

DOING BUSINESS IN URUGUAY

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I. FORMS OF BUSINESS ENTITIES

Most frequently used forms of business entities are corporations, branches of foreign companies, limited liability partnerships, and offshore corporations.

I.I Corporations (“Sociedades Anónimas” or “SA”)

1. Organization

Corporations may be formed with a minimum of two founders who may be either individuals or corporate entities. There is no minimum face capital required.

Fifty per cent (50%) of the face capital must be subscribed and twenty five per cent (25%) of the face capital must be paid-in at the time of incorporation. There is no specific term to subscribe and pay-in the balance.

SAs may be "open-ended" or "closed-ended". "Open-ended" SAs are those that either (a) have their shares traded on a Stock Exchange; or (b) are established by public subscription; or (c) issue commercial paper (debentures). "Closed-ended" SAs are those which do not fall within any of these categories.

Corporations may be established by public or private document. By-laws must set forth the corporate name, domicile, authorized capital and manner of constituting it, duration, scope of activities, etc.

Within 30 days counted as from execution, by-laws must be submitted for approval by the administrative controlling authority, the Internal Auditing Bureau ("Auditoría Interna de la Nación").

Once by-laws have been approved and the incorporation tax -- 1.5% of a re-adjustable national index (the national index currently equivalent to approximately US\$ 51.000) -- has been paid, by-laws must be filed with the National Registry of Commerce and an excerpt must be published with the Official Gazette and another daily. Such publication completes the formation process.

The above incorporation process involves a time-frame of not less than one or two months, this being the reason for the customary practice to be the acquisition of already existing companies, with no prior activity and ready to operate immediately.

2. Directors and Board of Directors

SAs may be managed by a single director -- so-called: Administrator ("administrador") -- or by a Board of directors ("Directorio") composed by two or more members as indicated in the by-laws.

Directors -- including the president of the board -- may be either individuals or corporate entities, nationals or foreigners, residents or non-residents. For tax purposes, non-resident directors must constitute a special domicile; our office address may serve such requirement.

The Board must meet at least once a year and the law requires that actual meetings be held, as opposed to telephone conferences. Although regulations do not specifically address the location of the Board meetings, normally we recommend our clients to hold them in Uruguay. When directors are non-residents, they may be represented by proxy, transmitted by facsimile.

3. Shareholders and Shareholders' Meetings

Since there are no nationality or domicile requirements, all shareholders may be national or foreign residents, whether individuals or corporate entities. Exceptions are made in specific fields, such as ground transportation companies and national air transport.

Shareholders's liability is limited to the capital they have paid-in.

Shareholders meetings must take place in Uruguay and may be either regular (ordinary) or extraordinary.

Regular shareholders meetings must be called at least once a year, within four months from the end of the fiscal year, to consider among other matters, balance sheets, profits distribution (if any) and the appointment of directors.

Extraordinary shareholders meetings are empowered to decide any other matters.

Regular and extraordinary meetings shall be held when called by the directors or statutory auditors or by shareholders representing 20% of paid-in capital, unless by-laws provide for a smaller percentage.

Shareholders may be represented at any meeting by proxy. Exception is made to directors, managers, statutory auditors and employees of the company, who may not represent shareholders by any means.

The shareholders meetings minutes, as well as Board resolutions, must be transcribed in the corporate ledgers. In certain cases, copies of the minutes must be filed with the Internal Auditing Bureau (e.g., when by-laws amendments are decided, etc).

All shareholders with conflict of interests with respect to those of the corporation have a duty to abstain from voting in any such matter.

4. Corporate Name

Corporations are designated by their corporate name accompanied by the words "Sociedad Anónima", or the abbreviation "S.A.".

Names may be reserved with the Internal Auditing Bureau before incorporation, for a thirty-day term, renewable as many times as so requested.

5. Capital

The capital of SAs is divided into shares which are always of equal value and expressed in Uruguayan currency (except for the capital and shares of offshore corporations, as described below in section IV.II).

Shares may be issued in registered (i.e., nominative) or bearer form. Various classes of shares (i.e., common, preferred, etc) may be established and certificates may represent one or more shares.

When the shares are nominative a Stock Registry ledger must be maintained in which information relevant to stock certificates and their transfer is recorded.

6. Control

At their annual meeting, shareholders may elect -- by a majority of not less than 20% of the paid-in capital -- one or more auditors. Internal auditors are mandatory for open-ended corporations.

Internal auditors supervise the administration of the company, attend board and shareholders meetings and, in general, control the legality of the corporation's decisions.

7. Dividends

No dividends can be declared or distributed to stockholders except out of realized net profits, as per a special balance sheet.

SAs must set aside at least 5% of its annual net profits for purposes of creating a reserve fund until such fund amounts to 20% of its paid-in capital.

8. Foreign Companies as Shareholders

No administrative requirements apply for foreign entities interested in acquiring an interest in Uruguayan companies (except for certain sectors where the transfer of stock is subject to an administrative approval, such as banking, insurance, mobile telecommunications, etc).

I.II Branch

In order to file a branch of a foreign company, the following documentation is required:

(a) copy of the by-laws of the foreign company, as well as any amendments thereof; and

(b) copy of the corporate resolution deciding the registration of a branch in Uruguay, indicating the capital allocated to the branch, its domicile in Uruguay and the representatives or administrators who are going to act on behalf of the branch (We also recommend to authorize members of this firm to undertake all acts necessary for the filing of the branch).

Additionally, it is convenient to grant a power of attorney in favor of the legal representative of the branch in order to conduct the branch's business.

All of the above documents need to be duly translated and legalized.

The parent company and its branch are deemed to be a single legal entity, and therefore the parent company is liable for the acts of the branch.

I.III Limited Liability Partnerships ("Sociedad de Responsabilidad Limitada" or "SRL")

As its name indicates, partners' liability is limited to the capital subscribed by each partner.

Partners must be not less than two, and not more than 50.

SRLs may be established by public or private document. Social contract or deed must set forth the corporate name, domicile, capital and manner of constituting it, duration, scope of activities, etc.

The social contract or articles of association must be filed with the Public and General Registry of Commerce, and an excerpt must be published with the Official Gazette and another daily. Such publication completes the formation process.

In the absence of abnormal circumstances, the above incorporation process involves a time-frame of approximately two or three weeks.

SRLs capital may not be represented by negotiable certificates. Transfer of the quotas to third parties requires the consent of the majority of the quota-holders and implies an amendment into the articles of association.

Since there are no nationality or domicile requirements applicable to quota-holders, partners may be national or foreign residents, whether individuals or corporate entities.

II. BRIEF DESCRIPTION OF MOST RELEVANT TAXES

II.I. Income Tax

II.I.I. Corporate Income Tax

Corporate Income Tax (“Impuesto a la Renta de la Actividades Económicas” – IRAE) is levied – basically – over companies of any type and individuals rendering personal services (other than those in an employer-employee relation) who receive an annual income exceeding approximately US\$ 285.000.

IRAE is assessed over the net income. Net income is defined as gross income minus those expenses which are necessary to obtain and preserve the corporate income. Deduction of admitted expenses is still subject to numerous limitations.

IRAE annual rate is 25%.

IRAE is only assessed over Uruguayan sourced income. Foreign sourced income is excluded from IRAE’s scope. Remittance of dividends abroad is taxed at the rate of 7% as long as the following conditions are cumulatively met: (i) the local company is taxed by IRAE; and (ii) dividends derive from income subject to IRAE.

Branches of foreign corporations are considered “permanent establishments”. For tax purposes they are considered to be separate and distinct legal entities from their home office for purposes of determining the tax. They are subject to the same laws and rules applicable to Uruguayan corporations for assessing taxable profits. Consequently, they must keep separate books and records and prepare tax returns reflecting the results of their activities in Uruguay on the basis of an arm's length relationship with the home office. Should any of the transactions with the home office not meet arm's length requirements, adjustments should be made.

Taxable income is determined on the basis of net profits obtained during the fiscal year.

Benefits obtained by business enterprises are allocated to the fiscal year in which they are accrued.

In principle, all necessary expenses incurred in obtaining taxable income are deductible (interest, salaries, etc.). Expenses incurred abroad are also deductible, to the extent they are (i) absolutely necessary to obtain and maintain taxable income and (ii) taxable income abroad income taxed abroad.

Deduction is full where the tax rate applicable to the beneficiary of the expense is equal to or higher than 25%. Otherwise, a proportionate deduction shall be made.

Expenses follow the same allocation method as profits (i.e. they are attributed to the fiscal year in which they were accrued).

Losses incurred during the fiscal year may be carried forward and deducted from taxable income obtained during the following five taxable years.

II.I.II Personal Income Tax

“Impuesto a la Renta de las Personas Físicas” – IRPF is levied on the Uruguayan sourced income of local residents. The tax is structured in a dual system, which discerns between income derived from capital and income derived from labor or work.

IRPF rate is broken down in accordance with progressive rates. For labor sourced income the rates range between 10% and 25%. Work-sourced income amounting to less than approximately US\$ 4,177 per year -- the precise figure varies according to the prevailing rate of exchange --, remains exempted.

Items such as retirement and health contributions, among others, may be deducted. Deductions are limited. Given the few deductible expenses, we deem that in most cases, the deductible amount will not surpass 10% or 15% of the admitted deductions at the most.

Payment and liquidation of IRPF is annual. Notwithstanding, monthly advances are contemplated in account of the annual liquidation. Employers shall withhold from employees the corresponding sums.

For capital-sourced income, the rates range between 3% and 12%.

II.I.III Non-Residents Income Tax

“Impuesto a la Renta de los No Residentes” – IRNR is levied on local sourced income of non-resident individuals and certain non-resident legal entities, at rates ranging between 3% and 12%.

II.II. Net Equity Tax

The net equity tax ("capital tax" or "impuesto al patrimonio") is assessed at the following rates: (i) individuals: from 0,70% to 2,75%, (ii) securities, debentures, etc.: 3,5%, (iii) banking institutions: 2,8%, and (iv) other entities: 1,5%.

Assets located abroad are not subject to this tax.

Only a few liabilities may be deducted, including debts with suppliers, except loans, guarantees and outstanding balances for imports, commercial paper issued by public subscription and quoted at the Stock exchange, etc.

II.III Value Added Tax

Sales of movable assets in the domestic market, rendering of services in the Uruguayan territory, as well as import of goods are subject to Value Added Tax (VAT).

The standard rate is 22%, generating what is known as the "fiscal debit".

The tax billed to the taxpayer -- by another registered taxpayer who supplies inputs connected with taxable revenue -- is computed as "fiscal credit".

Tax payments are calculated by deducting the amount corresponding to "fiscal credits" from the "fiscal debits". A sworn tax return must be filed and the difference arising must be paid to the treasury. If this comparison results in an excess of "fiscal credits", they may be carried forward to the subsequent monthly tax base.

Exports are not subject to VAT. In addition, exporters are entitled to a tax credit for the VAT billed to them -- if effectively related to any stage of the export process -- for the goods exported.

Certain sales of goods and services are exempted or have a reduced rate – 10% --, such as vegetables and fruits, foreign currency, precious metals, real estate, agricultural machinery, milk, books, newspapers, etc.

II.IV. Corporations Control Tax

Corporations Control Tax (“Impuesto de Control de las Sociedades Anónimas” or “ICOSA”) is assessed both at the time of the corporate establishment, and also at the time of the end of each fiscal year, on an annual basis.

Current applicable rates are indicated next:

- (a) As of incorporation, the rate is 1.5% calculated over a re-adjustable national index (national index currently equivalent to approximately US\$ 51.000); and
- (b) As of each fiscal year end, the rate is 0.75%, calculated over the tax-base precedently indicated.

ICOSA applies only to “ordinary” SAs (sociedades anónimas) doing business in Uruguay or abroad.

For those SAs maintaining assets in Uruguay and therefore subject to Net Equity Tax (Impuesto al Patrimonio), sums paid for ICOSA shall be creditable to annual Net Equity Tax.

II.V. Specific Internal Tax

The first transfer, domestic use (by manufacturers and importers) and import (by non taxpayers) of the goods mentioned in the following list, are subject to the Specific Internal Tax (“IMESI”).

