts:**

a. Are these accounts coded in a different way? \_\_\_\_\_  
\_\_\_\_\_ Yes \_\_\_\_\_ No

Explain:

\_\_\_\_\_  
\_\_\_\_\_

b. How frequently are these accounts reviewed?

\_\_\_\_\_  
\_\_\_\_\_

c. What does the review consist of?

\_\_\_\_\_  
\_\_\_\_\_

d. Does the firm impose any special restrictions or prohibitions? \_\_\_\_\_ Yes \_\_\_\_\_ No

Explain:

\_\_\_\_\_  
\_\_\_\_\_

B. Are there any review procedures for securities transactions by employees of other broker-dealers or banks? (i.e. are duplicate confirmations or customer statements sent to employer broker-dealer or banks?)

\_\_\_\_\_ Yes \_\_\_\_\_ No

Explain:

\_\_\_\_\_  
\_\_\_\_\_

**V. Internal Audit**

A. Who performs the internal audit over the operations of this office?

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

B. How frequently? \_\_\_\_\_

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SECURITIES DIVISION  
BROKER-DEALER EXAMINATION PROGRAM  
UNIT #2

BOOKS AND RECORDS EXAMINATION

I. Receipt and Disbursement of Funds

EXHIBIT #

A. Describe the firm's back office operations in handling customer funds and/or securities: i.e., local bank account of clearing firm utilized-all funds/securities go to main office, etc.)

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B. How does the broker-dealer secure checks or otherwise control access to blank checks and/or checkbook?

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C. Does the broker-dealer use pre-numbered checks?  Yes  No

D. How does the broker-dealer handle cash?

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E. Does the broker-dealer prepare bank reconciliations?  Yes  No

a. Are they prepared by someone other than the person handling cash receipts and/or disbursements?  Yes  No

b. Provide the name and title of person preparing the reconciliation.

---

F. Does the broker-dealer mail checks to a

---

BROKER-DEALER \_\_\_\_\_

CONTROL NUMBER \_\_\_\_\_

- D. Is access to areas containing securities restricted to authorized employees?  
 \_\_\_\_\_ Yes \_\_\_\_\_ No

Explain:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

- E. Does the broker-dealer reconcile securities held in safekeeping with customer ledger positions? How often?  
 \_\_\_\_\_ Yes \_\_\_\_\_ No

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

- F. Are all securities reconciled periodically (at least quarterly) with the stock record which shows the ownership and location of each security?  
 \_\_\_\_\_ Yes \_\_\_\_\_ No

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**BOOKS AND RECORDS RULE (Puerto Rico Rule 9)**

- A. Are the following books and records prepared and maintained?  
 \_\_\_\_\_ **Y N N/A**

1. Purchases and sales blotter \_\_\_\_\_
2. Receipts and deliveries of securities including certificates numbers \_\_\_\_\_
3. Receipts and disbursements of cash \_\_\_\_\_
4. General ledger and trial balance \_\_\_\_\_
5. Customer ledger account \_\_\_\_\_
6. Subsidiary ledgers reflecting the following:

BROKER-DEALER \_\_\_\_\_

CONTROL NUMBER \_\_\_\_\_

C. Is there a file for verbal complaints?

\_\_\_\_\_ Yes \_\_\_\_\_ No

D. Is there any frequency of a certain type of complaint?

\_\_\_\_\_ Yes \_\_\_\_\_ No

Explain: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

E. Has any agent been the subject of more than one complaint during the last 12 months?

\_\_\_\_\_ Yes \_\_\_\_\_ No

Explain: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

F. Describe the disposition or status of the complaints in steps D. and E. (above) in the examination report.

G. Examine the complaint and correspondence files and select for examination a sample of accounts with allegations of unauthorized trading or mishandling of accounts.

