



MEMORANDUM TO CLIENTS AND FRIENDS

April 1, 2005

Significant Amendments to IRA Advertising Rules in Puerto Rico

Pursuant to Regulation No. 6953 of March 17, 2005, the Office of the Commissioner of Financial Institutions ("OCFI") and the Department of Treasury adopted significant amendments to the advertising rules contained in Regulation No. 5766, which governs the administration and other aspects of individual retirement accounts ("IRAs") in Puerto Rico. These amendments are intended to create a uniform set of rules for the advertising, marketing and promotion of IRAs in Puerto Rico. The amendments do not affect the powers of the Department of Consumer Affairs pursuant to its Regulation on Deceptive Practices and Advertisements.

Some of the salient aspects of the new IRA advertising rules are as follows:

- OCFI circular letters "Securities 1996-1" of April 1, 1996, and "CIF-CC-03-3" of April 4, 2003, regarding IRA advertising, are repealed.
- The term "advertisement" is defined to include any written, verbal or electronic communication, including sales literature available to customers or the public, that offers, describes or represents an IRA or any aspect of an IRA.
- IRA trustees must retain copies of all IRA advertisements for a term of five years.
- IRA advertisements must include all facts necessary so that the statements or comparisons made therein are not misleading.
- The smallest letter used in any advertisement must be at least 15% of the largest letter used therein or 9 points, whichever is greater.
- Disclosures in any advertisement must appear horizontally and be legible from left to right.
- Testimonials of experts, public figures or known persons must include certain disclosures set forth in the rules.

- Advertisements about the investment return of an IRA whose performance is tied to the stock market or that invests in, or operates as, a mutual fund must be approved in writing by a Compliance Officer and include prominently certain disclosures set forth in the rules.
- Investment return calculations must comply with specific requirements set forth in the rules.
- Investment returns for a single period cannot be emphasized over other periods.
- Any authorized leveraging of IRA assets must be disclosed in the advertisement.

If you have any questions or comments, or wish additional information regarding this matter, please contact Iván G. Marrero at 787-250-2606 (igm@mcvpr.com), or Xenia Vélez at 787-250-2620 (xv@mcvpr.com).

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