- (a) alcoholic and non-alcoholic beverages
- (b) cosmetic and toilette products
- (c) tobacco, cigars and cigarettes
- (d) electrical energy
- (e) motor vehicles
- (f) lubricants, oil, fuel and other oil by-products
- (g) drinking and industrial alcohol
- (h) sugar for domestic consumption.

Exceptions to the above list are made in the case of ambulances, motor vehicles generally used in agricultural activities, motor vehicles acquired by foreign diplomats, soaps, deodorants, talcum powder, toothpaste, etc.

Taxpayers are manufacturers and importers of the above items. No deductions are admitted.

The applicable rate varies depending upon each item, and is established by the Executive Branch (within the range set forth by law). Taxable amount is determined on the basis of the actual sale price (“valor real”) of the items, although the Executive Branch establishes fixed prices (“valores fictos”)

Exports are not subject to IMESI.

III. URUGUAYAN FREE ZONES

III.I Introduction

Uruguay has a favorable free zone system.

Currently, free zones ("the Zones") are located in Colonia, Florida, Montevideo, Nueva Helvecia, Rio Negro and Rivera, among others.

Zones allow their users to engage in a wide array of activities, including marketing, deposit, storage, assembly, disassembly, handling; installation and operation of manufacturing premises; provision of financial and professional services; banking activities; etc.

III.II. Free Zones Users

Users are those companies -- foreign or national -- who have acquired the right to operate in the Zones enjoying the tax exemptions indicated below. For such purpose, companies must adopt special by-laws and are required to enter into an agreement with a free zone operator (explotador) or with a free zone direct user (Usuario Directo). The agreement entered into with a free zone direct user (or with a free zone operator, as the case may be) must be filed with the Free Zones Bureau.

"Shelf" corporations, with no prior activity and ready to operate immediately, are usually available for such end.

III.III. Tax Treatment

Entry of goods into the free zones and exit of goods abroad -- not including the Uruguayan territory -- are tax exempted.

As long as not less than 75% of the Users's personnel is of Uruguayan nationality, Users shall be free from any taxes with respect to the activities undertaken in the Zones, except for social security contributions affecting national personnel. The Uruguayan government has guaranteed, by law, and under liability for damages, that the tax exemptions and the other benefits granted by the Free Zones Act shall be maintained. Remittance of dividends abroad is not taxed.

III.IV. Restrictions

Entities established in the Zones may export to any destination, including the other MERCOSUR countries. However, products exported from the Zones to MERCOSUR countries are deemed to be products stemming from third countries (i.e., are not considered MERCOSUR products), and therefore are subject to the same MERCOSUR Common External Tariff (Arancel Externo Común) applied by MERCOSUR countries to imports from third countries. Entities established in the Zones may not fulfill their normal course of business in the rest of the Uruguayan territory, out of the Zones.

IV. OFFSHORE CORPORATIONS (Sociedades Financieras de Inversión or "SAFIs")

IV.I. Introduction

A financial investment corporation or "holding company" is defined as a corporation that invests abroad in securities as its principal activity. The main advantage of this form of business enterprise is that it is only subject to an annual tax of 0,3% (three per thousand) on its net worth, regardless the income of the company and provided its assets meet certain requirements.

IV.II. Incorporation

A SAFI may be constituted by private or public document. In any case the document must state: object, duration, capital and manner of constituting it, domicile, method of administration, conditions of issue of shares.

In order to do business, an administrative authorization -- granted by the National Comptroller of the Nation -- is required. Corporate documents and respective authorization must be recorded with the National Registry of Commerce and an excerpt must be published in the Official Gazette and in other daily. The SAFI may start doing business -- as a corporation under formation -- immediately after the social contract is executed, while approval of by-laws is still pending. But during the formation period the founders are jointly liable for the activities of the corporation.

Unlike regular corporations, capital of SAFIs may be expressed in any foreign currency.

Incorporation procedures may involve a period of not less than one or two months. Because of this time-frame, it is customary to purchase an already incorporated "virgin" SAFI, with no prior activities and ready to operate immediately.

As from January 1, 2011 all SAFIs shall be required to adjust to the general ordinary tax regime.

IV. III. Shareholders

Shares may be nominative or bearer shares, as specified in the by-laws, and may be held by one or several shareholders.

Shareholders may be individuals or corporate entities. No restrictions are placed in terms of the shareholders nationality or domicile.

Liability of shareholders is limited to the capital they have paid-in.

IV.IV. Board of Directors

The company may be administered and represented by a single Administrator or by a Board of Directors comprised of two or more members as provided in the by-laws, whether individuals or corporate entities, nationals or foreigners, residing in Uruguay or abroad.

In the absence of specific provisions, Directors are elected by the Shareholders Meeting for a one-year term. However, articles of incorporation may set forth a different tenure. They may be represented at Board Meeting by telefax or proxy.

IV.V. Audit Requirements

All business enterprises in Uruguay must maintain the following ledgers:

- (a) Dairy ledger, which must record all operations on a daily basis;
- (b) Inventory ledger, which must record all items in balance sheets presented to shareholders or published; and
- (c) Letter copy ledger, which must keep copies of the letters sent in the course of business.

In addition, SAFIs must keep minutes of shareholders and directors meetings, as well as a register of shareholders attendance to meetings.

There are no statutory audit requirements in Uruguay. Likewise, it is not mandatory to appoint auditors.

IV.VI. Activities

SAFI's main activity is investing in securities, bonds, shares, notes, debentures, chattel or real estate. At least 51% of the total assets of the SAFI must be held or located abroad, and at least 50% of its gross income must be of foreign source. SAFIs may also perform commercial activities.

Any of the abovementioned activities must be performed abroad. SAFIs are not allowed to operate within Uruguay.

Specifically, activities excluded from the scope of the SAFIs authorized activities relate mainly to control of local assets and companies (e.g., offer stock for public subscription in Uruguay, list securities in Uruguay's stock exchange, hold stock, debentures or any kind of securities issued by Uruguayan corporations other than SAFIs, and hold real estate or mortgage credits in Uruguay).

IV.VII. Taxation

SAFIs are only subject to an annual tax at the rate of 0.3% (three per thousand) on their net worth, and are exempted from any other taxes or duties or contributions, whether on their

income or capital, except for social security contribution assessed on the personnel employed in Uruguay.

This preferential tax treatment applies when the SAFI has no assets located in Uruguay, other than (i) National Debt, Mortgage Instruments or Municipal Titles, and/or (ii) bank accounts -- in foreign currency -- not exceeding 10% of the SAFI's total assets.

The several innovations introduced by the recently enacted Tax Reform dated December 27, 2006 include the gradual termination of the Uruguayan special regime for SAFIs.

The single tax of 0.3% currently paid by SAFI's, shall not be paid any longer after December 31, 2010.

The Reform Act empowers the Executive Branch to authorize local corporations whose activities are conducted totally offshore, to (i) express their capital in foreign currency, (ii) minimize accounting requirements, and (iii) employ their technical means to substitute or complement the corporate books that businesses need to carry.

All of the above tends to suggest that ordinary corporations – “*sociedades anónimas*” or “S.A.s” – shall be in a position to meet the business purposes currently fulfilled by the SAFIs.

V. ANTI-TRUST LAW

V.I. General Constitutional Provisions

The underpinnings of antitrust regulations may be found in several provisions contained in the Uruguayan Constitution, making reference to basic individual rights.

Article 7 of the Uruguayan Constitution provides that the inhabitants of the Republic have the right to be protected in the enjoyment of their life, honor, liberty, security, work and property. Nobody can be deprived of these rights except in accordance with the laws duly enacted in view of public interest reasons.

Article 36 of the Uruguayan Constitution provides that every individual has the right to dedicate himself to any work, cultivation, industry, trade, profession or any other lawful activity, except where a restriction is established by virtue of general interest considerations.

Article 50.2 of the Uruguayan Constitution provides that every commercial or industrial "trustified" organization shall be subject to the State control.

V.II. Antitrust Legal Provisions in Uruguay

1. Introduction

Comprehensive merger/antitrust regulations in Uruguay are contained in Law No. 18,159 (July 20, 2007), and Executive Branch Decree No. 404/2007 (November 6, 2007).

The relevant merger authority is the Commission for the Promotion and Protection of Competition (the "CPPC"), within the scope of the Ministry of Finance and Economy (Executive Branch). Other governmental bodies act as merger authorities for regulated sectors.

Every economic consolidation act must be notified to the Commission for the Promotion and Protection of Competition prior to its execution between the companies involved, when at least one of the following conditions is met:

- a) When as a result of the transaction, market share of 50% (or over) of the relevant market is attained.
- b) When annual gross invoicing of all participants to the transaction, in the Uruguayan territory in any of the three previous fiscal years, equals or exceeds UI 750:000.000 (national indexed units currently equivalent to approximately US\$ 55.420.984,45).

Possible economic consolidation acts are defined as those transactions which imply a modification in the control structure of the companies involved by means of: merger of companies, acquisition of shares or quotas, transfer of ongoing business concern, partial or total acquisition of business assets and all other types of legal transactions which entail a partial or total transfer of the control of economic units or companies.

In the cases in which the economic consolidation act implies the formation of a “de facto monopoly” such process shall be authorized (not only notified) to the Commission for the Promotion and Protection of Competition. In these cases, the analysis shall include among other factors a consideration of the relevant market, external competition and improvements in efficiency. If the Commission for the Promotion and Protection of Competition does not issue clearance within a term of 90 days as from the notification date, the act shall be deemed authorized.

Such clearance does not limit the access of other agents to the market.

The following transactions are excluded from the notification requirement:

- a) The acquisition of companies in which the acquirer already possessed more than 50% of their stock.
- b) The acquisition of bonds, debentures, any other debt instrument of the company or shares with no voting rights.
- c) The acquisition of one company just by one foreign entity which did not maintain any assets in Uruguay before then.
- d) The acquisition of companies declared bankrupt or with no activity in the country within the previous year.

2. Prohibited Conducts

Abuse of dominant position is prohibited in addition to all practices, conducts or recommendations, individual or concerted, having the effect or purpose of restricting, limiting, hampering, distorting or hindering ongoing or future competition in a pertinent market.

Law No. 18,159 by way of example lists the following banned practices:.

- A) To arrange by mutual agreement or directly or indirectly impose purchase or sales prices or other transaction conditions in an abusive manner.
- B) Limit, restrict or arrange unjustifiably the production, distribution and the technological development of goods, services or factors of production, in detriment of competitors and consumers.
- C) Unjustifiably apply to third parties unequal conditions in the case of equal obligations, placing them in an important disadvantage compared with their competitors.
- D) subordinate the execution of agreements to the acceptance of complementary obligations that are not related with the object of the agreement.

- E) Coordinate the appearance or abstention to public or private bids, or calls for bids from pre-qualified firms.
- F) Impede the access of competitors to infrastructures that are essential for the production, distribution or commercialization of goods, services or factors of production.
- G) Unjustifiably hinder entry into a market by any other competitor.
- H) Unjustifiably establish zones or activities where one or some of the economic agents operate with exclusivity, refraining the rest of the operators to operate in the same.
- D) Unjustifiably reject the sale of goods or the rendering of services.
- J) The same practices listed above, when they are performed through associations of economic agents.

The above list is not a closed-one but just a reference. This is to say that the conducts described above are listed by means of example, admitting the possibility of interpretation by analogy and the inclusion of situations which have not been specifically contemplated.

3. Sanctions

Law N° 18.159 has not outlined the specific risks of not filing when notification and clearance are mandatory. Pursuant to Act N° 18.159, sanctions shall be regulated by the CPPC within the following range:

- A) Admonishment
- B) Admonishment with publication of the resolution (at the cost of the infringing party) in two national papers
- C) Penalty to be determined between a minimum amount of UI 100.000 (local indexed unit, currently approximately US\$ 7.300) and a maximum amount comprised by the highest of the following values:
 - 20:000.000 UI (local indexed unit, currently approximately local currency \$ 34.228.000, also equivalent to approximately US\$ 1.477.892,91.
 - The equivalent to 10% of the infringing party's annual invoicing.
 - The equivalent to three times the damage caused, if ascertainable.

The penalties may be applied separately or jointly depending on the circumstances of the case.

