

PUERTO RICO
FINANCIAL SERVICES
FORUM



ACT 273 – Regulatory Expectations

October 24, 2023

THE CURRENT STRUCTURE OF THE OCFI AND ITS REGULATORY PRIORITIES

- Recent reorganization of the OCFI – including the Financial Analysis Division
- The OCFI is prepared to implement and monitor compliance with changes to Acts 52 and 273
- Strong emphasis on requiring and monitoring accurate and timely financial reporting to ensure safe and sound condition of the entities
- Critical importance of examinations and compliance with resulting commitments
- Open communications on business and legal matters, and full transparency with the OCFI
- Demonstrate commitment to compliance, internal controls and financial solvency at all levels: shareholders, directors and officers of the entity
- Constant communication and interaction with the federal regulatory and enforcement agencies

INTERACTION WITH THE REGULATORS: THE VIEW FROM THE PRIVATE PRACTITIONER

- > Understanding the role and the powers of the regulators – OCFI and federal and international agencies
- > Ingredients of the Relationship with the Regulator
- > Key topics for presentation to and discussion with the regulators:
 - i. Capital and support of shareholders – Awareness and commitment (“source of strength”) to maintain sound financial condition and operational resources (human & tech)
 - ii. Compliance Statutory, Regulatory (BSA, accounting, internal controls and records)
 - iii. Information protection / Cybersecurity /Confidentiality
 - iv. Risk management
 - v. CAMELS (for depository institutions)
- > Corporate culture > Management awareness of the rules and the need for clear communication with the regulator – during and between exams

Keys to the New Environment

- > Capital requirements – increased entry level and maintenance of capital ratios
- > Enhanced OCFl supervisory resources and powers – and enforcement role of FinCEN under the “Gap Rule”.
- > Composition of Board of Directors (including the “independent director” requirement) and Management Team: Ensure compliance culture by setting the “tone-at-the-top.”
- > Continuing emphasis on strong BSA/AML/OFAC compliance: effective program, competent staffing, and technological resources
 - > Independent audits – costs, results, and responses
 - > Limitations and Requirements on transactions with insiders and affiliates
- > Continuing challenge of obtaining correspondent banking services – FRBNY, commercial banks, payment processors - and “reverse due diligence” obligations

Questions and
comments
Thank you!