



# Puerto Rico Business Playbook

**Finance and Insurance Activities**

Updated September 2022





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Puerto Rico's diversified economy, talented bilingual workforce, tech infrastructure, time zone, and global reach make it a top destination for the Financial Services sector. The island is home to a variety of businesses providing professional, scientific, and technical services to clients in Puerto Rico and around the world, and many of these businesses benefit from some of the island's attractive tax incentives.

## About this document

This document is intended to serve as a guide regarding **Financial Services activities in Puerto Rico**. It contains an overview of the Financial Services activities that qualify for special incentives from the Government of Puerto Rico

under the [Puerto Rico Incentives Code](#), Act 60-2019 and provides a brief look at the agencies that award these incentives, and the processes to request them. It is key to note that once granted, the incentives may be made retroactive to the filing date of the application.

## We're here to help

**Invest Puerto Rico** is the official nonprofit, private company tasked with attracting business and capital investment to Puerto Rico. Our team includes experts in Marketing, Research and Strategy, and Business Development, and we offer concierge services free of charge to companies and investors setting up operations on the island. From basic orientation and connections to local stakeholders, to finding real estate, talent, service providers, and navigating the incentive application process, we are here to assist you every step of the way.



# Let's Get Started!



## Overview

Puerto Rico has an attractive finance industry, private equity funds, and a growing insurance services industry that includes international insurers and reinsurers. With only three main banking institutions offering full services to the local population, the current landscape presents opportunities for new entities seeking to provide world-class services in a world-class location that's ripe for game-changers.

This document is intended to serve as a guide regarding Finance and Insurance activities in Puerto Rico. It contains an overview of the Finance and Insurance activities that qualify for special incentives from the Government of Puerto Rico under the [Puerto Rico Incentives Code](#), Act 60-2019 and provides a brief look at the agencies

that award these incentives, and the processes to request them. It is key to note that once granted, the incentives may be made retroactive to the filing date of the application and will last for 15 years, after which a company may renegotiate them for an additional 15-year term.

Licensing and regulation for financial activities in Puerto Rico fall under the [Office of the Commissioner of Financial Institutions](#) (OCIF, in Spanish), while insurers and reinsurers are licensed and regulated by the [Office of the Commissioner of Insurance of Puerto Rico](#) (OCS, in Spanish). Visit [this page](#) to learn about insurance licenses, and examine the requirements for insurers and reinsurers [here](#) and [here](#), respectively.

## Incentives

The **Puerto Rico Incentives Code**, Act 60-2019 awards preferential corporate tax rates to businesses in a broad array of sectors and is overseen and managed by the **Department of Economic Development and Commerce** (DEDC). Act 60-2019 centralized all incentives under the Incentives Office at the DEDC, which is the agency in charge of receiving and evaluating applications for incentives. These are the available incentives relevant to financial and insurance entities:

**Chapter 3 of Act 60-2019** details the eligible services that qualify as Export Services and may benefit from preferential tax rates. Eligible export activities include Investment banking and other financial services, insofar as these services are provided to persons outside of Puerto Rico. Eligible financial services include but not limited to the following:

- Asset management services
- Alternative investment management
- Management of activities related to private equity management
- Management of hedge funds or high-risk funds
- Management of pools of capital
- Management of trusts that serve to turn different types of assets into stocks
- Management services for escrow accounts

**Chapter 4 of Act 60-2019** focuses on Finance, Investments, and Insurance, and details eligibility requirements for tax exemption. To be eligible, an International Financial Entity (IFE) must be an entity incorporated or organized under the laws of Puerto Rico, the United States, or a foreign country, or be a unit of such entity, authorized to do business in Puerto Rico. They must also comply with the provisions of the International Financial Center Regulatory Act applicable to said business. Eligibility for International Insurers, Segregated Assets Plans, and International Insurer Holding Companies also requires they be an entity incorporated or organized under the laws of Puerto Rico, the United States, or a foreign country, or a unit of such entity, authorized to do business in Puerto Rico. They must also comply with **Chapter 61 of the Insurance Code**. Act 60 also details the provisions applicable to private equity funds or Puerto Rico equity funds.