**IV & V. Customer New Account Records**

For all accounts reviewed determine whether the new account form was:

A. Properly completed/maintained? \_\_\_\_\_ Yes \_\_\_\_\_ No

B. Approved by manager? \_\_\_\_\_ Yes \_\_\_\_\_ No

C. Is the information contained in the new account form adequate? \_\_\_\_\_ Yes \_\_\_\_\_ No

Explain: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

D. If the broker-dealer transacts options business for customers, are the appropriate contracts, forms and disclosures made to them and evidence of such

account? \_\_\_\_\_ Yes \_\_\_\_\_ No

**IX. Discretionary Accounts**

A. Does the broker-dealer maintain discretionary accounts? \_\_\_\_\_ Yes \_\_\_\_\_ No

B. Are these accounts specially coded by account number? \_\_\_\_\_ Yes \_\_\_\_\_ No

Explain:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

C. How often does the broker-dealer review discretionary accounts?

\_\_\_\_\_

D. Name the person responsible for reviewing discretionary accounts:

\_\_\_\_\_

E. Is current authorization on file for each discretionary account? \_\_\_\_\_ Yes \_\_\_\_\_ No

Explain discrepancies:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

F. Are discretionary orders approved in writing by the manager or designated person?

\_\_\_\_\_ Yes \_\_\_\_\_ No

When?

\_\_\_\_\_  
\_\_\_\_\_

G. Are order tickets marked "discretionary" or discretion not exercised"? \_\_\_\_\_ Yes \_\_\_\_\_ No

Explain.

\_\_\_\_\_  
\_\_\_\_\_

H. Have securities from any underwritings been placed in discretionary accounts?

\_\_\_\_\_ Yes \_\_\_\_\_ No

\_\_\_\_\_

F. What are the procedures for receipt of checks and/or securities received by mail?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

G. What procedures are followed when complaints are received?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

H. Is the out-going correspondence free from statements that are either misleading, unreasonable, exaggerated, based on rumor or guarantees against loss?       Yes     No

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**XI. Advertising (Puerto Rico Rules S-7 and S-9)**

A. Does the broker-dealer advertise through: \_\_\_\_\_

	Yes	No
1. Newspapers	_____	_____
2. Magazines	_____	_____
3. Radio	_____	_____
4. Television	_____	_____
5. Direct Mail	_____	_____
6. Other (Specify) _____		

B. Who approves advertising and what is the procedure?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

C. Are these advertisements filed with the Commissioner or other regulatory agencies prior to use?       Yes     No

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

D. Does the broker-dealer or any associated \_\_\_\_\_

BROKER-DEALER \_\_\_\_\_ CONTROL NUMBER \_\_\_\_\_

EXAMINER \_\_\_\_\_ DATE \_\_\_\_\_

REVIEWED BY \_\_\_\_\_ DATE \_\_\_\_\_

COMMISSIONER OF FINANCIAL INSTITUTIONS  
GOVERNMENT OF PUERTO RICO

SECURITIES DIVISION  
BROKER-DEALER EXAMINATION PROGRAM

UNIT #3

GENERAL SALES PRACTICES

I. Market Making

EXHIBIT #

A. Obtain a list of all securities in which the firm has made a market during the time period covered by the examination.

\_\_\_\_\_

B. Describe the method of obtaining the best price for the firm's customers on the securities in which the firm makes a market:

\_\_\_\_\_  
\_\_\_\_\_

C. Review the firm's due diligence files to see if securities in which the firm makes a market are registered in the state. Record the securities which are not registered.

\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

D. Review a sampling of confirmations and determine whether the firm disclosed that it is a market maker, when applicable. Record below apparent deviations from this requirement.

\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

II. Mark-ups/Mark-Downs

A. Does the firm deal with customers on a principal basis?                             Yes                             No

B. Record the firm's estimate of the percentage of retail transactions which are effected on a principal basis.

IV. Churning

- A. Were there any allegations of churning in any CFI or firm records (customer complaints, terminations, disciplinary actions, etc.)?  Yes  No \_\_\_\_\_
- B. Were there any indications of churning in the review of the firm's compliance reports, commission runs, comfort letters, P&S Blotter, etc.?  Yes  No \_\_\_\_\_
- C. If yes, were any of the accounts discretionary or controlled by the agent?  Yes  No \_\_\_\_\_
- D. If yes, does the new account record indicate a financial profile and investment objectives consistent with a high level of activity?  Yes  No \_\_\_\_\_

