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## COMMERCIAL FINANCING ALERT

### ***Major Overhaul of Puerto Rico Commercial Transactions Act (UCC)***

On January 17, 2012, the Governor of Puerto Rico signed into law Act No. 21-2012 (the "Act"), which amends the Puerto Rico Commercial Transactions Act (the "PR UCC"). The effective date of the Act is January 11, 2013.

The Act revamps the legal framework for granting, creating and perfecting a security interest on personal property. The Act incorporates into the PR UCC, with certain variations, the uniform rules on secured transactions that are promoted by the National Conference of Commissioners on Uniform State Laws and the American Law Institute. The uniform rules have been adopted by all 50 states and the District of Columbia.

The Act expands the scope of the transactions covered by the PR-UCC and the types of personal property that may serve as collateral. Among the new types of collateral are the following:

1. Electronic chattel paper - chattel paper evidenced by a record or records consisting of information stored in an electronic medium.
2. Payment intangibles - a general intangible under which the account debtor's principal obligation is a monetary obligation.
3. Health care insurance receivables – an interest in or claim under a policy of insurance which is a right to payment of a monetary obligation for health-care goods or services provided.
4. Commercial tort claims - a claim arising in tort with respect to which the claimant is an organization or the claimant is an individual and the claim arose in the course of the claimant's business or profession and does not include damages arising out of personal injury to or the death of an individual.
5. Deposit accounts - a demand, time, savings, passbook, or similar account maintained with a bank.

The Act also introduces significant changes to the perfection rules, including changes to the place where a financing statement is required to be filed.

Given the number of changes to the PR-UCC, the Act contains transition rules which set forth the steps that may need to be taken with respect to secured transactions entered into prior to the effective date of the Act.

If you have any questions or comments, or wish additional information regarding this matter, please contact any of the attorneys listed below:

Salvador F. Casellas	787-250-5613	<a href="mailto:sct@mcvpr.com">sct@mcvpr.com</a>
Jorge M. Ruiz-Montilla	787-250-5816	<a href="mailto:jmrm@mcvpr.com">jmrm@mcvpr.com</a>
Harry Cook	787-250-5620	<a href="mailto:hoc@mcvpr.com">hoc@mcvpr.com</a>
Paul R. Cortés-Rexach	787-250-5630	<a href="mailto:prcr@mcvpr.com">prcr@mcvpr.com</a>
Rafael A. Ruiz-Ayala	787-250-5668	<a href="mailto:rar@mcvpr.com">rar@mcvpr.com</a>
Silvestre Miranda	787-250-2627	<a href="mailto:smp@mcvpr.com">smp@mcvpr.com</a>
Carlos M. Lamoutte-Navas	787-250-5685	<a href="mailto:cml@mcvpr.com">cml@mcvpr.com</a>
Francisco J. Pavía	787-250-5670	<a href="mailto:fjp@mcvpr.com">fjp@mcvpr.com</a>
Leonor M. Aguilar-Guerrero	787-250-5601	<a href="mailto:lag@mcvpr.com">lag@mcvpr.com</a>
Francisco E. Castillo Ruiz	787-250-5684	<a href="mailto:fcv@mcvpr.com">fcv@mcvpr.com</a>

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