



Latin American Private Equity &
Venture Capital Association

2017/
2018

Scorecard

The Private Equity and Venture Capital
Environment in Latin America



Multilateral Investment Fund
Member of the IDB Group

**Baker
McKenzie.**

With analysis by

**The
Economist**

**Intelligence
Unit**

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2017/2018 LAVCA Scorecard on the Private Equity and Venture Capital Environment in Latin America

Executive Summary

JUNE 2017

Since the publication of the last edition of the bi-annual LAVCA Scorecard in mid-2016, Latin America has seen major shifts in political leadership and the macroeconomic environment. Both Argentina and Peru elected pro-business presidents, albeit by narrow margins, who are ushering in ambitious reforms and whose cabinets include officials with private equity resumes. In Brazil, the fallout from a massive corruption investigation led to the impeachment of one president, and her replacement, who was implicated in bribery schemes, is struggling to remain in power in order to pass much needed reforms. Despite progress in the implementation of energy, telecom, and other reforms, Mexico has been buffeted by a political shift in the US which is forcing a renegotiation of NAFTA. And Colombia signed a long-awaited peace agreement with the country's largest rebel group.

The environment for private equity and venture capital has also shifted, with decreased fundraising for both country level and regional funds in 2016. At the same time, institutional investors pursuing direct investments such as Canadian pension plans and sovereign wealth funds have significantly increased their investments in Latin America's major markets.

As in past editions of the Scorecard, both Chile (71) and Brazil (69) lead the regional ranking, despite downgrades on the indicator for restrictions on local institutional investors. In the case of Chile, popular uprisings against the existing pension fund system have led to a broad review of the regime's viability going forward, further dampening the appetite of Chilean pension funds for participation in local PE/VC funds.

In Brazil, some of the larger pension funds have been subject to investigation related to their investments in FIPs, resulting in a score downgrade. Despite the discovery of endemic corruption permeating the interaction between the public and private sectors, Brazil was not downgraded on the corruption indicator, in recognition of an already low score (1) and the judiciary's persistence in pursuing high profile targets. At the same time, in August 2016 the

SCORING CRITERIA

The 2017/2018 Scorecard on the Private Equity and Venture Capital Environment measures the regulatory landscape for PE/VC investments across 14 countries. The 13 indicators in this study were designed in close consultation between LAVCA and The Economist Intelligence Unit (EIU) research team, and reflected LAVCA's internal consultations with its Members working in the industry.

The real-world relevance of each of the indicators was initially evaluated through in-depth interviews conducted in late 2005. As a result, five of the 13 criteria – tax treatment, minority shareholders rights, restrictions on institutional investors, capital markets development, and corporate governance requirements – received double weighting to reflect their central prominence in investments decisions made by PE/VC funds. Overall score is the weighted total of all Scorecard indicators, ranging from 0-100, where 100 equals the best/strongest environment. For the 2017/2018 edition of the Scorecard, the EIU conducted interviews in February-April 2017 with LAVCA Members who are fund managers or regulators based in the Latin American region. Central sources used in this Scorecard are available on p. 34-35.

Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários* - CVM) completed a comprehensive reform for PE/VC, merging the legal frameworks for PE and VC funds into a unified single framework and facilitating the activities of fund administrators, portfolio managers, and investors.

Mexico (67) remains in third place in the regional ranking, while increasing its overall score by two points with an upgrade in PE/VC fund laws. Mexican regulators approved two new fund vehicles in 2015 as part of the ongoing effort to facilitate the participation of local institutional investors, including a new vehicle specifically targeting the energy and infrastructure sectors (FIBRA-E). It is also worth noting that early stage and venture capital activity has accelerated in Mexico following government programs initially announced in 2013 and aimed at developing the country's entrepreneurial ecosystem. In 2016, Mexico recorded the highest number of VC deals in Latin America for the first time, according to LAVCA Industry Data.

In Colombia (64) policymakers remain engaged in streamlining regulation specific to PE/VC, and the country saw upgrades on three indicators: bankruptcy procedures, use of international accounting rules, and laws on PE/VC fund formation. This last score improvement is a reversal of a downgrade in 2015, as the government approved new rules easing the third-party valuation process. Important changes were also made to the pension fund regime, merging the limits of foreign and local investments in PE funds.

Peru (54) also improved its score and its overall position in the Scorecard ranking with upgrades on two indicators, most notably on restrictions on local institutional investors. The election of a pro-business president in 2016 is expected to translate into increased investments as existing bottlenecks into executing projects are resolved, and the new administration works to facilitate investment in infrastructure projects from both local and international sources of capital.