V. Parking

- A. Is there any indication that the firm parked securities with another participant to conceal the firm's ownership for a temporary period?  Yes  No \_\_\_\_\_
- B. If yes, does the firm appear to have been concealing SEC Rule 13D Filing requirements, net capital requirements, or margin requirements? \_\_\_\_\_

Explain: \_\_\_\_\_  
\_\_\_\_\_

- C. Is there any indication from A. and B., above, that the firm may have acted as nominee for another participant?  Yes  No \_\_\_\_\_

Explain: \_\_\_\_\_  
\_\_\_\_\_

BROKER-DEALER \_\_\_\_\_ CONTROL NUMBER \_\_\_\_\_

EXAMINER \_\_\_\_\_ DATE \_\_\_\_\_

REVIEWED BY \_\_\_\_\_ DATE \_\_\_\_\_

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UNIT #4

UNDERWRITING EXAMINATION

I. Fixed Income Securities

EXHIBIT #

Syndicate Manager

- A. Does the firm act as managing underwriter on any fixed income securities? \_\_\_\_\_  
\_\_\_\_\_ Yes \_\_\_\_\_ No

If so, what types of products are offered?  
\_\_\_\_\_ Puerto Rico GNMA's  
\_\_\_\_\_ U.S. Government Securities  
\_\_\_\_\_ Municipal Securities  
\_\_\_\_\_ Corporate Debt

- B. How many offerings has the firm managed in the past 24 months? \_\_\_\_\_

- C. Were all syndicate books and records properly prepared and maintained? \_\_\_\_\_  
\_\_\_\_\_ Yes \_\_\_\_\_ No  
(Complete Exhibit A)

Comments:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- D. Was an itemized statement of expenses and other information furnished to all syndicate members prior to final settlement? \_\_\_\_\_  
\_\_\_\_\_ Yes \_\_\_\_\_ No

Comments:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- E. Were all entries to the books and records posted on a current basis? \_\_\_\_\_ Yes \_\_\_\_\_ No

participated in within the past 24 months?

E. Did the firm properly record the activity on the books and records?  Yes  No  
Comments:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**II. General Securities**

**Syndicate Manager**

A. Does the firm act as managing underwriter on any general securities?  Yes  No

If so, what types of products are offered?

- Common Stock Offerings
- Public (Registered)
- Private Placements
- Blank Check/Blind Pool Offerings
- Regulation D Offerings
- Regulation A Offerings
- Broker/Dealer as Issuer

B. How many offerings has the firm managed in the past 24 months? \_\_\_\_\_

C. Were all syndicate books and records properly prepared and maintained?  Yes  No  
(Complete Exhibit A)

Comments:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

D. Was an itemized statement of expenses and other information furnished to all syndicate members prior to final settlement?  Yes  No

Comments:  
\_\_\_\_\_

- Public (Registered)
- Private Placements
- Blank Check/Blind Pool Offerings
- Regulation D Offerings
- Regulation A Offerings
- Broker/Dealer as Issuer

C. Are copies of written selling group agreements maintained?  Yes  No  
(If yes, obtain copies) \_\_\_\_\_

D. How many offerings has the firm participated in within the past 24 months?  
\_\_\_\_\_

E. Did the firm properly record the activity on the books and records?  Yes  No

Comments:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**III. Financial Advisory Services**

A. Does the firm offer financial advisory services to issuers?  Yes  No \_\_\_\_\_

B. On which types of securities does the firm render advice?

- Puerto Rico GNMA's
- U.S. Government Securities
- Municipal Securities
- Corporate Debt
- Common Stock Offerings
- Public (Registered)
- Private Placements
- Blank Check/Blind Pool Offerings
- Regulation D Offerings
- Regulation A Offerings
- Broker/Dealer as Issuer

C. Are financial advisory relationships documented in writing?  Yes  No  
If yes, obtain copies. \_\_\_\_\_

D. Has the firm participated in the underwriting and distribution of a new

- \_\_\_\_\_ Rule 504
- \_\_\_\_\_ Rule 505
- \_\_\_\_\_ Rule 506

If no, then no further review is necessary.