Managers, directors, representatives of legal entities and controlling companies, and managers, director and representatives of controlling companies may also be subject to penalties, if having actively contributed in carrying out the sanctioned practice.

The conduct of a legal entity that is controlled by another shall also be attributed to the controlling entity. Likewise, contingent liabilities incurred by members of the

administration and representation bodies of the controlled company could also be applied to those performing the same functions in the controlling company.

The law provides that the final resolution which imposes a fine shall grant the CPPC the right to demand judicial enforcement (“*título ejecutivo*”), thus allowing collection proceedings which are supposed to be faster than regular or ordinary ones.

Leniency provisions (in the form of a special mitigating circumstance) are also included for the report of the infringement by any infringing party or its collaboration in obtaining evidence for the sanctioning of the other infringing parties.

4. The Concept of Relevant Market

Law No. 18,159 established that in order to determine the “relevant market” the following factors, among others, are to be analyzed: the existence of substitute products or services, the geographical scope of the market, as to determine the effective competitors.

V.III International Treaties: MERCOSUR Antitrust Provisions

MERCOSUR is the Southern Cone Common Market founded by Argentina, Brazil, Paraguay and Uruguay. After its foundation by its four members, Bolivia, Chile, Colombia, Ecuador and Peru joined the MERCOSUR as associate members. As per article 4 of the MERCOSUR Treaty -- ratified by Uruguay as per Law No. 16,196 of July 22, 1991 --, the member countries announced their intent to coordinate their respective national policies in order to prepare common provisions governing commercial competition.

On December 17, 1996 the four founding members signed in Fortaleza, Brazil, the Protocol for Competition Defense (“the Protocol”) with the aim of creating instruments to ensure adequate conditions of competition in order to contribute to the strengthening of the union in process, equal conditions for free competition and free market access, and a balanced distribution of the economic integration process benefits.

The rules of the Protocol apply to actions taken by individuals or entities -- whether governed by public or private law -- with the purpose of affecting competition within the MERCOSUR framework and also affecting commerce among member States. Actions or conducts whose effects do not go beyond the country in which they are taken and where the respective person is domiciled, shall be subject to the exclusive jurisdiction of the respective country (Articles 2 and 3 of the Protocol).

Article 4 of the Protocol deems anti-competitive those individual or agreed upon acts, of whatever kind, effected with the purpose of or whose final effect is, to restrict, limit, falsify or distort competition or access to the market or which constitute an abuse of a dominant position in the relevant goods or services market in the framework of the MERCOSUR, and which affect trade between the States Parties.

The Protocol includes a non-limited list of “forms of conduct” that constitute practices which limit competition, as far as they meet the requisites established by Article 4 of the Protocol. The following practices are deemed anti-competitive under the Protocol:

- (a) Imposition -- directly or indirectly, individually or through agreement with competitors -- of prices and purchase conditions;
- (b) Regulation of goods or services markets, entering into agreements to limit or control research and technological development, to restrict the production of goods or the supply of services, or to hinder investments intended for the production of goods or services or their distribution;
- (c) Division of markets of finished or semifinished goods or services, and/or or the division of supply sources of raw materials and intermediate products;
- (d) Limitation of new companies to get access to the market;
- (e) Subordination of a product sale to the purchase of another good or to the use of a certain service, or viceversa;
- (f) Impede or preclude competitors access to supplies, raw materials, equipment or technology, as well as to distribution channels.

VI. CONSUMER PROTECTION

VI.I Introduction

Consumer relations in Uruguay are governed by Act No. 17.250 of 11 August 2000 ("the Act") and its regulatory decree (No. 244/000 of 23 August 2001), which laid down a comprehensive legal regime regarding consumer protection. In general, controlling powers have been vested upon the Consumer Defense Area (Área Defensa del Consumidor) within the Ministry of Economy and Finance (General Trade Bureau). There are also other government agencies in charge of consumers' protection, with respect to specific industries (e.g., in telecommunications, the agency in charge is the Telecommunication Services Regulatory Unit).

VI.II. Concept of Consumer Relationship

The Act applies to consumer relationships, defined as the relationships existing between a supplier who provides a certain product or service to a consumer for his/her use or consumption, in consideration for a certain sum of money.

"Consumer" is the individual or legal entity who acquires or uses products or services as "final user", i.e., the consumer will not integrate the goods or services acquired into a production or commercialization process.

"Supplier" is the individual or legal entity who develops a production or commercialization process on a professional basis.

VI.III Consumers' Rights

Consumers have the right to:

- (a) receive sufficient, clear, and truthful information which must be in Spanish, despite other languages which can be used;
- (b) be protected against misleading advertising, against unfair methods in the supply of products and services, and against "abusive clauses" in "adhesion or unconscionable contracts";
- (c) have access to effective procedures for prevention and compensation of any damages.

VI.IV Offering Conditions

1. General Principles

All information related to a consumer relationship must be provided in Spanish, though other languages may be used, and has to be precise enough about the products or services offered. It must include data about: (i) price (taxes included); (ii) percentage of interest, if credit is granted, as well as periodicity and amount of partial payments; (iii) place for payment; (iv) other additional expenses or costs.

This information, disclosed in any way (even on spots), binds the offeror and must be considered part of the agreement to be entered into with consumer.

If an offer contains inconsistent information, the prevailing construction is the one most favorable for the consumer.

There are specific requirements for products and services which are either harmful or dangerous for consumers' health or safety, such as visible indication of that condition and supplier's obligation to notify the authorities and consumers about the risks of the product or service, if such risks become known after the sale of the product or service.

2. Labeling Requirements

Besides the general requirements indicated above, the offering of products must also refer to the nature of the product, its quantity, quality, composition, origin, dates for proper storage and usage, and if applicable, the expiration date and risks for consumers' health and safety.

3. Information About Services

The service supplier, apart from his/her name and address, must inform about: the service rendered, the materials and technology to be used, terms for the performance of the service and risks involved.

4. Advertising

Misleading advertising is forbidden. Misleading advertising is defined as any information or communication contained in advertising that is entirely or partially false or which by any means (even by omission of essential information) is able to mislead the consumer about the nature, quantity, quality, or price of products or services.

Comparative advertising is allowed provided it is based on objective parameters, instead of subjective, psychological or emotional information. In addition, the comparison may always be subject to verification.

The advertiser is entitled to evidence the truthfulness and material accuracy of the facts contained in any information or advertising.

5. Liabilities

The supplier bears primary liability for any injury or harm caused to the consumer, according to the liability regime set forth in the Civil Code.

The nature of this liability is not clearly established by law, although Uruguayan scholars and case law hold that it is objective ("strict liability", i.e., diligent behavior cannot avoid liability).

Distributor will only be held liable when: (i) the importer and manufacturer cannot be identified; (ii) the injury or harm was caused as a consequence of inadequate storage or (iii) such inadequate storage altered the original conditions of the product.

6. Violations of the Act

Apart from civil and criminal liabilities, the violations of legal provisions could trigger any of the following administrative sanctions:

- (a) warning (just for the first time);
- (b) seizure of goods;
- (c) temporary closure of supplier's business ;
- (d) elimination from the government's suppliers registry (such elimination may elapse up to a year).

VII. INSURANCE

Insurance is governed in accordance with Law No. 16,426 of October 14, 1993 ("the Insurance Act") and Regulatory-Decree No. 354/994 of August 17, 1994. The Insurance Act ended the monopoly over most areas of the insurance business previously enjoyed by the State-owned "Banco de Seguros del Estado" or "State Insurance Bank" ("BSE"). As of now, private insurers may cover all types of risks, except for so-called "mandatory work related accidents and sicknesses insurance", which insurance policy may be only issued by the BSE (Art. 614 of Law No. 17,296 of February 21, 2001).

Only duly authorized insurance companies approved by the Executive Branch may enter into insurance agreements contemplating risks occurring in Uruguay. Infringement of such prohibition entails the joint and separate tax liability - for the taxes and also for the interest and sanctions arising therein - of the persons participating in the respective transactions.

In order to carry on insurance business in Uruguay, applicants are required to:

- (a) adopt the form of a nominative-share corporation,
- (b) file with the relevant regulatory entity - the Superintendence of Insurance and Reinsurance ("Superintendencia de Seguros y Reaseguros") - the names of the respective shareholders;
- (c) have a minimum "basic capital" - periodically updated by the Superintendence of Insurance and Reinsurance -. For companies exclusively engaged in the life insurance business - or in any other single line of insurance business -, the basic capital amounts to U\$\$ 623,000 aprox. (\$ 14,970,014 expressed in Uruguay pesos, as from February 2006). If additional insurances are also sold, the basic capital is higher.
- (d) be previously authorized by the Executive Branch, who shall issue its resolution grounded upon the advisory opinion of the Superintendence.

Once the applicant has been authorized by the Executive Branch, an additional approval by the Superintendence is required ("habilitación"). Application must be filed with the Superintendence, placing a deposit equivalent to 20% of the insurance companies basic capital ("capital básico"). In case authorization is finally granted, the full amount of the basic capital must be paid-in within 30 days counted as from due notice of the authorization resolution, and in any event prior to initiation of insurance activities.

The text of the policies to be used must be submitted to the Superintendence prior to their distribution in the local market. Such an obligation also applies to any amendments, additional clauses, and annexes therein. Insurance agreements are also governed by the Uruguayan Code of Commerce, which sets forth a list of minimum provisions to be included in the insurance policies.

VIII. TELECOMMUNICATIONS

The Uruguayan telecommunications market was liberalized (for a short period, as explained below) by Law No. 17,296 of February 22, 2001 (“the Act”) which restricted the scope of ANTEL’s (Administración Nacional de Telecomunicaciones) - the national telecommunications company - exclusivity to “basic telephony”. Consequently, international long distance telephone services, value-added telecommunication services, data transmission and cellular operations, were subject to free competition under the Act.

Supplementing the Act, Decree No. 442/001 of November 13, 2001 laid down the interconnection regime that would govern the activity of international and cellular services telephony operators in the telecom market.

As per Law No. 17,524 of August 5, 2002, the Act was partially superseded and former regime was re-established. Therefore, ANTEL’s exclusivity was broadened again -- not only restricted to “basic telephony” --, though the scope of such exclusivity is not sufficiently clear and has been discussed since long ago.

In spite of this return to a restricted telecom market, all the authorizations granted to private operators under the Act have been maintained and are being respected by the authorities, though no new private operators are admitted in the international long distance telephone services industry.

The Act created URSEC (“Unidad Reguladora de Servicios de Comunicaciones”), a government entity in charge of regulating and controlling telecommunications, defined as “any transmission or reception of signs, signals, texts, images, sounds or information of any kind, by fiber, radio-electricity, optical means and other electromagnetic system”.

URSEC, which is part of the Executive Branch and reports to the Ministry of Industry, Energy and Mining, enjoys technical autonomy.

URSEC is headed by a Commission whose three members are appointed by the President of the Republic acting jointly with the Cabinet, for a six-year term. Personal and professional background of the candidates shall be considered for such appointment, following the objective of providing efficiency and impartiality to the Commission’s work.

Among others, URSEC scope includes:

- (a) advise the Executive Branch in issues related to telecommunications;
- (b) administer, protect and control the national radio-electric spectrum and grant precarious authorizations for the use of frequencies;
- (c) establish the general conditions and technical standards for telecommunications nets;
- (d) monitor the installation, quality, regularity and functioning of telecommunication services, either provided by private or public operators;
- (e) supervise technical aspects of radio and television transmissions;
- (f) protect the rights of telecommunication services’ consumers.

(g) protect the telecommunications market from anticompetitive practices.

URSEC shall sanction breaches of telecom regulations by: (i) warning; (ii) confiscation of materials; (iii) fines; (iv) order to cease the services, for a maximum of 90 days; (v) revocation of concessions or authorizations previously granted.

IX. LABOR LAW

IX.I. Minimum Salary

There is a minimum salary requirement for the private sector (although normally average monthly salaries is well above the minimum salary). As of the last updating of the present information (January, 2008), the monthly minimum salary amounts to approximately US\$ 160 per month (\$ 3,416 in local currency). In several business sectors salaries are determined through collective bargaining negotiations between employees and trade associations. Minimum salaries are regularly adjusted to compensate for inflation.