- Please refer to Chapter 4 of Act 60 for full details, but in general, the Act offers competitive benefits for a variety of activities in the finance and insurance industries such as the following preferential tax rates:
  - 4% fixed income tax rate on net income
  - 0-6% tax rate on capital gains and distribution of dividends or profits
  - 75% exemption from real and personal property taxes
  - 50% exemption on municipal license taxes



## International Financial Entities

As a jurisdiction of the United States, Puerto Rico's financial and insurance institutions are regulated by the United States financial and insurance regulatory system, and companies enjoy the same intellectual property protections than on the mainland. However, a key distinction is that **Puerto Rico is the only jurisdiction of the United States that offers this security to international financial and banking entities** (IFEs and IBEs) while maximizing local legislation to enable global financial and insurance activities. Therefore, companies benefit from unique flexibility and federal regulatory protection. Under this combined jurisdiction, IFEs can:

- Accept deposits
- Borrow money
- Lend money, including refinancing and underwriting
- Provide letters of credit
- Exchange foreign currency
- Finance trades
- Provide other financial services securities brokerage, clearinghouse services, and asset management

### Basic Requirements for IFEs

- License from the OCIF
- At least \$5 million in capital, of which at least \$250,000 must be paid-in
- At least \$300,000 in free and clear assets, or equivalent financial guarantee
- 4 full-time employees in Puerto Rico
- Must comply with the [Bank Secrecy Act](#), the [Patriot Act](#), and the regulations set by the [Office of Foreign Asset Control](#) (OFAC)

For more information about IFEs, access this [handbook](#).

## Insurance

The insurance market features 47 domestic insurers, 33 international insurers, 281 foreign insurers, and 481 protected cells. These entities offer:

- Life and Disability
- Property and Contingency
- Health
- Reinsurance



## **Incentives for International Insurers and Reinsurers**

Act 60-2019 provides the authorization of international insurers and reinsurers to assume risks outside Puerto Rico, under a secure and flexible regulatory scheme. Puerto Rico offers international insurers the benefits of an international insurance hub, the advantages of U.S. accreditation and protection, and the following attractive local tax incentives:

- 100% tax exemption on the first \$1.2 million of net income
- 4% flat income tax rate on net income over \$1.2 million
- 100% tax exemption for partners or shareholders on distributions (total or partial liquidation) and on income from dividends and profit sharing
- 50% tax exemption on municipal license taxes
- 75% tax exemption on real and personal property taxes

Under the United States flag, Puerto Rico's free market economy is subject to both federal and state regulations designed to protect free market competition specifically within, but not limited to, the insurance and banking industries. Along with the use of U.S. currency, the dollar, and general allowance of free flow of funds abroad, this regulatory structure guarantees sound credit and investment practices. Legal protection is provided under both federal and state constitutions, with legal redress available in federal or State courts. The Government of Puerto Rico enjoys both fiscal and tax autonomy with respect of the United States Tax Code, with special distinctions made in several areas.

## **The Office of the Commissioner of Insurance**

The OCS regulates 50 domestic insurers and 345 foreign insurers with a premium volume that reached \$12.1 billion for 2015. Puerto Rico is the fourth largest market in Latin America. It also occupies the first place among those markets as measured both by Premium per Capita and Premium as a percentage of Gross Internal Product.

The OCS is an accredited member of the National Association of Insurance Commissioners (NAIC). It is also a participating member of the Association of Insurance Superintendents of Latin America (ASSAL).

Upon issuing a Certificate of Authority to an International Insurer, the Commissioner will also issue, together with the Secretary of the DEDC, a Tax Exemption Grant that will detail the entire tax treatment provided by Act 60. As a requisite for the Grant, the Commissioner, and the Secretary of the DEDC may impose additional conditions to the International Insurer relevant to employment or economic activity.