- B. Were all Regulation D Offerings conducted so as not to be subject to the integration doctrine? \_\_\_\_\_  
 Yes  No
- C. Were copies of FORM D filed with the SEC? \_\_\_\_\_  
 Yes  No
- D. Were the securities properly restricted from resale? \_\_\_\_\_  
 Yes  No
- E. Did the firm comply with the specific rules, based on the type of offering, regarding issue size and allowed investors? \_\_\_\_\_  
 Yes  No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**VI. Private Placements**

- A. Did the firm participate in any private placements? \_\_\_\_\_  
 Yes  No

If no, then no further review is necessary.

- B. Were all customers either "sophisticated" or and insider of the issuer? \_\_\_\_\_  
 Yes  No
- C. Were there fewer than 35 investors? \_\_\_\_\_  
 Yes  No
- D. Was the offering made without the use of general solicitations or advertising? \_\_\_\_\_  
 Yes  No
- E. Were the securities restricted from resale? \_\_\_\_\_  
 Yes  No

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SECURITIES DIVISION  
BROKER-DEALER EXAMINATION PROGRAM

UNIT #5

INVESTMENT COMPANY EXAMINATION

I. Management

EXHIBIT #

	<u>Name</u>	<u>Title</u>
Department Manager	_____	_____
Person(s) Interviewed	_____	_____
	_____	_____

II. Business Activity

Investment Company Securities

- A. What type of investment company securities has the firm offered since the last examination?

	<u>% of business</u>
___ Open-End Funds	_____
___ Closed-End Funds	_____
___ Unit Investment Trusts	_____

- B. How does the firm execute transactions in investment company securities?

\_\_\_ Fully-disclosed  
\_\_\_ Application-Way  
\_\_\_ Wire Order  
\_\_\_ Combination  
Specify \_\_\_\_\_

- C. Do the firm's books and records appear sufficient for the firm's method of execution? \_\_\_\_\_  
Yes \_\_\_\_\_ No \_\_\_\_\_

- D. How does the firm assist customers in the redemption of investment company shares?

Explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

surrender of the contract?

Explain: \_\_\_\_\_

\_\_\_\_\_

C. Who is responsible for the review of customer account activity?

	<u>Name</u>	<u>Title</u>
Manager	_____	_____

D. How frequently are accounts reviewed? \_\_\_\_\_

E. How is the review evidenced? \_\_\_\_\_

F. Has the firm taken any disciplinary actions against any agents in the past year as a result of the review? \_\_\_\_\_  
\_\_\_\_\_ Yes \_\_\_\_\_ No

G. Does the firm have written procedures to monitor variable contract activity, such as redemptions, switches, breakpoints, etc.? \_\_\_\_\_  
\_\_\_\_\_ Yes \_\_\_\_\_ No

Comments: \_\_\_\_\_

\_\_\_\_\_

**III. Books and Records**

A. Does the firm hold customer securities in street name? \_\_\_\_\_  
\_\_\_\_\_ Yes \_\_\_\_\_ No

B. If yes, does the firm properly reflect the positions on its books and records? \_\_\_\_\_  
\_\_\_\_\_ Yes \_\_\_\_\_ No

C. Does the firm have written selling agreements on file for each investment company sold? \_\_\_\_\_  
\_\_\_\_\_ Yes \_\_\_\_\_ No

**IV. Sales Practices**

A. After reviewing the firm's records, such \_\_\_\_\_

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BROKER-DEALER EXAMINATION PROGRAM

UNIT #6

OPTIONS EXAMINATION

I. Management

EXHIBIT #

	<u>Name</u>	<u>Title</u>
Options Compliance	_____	_____
Options Principal	_____	_____
Person(s) Interviewed	_____	_____
	_____	_____

II. Business Activity

A. What type of options has the firm offered since the last examination?

	<u>% of business</u>
_____ Listed Equity	_____
_____ Listed Index	_____
_____ Foreign Currency	_____
_____ Debt Options	_____
_____ Conventional	_____
_____ Other	_____
_____ Specify	_____