IX.II. Working Hours

The normal working day is 8 hours, with a maximum of 48 hours per week for industrial workers and a maximum of 44 hours per week for commerce and office workers. These limitations are not applicable to managers, administrators, professionals, and executive personnel. Overtime must be paid with a 100% surcharge when performed during business days, and 150% surcharge when performed during holidays. The normal 8-hour work-day must be split by a rest period (normally such a rest period lapses for half an hour, and its payment is included in the monthly salary).

IX.III. Vacations

Uruguayan Law establishes that every worker is entitled to 20 business days of vacations per year. Also, in the fifth year of service, workers gain the right to one additional business day of vacation for every four years of service. Vacations must be enjoyed by the worker in the year after they have generated and may not be accumulated. By written agreement between employers and employees, workers may enjoy their annual vacation in two periods -- of not less than 10 days each --. Workers have the right to be paid an additional "vacation salary" prior to taking their vacation, equivalent to 100% of their vacation pay. In addition, employees are entitled to fully paid holidays on January 1, May 1, July 18, August 25, and December 25; employees working on those days are entitled to an additional compensation amounting to twice their regular daily salary.

IX.IV. Thirteenth Salary

All workers are entitled to so-called "Thirteenth Salary" ("Sueldo Anual Complementario" or "Aguinaldo"), amounting to one twelfth (1/12) of the aggregate sums collected by the employee during the entire year. As per Executive Branch Decree issued every year, this payment must be made in two installments, the first being paid in June, and the second in December.

IX.V. Termination of Employment

If the worker's employment is terminated by the employer without "just cause" of termination, the worker has the right to receive a severance indemnity equal to one month's

salary for each year (or fraction thereof) of service, up to a maximum of six months' salary. Union delegates, pregnant women and sick employees whose labor relationship is unilaterally terminated by the employer (in the absence of a "just cause" of termination), are entitled to an additional indemnity. Statute of limitation for labor claims is one year counted as from the end of the labor relationship; labor claims may be filed only with respect to labor debts arising in the course of last five years immediately preceding judicial petition. Drastic unilateral changes in the terms of the labor relationship causing damages to the employee -- such as reduction in the salary, reduction in the working hours, change in the working location, etc --, may be deemed an "indirect" termination of employment, thus exposing employer to the severance indicated above.

X. SOCIAL SECURITY

X.I Relevant Institutions

1. Social Security Administration

The Social Security Administration (Banco de Previsión Social or "BPS") is Uruguay's main social security administrative institution responsible for coordinating government social security services. BPS manages the Social Security Fund, comprised by economic resources mainly obtained from: (i) social security contributions (employer contributions and employee contributions); (ii) taxes destined to the BPS; (iii) State financial aid.

BPS renders a wide array of services including retirement pays, pensions, subsidies (illness, unemployment, maternity), family subsidies, direct and indirect medical assistance and social promotion.

2. Administrators of Social Security Saving Funds ("AFAPs")

The Administrators of Social Security Saving Funds (Administradoras de Fondos de Ahorro Previsional or "AFAPs") are private corporations that manage the funds comprised by workers' compulsory individual savings. Control and supervision of AFAPs is effected by the Uruguayan Central Bank.

To receive retirement payments, Uruguayan workers must have reached 60 years of age and must have worked for at least 35 years. Early retirement is possible in certain cases (for instance: illness or accidents).

X.II Contributions

Contributions are borne by both employers and employees and have to be made by the employer both on his/her behalf and as withholding agent for the contributions levied on his/her employees. Contributions must be effected as of the date of initiation of activities of the company.

Contributions are assessed on every income regularly and permanently earned by dependent or non-dependent workers, whether the income obtained is in cash or in kind, as a result of the worker personal activity.

Contributions rates to be paid by employees and employers are broken down as follows:

1. Contribution for Retirement Payments

Employer Rate: 7.5%

Employee Rate: 15 %

No contributions for retirement payments are owed with respect to those portions of the salary or income exceeding \$ 41,244 (approximately US\$ 1,900) in the following cases: a)

when the employee was below 40 years old as of April 1, 1996 or b) when the employee was over that age at that date and opted to make contributions to AFAPs before December 12, 1996.

2. Contribution for Health Insurance

Employer Rate: 5 %

Employee Rate: 6 or 4,5 %

When the contribution paid for health insurance by both the employer and employee does not cover a minimum amount (which amounts to \$ 864 (approximately US\$ 40) an additional sum has to be paid by the employer to cover the difference.

3. Individuals Income Tax

Rates range from 0 % (for those who have a monthly compensation of up to 60 Base of Services and Contributions -"Base de Prestaciones y Contribuciones" or "BPC"-) to 25%.

The following salary tax rates are applicable -- only to employees -- in the following cases:

Salaries below 60 BCP - applicable rate: 0%.

Salaries exceeding 60 and up to 120 BCP - applicable rate: 10%.

Salaries exceeding 120 and up to 180 BCP - applicable rate: 15%.

Salaries exceeding 180 and up to 600 BCP - applicable rate: 20%.

Salaries exceeding 600 and up to 1200 BCP - applicable rate: 22%.

Salaries exceeding 1200 BCP - applicable rate: 25%.

As of the last updating of the present information, the BCP amounts to approximately \$ 1,775 (approximately US\$ 84).

4. Labor Reconversion Fund

Employer Rate: 0.125 %

Employee Rate: 0.125 %

X.III Exceptions

The Executive Branch has the right to establish special regimes or presumed taxable amounts when the salary/ income is received in kind or its amount is uncertain.

As of now, the Presumed Taxable Base (Base Ficta de Contribución or "BFC") applicable in such cases amounts \$ 362 (approximately US\$ 18).

The following contributions are made based on the BFCs:

- (a) Gratifications: Taxable whenever they are regular and permanent. They are presumed regular and permanent when collected three times with similar duration intervals regardless the cause.
- (b) Housing: Taxed at a fixed rate of 10 BFC
- (c) Tips: taxed at a fixed rate of 3 BFC
- (d) Special remuneration for bank cashiers. Taxable whenever are effectively collected by the employee.
- (e) Allowances (i.e.: payments received to cover work expenses, normally travel expenses): If used in the country, taxed at the rate of 50%, if used abroad, 25%. Non taxable when they correspond to reimbursement of actual expenses.
- (f) Specific areas of activity like professional sportsmen, cab drivers, etc. are taxed on a presumed base.

There are other areas of activity not considered for purposes of the present summary.

1. Non taxable compensations

- (a) Certain gratifications: Whenever they are paid by employers discretionally - without having an obligation to do so - or when they are paid for reasons other than the services rendered (for example: in occasion of birth or marriage) or when the gratifications are not regular or permanent.
- (b) Vacation Salary: Exempted of all taxation.
- (c) Food: Non-taxable when provided on working days and under specific circumstances (payment can be in-kind or paid through special tickets issued by the employer or by third parties changeable for food).
- (d) Medical coverage totally or partially paid by the employer (including dental assistance). It also covers the family of the employee under certain circumstances.
- (e) Life and accident insurances whenever they are totally or partially borne by the employer.

Sum of items 3, 4 and 5 shall not exceed 20% of total taxable compensation in cash. The excess over 20% is taxed.

X.IV Independent Workers

Social security contributions assessed on independent workers who do not employ subordinated personnel, apply over 11 BFC.

Independent workers employing personnel are taxed over the highest of the following figures: a) 15 BFC, or b) the highest salary paid.

X.V. Benefits

1. Retirement Payments

In order to receive retirement payments, the following requirements have to be met:

- i) Minimum age for retirement for both men and women is 60 years;
- ii) Minimum period of work: 35 years.

A person can also retire in case of total disability. If the total disability is the consequence of a labor accident, there is no minimum prior working period required to qualify for this benefit.

2. Unemployment Insurance

Uruguayan system of unemployment insurance covers private employees who are able and willing to work but cannot find a job. This insurance does not cover those who are receiving retirement payments, individuals on strike, workers fired or suspended for discipline reasons, nor workers who obtain other income deriving from other subordinated or independent works.

Causes entitling application for such insurance include: i) layoff; ii) temporary unemployment while labor agreement is still in force and iii) partial unemployment (i.e. partial reduction of work).

To apply for this benefit, the worker must have worked for at least six month in the case of employees who receive a monthly wage, or 150 journals in case of employees who receive a journal wage, as the case may be, and during the 12 months immediately preceding the unemployment situation.

Unemployment insurance compensation amounts to 50% of the monthly average salary considering the last 6 (six) nominal monthly remunerations of the employee; insurance compensation can be increased in 20% under certain circumstances, e.g. specific reasons when the employee is married or has family under his/her charge, or especially authorized by the Executive Branch. Maximum amount that can be paid to the unemployed employee by the unemployment insurance is eight minimum national salaries.

3. Health Insurance

Uruguayan health insurance is organized by law and is financed by contributions of both the employer and the employee. Coverage of this insurance includes medical assistance, monetary subsidies, supplementary subsidy in case of professional illness or labor accident, etc.

X.VI Labor Accidents Insurance

Employers have the legal obligation of contracting a commercial insurance to cover labor accidents. There is a monopoly in favor of the Insurance State Bank, which is the only institution legally authorized to offer these insurances. The insurance is mandatory.

X.VII Bilateral Social Security Agreements

Uruguay has signed bilateral social security agreements with several countries in order to recognize social security rights and contributions of expatriate workers (for example recognition of years worked abroad for retirement purposes, etc.). Uruguay has signed treaties of this type with Argentina, Brazil Colombia, Chile, Paraguay, Israel, Italy, Portugal and Spain, among others.

XI. IMMIGRATION PROCEEDINGS

XI.I. Visa Requirements and Procedures

Except for the countries listed below, foreigners entering into Uruguay for tourism purposes are required to show a valid visa.

Visa-exempted countries are the following: Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Belize, Bolivia, Brazil, Bulgaria, Canada, Czech Republic, Chile, Colombia, Costa Rica, Croatia, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Hungary, Iceland, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Lithuania, Lichtenstein, Luxembourg, Malaysia, Malta, Mexico, New Zealand, Nicaragua, Norway, Panama, Paraguay, Peru, Poland, Portugal, Seychelles, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, The Netherlands, Trinidad and Tobago, Turkey, United Kingdom, United States, Venezuela.

Foreigners applying for a Uruguayan visa must submit to the respective Uruguayan Consulate abroad, a valid passport and a plane ticket confirmed, indicating nationality, occupation, marital status, name of spouse, reasons for the trip, address in Uruguay, etc.

1. Employment and Work Permits

If the applicant intends to work in Uruguay for less than three months, it suffices with obtaining a work permit. The requirements to obtain such work permit include: valid passport, the entrance card furnished to the applicant by immigration authorities upon arrival in Uruguay (“the Entrance Card”), evidence of good health, and an employment agreement or proposal of agreement with an entity locally registered with tax authorities. The labor agreement must state the compensation to be received by the worker, and the term of the relationship.

Foreigners desiring to work in Uruguay for more than three months, should obtain a temporary or a permanent residence visa.

Temporary residence visas allow foreigners like scientists, students, teachers, businessmen, etc., to stay in Uruguay for more than three months with the specific purpose of developing in the country activities related to their jobs, up to the completion of such activities. The permit is granted for one or two years, and can be renewed just once, according to the activity developed (as an exemption, scholarship holders can renew the permit until completion of the scholarship term).

The procedure to obtain a temporary or a permanent residence visa is basically the same, and can be summarized as follows:

All proceedings are to be filed with the National Immigration Division (“NID”), located in the city of Montevideo, the capital of Uruguay. The NID is headed by a National Director who reports directly to the Minister of Interior.

Prior to the formal initiation of the residence proceedings, applicants must obtain a good health certificate furnished by the Ministry of Public Health of Uruguay (“MPH”) or by an authorized institution.

The examination at the MPH involves standard tests such as blood, urine, chest-x-rays, blood pressure, etc.

Once the applicant obtains the above medical certificate he/she is in a position to initiate the residence proceedings at the NID.

