

A man in a dark suit and red tie shakes hands with a woman in a light blue shirt. They are both smiling and looking upwards. The background is a modern building with a glass and steel facade, featuring a prominent staircase. The entire image has a blue color overlay.

Business environment

Business environment

Investor Guide

February 2020



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Uruguay leads the main rankings of political stability and democratic strength in Latin America. This reflects the country's strong democratic tradition, based on transparent government policy and broad economic freedom. Thanks to the favorable investment environment and the country's good macroeconomic performance in recent years, Uruguay has positioned itself as a reliable and attractive destination for foreign investors. Furthermore, its strategic location and international agreements with the most important economies in Latin America promote the country's development as a regional hub. The Mercosur (Southern Common Market), its associated states and the FTA with Mexico, make it possible for Uruguay to gain access to a market of 400 million people, which accounts for 90% of the GDP¹ and 89% of the foreign² trade flow in Latin America.

The country has talented and highly competitive human resources, thanks to a combination of several factors, including the high quality of basic, technical and university training, the flexibility and ease with which Uruguayan workers can adapt to new production processes and technologies, and salaries that are competitive in the region.

Uruguay is the most equitable country, with the lowest poverty levels and the highest proportion of middle class in Latin America. This allows Uruguay to distinguish itself as a friendly place to live, work and invest. In fact, Montevideo, where more than half of its population lives and works, is the city with the best quality of life in Latin America, according to Mercer (2019).

1.1 Performance and economic structure

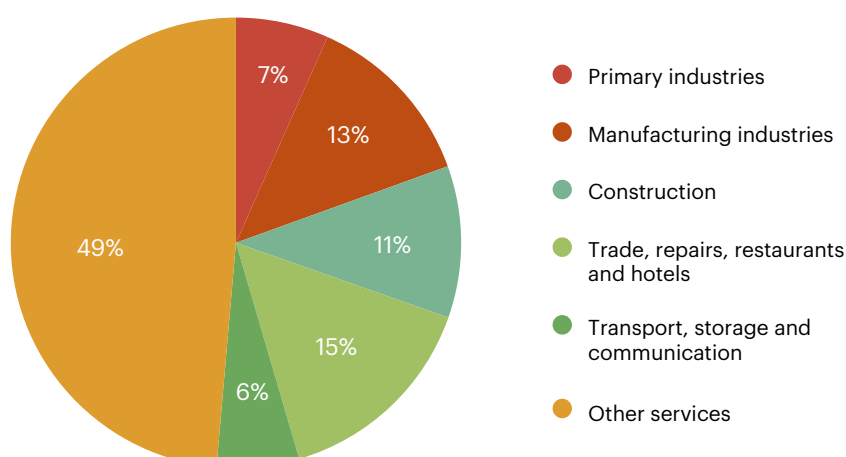
Uruguay has a small and open economy, with a growing projection towards the regional and international external market. Exports play a very important role for local productive development. The sector with the largest share in the Gross Domestic Product (GDP) is the service sector, which includes trade, telecommunications, financial services, real estate and other business services.

1 Source, Uruguay XXI based on data from WEO-IMF April 2019.

2 Source, Uruguay XXI based on Trademap data September 2019.

GDP composition by industry

% of GDP 2018



Source: Central Bank of Uruguay (CBU)

(*) Includes financial intermediation; real estate, business and rental activities; public administration and defense, compulsory social security schemes; education; health; personal services; water, gas and electricity supply and private households with domestic service.

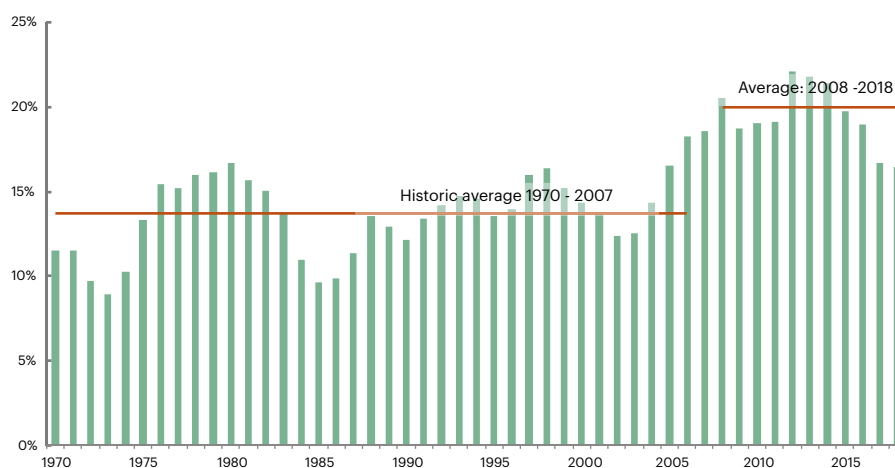
The agricultural supply, which represents 7% of the gross domestic product (GDP), has an important contribution to the economy: it provides most of the raw materials for the manufacturing industry, with agro-industrial products accounting for 79% of the country's exports.

Uruguay has achieved sustained economic development, with 16 years of uninterrupted growth at an average rate of 4.1%. Since 2013, the World Bank has classified Uruguay as a high-income country. The gross national income per capita has continued to rise and reached US\$ 17,165 in 2018.

The country's macroeconomic stability and strong institutional framework - with clear rules for the investor and an attractive investment promotion regime - allowed for the strong dynamism experienced by productive investment in recent years.

GFCF and FDI growth

% of GDP

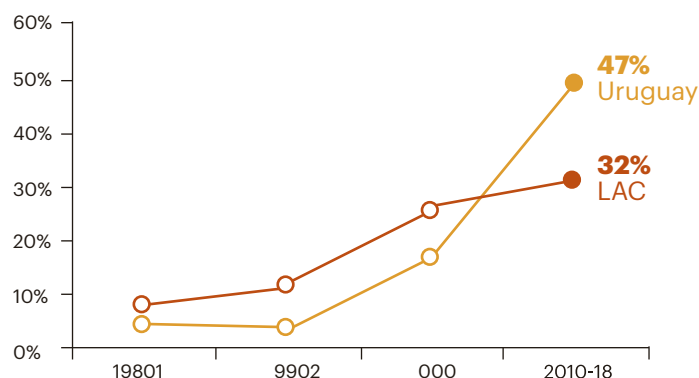


Source: Central Bank of Uruguay (CBU)

The economy's investment - measured as gross fixed capital formation - is at high levels. For its part, the country has been characterized by a significant flow of foreign direct investment in all sectors of activity, which translates into a significant increase in the stock of FDI over GDP.

Stock of IED (%GDP)

1980 - 2018



Source: UNCTAD and CBU

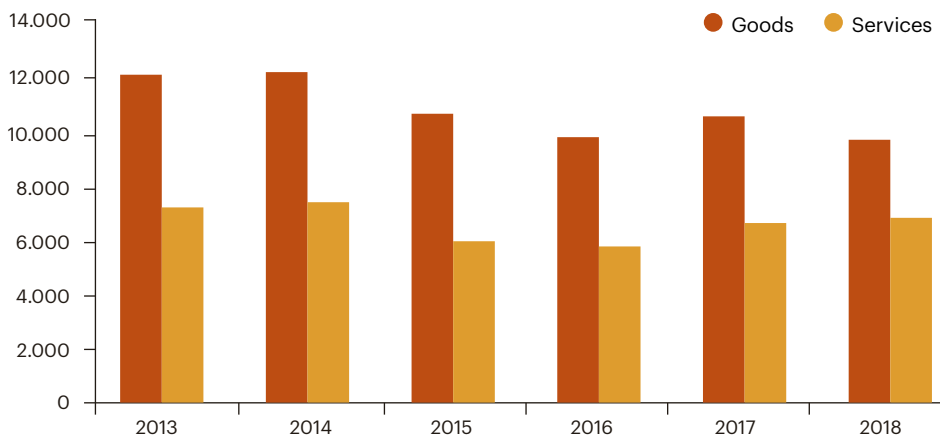
Additionally, prices show a stable behavior, with single-digit inflation rates. Inflation is expected to maintain the behavior of recent years due to an inflation targeting policy adopted by the Central Bank of Uruguay as of 2004.

The deepening of the economic opening process led to a constant growth of foreign trade, both in goods and services, reaching record levels in recent years.

In 2018, Uruguay exported goods to 160 countries. The active policy of reaching new markets, for the placement of goods outside the region, carried out by private and public actors, has managed to diversify the destinations of exports, decreasing the relative dependence on regional markets.

Exports of goods and services

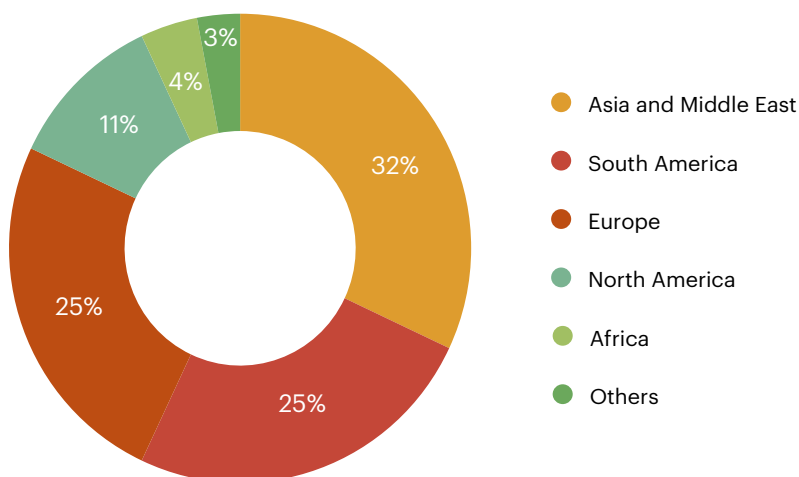
Millions of US\$



Source: Balance of Payments of the Central Bank of Uruguay

Within the exports of goods, the main items are: cellulose, beef, soybean, cellulose, dairy and other agro-industrial-based products; while in the export of services, tourism, global services and logistics services stand out, by virtue of Uruguay's strategic geographical positioning in the region.

Exports of goods and services by destination
% of exports



Source: Prepared by Uruguay XXI based on data from the National Customs Directorate of the MEF (Eastern Republic of Uruguay)

1.2 Economic policy

Uruguay has a regime of total freedom in the movement of capital and foreign exchange from and abroad, and a free convertibility exchange system of its national currency.

Moreover, Uruguay has gone through its longest period of economic growth. Since 2003, economic activity has grown uninterruptedly for 16 years, successfully weathering the international financial crisis of 2009 and withstanding recessionary pressures from the region in 2015-2018. On average, GDP grew by about 4.1% per year over the past decade.

Net public debt ratios are at adequate levels (31.6% of GDP in 2018). Uruguay is also an investor grade country. This has been ratified by the main rating agencies: Moody's, Standard & Poor's and Fitch Ratings, which have successively improved Uruguay's debt rating.

With regard to macroeconomic policies, public expenditure decisions are made based on the Budget Law approved during the first year of government, and subsequent annual reports. Fiscal discipline is reflected in the existence of a law limiting the annual variation of net indebtedness, which indirectly sets a restriction on the fiscal imbalances in which the government can incur.

To ensure price stability, the CBU pursues an inflation-targeting policy. As an instrument for the achievement of this goal, the Monetary Policy Committee is based on the establishment of a base of monetary aggregates (amount of money in circulation).

Uruguay stands out in Latin America for its high per capita income, low levels of inequality and poverty, and for having the largest proportion of the population within the middle class. According to the World Economic Forum, Uruguay has the highest levels of equity in the region.

The country ranks among the top countries in the region on various measures of well-being, such as the World Bank's Human Development Index and Human Opportunity Index (Uruguay has managed to achieve a high level of equality of opportunity in terms of access to basic services, such as education, drinking water, electricity and sanitation).

1.3 Trade policy

Uruguay was one of the first economies in Latin America to evolve towards open and unrestricted international trade. In 1991, Uruguay signed a treaty with Argentina, Brazil and Paraguay that established the Southern Common Market (MERCOSUR), which accelerated the opening of the Uruguayan economy by establishing a progressive integration process, from a free trade zone to a Common Market.

MERCOSUR provides for the free circulation of goods, services, and productive factors within the signatory countries through the progressive elimination of tariff and non-tariff barriers.

In turn, there is a Common External Tariff (CET) agreed by the signatory countries for almost all goods introduced into the area. The CET varies between 0% for capital goods and 20% for some consumer goods (clothing, household appliances, etc.). There are exceptions for some industries such as footwear, sugar and automobiles, for which the CET is higher than 20%, and which are listed as exceptions to the zero tariff at the intra-zone level.

In addition to the aspects referred to in the Common External Tariff, its exceptions and adaptations by country, MERCOSUR has adopted decisions on the origin regime: the treatment of unfair internal trade practices in the expanded market, the bases for the defence of competition, public policies that condition competitiveness, the elimination or harmonization of non-tariff restrictions to trade and customs policy rules. Likewise, certain bases have been agreed upon to coordinate and harmonize macroeconomic policies relating to foreign trade, agriculture, industry, taxation, transport and other matters.

It is important to point out that MERCOSUR offers companies installed and starting up activities in Uruguay access to a market of 400 million people, with a GDP of US\$ 5.3 trillion, equivalent to the fourth largest economy in the world.

Uruguay has a privileged location within the MERCOSUR since it is in the center of the area with the highest population and income level. Within a radius of 1,500 km from Uruguay, 90 million inhabitants are concentrated in areas of great industrial and agricultural development.

Our country has signed, as part of MERCOSUR or by itself, a series of trade agreements that allow it to access other markets beyond MERCOSUR with tariff preference³.

In June 2019, the Strategic Partnership agreement between MERCOSUR and the European Union was signed. In August of that year, Mercosur closed the trade agreement with the block of countries belonging to the European Free Trade Association (EFTA). These agreements, which must be ratified by the parliaments in order to enter into force, provide better conditions for access to Uruguayan products and offer the opportunity to access a wider range of goods and services imported from the old continent. In addition, the MERCOSUR block is in the process of negotiating with Canada, the Republic of Korea and Singapore for the signing of new trade agreements.

3 For more information, see the chapter on International Agreements.

The service agreements seek to provide guarantees to the parties on the respect of certain basic principles such as national treatment and the most favored nation, which guarantee the entry to the markets without any sort of discriminations.

These agreements involve commitments by countries in relation to different sectors of trade in services and four modes of supply: cross-border supply, consumption abroad, commercial presence and presence of natural persons.

1.4 State and private services

In Uruguay, there are some services that are provided by public companies under a monopoly regime. Such is the case of the import of oil and its derivatives for fuel refining (but not distribution) carried out by ANCAP, the transmission and distribution of electricity (but not generation) carried out by UTE, the provision of fixed telephony services (but not cellular telephony, data and broadband) (ANTEL) and the provision of drinking water and sanitation services (OSE).

Uruguay has carried out a process of deregulation of the economy and the elimination or partial privatization of some public enterprises in order to promote competition and increase general welfare. In this regard, it is worth listing some notable aspects:

- » Insurance demonopolization.
- » Reform of the social security system (with the creation of Pension Savings Fund Administrators or AFAPs). Promoting the channeling of financial resources through the Investment Funds Law, the Securities Market Law and the Trusts Law Promotion of access to and use of financial services, under conditions of greater competition through the Financial Inclusion Law.
- » Promotion and defence of competition.

It should be noted that Uruguay is the most advanced Latin American country according to the Information and Communication Technology (ICT) Development Index, developed by the International Telecommunication Union (ITU) in 2017. This fact is also reflected in the degree of Internet penetration and the number of mobile telephone users, where the country occupies a prominent position in the region. In recent years, ANTEL has maintained a policy of large investments, including the installation of optical fiber in homes, the construction of an International Data Center (awarded as the best Data Center in Latin America in 2016) and the installation of an underwater optical fiber cable that connects Uruguay to the United States, starting in 2017. These investments mean a significant increase in the speed of data traffic and the possibility of having first class communication services.

In 1992, the Ports Law was passed allowing free circulation and tax exemptions for goods in transit (see point 2.1 of Chapter 2). In 1996, the Uruguayan stock market was regulated, incorporating modern rules and principles already experienced in the main financial markets, which has led to a significant growth of the corporate debt securities market, particularly long-term negotiable obligations, as well as to the Investment Funds operations regulations”.

1.5 Clear rules

The Uruguayan political system has three major political parties, which have alternated in government while maintaining a strong respect for clarity and transparency in the fulfillment of contracts and without causing significant changes in economic matters. When choosing

Uruguay, investors see this quality as a differential that provides confidence in the business climate. According to the Corruption Perception Index 2018, prepared by Transparency International, Uruguay ranks 23rd among 180 countries, being the most reliable country in Latin America.

In Uruguay, there is no discrimination in the treatment of national or foreign capital, and incentives for investment promotion are available to both equally. Nor are there any limits on the amount of foreign capital that companies can hold. The foreign investor can carry out any type of activity under the same conditions as local investors. In certain sectors of activity, by virtue of special State regulation, the foreign investor may carry out activities under a public works concession regime.

There are no limitations on the transfer of profits or repatriation of capital, nor are prior permissions required from the authorities. The exchange market is free without limitations for the purchase or sale of foreign currency and investments can be made in any currency.

In Uruguay you can verify the existence of international standards of intellectual property. The protection of copyrights, trademarks and patents is specifically legislated.

1.6 Incentives for foreign investment⁴

Uruguay has traditionally provided a framework of security to foreign investors due to the effective enforcement of the law and economic stability. It is also a member of international organizations that promote investment security, such as the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes, based at the World Bank. On the other hand, Uruguay has concluded treaties of promotion and reciprocal protection of capital investments with several countries. These agreements are detailed in the chapter of International Agreements of this investor's guide.

The foreign investor can operate in the country by incorporating various types of companies (SA, SRL or other types of companies). Additionally, the foreign investor may choose to operate in the country through a branch of a foreign company. The tax treatment of the different corporate vehicles differs in several aspects, which makes it convenient to carry out a careful planning beforehand in order to select the corporate type to be adopted.

The foreign investor can set up his company in Uruguay without prior requirements, special permits from the State, or the need for a local counterpart. Nor is there discrimination in the country in the treatment of foreign capital, so that all the benefits and incentives provided for domestic companies and investment promotion can be accessed. In turn, the financial market is totally free, allowing the free purchase and sale of foreign currency, and the entry or exit of foreign currency, capital, profits, dividends and interest without restrictions or the need for authorization. The tax system is unique in the whole territory.

Furthermore, Uruguay has an export promotion policy through instruments of diverse nature and scope, which operates in accordance with the regulations of the World Trade Organization (WTO).

⁴ For more information, see the chapter on Set up a Company.

Main characteristics

Uruguay stands out for having good infrastructure levels: it has the densest road network in Latin America, its main airports are modern and functional and it is the second country in South America in terms of infrastructure and efficiency of port services (WEF⁵).

- » Uruguay's strategic location in the center of MERCOSUR makes it the natural link for communications between member countries.
- » The port of Nueva Palmira, located at the southern end of the Paraguay-Paraná Waterway, is a strategic point for the entry and exit of goods to the center of the continent.
- » Telecommunications, energy and water services are available without restrictions throughout the country, with very good levels of technology.

The country offers competitive advantages to the investor, among other things, thanks to its strategic geographical location and an adequate support structure in full development, for the transport of passengers and goods by sea, air and land.

In the period 2015-2019, infrastructure investment in Uruguay has been a priority. During this period, an ambitious infrastructure plan was carried out for an amount exceeding US\$ 12 billion, which in its first three years has executed 72% of the program. The investment plan seeks to combine public sector financing with private investment. To achieve this, Uruguay has a Public Private Participation law since 2011⁶.

Within this framework, the aim is to attract investments that contribute substantially to the creation of quality employment, the incorporation of state-of-the-art technology and the strengthening of productive capacities. The investment plan seeks to ensure the necessary infrastructure to maintain Uruguay as a leading country in terms of infrastructure and quality of life.

2.1 Transport system

Due to its geographical location, Uruguay is a permanent link for land and sea communications between MERCOSUR countries, especially between Argentina and Brazil; a situation that responds to its strategic insertion among the most rich and developed areas of its neighboring countries.

Distance between Montevideo and the main cities of the region (km)	
Buenos Aires	250
São Paulo	1.970
Rio de Janeiro	2.400
Porto Alegre	870
Asunción	1.550
Santiago do Chile	1.900

5 Infrastructure Pillar of the WEF 2018 Global Competitiveness Index.

6 See more information on public-private partnership projects.

Uruguay has developed competitive advantages in the provision of services. In particular, its transport system has existing and developing infrastructure, which enables it to meet the high transport demand of exchange flows between the member countries of MERCOSUR, and the particular requirements of the countries of the region for their international exchanges. Uruguay's transport infrastructure allows for the total interconnection of its territory with the region without limitations.

Road transport

The main road network, paved and adapted to the current territorial model, is the densest in Latin America and the Caribbean, with 50 km paved for every 1,000 km² of surface. International cargo transport is carried out without restrictions through various border crossings between Uruguay, Argentina, Brazil, Chile and Paraguay, with a fleet available without limitations.

Internal passenger transport is mostly carried out by buses run by private companies under a regime of "regulated competition", which has allowed a solution with high standards of quality and efficiency.

Interconnections with neighboring countries are made through several border crossings: there are three bridges over the Uruguay River in the argentinian border in the cities of Salto, Paysandú and Fray Bentos, while with Brazil the roads join in the cities of Bella Unión, Artigas, Rivera, Aceguá, Río Branco and Chuy.

Railway transport

The railway network in Uruguay is oriented to the transport of important volumes of raw materials, such as agricultural and forest products and fuels among others. Railway transport rates are competitive with road transport in the segments of mass demand served by the railway.

Currently, the transport of grains from the storage plants -main activity- has railroad detours to the ports or borders for export.

The State Railway Administration (AFE) is the autonomous state company, open to the participation of private operators, responsible for operating the railway transport of cargo and passengers throughout the country.

The railway network comprises three main lines that connect the capital to the western coast of the country (agricultural and forest area, bordering Argentina), the north (forest area, dry border with Brazil) and the northeast (rice area, dry border with Brazil). The three lines converge at the Central Station, adjacent to the Port of Montevideo, which can be accessed directly from the railway system.

As for passenger rail transport, the service is provided in two small intercity segments of short distance and of little importance to the system.

The State created a private company with public capital (Railway Corporation of Uruguay) linked to AFE, with the aim of improving service maintenance. AFE is in charge of carrying out the necessary investments for the reconstruction of the railway system in order to adapt it to international standards and allow transit at 60 km/hour, with a load capacity of 22 tons per axle. These investments are the initial step in the development of a railway system as part of the integrated transport system, which is essential for the growth of the economy.

In 2017, within the framework of the infrastructure investment plan, the adaptation of the railways between Paso de los Toros (centre of the country) and Montevideo was announced, together with a plan to improve access to the Port of Montevideo. This set of investments is related to the installation of a third cellulose plant in the central area of the country, which in turn will generate another series of investments in transport infrastructure.

River and maritime transport

The main port of the country is located in Montevideo and receives shipping lines from all over the world. Thus, it concentrates export, import and transit trade. It is the first and only terminal on the Atlantic coast of South America operating under the free port system.

In clear expansion, the port of Montevideo -where the public terminal and the private terminals coexist- is one of the most important distribution points of goods in the region.

On the other hand, the port of Nueva Palmira, on the Uruguay River, is the head of the most important river transport system in South America. Nueva Palmira is located at the key point of the 3,443 km long Paraguay-Paraná Waterway, which joins the Río de la Plata and, through it, the Atlantic Ocean. The port of Nueva Palmira is one of the main terminals for the transfer of goods from the region to the world, with one public terminal and several private ones.

Air transport

The main airport facilities are in the areas with the highest concentration of population and tourist infrastructure, between Montevideo and Punta del Este.

The Carrasco International Airport, whose new passenger terminal was inaugurated at the end of 2009, is located to the east of Montevideo, 18 km from the city centre and is the main passenger and cargo air terminal in Uruguay. Intercontinental coverage is provided by 13 international airlines, which provide regular passenger and air cargo services on a daily basis.

The Laguna del Sauce Airport, located 15 km from the city of Punta del Este, was remodeled in its building structure and runways, under a private investment concession.

2.2 Telecommunications

Telecommunications services have a wide coverage throughout the national territory. With the exception of fixed telephony services (provided by the public company ANTEL), and Internet by fixed line, the other services are provided on a competitive basis by public and private operators.

All activities related to telecommunications are regulated and controlled by the Regulatory Unit in Communication Services (URSEC), whose objectives are the extension and universalization of access to services, the promotion of competition, the control of persistent monopolistic activities, the application of tariffs that reflect economic costs, the promotion of optimal levels of investment and the protection of users' rights.

The following are some indicators that show the degree of progress of the telecommunications sector in Uruguay⁷.

- » Digitized telecommunications: 100%
- » Fixed tele-density: 82% of the households lines
- » Mobile tele-density: 156 lines per 100 inhabitants
- » Broadband services: 81% of households

2.3 Energy

The basic sources of primary energy in Uruguay are hydroelectricity, wind power, biomass and oil.

Liquid fuels

By law, the National Fuel, Alcohol and Portland Administration (ANCAP) has a monopoly on the import, refining of crude oil and the production, export, and import of derivatives. As Uruguay has no reserves of fossil fuels, all the supply in the national territory is imported. Imported crude oil is processed at the ANCAP refinery.