B. Approximately how many options trades does the firm execute on a monthly basis? \_\_\_\_\_

C. What strategies does the firm use for customers?

\_\_\_\_\_ Covered Only  
\_\_\_\_\_ Covered and Uncovered  
\_\_\_\_\_ Purchases and Sales  
\_\_\_\_\_ Spreads and Combinations

D. Approximately how many customers trade options?

\_\_\_\_\_ Cash \_\_\_\_\_ Margin

E. Are all options accounts for retail customers? \_\_\_\_\_ Yes \_\_\_\_\_ No

Explain: \_\_\_\_\_

BROKER-DEALER \_\_\_\_\_ CONTROL NUMBER \_\_\_\_\_

review options trades and account  
activity? \_\_\_\_\_ Yes \_\_\_\_\_ No

Explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

EXAMINER: \_\_\_\_\_ DATE: \_\_\_\_\_

SUPERVISOR: \_\_\_\_\_ DATE: \_\_\_\_\_

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GOVERNMENT OF PUERTO RICO

SECURITIES DIVISION  
BROKER-DEALER EXAMINATION PROGRAM  
UNIT #7

BANK-AFFILIATED BROKER-DEALERS

I. Supervision

EXHIBIT #

A. Describe the firm's supervisory system to ensure retail customers are adequately informed of the distinctions between the bank and the B/D:

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---

B. Are there written procedures that specifically address retail bank customers?  
\_\_\_\_\_ Yes \_\_\_\_\_ No

C. Does a review of customer activity indicate that the procedures are implemented?  
\_\_\_\_\_ Yes \_\_\_\_\_ No

D. Does customer correspondence, advertising, and sales literature appear free from misleading and/or confusing statements?  
\_\_\_\_\_ Yes \_\_\_\_\_ No

Explain:

---

---

E. If RR's are physically located on bank premises, are signs or other means used to distinguish between investment sales and the deposit-taking areas of the bank?

\_\_\_\_\_ Yes \_\_\_\_\_ No

Explain:

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EXHIBIT B

WRITTEN SUPERVISORY PROCEDURES CHECKLIST

FIRM: \_\_\_\_\_  
CONTROL NUMBER: \_\_\_\_\_  
EXAMINER: \_\_\_\_\_

ITEM	WHO	PROCEDURES	HOW EVIDENCED?
Principals designated:			
Fixed Income			
General Securities			
CMO's			
Underwritings			
Trading			
Options			
DPP's			
Annual Compliance Meeting			
Annual Review of Firm's Supervisory Policies & Procedures			
Branch Office Audits			
Principal Review Of: New Accounts			
Transactions			
Complaints			
Correspondence			
Advertising			
Account Activity			
Hiring/Firing of Registered Reps			
Supervision of Outside Employment Activities			
Supervision of Outside Brokerage Accounts			

BROKER-DEALER \_\_\_\_\_

CONTROL NUMBER \_\_\_\_\_

COMMISSIONER OF FINANCIAL INSTITUTIONS  
EXHIBIT C  
EXAMINATION CHECKLIST

<u>Check if Required</u>	<u>Item for Review</u>	<u>Date Recv/ From Whom</u>
_____	Customer Statements for 3 months ended: _____	_____
_____	Order Tickets for the 3 months ended: _____	_____
_____	Confirmations for the 3 months ended: _____ (inc. customer & firm trades)	_____
_____	P&S Blotters for the 3 months ended: _____	_____
_____	Cash Receipts & Disbursements Blotter for the 3 months ended: _____	_____
_____	Securities Received & Delivered Blotter for the 3 months ended: _____	_____
_____	Bank Statements, Reconciliations, and Cancelled Checks for the 3 months ended: _____	_____
_____	Copies of all Clearing Agreements	_____
_____	Trial Balance, Net Capital Computation with supporting schedules as of: _____	_____
_____	Evidence of Fidelity Bonding	_____
_____	List of all Firm Commitment Underwritings in which the firm participated, with capacity noted, since _____	_____

