

Peer Insights

R E P O R T

Q&A with Alberto Baco

Secretary of Economic Development & Commerce of
Puerto Rico

Principle Series:

Alberto Baco, Secretary of Economic Development & Commerce of Puerto Rico sits down with Family Office Insights to discuss the upcoming [Puerto Rico Investment Summit](#) and the opportunities that lie within the region during Puerto Rico's economic transformation.



Family Office Insights is a voluntary, “opt-in” collaborative peer-to-peer community of single family offices, qualified investors and institutional investors.

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Q: You are now launching your second Puerto Rico Investment Summit. What was the impetus for launching the original event and how was the first one received?

A: The Department of Economic Development and Commerce of Puerto Rico has worked hand in hand with Adworks, the organizer of the event, since day one. Last year's event was a great success. The results on grants submitted and approved for Acts 20/22 were beyond our expectations. We had forecasted 430 grants by the end of 2014 and finished with 516. This year's forecast is 1,000 on Acts 20/22 combined and based on the trend I would not be surprised if we surpass this number.

Puerto Rico is experiencing an economic transformation. The word is spreading and investors are listening—and more importantly—taking action on it. Puerto Rico is more competitive and advantageous than Singapore and Miami in many ways. We have created a solid platform of tax incentives and we have the foundation that businesses require: manpower, infrastructure, federal compliance and an unsurpassed location in the Caribbean, easily accessible from any place in the United States and Latin America. I have no doubt that this year's event will have a tremendous impact Puerto Rico's economic development.

Q: What are the main key themes and topics for this year's event?

A: This year we have an interesting lineup of speakers and panelists. Rudy Giuliani, former New York City mayor and president of Giuliani Partners, will join us as well as renowned investor and Principal Managing Partner of Pabrai Investment Funds, Mohnish Pabrai and Steve Leonard, Executive Deputy Chairman of Intercom Development Authority of Singapore. Attendees will also have the opportunity to listen to an interesting group of early adopters share their stories. The panel moderated by Nicholas Prouty, President of Putman Bridge Funding, is highly anticipated by the attendees as it validates all of our efforts.

Another highlight during the PRIS will be an international insurance forum that will run on the first day of the event on February 26th. The panel, consisting of top executives from insurance multinationals and regulatory entities, will shed light onto the advantages that the International Insurance Center of Puerto Rico (IIC) presents for foreign insurers contemplating entering the US and Latin-American market.

Q: Can you talk about the different tax incentives Puerto Rico offers (Acts 20 and 22) and how the different tax acts work together?

A: The beauty of these laws is certainly how they work together. The benefits of the incentive laws are enhanced when one finds the right combination for each particular business. For example, if you have a regional financial operation and want to expand its reach to other areas of the US, Central America or Latin America, you can establish an operation in Puerto Rico to export those services from the island. As the principal, you can also relocate to Puerto Rico under Act 22, finance your expansion, and perform other offshore financial transactions through an International Financial Entity established

under Act 273. This unparalleled combination gives you unique tax incentives, guaranteed by decree, which can serve to bolster your business and expansion plans.

Q: What type of investors and business professionals does the summit, and Puerto Rico in general, attract?

A: It's as varied as it can get. It's important to stress that Puerto Rico provides a diversified knowledge based driven platform for investors. This is definitely one of our great advantages. We already have some solid clusters in the areas of pharma and life sciences, biotech and agBio, medical devices, infotech, aerospace, electronics and apparel. But based on the interest we're seeing in Puerto Rico today, and knowing that we will surely see other industries emerge over time, we can already see several clusters emerging, including financial services (hedge funds, private equity, trading firms, mortgage companies, offshore banks and the like), insurance and reinsurance companies, design and creative, legal, accounting, healthcare, call centers, human resources, technology (mainly consulting and software/app developers), and construction-related (architecture, engineering, consulting, and more).

Q: What can attendees expect to learn about Puerto Rico?

A: After listening to our speakers and panelists, getting to know our products, infrastructure and business options plus experience our culture and lifestyle it will be a no-brainer. Puerto Rico is the IT place to do business. Results from early adopters have already proven that the formula works.

Q: Why is Puerto Rico a leading place in the world to do business?

A: Puerto Rico is unique in every aspect and certainly there are some aspects that position us as leaders when it comes to business. The Commonwealth of Puerto Rico provides a unique regulatory and fiscal environment. This guarantees that each and every company operating on the Island has the full protection of the federal regulatory system yet operates in a foreign jurisdiction for tax purposes. In other words, our political relationship with the United States allows Puerto Rican business entities and bona fide residents of Puerto Rico to legally avoid paying US federal income taxes. Puerto Rico's legal status as a US jurisdiction on the other hand allows these same corporations and individuals to continue to enjoy the full protection of US federal laws. This includes protections of intellectual property, banking laws and laws applicable to financial service providers.

These issues are all particularly relevant to investors and fund managers. Puerto Rico also offers a near-perfect weather climate, a strategic geographic location in the Americas, a stable business environment, world class infrastructure, and the most highly educated Hispanic human capital in all areas. All of these benefits to investors and fund managers allow us to position ourselves as the perfect gateway into either Latin America or the US. We are American citizens, bicultural and bilingual.