Accordingly, the International Insurance Center is a platform for the following business opportunities, among others:

- Alternative Risk Management strategies as Captive or Associated Captives Insurers
- Insurers or Reinsurers vehicle to enter Latin America or U.S. Markets
- Special Purpose Vehicles
- Vehicle for Integrated Insurance Plans
- Corporate reorganization using International Insurers Holding Companies
- Segregated Assets Plans to serve High Net Worth Individual market
- Securitization Programs

Contact the **OCIF** to request information about Puerto Rico’s financial services industry and to learn more about permits, licenses, and tax incentives that may apply to your business. Contact information is available at the end of this document. Permits and/or licenses will be required for the following types of financial institutions:

- Finance intermediaries
- Finance companies
- Leasing companies
- Domestic banks
- Trust companies
- Mortgage bankers, brokers, and loan lenders
- Small loan companies
- Casinos
- Money transmitters
- Pawn shops
- Check cashing

Note: IFEs seeking tax benefits under **Act 273-2012**, the International Financial Center Regulatory Act, should proceed to:

1. File an **application for a permit** to organize as an IFE and pay a non-refundable application fee of \$5,000 to cover initial investigation costs. If investigation results are favorable, OCIF will issue the permit within 180 days of submission.
2. Upon receiving a permit to organize as an IFE from OCIF, organize as such with the **Puerto Rico Department of State**. Instructions are available under ‘Step 2: Incorporate a Business.’
3. Once organized, apply in OCIF for a license to operate. Obtaining an IFE license may take up to 3-4 months.

*For Eligibility Surplus Line Insurers, Local Insurers, Foreign Insurers, Health Service Organizations, Foreign Reinsurers, and Contract Service Providers:*

1. Apply for a Certificate of Authorization from the OCS by completing requirements and application forms available on the **OCS website** and paying applicable admission and issuance fees.

Note: International insurers and reinsurers may apply for the Certificate of Authorization while applying for tax benefits under Act 399-, as outlined in Step 3

1. Schedule a meeting with the International Insurers and Reinsurers Division, or International Insurance Center (IIC) by contacting the Office of the Commissioner of Insurance (OCS, in Spanish). Contact information available under ‘Contacts.’
2. OCS will guide you in both submitting an authorization application and tax incentive application. A list of class authorization licensing types is available **here**.

Upon issuance of the Certificate of Authority within 60 days, and if approved, a tax exemption decree will be granted by the OCS Commissioner and Secretary of the DEDC.



## Private Equity Funds

In the last 10 years, Puerto Rico's seen a growth in private equity funds and hedge funds mainly because of two reasons:

1. The addition of the Private Equity Funds Act (the PEF Act) to the Puerto Rico Incentives Code, Act 60.
2. The influx of financial industry professionals who are taking advantage of the Act 60 Individual Investor chapter.

### Qualifying Funds under Act 60

#### 1. PEF

- A. Physical office located in Puerto Rico.
- B. Invest at least 80% of its paid-in capital (excluding cash and cash equivalents) in securities that at the time of acquisition are not offered in public securities markets in the United States or any foreign country.
- C. Invest its remaining paid-in capital in certain short-term securities and obligations of the Government of the United States or Puerto Rico, short-term repurchase agreements with certain specified institutions and collateral, FDIC-insured CDs, checking and deposit accounts and certain other specified investments.
- D. Only admit accredited investors.
- E. Use an investment adviser with a business office in Puerto Rico, engaged in trade or business in Puerto Rico and duly registered with the relevant authorities (unless exempt from registration).
- F. Operate as a diversified investment fund, which means that no later than four years from the date of its organization, and on the close of each subsequent taxable year, no more than 50 percent of a qualifying fund's capital may be invested in a single business (disregarding fluctuations in the value of such investments).

G. Maintain a minimum capital of \$10 million no later than 24 months after the first issuance of its partnership or membership interests and each year thereafter.

H. Appoint at least one of its investors or limited partners to an advisory board where matters of interest and concerns regarding the fund are discussed and evaluated.

I. In the case of a foreign partnership or foreign limited liability partnership, the managing partner or investment adviser must be engaged in trade or business in Puerto Rico and derive at least 80% of their gross income from Puerto Rico sources or from income that is effectively connected or treated as effectively connected with the conduct of a trade or business in Puerto Rico.

#### 2. PRPEF, in addition to all the PEF requirements

A. Eligible securities.

B. Exempt investment trusts under Section 1112.02 of the Internal Revenue Code of Puerto Rico.

If your company qualifies for either of these, the tax benefits are:

- 100% exemption from municipal taxes
- 75% exemption on property taxes
- Tax exemption decree with a term of 15 years, renewable for an additional 15 years

For more information on Private Equity Funds, this [link](#) will lead to a comprehensive document developed by one of our local partners.