BROKER-DEALER \_\_\_\_\_

CONTROL NUMBER \_\_\_\_\_

\_\_\_\_\_ List of Accounts for Associated  
Persons of Other Firms \_\_\_\_\_

\_\_\_\_\_ List of Affiliated Companies  
with a description of the business \_\_\_\_\_

\_\_\_\_\_ List of Individuals with Outside  
Business Activities \_\_\_\_\_

\_\_\_\_\_ Customer Complaint Files \_\_\_\_\_

\_\_\_\_\_ List of Financial Advisory Clients \_\_\_\_\_









**EXHIBIT H**  
 Commissioner of Financial Institutions  
 Government of Puerto Rico  
 San Juan, Puerto Rico

**SUMMARY OF COSTS INCURRED**

Institution: \_\_\_\_\_  
 Period Examined: \_\_\_\_\_  
 Examination Started: \_\_\_\_\_ Completed: \_\_\_\_\_

**Examination Fees and Charges**

Examiner's Name	Days at the Institution	Fee per Examiner (\$100 daily)	Mileage	Per Diem	Hotel	Other	Total Fees and Charges
<b>Total Charges</b>							

**Mileage Breakdown**

Examiner's Name	Days to charge to Mileage	From	To	Total Miles	Total Charges (\$0.30 per mile)
<b>Total Charges</b>					

**Per Diem and Hotel Charges**

Examiner's Name	Per Diem Charges			Total Charged	Hotel Charges	
	Breakfast (\$2.95) Daily	Lunch (\$7.30) Daily	Dinner (\$8.45) Daily		Days Charged	Total Charged
<b>Total Charges</b>						

**Other Charges**

Examiner's Name	Description	Days Charged	Total Charged
<b>Total Charges</b>			

Reviewed by: \_\_\_\_\_  
 Examiner in charge

Date: \_\_\_\_\_

Approved by: \_\_\_\_\_  
 Supervisor

Date: \_\_\_\_\_

# Net Capital Computation

As of \_\_\_\_\_

Firm: _____	Exhibit # _____	Date: _____	
Total Assets			
-Total Liabilities			
Net Worth			
Adjustments to NW:			
+Subordinated Loans			
+/-Other Adjustments (1)			
Capital Before Deductions			
Deductions from NW:			
-Non Allowable Assets			
-Customer Unsecured Debits			
+/- Other Adjustments (2)			
Net Capital before Haircuts			
-Haircuts			
Net Capital			
-Minimum Net Capital Required			
Excess Net Capital			

## Haircut Schedule

	\$ AMOUNT	%	Total
CD's, Banker's Acceptances, & Commercial Paper			
U.S. Govt.			
Puerto Rico Govt.			
Corporate Obligations			
Equities			
Options			
Undue Concentrations			
Other			

**Total Haircuts** \_\_\_\_\_

**Notes:**

1) Other Adjustment might include deferred tax addbacks, adjustments for proprietary positions in listed options, or any other extraordinary items (REFERENCE SEC RULE 15C3-1)

2) May include charges for cash and margin accounts liquidating to a deficit, customer unsecured short positions, charges for customers' commodity accounts in deficit, aged margin calls (customer), aged stock dividends receivable, etc.





Item 4 Diversification of Assets

Furnish the following information as of the date of application for registration (and also as of the end of the latest fiscal year of the registrant covered by the financial statements filed herewith):

(a) With respect to the following classes of assets of the registrant:

<u>Class of Assets</u>	<u>Date of Registration</u> <u>Value of : Percent</u> <u>Class : of Total</u>	<u>End of Fiscal Year</u> <u>Value of : Percent</u> <u>Class : of Total</u>
Puerto Rican securities of the type mentioned in 6(e) of the Act		
Cash and cash items, including receivables		
Government securities (other than mentioned above)		
Securities of other investment companies		
Other Securities		
Other Assets		
Total Assets		

(b) With respect to each company in which the registrant has invested in all classes of such company's securities more than 5 percent of the value of the registrant's total assets:

(1) Title of class	(2) Amount <u>authorized</u>	(3) Amount held by registrant or <u>for its account</u>	(4) Amount outstanding exclusive of amount <u>shown under (3)</u>
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Item 7 Condensed Financial Information

(a) Furnish the following information for the last fiscal year covered by the financial statements filed herewith with respect to the registrant or, if consolidated statements are filed, for the registrant and the subsidiaries consolidated:

- (1) Ratio of total operating and management expenses to average value of total net assets. \_\_\_\_\_ %
- (2) Ratio of total operating and management expenses of total investment income. \_\_\_\_\_ %

Instruction. 1. The average value of total net assets shall be computed upon the basis of the value of total net assets as of the end of each month.

Item 8 Persons in Control Relationship with Registrant

Furnish a list or diagram of all persons directly or indirectly controlling, controlled by or under common control with the registrant and as to each such person indicate (1) if a company, the State or other sovereign power under the laws of which it was organized, and (2) the percentage of voting securities owned or other basis of control by the person, if any, immediately controlling it.

Item 9 Persons Owning Equity Securities of Registrant

Furnish the following information as to all equity securities of the registrant owned by the following persons as of a specified date within 90 days prior to the date of filing:

Item 11 Directors and Executive Officers

Furnish the information required by the following table as to all directors and executive officers of the registrant.

<u>Name and address</u>	<u>Positions and offices with registrant</u>	<u>Principal occupations during past five years</u>
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Instruction: For the purposes of this item, the term "executive officer" means the president, vicepresident, secretary and treasurer, and any other officer who performs policy-making functions for the registrant.

Item 12 Remuneration of Directors and Officers

(a) Furnish the information required by the following table as to all remuneration paid by the registrant and its subsidiaries during the registrant's last fiscal year to the following persons for services in all capacities:

(1) Each director and each of the three highest-paid officers of the registrant whose aggregate remuneration exceeded \$ \_\_\_\_\_, naming each such person.

(2) All directors, officers and members of the advisory board of the registrant as a group, without naming them.

(A) <u>Name of individual or identity of group</u>	<u>Capacities in which remuneration was received</u>	<u>Aggregate remuneration</u>
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(c) A brief description of the investment advisory contract with the registrant, including the basis for determining the remuneration of the investment adviser.

Item 15 Business and Other Connections of Investment Advisers and Their Managements

Describe briefly any other business, profession vocation or employment of a substantial nature in which each investment adviser of the registrant and each director, officer or partner of such investment adviser is engaged for his own account or in the capacity of director, officer, employee, partner or trustee.

Instructions 1. State the name and principal business of any company with which any person specified is connected in the capacity of director, officer, employee, partner or trustee, and the nature of such connection.

2. The names of investment advisory clients need not be given in answering this item.

Item 16 Personnel of Investment Advisers

Furnish the information required by the following table, in substantially the tabular form indicated, as of a specified date within 90 days prior to the date of filing and with respect to all personnel (other than directors, officers, partners or proprietors) of each investment adviser of the registrant:

<u>Class of personnel</u>	<u>Number of full-time employees</u>	<u>Number of part-time employees</u>
Account supervisors, counsellors and executives		
Economists, statisticians and research personnel		
All other personnel		

(c) Outline briefly any restriction on the repurchase or redemption of shares by the registrant while there is an arrearage in the payment of dividends or sinking fund installments. If there is no such restriction, so state.

Instructions 1. Only a brief summary of the pertinent provisions from an investment standpoint is required. A complete legal description of the provisions referred to is not required and should not be given. Do not set forth the provisions of the governing instruments verbatim; only a succinct resume is required.

2. If the rights evidenced by any class of securities being described are materially limited or qualified by the rights of any other class of securities, include such information regarding such other securities as will enable investors to understand the rights evidenced by the securities being described.

Item 19 Long-Term Debt

State the title of each class of long term debt of the registrant and outline such of the following provisions as are relevant.