In addition, Puerto Rico has robust economic and tax incentive programs in place aimed at attracting investments in high priority sectors such as, manufacturing, tourism and hotel development, agriculture, international finance and insurance, renewable energy and film production, among others. However, I highlight two tax incentive laws that are attracting a lot of positive attention for Puerto Rico and generating private sector investment and growth on the island

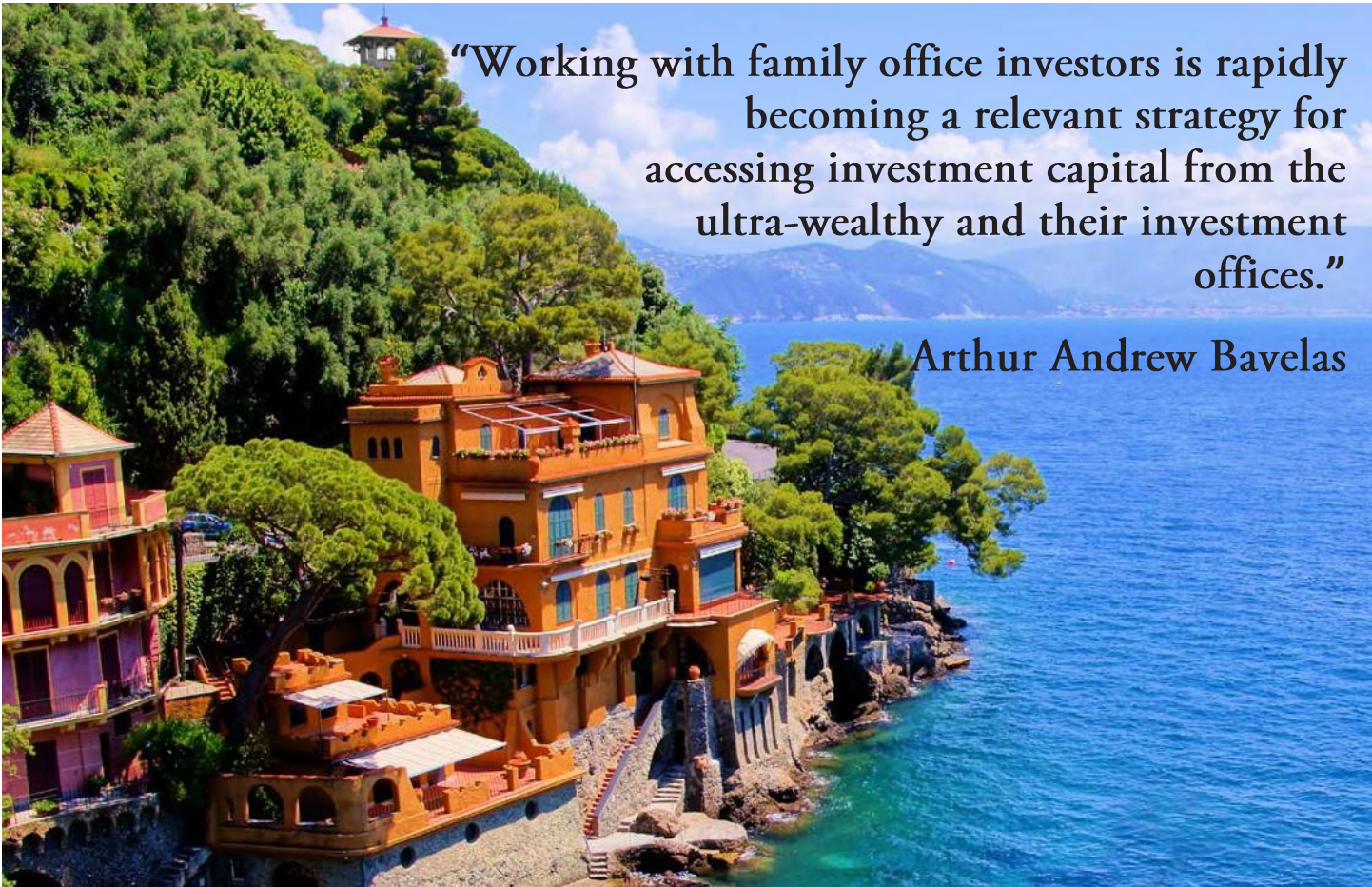
Q: What's next in terms of business opportunities in Puerto Rico?

A: Phase three of the master plan is based on the creation of local capital market and by then the possibilities are endless. Once outside investors start investing in local companies it will have a huge impact on Puerto Rico's economic transformation. Early adopters will become part of the community. Companies will go public from there, science and technology research will produce results with global impact. Puerto Rico will become a major player in terms of manufacturing goods and exporting all kinds of services, thus resulting in recognition all over the world. You ask me about opportunities? All that you can think of, plus more. Puerto Rico is open for business.



Alberto Bacó Bagué

Alberto Bacó Bagué is an attorney, CPA, and entrepreneur, with over 40 years of experience. During his career, Bacó Bagué has been an active supporter in the development of the venture capital industry in PR and was co-investor of various projects. Recently, Bacó Bagué had a calling to return to the public service and use his knowledge and experience to promote the economic development of PR. Following this calling, he accepted to be part of the economic team of Governor Alejandro García Padilla, as Secretary of the Department of Economic Development and Commerce. For more information regarding the summit, please visit <http://prinvestmentsummit.com/>.



“Working with family office investors is rapidly becoming a relevant strategy for accessing investment capital from the ultra-wealthy and their investment offices.”

Arthur Andrew Bavelas