# Next Steps



## Step 1: Get Started

### Contact Invest Puerto Rico

As part of Invest Puerto Rico's commitment to bolstering the island's role as a leading hub of the knowledge economy, we're making significant strides in this endeavor: bringing together the brightest minds from the private, academia, and public sectors. We encourage you to start by contacting the Business Development team at Invest Puerto Rico. Our role is to help you and your company access the right resources, in an expedited manner, to establish your commercial and industrial operations on the island. We will learn your needs and liaise you to the people, agencies, providers, and resources to start this journey on the right track. Our role is to help companies and investors create jobs and capital investment on the island, and our services are free of charge to you and your company. From navigating the incentives process to finding the ideal real estate, workforce, and local partners, we've got you covered.

### Engage Service Providers

Request a Service Providers list from Invest Puerto Rico to select your local experts in matters including legal, tax, real estate, workforce, associations, Internet companies, etc. While Invest Puerto Rico cannot recommend a specific partner, we can assure

you that providers on our list are experts in their field and we will help you make the initial connections to them or any other provider in Puerto Rico that can assist you and your business while getting established locally. Even if your company has a great legal and tax team, our recommendation is you get the advice of a local provider or firm, to be sure you structure your company the correct way, get all the necessary local permits and licenses, and maximize your benefits under the Puerto Rico Incentives Code.

### Liaise with Stakeholders

Puerto Rico is known for the warmth of our people, so don't be shy and tap into our people power for more than just the right workforce. The island has many groups and associations that bring together brilliant minds, key stakeholders, doers, makers, and a wealth of knowledge you can tap into to advance your business in Puerto Rico. Relationships are important, and Invest Puerto Rico is here to help you create them. Some key partners you may want to reach out to are the [Puerto Rico Banking Association](#) and the [Puerto Rico Insurance Companies Association](#), among others. Our team can recommend groups and

associations and we can also facilitate connections to others you may want to engage with. Wherever possible, we recommend you work with local suppliers and providers, to have a larger and more impactful economic effect on the island through your business.

**After you have all the right information and have decided on the adequate structure for your business, you'll need to register your business on the island, be sure to meet industry-specific requirements, identify real estate, apply for incentives, and find your workforce.**



## Step 2: Register Your Business

1. Register your business with the Puerto Rico Department of State. You can do this online [here](#) and will need to pay the applicable fee with a credit card.
2. For tax purposes, if your business does not already have an EIN from the US Internal Revenue Service (IRS) please request one by filling out Form SS-4, available online [here](#).
3. For tax purposes, please register EIN with the Puerto Rico Department of Treasury by filling out Form SC-4809, available online [here](#).
4. Register in the Merchant Registration of the Treasury Department [here](#). This is similar to a seller's permit in the United States mainland.
5. Employers are required to register with the Department of Labor and Human Resources [here](#) and with the State Insurance Fund Corporation [here](#).
6. All businesses of all industry sectors must obtain a use permit and other basic licenses that may apply, such as a sanitary license, fire prevention certificate, construction permits, and others.
  - A. For an IFE, this is available at the Office of the [Commissioner of Financial Institutions](#) (OCIF, its Spanish acronym).
    - I. The application must be submitted in writing, notarized, and must include
      - a. drafts of the proposed organizational documents establishing the IFE;
      - b. a business plan;
      - c. a nonrefundable application fee of \$5,000;
      - d. the number of proposed employees;

e. background checks and historical and financial information of the persons who directly or indirectly propose to own or control ten percent or more of the capital of the IFE and of the proposed directors and officers of the IFE.