In 2018, 37% of final energy consumption by source in Uruguay corresponds to oil derivatives⁸.

In turn, the main consumer sector of oil derivatives is transport, followed by industry, the agricultural, fishing and mining sectors as a whole, and the residential sector.

It should be noted that as of 2009, by legal provision, liquid fuels for automotive use will be complemented by biofuels, by mixing biodiesel with diesel and ethanol with naphtha. Although ANCAP is responsible for carrying out the blends, the ethanol and biodiesel are supplied by companies under private law, provided that the product meets the corresponding quality standards.

Natural gas

Uruguay has no fossil energy sources, and imports all the oil and natural gas it consumes. Currently, all the countries in the region are interconnected by export pipelines, with Argentina being the supplier of natural gas to Uruguay.

The natural gas supply chains in Uruguay are made up of gas pipelines and distribution networks that operate at low pressure and have a greater territorial extension. The transport facilities supply gas to large users and to the distribution networks, from which residential, commercial and industrial end users with low or medium consumption are supplied

Electricity

99.8% of urban dwellings have access to electricity. Electricity generation in Uruguay is carried out by the National Administration of Power Plants and Electrical Transmissions (UTE) and by private industrial generators for self-consumption and sale to UTE. The main input for generation is hydro energy, followed by wind and biomass generation.

⁷ Source: Communications Services Regulatory Unit (URSEC), data from June 2018 and Antel.

⁸ Source: Ministry of Industry, Energy and Mining. Preliminary data. For more information, see [link](#).

The installed power in 2018 was 4,912 MW. The electricity is mainly generated by renewable sources. In 2018, 44% of the electricity was generated by hydro, 33% by wind, 3% by solar and only 3% by fossil fuels. Uruguay also participates in an energy connection with other countries of the region and, when appropriate, imports electricity from Brazil and Argentina. In the last 3 years, the country has not had to import electricity; on the contrary, in this period it has exported to Argentina and Brazil.

2.4 Drinking water and sanitation

Uruguay is the only country in Latin America that has achieved almost universal coverage of access to safe drinking water and adequate sanitation, with high levels of service quality. Given these achievements, the government's priority is to improve the efficiency of services and expand access to sewerage service (where appropriate) in areas where on-site sanitation is used.

Drinking water and sanitation services are provided by the public company of State Sanitary Works (OSE) as well as being available without restriction throughout the country. Access to drinking water sources covers 99 per cent of the population. Based on its excellent level of drinking water coverage, 90 per cent of the population will have adequate sanitation by 2019.

Main characteristics
The banking and financial activity is regulated by the Central Bank of Uruguay, which has the power to authorize the installation of new entities.
A wide range of banking services are available without limitations to the foreign investor.
Offshore operations have a wide tax exemption.
Law protects bank secrecy.
Explicit deposit insurance.
There are no limitations on the entry or exit of capital or exchange controls on foreign currency transactions.
International financial centre: Uruguay has the characteristics that make it a financial centre, particularly for MERCOSUR and the region.

In 2014, Uruguay approved the Financial Inclusion Law that seeks to promote universal access to a set of quality basic financial services. The main instruments are: free bank accounts and electronic money instruments for workers, liabilities and social beneficiaries, payroll credit for workers and liabilities and free bank accounts for small economic enterprises.

The massive use of these instruments has promoted higher levels of competition in the financial sector, allowing a more efficient and secure functioning of the payment system and fostering the formalization of the economy. In this regard, the number of transactions processed through the use of debit cards amounted to 97 million in the first half of 2019, which implies an increase in the order of 33% over the same period of the previous year⁹.

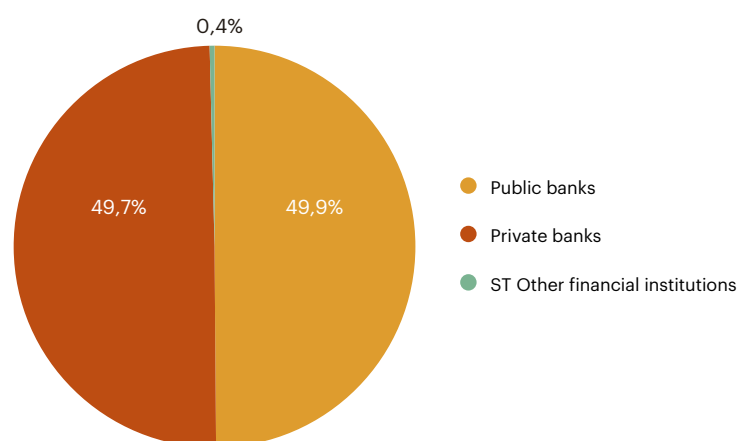
On the other hand, the Global Microscope ranking, prepared by The Economist in 2019, placed Uruguay in third place among 55 countries. This index evaluates the environment for financial inclusion.

3.1 Banking system

The financial intermediation sector in Uruguay is made up of 11 commercial banks, 1 financial house, 1 financial intermediation cooperative, 1 previous savings group administrator and 1 external financial institution. Private and public commercial banks have the largest market share.

⁹ Source: CBU. For more information, see the following [link](#).

Share of assets in the financial system (March 2019)



Source: Central Bank of Uruguay.

The state-owned banks are the Bank of the Eastern Republic of Uruguay (BROU) and the Mortgage Bank of Uruguay (BHU). The first one operates as a state-owned commercial bank and as a bank for the promotion of the manufacturing and agricultural sectors. The BHU finances the purchase of housing.

The first activity constitutes the essence of financial intermediation, that is, the collection of deposits from public savings in order to channel that mass of resources by granting credits. Commercial banks also provide other services to their clients (guarantees, sureties and collateral, international trade transactions, investments, etc.).

Financial houses are dedicated to carrying out all types of financial operations except those reserved for banks and banking cooperatives, such as opening current accounts. On the other hand, they are authorized to collect resources from both residents and non-residents.

Financial intermediation cooperatives are institutions authorized only to provide banking services to their members and provide differential treatment in terms of capital requirements, with certain tax advantages over commercial banks.

External Financial Institutions constitute offshore institutions, providing financial services exclusively to non-residents under a particular regulatory framework, and are totally exempt from any type of tax.

3.2 Central Bank

The control of the financial system is in charge of the Central Bank of Uruguay (CBU). The CBU is the public entity that regulates the monetary system through the issuance, administration of international reserves and supervision of exchange operations. It is also responsible for other controls, which are currently under the responsibility of the Superintendence of Financial Intermediation Institutions, the Superintendence of Insurance and Reinsurance, the Control Area of Pension Fund Administrators (AFAPs) and the Securities Market Area.

In December 2002, the Superintendency for the Protection of Bank Savings was created by law as a deconcentrated unit of the CBU, with the task of guaranteeing the repayment of deposits in the financial system.

The referred norm creates a Bank Deposit Guarantee Fund, financed by the financial institutions, and managed by the Bank Savings Protection Superintendence. In this way, an explicit deposit insurance mechanism was formalized, with the purpose of compensating depositors in case of bank failure.

3.3 Stock market

In addition to the banking market, loss-making and surplus agents of funds in Uruguay can resort to the stock market, although the transactions carried out in this market are of lesser magnitude.

The stock market in Uruguay is composed of the Montevideo Stock Exchange (BVM) and the Electronic Stock Exchange S.A. (BEVSA), the latter being for the exclusive use of banks and other financial institutions.

The purpose of the primary market operation is the issuance of private sector Certificates of Deposit at BEVSA (the public sector issues them outside the stock market). The secondary market is dominated by transactions in government securities.

In turn, there are regulations on different mechanisms to facilitate access to credit for the non-financial private sector that can be channeled through the BVM, such as the issuance of Negotiable Obligations (ON) and Trusts.

3.4 Insurance

The insurance market was demonopolised in 1994. From then on, numerous foreign companies began to operate in Uruguay, in competition with the State Insurance Bank (BSE). As a result, there was a diversification of the products offered in the market and a reduction in policy prices.

The installation and operation of insurance and reinsurance companies operating in Uruguay are under the control of the CBU. Reinsurance companies are not required to establish themselves in Uruguay in order to operate.

3.5 International financial centre

The conditions of freedom of entry and exit of capitals, the inexistence of exchange control and the existing tax advantages, make Uruguay an attractive international financial center.

The foreign exchange market is very active, especially for operations in US dollars with non-residents, in particular with Argentina and Brazil.

3.6 Business financing

Both branches and local companies can be financed by local banks, by loans from abroad or by their parent company or shareholders. The tax treatment differs in each case, so careful tax planning is advisable.



4

INTELLECTUAL RIGHTS, TRADEMARKS AND PATENTS¹⁰

10. For more information please visit the following link: [MIEM](#)

Main characteristics
The protection of copyrights, trademarks and patents is specifically regulated.
The foreign investor can assert the rights registered in his home country under certain conditions.

Copyright

Copyright in Uruguay is constitutionally guaranteed by specific laws, which recognize the right of authors to enjoy and dispose of their creations exclusively and to receive economic compensation for it.

Under the Literary and Artistic Property Law, copyright protection in Uruguay includes literary, scientific and artistic works during a certain period. Within this period, the author or the acquirer of the copyright has certain exclusive rights over the registered work, which is protected against unauthorized use or violation of the acquired rights.

The Law does not require any formality or registration for the enjoyment and exercise of the rights granted to the author; it shall be sufficient that his name appears on the work to claim his rights.

Copyright protection is valid for the life of the author of the work and for an additional period of fifty years after his death. If the work is not published, performed or exhibited within ten years from the date of the author's death, the work becomes public property and may be freely used. Rights acquired by legal entities are protected for a term of 70 years.

Foreign works are also included in the legal protection, but in these cases, compliance with the corresponding legislation of the country of origin must be accredited.

Works protected by copyright are entered in the register maintained by the Copyright Office of the National Library. Such registration is optional and failure to register shall in no way prejudice the enjoyment and exercise of the rights recognized by the Law on Literary and Artistic Property.

The owners of the rights have the power to sell the works and to transfer their economic rights, both during their lifetime and after their death. The contract must be in writing and may be enforced against third parties as soon as it is entered in the Register.

Uruguay has ratified the Berne Convention for the Protection of Literary and Artistic Works, under which authors from a signatory country who publish their works in the country enjoy the same rights as those granted to national authors.