The following items must be submitted and/or exhibited:

I. For a temporary residence visa:

- (a) Passport;
- (b) Personal photograph;
- (c) Entrance Card furnished by the immigration authorities immediately after arrival in the country;
- (d) Good Health certificate issued by the MPH;
- (e) Evidence of the activity which allows its entrance as a temporary resident;
- (f) Evidence of good character, as indicated in number 4 below;
- (g) If the applicant is escorted by spouse and/or children aged under 18, he/she must present marriage certificate and/or birth certificates, duly legalized -- with the Uruguayan Consulate abroad and with the Ministry of Foreign Affairs in Montevideo -- and translated by a sworn translator.

II. For a permanent residence visa:

- (a) Letter addressed to Immigration Director requesting authorization to request the permanent residence visa;
- (b) Passport;
- (c) Personal photograph;
- (d) Entrance Card furnished by the immigration authorities immediately after arrival in the country;
- (e) Good Health certificate issued by the MPH;
- (f) Evidence of good character, as indicated in number 4 below;
- (g) Evidence of means of support. Where the applicant is to be employed by a local company, a letter of such company containing the promise of employment, normally suffices (some details about the local company are to be filed, including the taxpayer identification number of such entity). Other types of evidence are also admitted, such as a local lease or a locally held bank account.
- (h) If the applicant is escorted by spouse and/or children aged under 18, he/she must present marriage certificate and/or birth certificates, duly legalized --with the Uruguayan Consulate abroad and with the Ministry of Foreign Affairs in Montevideo -- and translated by a sworn translator.

Verification of the applicant's good conduct is normally conducted by the Uruguayan authorities through Interpol services. However, the applicant is required to submit a good conduct certificate issued by the respective police authorities ("certificado de buena conducta") stating that the applicant has no police precedents. The certificate must be issued by the police authorities where the candidate has resided for the last five years. Again, such certificate must be legalized and translated as indicated under number 3 above.

Cost of the residence proceedings amounts to approximately U\$S 50.

If the applicant contemplates to temporarily leave the country, he/she must obtain a "re-entry permit" allowing the applicant to enter into Uruguay again. Such permit is furnished by the NID immediately upon request, entailing a cost of approximately U\$S 15 per re-entry.

Temporary Residence proceedings usually elapse one or two months and Permanent Residence proceedings elapse between six and eighteen months, mostly depending upon the duration of the Interpol inquiries as to the applicant's conduct verification.

In spite of the above time-frame, the applicant is duly entitled to start working immediately after initiation of the proceedings with NID.

Once the residence proceedings have been formally initiated, the applicant is entitled to obtain an Uruguayan identity card from the Civil Identification Bureau ("CIB"), by exhibiting (i) the applicant's passport, (ii) a certificate issued by the NID evidencing that residence proceedings have been filed, and (iii) birth certificate duly translated, legalized and registered with Uruguay Civil Status Registry.

2. The Rights of the Foreign Workers Family

The foreign workers' relatives settling in Uruguay – working or not in the country – must follow the same proceedings indicated under number 3 et seq. above. Except that if they do not intend to work in Uruguay, they are not required to evidence means of support different from those corresponding to the spouse or parent who has already fulfilled such requirement.

3. Ownership of Property

There are no restrictions as to ownership of property by foreigners. Indeed, a substantial part of Uruguay's real estate property is owned by foreigners.

Foreigners may participate in all areas of activity, except for a few sectors which are still reserved for Uruguayan citizens (e.g. ownership of radio and broadcasting companies, etc.).

4. Taxation of Foreign Business Visitors

Foreigners residing in Uruguay are subject to the same taxation applicable to Uruguayan nationals or citizens.

Basically, foreigners working in Uruguay would be subject to (i) social security contributions assessed on the salary collected in Uruguay, (ii) net equity tax (“impuesto al patrimonio”), (iii) personal income tax (“impuesto a la renta de las personas físicas), and (iv) municipal tax in the ownership of real estate property.

XII. ENVIRONMENTAL LAW

XII.I Introduction

Uruguay's environmental regulations are scattered among several bodies of law and enforcement powers are vested upon a wide array of regulators with overlapping authority.

In 1990, the Ministry of Housing, Urban Planning and Environment (the "MHUPE") was established, with the responsibility – inter alia – of formulating, executing, supervising and evaluating national plans related to environmental protection, and implementing the national policy in such respect (Law No. 16,112 of May 30, 1990). In 1997, as per Decree 257/997 (July 30, 1997), the specific agency within the MHUPE in charge of the above functions is the National Direction of Environment.

In 1994, the Environmental Impact Act established – in a comprehensive manner – that an Environmental Impact Study ("EIS") is mandatory in all activities, constructions, works or projects, whether public or private, that may cause a negative or harmful environmental impact (Law No. 16,466 of January 19, 1994); up to then, EISs were only required in a number of areas specifically provided for.

In 1996, the National Constitution was amended to expressly establish – among others – that environmental protection is a matter of national interest (Art. 47).

And the final hallmark in the above trend is the Environmental Protection Act, enacted in 2000 (Law No. 17,283 of December 12, 2000) (hereinafter "EPA" or "the Act"), which among others, contains a general statement of principles, defines certain individual rights and obligations, and entrusts the Executive – acting through the MHUPE – the exclusive coordination of environmental management.

XII.II General Legal Framework

1. Constitutional Provisions

It was only the 1996 Constitutional Amendment which introduced the first environmental provisions into Uruguay's Constitution. Such provisions state that:

- (i) the protection of the environment will be considered an issue of national interest;
- (ii) all individuals must refrain from any acts causing depredation, destruction or severe pollution to the environment; and
- (iii) the Legislature is mandated to implement the constitutional rule and to lay down applicable penalties.

2. National Legislative Framework

(a) Environmental Protection Act

The Environmental Protection Act (“the EPA”) contains a few fundamental statements and principles including a declaration of the objectives of national interest in connection with Uruguayan environmental policy; the Executive – acting through the MHUPE – is vested with the responsibility of exclusive coordination of management – among the several public agencies – in connection with all environmental matters

(b) The Environmental Impact Law (“EIL”)

Law No. 16,466 of January 19, 1994 and its regulatory provisions defines the activities that require prior administrative environmental authorization, including roads, railways, airports, treatment plants, ports, mining projects, etc., and regulates the administrative procedure including the application process and requirements.

The Environmental Impact Study must detail the project and its possible influence area, including a comprehensive environmental analysis; comparing environmental conditions before and after the project, in its building, operation and abandonment stages.

(c) Special Regulations

Other environmental regulations are scattered among several bodies of law, and there are specific provisions dealing – among others – with Air quality, Ozone Layer, Climatic Change, Chemical substances, Hazardous Wastes, Biological Diversity, Bio-security, Soil, Water Quality, etc.

(d) International Treaty Framework

Uruguay is a signatory of several international treaties protecting the environment including the following: Montreal Protocol on Substances that Deplete the Ozone Layer (Law No. 16,157 of November 12, 1990); Vienna Convention for the Protection of the Ozone Layer (Law No. 15,986 of November 16, 1988); Tlatelolco Treaty on the Prohibition of Nuclear Weapons in Latin America (Mexico, 1967) (Law No. 13,669 of July 1, 1968); Convention for the Protection of Flora and Fauna and the Natural Scenic Beauties of American Countries (Washington 1940) (Law No. 13,776 of October 17, 1969); UNESCO Convention for the Protection of the World Cultural and Natural Heritage (Paris 1972) (Law No. 15,964 of June 28, 1998); Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington 1973) (Law No. 14,205 of June 4, 1974); Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (1989) (Law No. 16,221 of October 22, 1991); Convention on the Conservation of Migratory Species of Wild Animals (Bonn, 1979) (Law No. 16,062 of October 6, 1989); Convention on Biological Diversity (Rio, 1992) (Law No. 16,408 of August 27, 1993), to name just a few.

XII.III Protected Areas

It has been declared of national interest the creation and administration of a National System of Protected Natural Areas with the aim of protecting the biological diversity and the ecosystems, preserving the genetic material of the species and endangered national flora and fauna (Law No. 17,234 of March 9, 2000).

XII.IV Liability and Administrative Sanctions

Apart of general crimes with environmental effects included in the criminal code – such as the “damage” crime – there are certain crimes that specifically punish environmental damage.

Those who introduce hazardous wastes into the national territory will be punished with 12 month of prisons up to 12 years of penitentiary. The death of one or more individuals or damage to the environment will be deemed aggravating circumstances (Law No 17,220 of November 17, 1999). The poisoning or adulteration of waters or products destined to human consumption is penalized with 12 months of prison and up to 16 years of penitentiary (Article 218 of the Criminal Code).

The non-voluntary poisoning of water or substances destined to human feeding is penalized with 6 months of prison and up to 6 years of penitentiary (Article 225 of the Criminal Code).

In case of infringement of Environmental Laws, administrative sanctions may be applicable, without prejudice to the civil liability. As per article 4 of EIL, and without prejudice to other administrative or civil sanctions, those who cause depredation, destruction, environmental pollution by breach of the EIL will be held responsible for damages, and will be also required, if materially feasible, to reconstitute the environment.

XII.V Tax Benefits

The Investment Protection and Promotion Act (Law No. 16,906 of January 20, 1998) established a number of tax incentives including: Net Equity Tax (“Impuesto al Patrimonio”) exemption over the acquisition of (i) movables directly applied to the production-cycle and (ii) data processing equipment; Net Equity Tax exemption over constructions made per industrial or agrarian purposes and Value Added Tax (“Impuesto al Valor Agregado”) exemption over importation of the goods above listed. As per the EPA, the Executive is authorized to include in the list of goods referred to in Law No. 16.906, the movable goods destined to the elimination or mitigation of the negative environmental impact or to recompose the affected environmental conditions, and the constructions affected to the treatment of environmental effects of industrial and agriculture/livestock activities.

XIII. INDUSTRIAL AND INTELLECTUAL PROPERTY

XIII.I. Introduction

Main legislative bodies governing Industrial and Intellectual Property protection are: Law No. 17,011 of 25 September 1998 (“the Trademark Act”); Law No. 17,164 of September 20, 1999 (the Invention Patents, Utility Models and Industrial Designs Act) and Law No. 17.616 of January 10, 2003 (“the Copyrights Act”).

Uruguay is also a signatory of several international treaties on the subject matter, including the Paris and Berne Conventions. By virtue of of Law No. 16,671 of December 13, 1994, Uruguay ratified the GATT Treaty (currently World Trade Organization or “WTO”) — containing the commitments made by Uruguay in connection with trade related intellectual property rights aspects —. And as per Law No. 17,052 of December 14, 1998, Uruguay approved the MERCOSUR Harmonization Rules Protocol on Intellectual Property.

XIII.II. Trademarks

The National Direction of Industrial Property (“NDIP”) is the competent public authority and registry in connection with trademark protection.

The Trademark Act (Law No. 17,011 of September 25, 1998) (“the Act”) defines trademarks as every sign capable of distinguishing products or services of an individual or entity from those belonging to others. Non visible signs, as far as technical means so allow, and advertising phrases (“frases publicitarias” or “slogans”) are also susceptible of trademark protection.

The Act includes a list of items that may not be registered as trademark, including the name of the state, national symbols, signs reproducing or imitating coins, symbols used by the Red Cross or the International Olympic Committee, etc.

The right to the trademark is acquired upon registration in compliance with the Act provisions. Registration of the trademark implies the presumption that the applicant is the lawful proprietor of the requested trademark. Exclusive ownership of a trademark is granted only for those goods and services covered by the application. Priority is granted by the date and time when the application was filed.

The protection granted by the registry is for ten years, which term may be unlimitedly renewed for ten-year-periods each. Renewal shall be applied six month before expiration.

The use of the trademark is not compulsory unless it is so established by Executive Branch Decree grounded on public interest reasons.

Opposition to the trademark application may be filed within 30 days as of the date following publication in the Industrial Property Bulletin. Oppositions can be filed both by any individual or entity (with a lawful, direct and personal interest to oppose to the

application) and by the NDIP. Oppositions can be filed by those already owning registered trademarks or trademarks which are under application process.

Under the Act, trademark rights are extinguished: 1) with the expiration of the initial term (10 years) or their renewals; 2) with the consent of the owner expressed in writing to the NDIP (if a license was granted, the licensee must have been notified in writing); 3) with a declaration of invalidity issued by corresponding authorities.