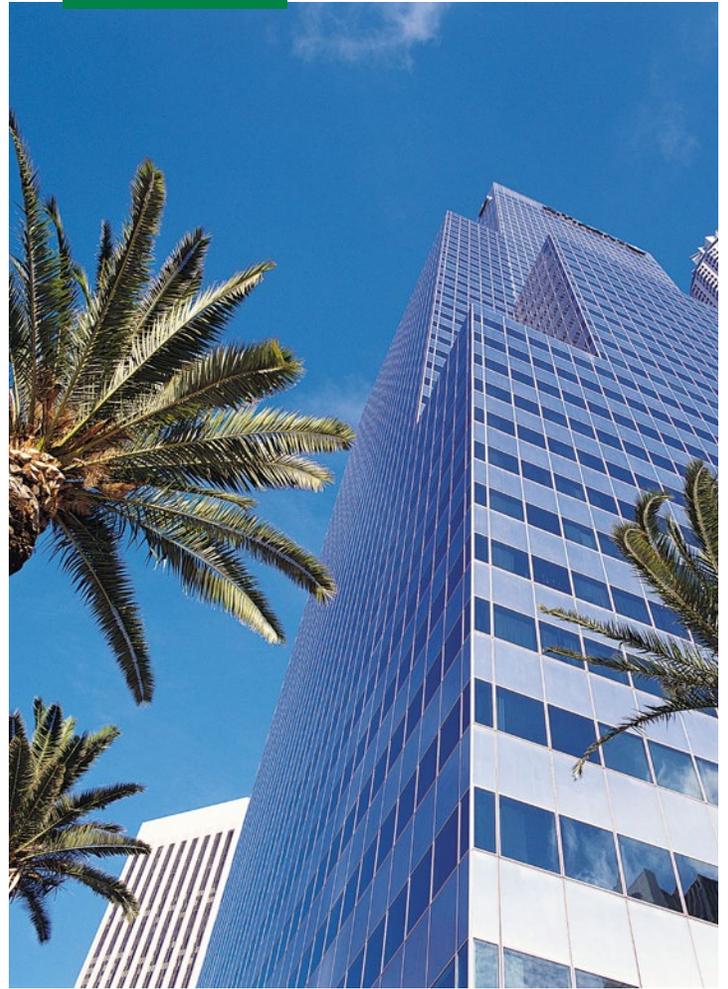
II. After a license with OCIF is issued, the company has a span of 6 months to organize employee hires, office rental or purchase, and capital contributed acquired. This is then when the applicant may file for operations to start and the issuance of the IFE license.

**Registration Steps**



## Step 3: Real Estate

Need a large building or a smaller Class-A office complex? Do you want to lease or buy a space? The latest technology, machinery, innovation, and expertly skilled talent... all of these are available to you in Puerto Rico. Our Business Development team will assess your real estate needs and, through our network of partners, identify potential sites for your Financial and Insurance activities. We will present options to you and coordinate conversations and site inspections, as well as facilitate access to details regarding permits, licenses, and other key components.



## REQUIREMENTS



### Individual

- User name / email
- Full Name
- Date of Birth
- Gender
- Civil Status
- Phone
- Address
- City
- State
- Zip Code
- Social Security Number



### Corporation

- Employer ID Number
- Company Legal Name
- Relationship with the Corporation
- Address
- City
- State
- Zip Code
- Mailing Address
- Classification
- Additional Email
- Phone

## Step 4: Apply for Incentives

1. Request a Merchant's Registration Certificate from the Puerto Rico Department of Treasury's electronic unified system, **SURI**, at least 30 days prior to commencing operations. This certificate will confirm if the merchant is considered a withholding agent.
  - A. Within 30 days after the issue date of the Merchant's Registration Certificate, register for the IVU Loto oversight program by calling + 1 (787) 200-7900, option number 4. The results from the questionnaire will determine if your business is eligible for the installation and use of an IVU fiscal terminal (for purposes of sales and use tax).

2. No later than 10 days from the date of issuance, a copy of the license must be filed with the Puerto Rico State Department to begin the Act 60 application process.

- A. Click here to access the [Incentives Portal](#).
- B. Log in and create your unique profile from which to request the Single Permit and others that may apply.
  - I. The unique profile is a digital tool that, through your Social Security Number, federal identifier and/or Employer Identifier Number, will allow you to create an exclusive profile for your permitting and incentive applications in Puerto Rico.
- C. After completing and submitting the application, you will need to pay a \$750.00 filing fee\* for processing. Once the application has been duly reviewed and approved by the concerning agencies, an acceptance fee of \$50.00\* will be required to receive the tax exemption decree (contract between the Government of Puerto Rico and the entity that is granted de exemption).
- D. Tax incentive grants incur an obligation to present Annual Reports to the Office of Incentives. The filing of said Annual Reports will also be made through the Incentives Portal and will incur a \$300.00 filing fee\*.

*\*The current regulation affects these fees and is being reviewed by the DEDC and others; these fees are not being charged now. Invest Puerto Rico will update this document when new information becomes available.*



**When applying for incentives, your business must be in good standing in the eyes of the government. Required documents when applying for local incentives are:**

- Negative debt certification issued by the Department of Treasury, available [here](#).
- Certification of 5-year tax return filings issued by the Department of Treasury, available [here](#).
- Negative debt certification issued by ASUME (Child Support Administration), available [here](#).
- Negative debt certification issued by CRIM (Municipal Revenue Collection Center), available [here](#).
- Certificate of registration/incorporation, available [here](#).
- Articles of incorporation.
- Corporate resolution.
- Corporate seal.
- Use Permit, available [here](#).

This guide does not constitute legal or tax advice on how to structure your Finance and Insurance activities on the island. If you or your legal advisor have doubts as to whether certain business activities may qualify for incentives for Finance and Insurance, you can reach out to the Office of Incentives, where you can also receive information about processes on the [Incentives Portal](#), which is the digital platform to request incentives from the Puerto Rico Government.

## Step 5: Find Workforce

In addition to having a zest for life, Puerto Ricans are also known as a productive workforce that has what it takes to get the job done. Most of the population is fluent in English and Spanish, and a deep sense of biculturalism gives Puerto Ricans a greater understanding of global trends and idiosyncrasies. Puerto Rico has the lowest labor costs of any region under U.S. jurisdiction, while local employers enjoy high retention and low turnover rates.

Each year, tens of thousands of students graduate from the dozens of top-tier universities and colleges on the island. Over 24,000 degrees have been awarded in Administration & Management Services, which includes Accounting and Financial Services, in the past four years. The University of Puerto Rico at Río Piedras, San Juan, and private universities across the island prepare talented financial and insurance professionals.

Our Business Development team will assess your talent needs and connect with local academia, recruiters, headhunters, and employment agencies to provide you with updated information on talent availability, salary, and benefits information, etc. Where applicable, we will also provide information on the DEDC's Workforce Development Program and available funds under the Workforce Innovation and Opportunity Act (WIOA) and the United States Department of Labor's Registered Apprenticeship Program. The Invest Puerto Rico team can also help you market professional opportunities within your Puerto Rico company, to reach potential candidates.



**Invest Puerto Rico**

[www.investpr.org](http://www.investpr.org)  
787-966-7642

**Department of Economic  
Development and Commerce**

[www.ddec.pr.gov](http://www.ddec.pr.gov)  
787-758-4747

**Office of Incentives**

[www.oeci.pr.gov](http://www.oeci.pr.gov)  
787-764-6363

**Association of Insurance  
Supervisors of Latin America  
(ASSAL)**

[www.assalweb.org](http://www.assalweb.org)

**Association for Financial  
Professionals of Puerto Rico  
(AFPPR)**

[www.afppr.com](http://www.afppr.com)

**Cooperative Development  
Commission (CDCOOP)**

[www.cdcoop.pr.gov](http://www.cdcoop.pr.gov)

**Financial Analysts Society of  
Puerto Rico (FASPR)**

[www.faspr.org](http://www.faspr.org)

**International Insurance  
Center (IIC)**

[ocs.pr.gov](http://ocs.pr.gov)

**National Association of Insurance  
Commissioners (NAIC)**

[content.naic.org](http://content.naic.org)

**Office of the  
Commissioner of Financial  
Institutions (OCIF)**

[www.ocif.pr.gov](http://www.ocif.pr.gov)

**Office of the Commissioner  
of Insurance (OCI)**

[ocs.pr.gov](http://ocs.pr.gov)

**Puerto Rico Chapter  
of Healthcare  
Financial Management  
Association (PRHFMA)**

[www.prhfma.org](http://www.prhfma.org)

**Puerto Rico International  
Bankers**

**Association (ABIPR)**

[bancosinternacionalespr.com](http://bancosinternacionalespr.com)

**Puerto Rico International  
Insurers**

**Association (PRIIA)**

[www.priia.org](http://www.priia.org)

**Contacts**