- (a) Provisions with respect to interest, maturity, conversion, redemption, amortization, sinking fund or retirement;
- (b) Provisions with respect to the kind and priority of any lien, restricting the declaration of dividends, or requiring the maintenance of any ratio of assets, the creation or maintenance of reserves or the maintenance of properties;
- (c) Provisions permitting or restricting the issuance of additional securities, the incurring of additional debt, the



**COMISIONADO DE INSTITUCIONES FINANCIERAS**  
ESTADO LIBRE ASOCIADO DE PUERTO RICO

Este Formulario puede utilizarse en relación con solicitudes para aumentar el número de ofertas a personas bajo el Artículo 402 (b) (9) de la Ley Uniforme de Valores de Puerto Rico y como la solicitud por escrito que se requiere por la Oficina de Valores.

El peticionario, (un individuo), (una sociedad), (una asociación), (una corporación), por la presente solicita se le conceda una exención para ofrecer y vender sus valores en Puerto Rico a más de diez (10) personas, de acuerdo con el artículo 402 (b) (9) de la Ley Uniforme de Valores de Puerto Rico, y de conformidad expone:

1. El nombre del solicitante y cuándo y dónde fue creada la organización.  
\_\_\_\_\_  
\_\_\_\_\_
2. Descripción breve de la naturaleza del negocio del solicitante.  
\_\_\_\_\_  
\_\_\_\_\_
3. Indique las razones por las cuales radica esta solicitud.  
\_\_\_\_\_  
\_\_\_\_\_
4. Si esta petición se hace en favor de uno o más individuos, indique sus nombres y direcciones:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. Los nombres y direcciones de todos los organizadores, promotores, oficiales y directores, y la clase y cantidad de valores del emisor poseídos por o a beneficio de cada uno a la fecha de esta petición son:  
\_\_\_\_\_  
\_\_\_\_\_

13. El solicitante AFIRMA que:

- a) La oferta se hará a residentes bonafide de Puerto Rico;
- b) ninguna comisión o remuneración de clase alguna ha sido, está siendo o será pagada en relación con la oferta o venta de los valores exentos;
- c) el vendedor razonablemente cree que todas las personas quienes se les ofrezcan valores estarán, si compran los mismos, comprando con el sólo propósito de inversión;
- d) ninguna oferta o venta se hará al público en general, ni se utilizarán anuncios u otros medios de solícitación general al público.
- e) todos los certificados evidenciando la posesión de valores contendrán en su faz la siguiente inscripción:

" LOS VALORES REPRESENTADOS POR ESTE CERTIFICADO NO HAN SIDO INSCRITOS BAJO LA LEY UNIFORME DE VALORES DE PUERTO RICO. LOS VALORES HAN SIDO ADQUIRIDOS PARA INVERSION Y NO PUEDEN SER VENDIDOS O TRANSFERIDOS POR PRECIO EN AUSENCIA DE UNA INSCRIPCION EFECTIVA DE LOS MISMOS BAJO LA LEY UNIFORME DE VALORES DE PUERTO RICO, O EN OPINION DEL ABOGADO DE LA COMPAÑIA TAL INSCRIPCION NO SE REQUIERE BAJO DICHA LEY", o una inscripción similar a juicio del Administrador;

- f) los valores que serán ofrecidos o vendidos bajo la exención no fueron ofrecidos o vendidos al público durante el año anterior precedente a la fecha de esta petición de exención; y
- g) anticipa que no se radicará una solicitud de inscripción pública de valores de la misma clase y serie a un precio más alto hasta transcurrido un (1) año desde la última oferta o venta hecha bajo la exención que se solicita.

El peticionario suscribiente por la presente CERTIFICA, que las anteriores declaraciones y representaciones son ciertas y correctas; que se mantendrán récords completos y verdaderos de todos los valores emitidos, y que una lista completa de los nombres y direcciones de todas las personas que suscriban o a quienes se les emitan valores exentos, así como el número de acciones comprado por cada uno, será sometida a la Oficina de Valores no más tarde de quince (15) días después que la oferta exenta haya concluido.

\_\_\_\_\_  
Fecha

\_\_\_\_\_  
Nombre del Peticionario

Por: