



Federal Home Loan Bank
NEW YORK

Puerto Rico Legislation Pertaining to Public Fund Deposits (English)

Law 69-1991: The Law to Regulate the Deposit of Public Funds and to Provide for their Security

Section 1.3. – Designation of Public Funds Depositories

All government entity funds must be deposited in financial institutions that can respond with sufficient collateral, consisting of securities or instruments previously selected in accordance with this Law and the regulations approved by the Secretary.

Section 2.2. – Collateral Guarantee Form

- (1) The Secretary may accept as collateral to guarantee public funds under the provisions of this Chapter, securities evidenced by certificates, securities not evidenced by certificates and securities in which ownership of said securities is maintained in electronic systems. The Secretary will be authorized to establish preferences in regards to the securities he will accept as collateral and to require that the collateral be paid in a specific amount.
- (2) In addition to the collateral described in subsection (1) of this Section, and those designated by the Secretary through regulations already adopted or subsequently adopted in accordance with the provisions of Section 4.4 of this Act, the Secretary will accept as collateral Eligible irrevocable letters of credit issued exclusively by entities sponsored by the Federal Government and which carry an implicit guaranty from it, such as the Federal Home Loan Bank of New York, and which in turn enjoy an AAA or AA classification, or its equivalent, from at least one of the internationally recognized credit rating agencies and which agency is acceptable to the Secretary. As long as the irrevocable letters of credit issued by the Federal Home Loan Bank of New York, known as “Municipal Letters of Credit”, or “MULOCs” by their initials in English, enjoy an AAA or AA classification, they will be considered as eligible collateral as comprised in this subsection.