Collective marks (“*marcas colectivas*”) are defined by the Act as those used to identify products or services provided by the members of certain group of individuals or companies. Such marks must be registered specifying the rules for their use, indicating the individuals entitled to use the mark, etc.

Certification or warranty marks are defined by the Act as the sign certifying common characteristics (such as quality, components, nature, etc.) of the manufactured product or the rendered service, by individuals duly authorized and controlled by its owner. These marks may be owned only by public agencies or certain private companies duly authorized. Such entities must be entitled to make quality certifications. These marks cannot be used for products or services rendered by the same entity that holds the trademark and cannot be transferred.

Trademark rights are subject to lease, transfer, pledge and injunctive relief or “attachment” (“*embargo*”). In such connection, the NDIP will keep a registry of the injunctions and injunctive relief imposed upon the use of a registered or applied for trademarks.

A Registry was created by the Act (“*Registro de Licencia de Marcas*”) to file license agreements.

Commercial names (“*nombres comerciales*”) are recognized as industrial property, and are protected by the provisions of the Act.

The Act punishes trademark infringement both criminally and civilly. Criminal infringement can be punished with up to three years of imprisonment.

XIII.III Invention Patents, Utility Models and Industrial Designs

Main legislative body is Law No. 17,164 of 2 September 1999 (“the IPUMID Act”).

National or foreign individuals or legal entities are entitled to own patents governed by the IPUMID Act.

The inventor or designer, and after his death his heirs, have a moral right (over the invention or design) to be recognized as the author of the respective invention or design. Patents shall protect the patrimonial right derived from the Inventions, Utility Models or Industrial Designs.

Rights granted to the inventor or designed by the patent are valid as from the issuance of the resolution that grants the patent, without prejudice to the right of priority or other rights that arise from the application filing.

Infringement of the IPUMID provisions is subject to both civil and criminal sanctions, up to a maximum of three years of imprisonment.

1. Invention Patents

IPUMID Act does not have an express definition of “invention”. However, the IPUMID Act lists the items that can be patented and those which cannot. Patentable items are the new inventions of products or processes which involve inventive activity and have “industrial applicability”.

Industrial applicability means that the process must have an application in an industrial activity. “Industry” is defined in broad terms.

The IPUMID Act provides that the following inventions are not be patentable: a) inventions contrary to the public health, security, environment, etc. and b) diagnosis, therapeutical and surgical methods for the treatment of human beings or animals.

Items not considered “inventions” for purposes of the IPUMID Act include discoveries, scientific theories, mathematical methods; plants and animals; accounting, financial, educational, advertising methods, etc.

Products or proceedings already patented, cannot be patented again on the grounds of implying a different use of the product or proceedings protected by the first patent.

The IPUMID Act establishes a presumption – if there is no agreement to the contrary – in the sense that when the invention is made in the framework of a labor or services agreement (and investigation or research is the precise purpose of the labor or services agreement), the rights arising from the patent correspond to the employer. If the employee’s contribution exceeds the scope of the labor agreement, he/she is entitled to receive a supplementary compensation for the invention.

Patent application must be filed with the NDIP.

Term of the patent is twenty years, counted as from the application date. The application must be published in the Industrial Property Bulletin.

When applicant claims a foreign priority grounded on Art. 4.d of the Paris Convention for the Protection of the Industrial Property (Decree-Law No. 14.910 of July 19, 1979) –, applicant shall have a 90-day-period to add a certificate detailing the date of the deposit and copy of the application issued by the corresponding foreign authority.

Third-parties are entitled to file a grounded opposition to any patent application within a limited time-frame.

The inventor has the right to prevent third parties from the following activities in connection with the patented product: (i) if it is a product: to produce, offer it for sale, sell, use, import or store the product, and (ii) if the invention is a process, use such a process to perform any of the actions included in paragraph (i) in connection to the products to be obtained from the process.

The rights arising from the patent or the application can be transferred or assigned either totally or partially.

Inventors must pay NDIP an annual fee for the patent.

The IPUMID Act provides that the patent may be licensed and even a compulsory license may be obtained by any individual or entity in certain cases.

2. Utility Models

Utility Models can be patented -- according to the IPUMID Act -- when they involve a new disposition or conformation obtained or introduced in tools, utensils, devices, etc. implying an improvement in the use or the results in the functions they are aimed at or other advantages in their use or manufacturing. Utility models must involve at least a minimum inventive process.

Utility model patents are granted for a ten-year-term counted as from the filing application date. The protection can be extended only once for a five-year-term.

3. Industrial Designs

The IPUMID Act defines the industrial model or design as original or ornamental creations incorporated or applied to an industrial or handcrafted product resulting in a special appearance of the product.

This ornamental character can result from -- among others -- its shape, line, texture, color, etc.

The owner of the patent can prevent third parties from different activities that may involve products with the same or similar design (for example: manufacturing, selling, using it, etc.).

Once all application formalities are fulfilled, the application should be published in the Industrial Property Bulletin.

The application must be filed with the NDIP. The term of the registration is ten years (counted as of the application date) with the possibility of only one renewal for five additional years.

XIII.IV. Copyrights

As per Law No. 17.616 of January 10, 2003 (“the Copyrights Act”), the Uruguayan Congress introduced a series of modifications to the existing intellectual Property regime, which dates back to 1937 and which remains in force, with the amendments recently introduced.

The main innovation of the Copyrights Act can be summarized as follows:

The 1937 Act protected the right of the author over its creation and applied to works in the literary, scientific, and artistic fields. It recognized the author’s ownership over the creation of his thought, science or art. The Copyrights Act specifically included in the scope of protection, the rights of artists and performers, as well as the phonogram producers and broadcasting organizations.

Both the 1937 Act and the Copyrights Act expressly recognize that intellectual property rights encompass the possibility of selling, reproducing, distributing, publishing, translating, adapting, transforming, communicating or making public the authors’ works.

Copyrights Act protection covers software (“Programas de Ordenador”) and data bases (but without including the data or material contained in them).

The Copyrights Act provides that the rights it recognizes are independent of the ownership of the material/ physical object to which the work is incorporated.

The benefit of these rights is not subject to any formality or registry.

Term of protection applies during the lifetime of the author and, after his death, for his heirs and legatees for 50 years (counted as of January 1 of the year following the death of the author). Before the Copyrights Act, the term was 40 years after the death of the author. Therefore, those works protected by the Copyrights Act, that are currently under public domain, will return to private domain, to fulfill with the above mentioned term.

In case of anonymous or pseudonymous works, the protection term will be 50 years as from the time the work was lawfully made accessible to the public. In case of collective works, the patrimonial rights are extinguished 50 years after the first publication.

As per article 10 of the Copyrights Act whenever software or data bases are created in the framework of a labor relation – either of public or private nature— which scope of activities is similar to the creation, it is presumed that the author unlimitedly and exclusively transferred the employer the patrimonial rights as well as the moral rights, unless otherwise expressly agreed.

The Copyrights Act also created a series of crimes that punish the infringement of Copyrights law.

Those who with the purpose of making profit or causing an unjustified damage, edit, sell, reproduce (by any means, totally or partially) distribute, warehouse with public distribution aims, or make public through any way or means, an unpublished or published work, a performance, a phonogram or broadcast, without the written authorization of the respective owners or successors, or attribute such a work to an individual different from the owner, will be punished with a minimum of 3 month of imprisonment.

With the same punishment are punished those who manufacture, import, sell, lease or circulate devices or products, parts or tools or render any type of services with the aim of avoiding, eliminating, eluding, etc. the technical devices placed by legitimate owners in order to protect their rights.

Court will also rule the confiscation and destruction of the unlawful copies, and their illegal packing.

Those who, without the purpose of making profit or causing an unjustified damage, reproduce or have reproduced, through any means or procedure, a work, performance, phonogram or broadcast without the written approval of the owner, will be punished with a fine ranging between U\$S 115 and U\$S 17,000 approximately (depending upon the rate of exchange in effect).

Copyrights owners are entitled to request judicial inspection as preventive relief, in order to verify any kind of infringement to the law.

Court – at the party's request – is able to order other preparatory measures or preventive relieves like: immediate suspension of activities such as manufacturing, copying, distribution, communication or unlawful import; seizure or attachment of the illegal copies and the equipment used for such purposes; the attachment over the income obtained from the unlawful activity or, if applicable, any amounts due as compensation.

XIV. FOREIGN TRADE

XIV.I. Introduction

The general principle is the absence of any restrictions for the import or export of all merchandises, products and goods, with a few exceptions, specifically provided for (pharmaceutical and medical products, certain used goods linked to vehicles, trucks, motorcycles, etc).

XIV.II. Imports

Main regulatory body is Law No. 12,670 of December 17, 1959, which sets forth the general principle indicated above.

The Uruguayan Customs Code – enacted as per Decree-Law No. 15,691 of December 7, 1984 – regulates import proceedings. The importer must apply for, declare the import, and be authorized to import in writing, except for those cases where “oral” procedure is admitted. The declaration to be filed by the importer must be complete, correct, and exact.

XIV.III. Antidumping Provisions

Uruguay has signed and ratified the World Trade Organization agreements, including the so-called “Antidumping Code”.

Decree No. 142/96 of April 23, 1996 regulates antidumping procedures following the general guidelines provided in the Antidumping Code, and is aimed at protecting local manufacturing affected by foreign dumping practices. The mechanism is triggered whenever the merchandise imported benefits from dumping, thus damaging national production. It is deemed that an imported product benefits from dumping whenever its export price is below its normal value. The difference between the normal value and the export price, will determine the dumping margin. Special procedures have been laid down to determine the existence of dumping.

XIV.IV. Applicable Tariffs

Uruguay is a party to MERCOSUR, the Southern Cone Common Market comprised by Argentina, Brazil, Paraguay, and Uruguay. Products made in any of MERCOSUR countries benefit from 0% duties; products manufactured out of the MERCOSUR region are subject to the Common External Tariff (“Arancel Externo Común” or “AEC”), a percentage applied over the merchandise value.

Applicable AEC ranges between 0 and 20% depending on the product.

MERCOSUR countries agreed on an Exception Regime (to the AEC) for certain products, so that products included in such an Exception Regime are taxed by each MERCOSUR country at a special rate (normally higher than the AEC). The list of products included in the Exception Regime has been modified and updated in recent years.

AEC is applied in Uruguay through the Global Unified Tariff (“Tasa Global Arancelaria” or “TGA”). TGA is the combination of the following import duties: (i) the Minimum Surcharge (“Recargo Mínimo”); (ii) the Additional Surcharge (“Recargo Adicional”); and (iii) “IMADUNI” (Unique Customs Tax) (“Impuesto Aduanero Único a la Importación”). (Article 4 of Decree No. 484/97 of January 1, 1997).

As per Decree No. 484/997 December 29, 1997, the Minimum Surcharge ranges between 0% and 6 %.

The Additional Surcharge is a supplement of the Minimum Surcharge and is applicable when the sum of the Minimum surcharge plus IMADUNI does not reach the rate applicable to the imported item, specified by the TGA.

The IMADUNI is an import tax whose precise rate can be fixed by the Executive Branch, ranging between 110% and 0%.

As indicated above, in principle, no tariffs are applicable for imports/exports of products registered in MERCOSUR countries. To determine if a product is of “Mercosur Origin”, MERCOSUR countries have approved a Rules of Origin Code.

In addition to the import duties indicated above, imports are also subject to the following internal taxes:

- (a) Value Added Tax. The corresponding rate (22% or 10%, as the case may be) is applicable on the import price plus the TGA; and
- (b) IMESI (Specific Excise Tax) Only applies to certain merchandises specifically listed, like alcoholic and non-alcoholic beverages ; oil, cigarettes, at variable rates, etc.;

Other applicable import-related expenses include the commission charged by the Banco de la Republica Oriental del Uruguay (State-owned bank); the Tasa de Servicio Aduanero (duty to be paid for custom services); port and airport duties; etc.

XIV.V. Exports

The general rule is that exports are not subject to taxation. Exporters benefit from a tax credit for the VAT billed to them -- if effectively related to any stage of the export process -
- for the goods exported.