The rules described above are applicable to software and creative work in the areas of electronics and computer science from foreign countries.

Trademarks

A trademark is any sign capable of distinguishing the goods or services of one natural or legal person from those of another. These signs may be both visible and non-visible, including advertising phrases. Registration with the National Directorate of Industrial Property (DNPI) is required for the purpose of acquiring the exclusive right to use it, as well as for the protection granted to the registrant for a term of ten years, which may be extended for successive periods of ten years indefinitely. It is necessary that the trademark has the characteristics of novelty, specialty and distinctiveness for the purposes of registration.

The registration of the trademark confers on its owner the following rights:

- » the right to use it exclusively
- » right of opposition

The first one establishes a presumption of ownership by conferring the right to exclusive use of the trademark. The legitimate owner of the trademark is presumed to be the natural or legal person in whose name the registration was verified.

The second one grants the right to oppose the use or registration of any mark that may cause confusion between goods or services.

Exclusive ownership of a trademark is acquired only in relation to the products for which it was applied for, so a trademark can be used by third parties if it is related to other products.

Ownership of trademarks can be transferred to third parties through private agreements or public deeds, but it is always desirable to register the transfer with the NDIP, in order to obtain protection against infringement of acquired rights.

The use of the trademarks can also be assigned by means of a license agreement, which is registered before the Registry of Trademark Licenses that will be in charge of the NDIP. Unless expressly agreed otherwise, the transfer or sale of a business establishment is presumed to include its trademarks.

Patents

Industrial patents are the name given to the group of institutes that protect the rights emanating from inventions, creation of utility models and creation of industrial designs or models with a novel character.

Patents obtained in Uruguay grant their owners the exclusive right of use for a period of twenty years from the date of application, which is not renewable. After this period, invention becomes public domain. The right to the patent shall belong to the inventor or his successors in title and may be transferred by inter vivos transaction or by death. Patents shall be granted for new inventions of products or processes involving an inventive step that are susceptible of industrial appreciation. The rights conferred by the patent shall be established by the resolution granting it. If the owner does not use the patent within three years from the date of registration, he may be obliged to assign the rights, either exclusively or not, to a third party. The three-year term may be extended to five years if the non-use of the patent is due to a circumstance beyond the owner's control.

Where an invention has been made in pursuance of a contract of employment, work or service the purpose of which is research activity, the right to the patent shall belong to the employer, unless otherwise provided.

In cases where the personal contribution of the employee to the invention and the importance of the invention for the company clearly exceed the content of the contract or employment relationship, the employee shall be entitled to additional remuneration.

The law defines a utility model as a new arrangement or conformation obtained or introduced in tools, working instruments, utensils, devices, equipment or other known objects, that import a better use or result in the function for which they are intended, or another advantage for their use or manufacture. Industrial models or designs are defined as original creations of an ornamental nature that are incorporated into or applied to an industrial or craft product, giving it a special appearance. Once patented, both grant their owners the exclusive right of use for a period of ten years, with the possibility of renewal only once and for a period of five years.

For the purpose of enforcing the aforementioned exclusive use rights against third parties, inventions, utility models and industrial models or designs must be registered with the IPDN.

The Paris Convention for the Protection of Industrial Property ratified by Uruguay grants persons of the signatory countries to the Convention a right of priority over an invention, a utility model or an industrial model registered in one of those countries with respect to applications filed by other persons for the use of the same in Uruguay.

In order to enforce the referred right, the registration before the NDIP must be complied within the term that corresponds according to the case (twelve months for invention patents and utility models and six months for industrial designs and trademarks), which is calculated from the registration in the country of origin.

Apart from these special provisions, owners or holders of foreign patents may obtain revalidation of the same in Uruguay by means of an application filed with the NDIP, within three years of being granted in the country of origin. Revalidated patents are protected for a period of fifteen years, less the term of protection that would have been enjoyed in the country of origin. The nullity of the foreign patent implies the nullity of the revalidation patent, but the same does not apply to the terms of expiration of each patent, which are independent.



Who we are

We are the agency responsible for the promotion of exports, investment and country brand. We work to enhance the export capacity and competitiveness of Uruguayan companies, promote the country as an attractive destination for productive investments and promote the country brand Uruguay Natural in the world.

Together with other institutions, we are part of the National System of Productive Transformation and Competitiveness (Transforma Uruguay) that works to promote the productive and innovative economic development of the country, with sustainability, social equity and environmental and territorial balance.

Our services for Investors

- Macro and sectorial information. Periodically, Uruguay XXI prepares studies on Uruguay and the various sectors of the economy.
- Tailor-made information. We prepare personalized information to answer your specific questions, such as macroeconomic data, labor market information, tax and legal aspects, investment incentive programs, location, and costs.
- Contact with the main actors. We generate contacts with government entities, industrial actors, financial institutions, R&D centers and potential partners, among others.
- Promotion. We promote investment opportunities in strategic events, missions and business rounds.
- Facilitation of visits to the country of foreign investors, including organization of agenda of meetings with, for example, public authorities, suppliers, potential partners and business chambers.
- Support in establishment and expansion. We facilitate your establishment in the country and support you to achieve the growth of your business in Uruguay.



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