XIV.VI. The Temporary Admission Regime

The Uruguayan Customs Code defines “Admisión Temporaria” (or “Temporary Admission”) as the tax-exempted introduction to Uruguayan Customs territory of foreign merchandise with an aim different from consumption. Such merchandises must be re-exported either in the same status they were imported, or after being subject to transformation, elaboration or repair.

Goods imported under the Temporary Admission regime do not pay TGA or internal taxes applicable to import. In general, this regime has been designed to allow the introduction of supplies that will be incorporated in an industrial process, and later exported with the finished product.

The general regime is established by Decree No. 380/004 of October 22, 2004. Exceptions are made to specific products, such as automobiles. Parties interested in introducing products through this regime must file an application with the Uruguayan Technological Laboratory (or "LATU"). The party introducing merchandise under the Temporary Admission system must be an industrial importer entity.

Merchandises which can benefit from this system include raw materials, models, packing materials, molds, shipping material, agricultural products, etc.

The time limit for introducing merchandises under the Temporary Admissions regime is eighteen (18) months. Once the period of temporary admission has expired, the merchandise must be either re-exported or – under certain conditions – definitely imported subject to all applicable taxes. If import is made within the first twelve (12) months since the introduction of the product in national territory, for import taxation purposes, the import will be considered to have been done in the day in which the product was first introduced under Temporary Admission. If import is made within the last six (6) months of the eighteen (18) available, taxes will accrue in the day the products are effectively imported.

The temporary admission regime has been recently reviewed – Law No. 18.184 (of 27 October 2007) -- to broaden its scope and benefits.

XV. MINING LAW

The principal mining authorities are the Executive Branch; the Industry, Mining and Geology Ministry (Ministerio de Industria, Minería y Geología or “MIEM”); and the Mining Division, which reports to the MIEM.

As per the Mining Code (Decree-Law No. 15,242 of December 28, 1981), with the amendments introduced by Act 17.930 (December 19, 2005) all mineral substances located in the national territory, are State’s proprietorship.

Mineral deposits are classified according to the legal regime applicable to the mining activity which may be conducted over the same: (i) Class I minerals: includes petroleum, natural gas, coking coal, and other elements which may be used to generate energy on an industrial basis; (ii) Class II minerals: are those included in the Mining Reserve or in the Vacant Mines Registry; (iii) Class III minerals: includes all deposits of mineral substances, both metallic and non-metallic, which are not included in the foregoing groups; also includes deposits of Class IV which are used as raw material for industrial purposes or which are subject to a certain exploitation for a better economic use; and (iv) Class IV: includes those non-metallic mineral substances which are directly used as construction materials without being subject to a prior industrial transformation process.

4. Mining rights corresponding to mineral deposits included in Class I, may only belong to the State or to State competent bodies. Mining rights corresponding to mineral deposits included in Classes II, III and IV may be attributed to private capitals.

Mining rights are sorted out as follows: (i) prospecting rights, defined as the exclusive rights to undertake all search activities in a certain area; (ii) exploration rights, defined as the exclusive rights to undertake in a certain area all activities aimed at the verification of the mine existence, including determination of their characteristics, volume, and economic feasibility; and (iii) concession rights, defined as the exclusive rights to exploit mining substances in a certain area.

Mining rights arise out of the respective “mining titles”, designated as “prospection permit”, “exploration permit”, and “exploitation concession”. Prospection permits are given for terms elapsing between 3 and 24 months, renewable for the same time it was originally authorized, with a maximum of 12 months. When renewal is granted, 50% of the land subject to mining rights must be returned to the State. Exploration permits are given for two-year terms, renewable twice for one year periods each. Exploitation or concession rights are given for a maximum term of 30 years.

In principle, mining rights are assignable, as long as the assignment is previously approved by the competent mining authority.

Concession or exploitation rights may be leased, attached and mortgaged. The mortgage deed must be recorded with the Special Registry carried by the Mining Division within the MIEM, to render effects vis-à-vis third parties.

All mining activities must be conducted in accordance with Uruguayan laws, and subject to the jurisdiction of Uruguayan courts. With the exceptions established in the Mining Code,

all individual or legal entities, whether nationals or foreigners, may benefit from mining rights.

Surface owners are entitled to: (i) compensation for the damages arising from the mining activity; (ii) compensation for the servitudes affecting their property; (iii) demand from the mining rights' principal the acquisition of all or part of his/her real estate property.

All real estate properties are subject to the following servitudes: (i) study servitude; (ii) temporary or permanent occupation servitude; (iii) transit servitude; and (iv) pipelines servitude.

Mining rights are taxed. The tax payable on prospection and exploration rights is an amount in local currency -- periodically updated -- calculated on the ground of the hectares covered by the prospection or exploraton area, as the case may be.

Exploitation rights are subject to a percentage, whose calculation base is the market value of gross product extracted from the mine. For the first five exploitation years, the total percentage is 5% (2% for the State, and 3% for the surface owner); and for the subsequent years, the total percentage is 8% (3% for the State, and 5% for the surface owner).

XVI. BANKING

Banking activities are designated in local legislation under the expression “financial intermediation activities”.

“Financial intermediation” is statutorily defined as the periodical and professional intermediation or mediation between the supply and demand of securities, money or precious metals.

Any entities, whether private or public, conducting financial intermediation activities in Uruguay, are subject to the Banking Act (Decree-Law 15,322 of September 17, 1982, as amended), and to an ample spectrum of administrative regulations laid down by the Executive Branch and by the Central Bank of Uruguay (“BCU”), which is vested with regulatory and monitoring powers. Accordingly, the use of expressions such as “bank” or “banking” is reserved for those entities who have been duly authorized by the Executive Branch to act as banks.

In order to carry on financial intermediation activities, the prior authorization of the Executive Branch -- acting with the previous favorable opinion by BCU -- is required. Along with the application (which among others includes an indication of the capital to be paid-in, relevant background information as to the applicant, a reference as to its directors and managers, contemplated business plan, etc), interested entities must place a deposit equivalent to 20% of the applicable minimum net equity; such a deposit is returned to applicant upon the end of the application process, whichever the result of the same.

The Banking Act admits diverse types of financial entities, including: banks, financial houses (casas financieras) and offshore banks.

Banks benefit from an ample banking license. Only banks are entitled to: operate with checking accounts; receive demand deposits from residents; receive demand deposits from non-residents in local currency; and receive time-deposits from residents.

Financial houses are entitled to undertake all financial intermediation activities, except for those reserved for banks.

And offshore banks (so-called “Entidades de Intermediación Financiera Externa” or “EIFEs” or “IFEs”) are those institutions whose scope is the undertaking of “intermediation or mediation operations between the supply and offer of securities, money or precious metals based abroad”. Such operations may be exclusively undertaken with non-residents. Thus, offshore banks are entitled to operate with checking accounts and to receive demand deposits, all in foreign currency and with respect to non-residents. By and large, offshore banks are exempted from Uruguayan taxes.

Without prejudice to the foregoing, administrative regulations require BCU registration of foreign financial institutions’ representatives (“the Representatives”), defined as those individuals or legal entities who render advisory or technical assistance services, with the aim of preparing, promoting or facilitating business for the companies they represent. Such

Representatives are precluded from undertaking financial intermediation activities; in particular, Representatives may not engage in exchange transactions nor receive money or securities for any concept whatsoever. Representatives are also required to place a US\$ 15,000 deposit with BCU, and to submit periodical information to the latter, including annual financial statements corresponding to both the parent company and the Representative.

Uruguay benefits from a long-standing reputation for bank secrecy protection. Financial intermediation companies are statutorily prohibited from disclosing any information received from their clients or about their clients -- save for certain exceptions--. Such information may be only disclosed upon prior written authorization of the client, or upon a grounded resolution issued by a criminal judge or by a family judge in an alimony matter. Infringement of such confidentiality obligation entails criminal liability.

XVII. CAPITAL MARKETS

XVII.I. Public and Private Offerings

Public offering is defined by the Uruguayan Securities Law (Law 16.749 of May 31, 1996) (“the Act”) as the invitation addressed to the public or to a certain sectors or specific groups within the public, in order to acquire securities.

In order to undertake a public offering, the issuer and the securities to be issued must be duly registered with the Securities Registry carried by Central Bank of Uruguay (“CBU”).

In case of private offerings, registration is not mandatory but the following requirements must be cumulatively met: (i) the offering must expressly state its private nature; (ii) the offering must be directly placed with certain individuals or legal entities; (iii) securities may not be traded through a Stock Exchange; (iv) no publicity may be made for its placement or distribution; and (v) it must be clarified that the offering has not been registered with CBU.

The request for registration with CBU must be made (i) by the issuer or (ii) by a Stock Exchange. CBU benefits from a 30-day term and a 10-day term respectively, to decide upon the application. If CBU takes no action during such terms, the request is deemed automatically approved. Those terms may be suspended, in case CBU requires additional information.

In case of a securities issuance that expressly mentions its international character, the issuer may choose the applicable law and jurisdiction, both in private and public offerings.

1. Registration Requirements

Applications must include: (i) a prospectus draft; (ii) information about applicant’s legal and economic situation; and (iii) information about the product to be offered (type, sample, guarantees, etc.). The issuer would have to prove its legal constitution, that the company is in full force and effect, and that the issuance has been resolved by the competent body of the company.

2. Debt Instruments

The Act does not contain any limits on the amount of debt a company may issue.

Several types of negotiable debt instruments can be issued with diverse rights, but each class would have to grant to its holders the same rights. The issuance may be divided in series. In order to issue new series of the same class, the ones issued before have to be totally subscribed or the unplaced pending balance must be previously cancelled. The titles may be bearer or nominative ones, endorsable or not.

Companies whose capital is expressed or represented by shares may issue convertible debt instruments.

For such a purpose, and at the same time of authorizing the offering, the company must decide an increase in its contractual capital (“face capital”) in order to cover eventual conversion. Holders shall be considered shareholders since the conversion notification is received by the company, and in such a case the company would have a 30-day-term to provide holders with their corresponding shares.

The Act permits any kind of guarantees, whether real or personal.

XVII.II. Investment Funds

Investment Funds are regulated by Law 16.774 of September 17, 1996 (as amended by Act 17.202 of September 8, 1999) and are defined as independent entities which are comprised by contributions made by individuals or entities for their investment in securities or in other assets. Such assets will remain undivided during the fund’s existence.

Investment Funds do not constitute companies nor legal entities and consequently have to be managed by a manager. The fund’s assets would not be liable for contributors’ debts nor for managers’ debts. Contributors responsibility is limited to the amount of their contributions.

The participation in a fund can be represented by bearer or nominative quotas. Funds’ managers shall be companies with nominative shares and with the exclusive scope of administering funds. In order to operate, such companies require an authorization from CBU.

Funds’ manager will represent shareholders before third parties and will be jointly liable before shareholders for damages caused by the non-fulfillment of legal and fund rules.

Funds’ manager are required to apply before CBU in order to obtain an authorization for each fund, by presenting the fund’s regulations.

Foreign funds can be distributed in Uruguay by means of public or private offerings, fulfilling the conditions stated in the first Section above.

XVIII. INVESTMENTS PROMOTION

XVIII.I. Introduction

The aim of the Investments Promotion Law (“IPL”) (Law 16.906 of January 20, 1998) is to promote and protect domestic and foreign investments granting them equal treatment.

Investments are admitted without any prior authorization or registry. The Uruguayan State guarantees the free transferability of capital and profits in freely convertible currency.

IPL sets forth a number of tax incentives, some of which apply automatically, while others apply once the investment project is declared “promoted” by the Executive Branch.

XVIII.II. Tax Benefits

The acquisition of goods which are directly assigned to the productive cycle and the acquisition of equipment for electronic data processing benefits from the automatic application of the following tax benefits: (i) exemption from Net Equity Tax (Impuesto al Patrimonio); (b) exemption from Value Added Tax (“VAT”) and Internal Specific Tax (Impuesto Especifico Interno) on the importation of such goods; and (c) the reimbursement of the VAT included in the purchase of the above goods in Uruguay.

The Executive Branch is also entitled to grant other benefits such as exemptions from Net Equity Tax or establish an accelerated depreciation regime for (i) fixed improvements applied to industrial and agricultural activities; (ii) trademarks, patents, industrial designs, privileges, copyrights, goodwill, commercial names and concessions granted for prospecting, cultivation, extraction or exploitation of natural resources; and (iii) other goods, proceedings, inventions or creations that, in the opinion of the Executive Branch, add new technology and imply technology transfer.

The Executive Branch is also empowered to cut up to three points employers’ social security contributions in the manufacturing industry.

XVIII.III. Special Incentives

Special benefits are granted to investment projects declared “promoted” by the Executive Branch, taking into account if the investment incorporates technical progress, facilitates exports, creates employment, provides productive integration, promotes small and medium-size enterprises or contributes to geographical decentralization.

Such benefits imply exemptions from taxes and charges on the import of machinery and capital goods; exemptions from either all or part of applicable taxes; exemptions from incorporation taxes and capital increase taxes; and exemptions from up to 60% of employer’s social security contributions.

The amount and term of the benefits will be established by the Executive Branch who is authorized to extend the benefits under certain circumstances (location and amount of the project).

Under normal circumstances, the Executive Branch grants (i) exemption from import taxes and charges, (ii) a credit for the VAT included in the acquisition of the materials needed for the project up to certain amount, and (iii) exemption from Income Tax over the profits that are capitalized into the company.

XIX. AGENCY AND DISTRIBUTION AGREEMENTS

There is no specific regulatory framework for agency and distribution agreements in Uruguay; therefore, such agreements are governed by the general provisions contained in the Commercial and in the Civil Codes which are applicable for all type of contracts.

In spite of the absence of legal definitions, it is generally understood that:

- (a) an agency agreement is normally defined as a contract in which one of the parties (“the agent”) is —in the context of a permanent commercial relationship — committed to promote business transactions for the other (“the principal”) in a certain territory or area, for a certain remuneration; and
- (b) a distribution agreement is normally defined as a contract in which one of the parties (“the distributor”) is committed to acquire goods and/or services from the other party (“the supplier”) for the purpose of resale.

Perfection of agency and distribution agreements is not subject to any formality, though it is always advisable to establish the terms in writing.

When no term has been established by the parties, Uruguayan case law — based on the principle under which contracts may not last forever — is in full accord in admitting that the unilateral termination of an agency or distribution agreement does not entail any liability for the terminating party, to the extent that good-faith requirements are met. To fulfill such good-faith requirements, the terminating party shall evidence, alternatively: (i) a just cause of termination; or (ii) a reasonable notice to the other party, when no just cause justified the termination.

XX. TOURISM

Uruguay recognizes tourism as an activity of public interest and a factor of economic, social development (Article 1 of Decree Law No. 14,335 of December 23, 1974).

Decree Law No. 14,335 also recognizes several tourism services providers which are defined as those individuals or entities which -- seeking profit -- perform any of the following activities: tourism lodging; travel agents, tourism transport; realtors; guides, guide-drivers, interpreters and similars; restaurants, bars, enjoyment and leisure centers destined for tourism and other activities in connection with tourism.

In 1986, the Ministry of Tourism was established, with responsibility – inter alia – over the tourism national policy; promotion of tourism industry; control and coordination of the industry; tourism infrastructure; promotion and registration of tourism services providers; attention of the tourist; tourism regions; congresses, conferences; etc. (Decree No. 189/86 of April 2, 1986 and Law No. 15,851 of December 24, 1986).

Decree No. 384/997 of October 15, 1997 provides the criteria for classification of tourism services. Under such Decree, tourism lodging facilities are those establishments providing the tourist with lodging services for a period of at least a night. Lodging facilities are classified as follows: (a) Hotels; (b) Apart-hotels; (c) Bed & Breakfast (Hosterías); and (d) Motels.

Hotels are defined as those establishments which can provide the tourist with lodging, breakfast, reception and other services, with a capacity of at least 10 rooms with 20 places. It must occupy the totality of a building, with entries, elevators and staircases of exclusive use.

Apart-Hotel are those establishments that provide the tourist with lodging services in apartments of common administration and exploitation, offering some of the services corresponding to hotels. Each apartment must have at least a room that may be divisible into bedroom and dining room, must be duly equipped and must have the corresponding furniture, as well as kitchenette and private bathroom.

Bed & Breakfast is the establishment that has either historic value or historic recreation or has local signification that provides the minimum services of a hotel, lodging, breakfast, doorman and services personnel.

Motel is the establishment located outside urban centers or next to significant highways and/or places of historic significance, which renders minimum hotel services, lodging, breakfast, doorman and services personnel.

All establishments providing lodging services which fall under the provisions of Decree 384/997 must be registered with the Ministry of Tourism as a pre-requisite to provide any services.

Tourism industry qualifies for the tax benefits established under the Investments Promotion Law (See chapter XVIII), including exemption from import duties on imports, and exemption from VAT on local acquisitions of goods and services applied into the “promoted” project.

In addition, hotels (registered with the Ministry of Tourism) providing lodging services for non-residents are exempted from VAT, and are also entitled to recover the VAT included in the acquisition of goods and services applied to such services. Similar exemptions benefit hotels (i) leasing convention-lounges for international events, and (ii) providing lodging services for residents and non-residents during the low-season.

XXI. AERONAUTICAL LAW

XXI.I. Introduction

The registration of an aircraft before the National Registry of Aircrafts (“Registro Nacional de Aeronaves”) grants the aircraft the Uruguayan nationality, cancelling any prior registration.

For purposes of the above registration, the owner of the aircraft must be domiciled within the territory of Uruguay.

Additionally, the following documents must be filed:

- (i) Public or private document in which the act to be registered is contained;
- (ii) Certificate of aircraft current value;
- (iii) Certificate issued by the police of buyer’s domicile;
- (iv) If the aircraft was constructed in Uruguay, a final certificate of control and approval issued by the Civil Aviation General Division (“Dirección General de Aviación Civil”) must be enclosed. Otherwise, the ownership has to be proved and the documentation related to the importation and cancellation of former registrations must be presented.

XXI.II. Temporary Registration

A temporary registration in the name of the buyer and subject to the restrictions contained in the contract can be also obtained in the case of aircrafts of no more than six tons of maximum weight. Such temporary registration applies in the case of a sale in which the seller of the aircraft maintains the aircraft ownership title until total cancellation of the sale price, or until the fulfillment of a condition established in the contract.

Requirements for this registration are:

- (a) the contract must be in accordance with the country of origin aircraft regulations and must be registered before the National Registry of Aircrafts.
- (b) The contract must be executed when the aircraft does not have Uruguayan nationality.
- (c) The buyer must be domiciled in Uruguay.

Aircrafts of less weight can follow this proceeding if they are aimed at rendering air transportation regular services.

The registration in buyer’s name and the registration of any lien or restriction arising from the contract must be simultaneously registered.

Once the ownership transfer is completed, the buyer must request definitive registration.

XXI.III. Cancellation of Registration

Uruguayan licence is cancelled in the following cases:

- (a) When the aircraft is used for activities deemed to be (by the Executive Branch) against national interest.
- (b) When used for illegal activities.
- (c) When the owner is not domiciled anymore in the territory of Uruguay.
- (d) In case of destruction, disarmament, lost or abandon of the aircraft.
- (e) When the aircraft is registered abroad.
- (f) When there is an order of a competent authority or a judicial court.
- (g) By owner's request.

XXII. MONEY LAUNDERING AND TERRORISM FINANCING PREVENTION

The growing interconnection of international economic transactions has created a perfect background where licit operations could be used in order to conceal assets from nefarious activities (i.e. drug dealing, bribery, smuggling, arms traffic, kidnapping, prostitution, among other.)

In this context, and following international trend, Law 17.835 (September 23, 2004) provides a general frame for preventing money laundering and terrorism financing.

Article 1 establishes the obligation of informing any suspicious or unusual operation performed by institutions under Central Bank control: banks, financial intermediation institutions, insurance companies, stock brokers, casinos, money transfer agents, real state brokers, art brokers, and administration companies among others. This obligation does not mean breach of bank or professional secrecy and Central Bank can only use it in order to investigate money laundering related crimes.

Furthermore, financial intermediation institutions must communicate Central Bank the existence of assets related to persons identified as terrorists or as members of terrorist organizations by the UN or its system organizations, or those who were pleaded guilty of acts of terrorism by firm settlement (Article 17).

According to article 19, Central Bank and Customs Office must be noticed of cross-border transport of amounts exceeding USD 10,000. Also professionals or companies, that usually renders accounting or administration services to entities which develop financial activities offshore, have to register with Central Bank (Article 20).

Penalties for breaking the aforementioned articles go from approximately USD 90 to USD 1,800,000.

XXIII. TRUSTS

XXIII.I. Introduction

Law 17.703 of October 27 2004 regulates, for the first time in Uruguay, trusts and the parties involved (settlor, trustee and beneficiary).

XXIII.II. Parties

(a) Settlor: Means the owner of the assets which form the trust property and therefore, are transferred to the trustee. The law allows the settlor to be the beneficiary of the trust (the person who will receive the trust property once the contract is terminated). This party can also terminate the agreement if such possibility is so provided.

(b) Trustee: Means the party to whom the trust property is transferred according to the instructions given by the settlor. Although any person or legal entity is entitled to become a trustee without previous authorization, professional trustees must register with the Uruguayan Central Bank. The trustee is not able to be a beneficiary (with the exception of a guarantee trust performed by a financial institution) or a final owner of the trust property.

There could be more than one trustee or a succession of them. Only agreed resignation is permitted.

(c) Beneficiary: Beneficiary is not part of the trust, he will have rights over the trust property after the trust finalization.

XXIII.III. Trust Property

The assets and rights that form the trust property are an asset separated and independent from the trustee's and the settlor's assets. Therefore, it is beyond the scope of creditors of both. Moreover, trustee's personal assets are not at risk from his actions as a trustee.

The trust property can consist of any sort of asset or right. It is a property right that is limited by the settlor's instructions and must be under a finalization term or condition. It can not be granted for more than 30 years.

XXIII.IV. Trust Functioning

(a) Trust agreement: It is a contract entered into by settlor and trustee, with the necessary participation of the beneficiary. As a result, the settlor is obliged to transfer the trust property and pay the trustee for his services, and the trustee is obliged to set as per the instructions given by the settlor. At the finalization of the contract, he must transfer the trust property as established in the agreement. This contract must be written and in some cases it needs public deed. Registration is also needed when registrable assets form part of the trust property.

(b) Will: Trusts can be originated by a will where the regulations must be stated. The rights of the heirs may not be limited by this kind of trust.

(c) Unilateral decision: Only in case of financial trusts for public offering, trusts can be originated in a unilateral decision.

XXIII.V. Finalization

The termination of the trust may occur by the parties' mutual agreement, or by expiration term (maximum term is 30 years), or by achievement of the condition established or by settlor's decision (if that right is expressly stated in the agreement). In addition, the trust ends in the case that the trustee can not perform his obligations and there is not successor.

As a consequence, the trust property is transferred to the designated person or legal entity.

XXIII.VI. Types of Trusts

(a) Investment or administration trust: The trustee manages or invests the trust property.

(b) Guarantee trust: The settlor assumes a debt and secures it by transmitting the assets to a trust. In case of breach, those assets must be sold in order to pay the settlor's creditors without judicial procedure.

The trustee cannot be the final beneficiary of the trust property.

(c) Financial trust: The trustee (only financial institutions or investment funds) issues participation or debt certificates that are guaranteed by asset transferred to the trust. This kind of trust can be originated by unilateral decision of the settlor, who is also the trustee, and the certificates can be offered publicly.

XXIII.VII. Tax Regulations

(a) Non financial trusts: Administration and guarantee trusts receive the same tax treatment as personal companies. Therefore, they are taxed by Income Tax, Value Added Tax, Specific Internal Tax, Social Security Contribution Tax, Capital Tax, Real Estate Transfer Tax, Bank Assets Tax.

(b) Financial trust: This kind of trust is levied on the aforementioned taxes, with the exemption of Real Estate Transfer Tax, Value Added Tax, Specific Internal Tax and Social Security Contribution Tax.