For the first time since the LAVCA Scorecard was published over a decade ago, Argentina (51) saw major improvements on a number of indicators, moving up by 11 points and three positions in the overall regional ranking. The Macri administration has moved quickly to make the country more investor friendly through an ambitious agenda of reforms. The most notable advances for private capital investors are the passage of the Entrepreneurship Law and the elimination of foreign exchange controls that in the past restricted capital flows in and out of the country.

Uruguay (61) also elected a new, more pragmatic president, giving rise to improvements on four indicators, and Jamaica (51) created a general legal framework for PE/VC investment. Jamaica's Partnership (Limited) Act of 2016 provides a new general framework improving the legal environment for PE/VC fund formation, meriting a score upgrade. The Act recognizes limited partnerships (LPEs), limited liability companies (LLCs), and limited liability limited partnerships (LLLPs), as well as foreign LLLPs and foreign LPs, and two funds have been set up to attract domestic institutional investors.

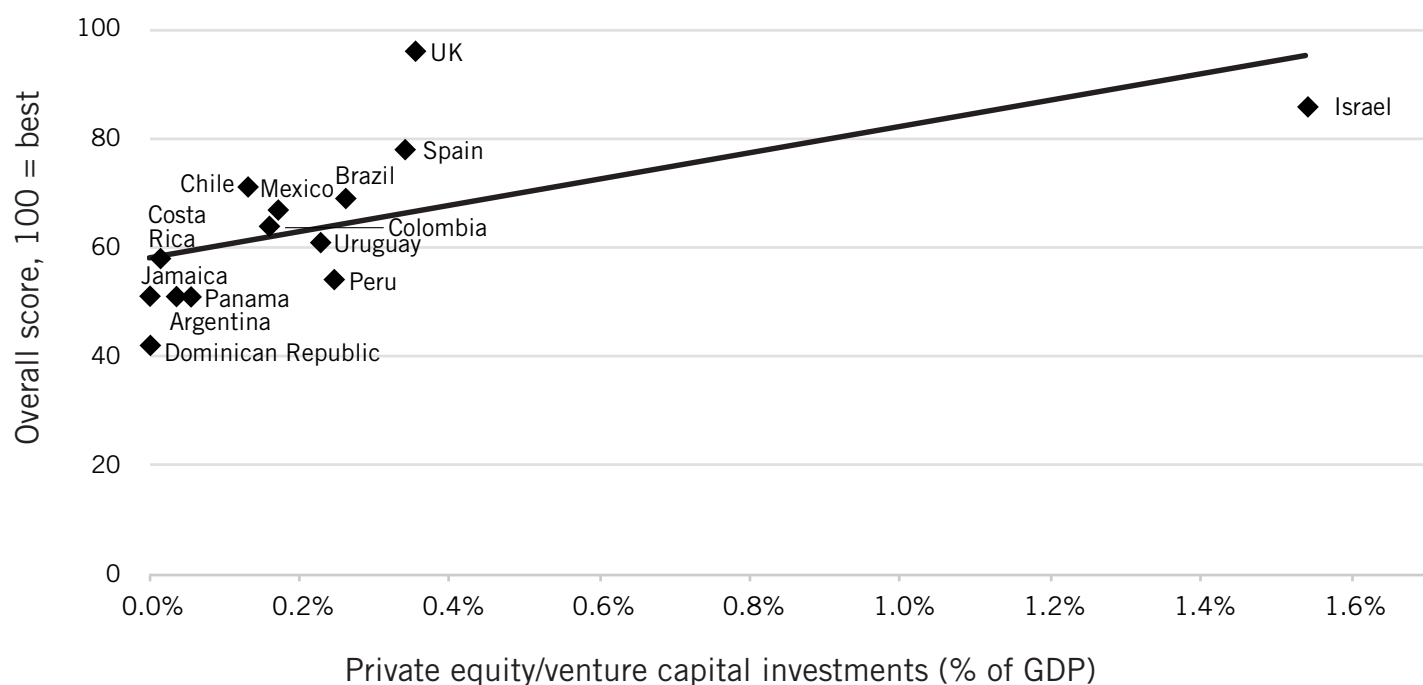
The full list of scoring criteria is:

- Laws on PE/VC fund formation and operation
- Tax treatment of PE/VC funds and investments
- Protection of minority shareholder rights
- Restrictions on local institutional investors investing in PE/VC
- Protection of intellectual property rights
- Bankruptcy regulation (encompassing bankruptcy procedures/creditor rights/partner liability in cases of bankruptcy)
- Capital market development and feasibility of local exits
- Registration/reserve requirements on inward investments
- Corporate governance requirements
- Strength of the judicial system
- Perceived corruption
- Quality of local accounting/use of international standards
- Entrepreneurship

2017/2018 Scorecard

	Argentina	Brazil	Chile	Colombia	Costa Rica	Dominican Republic	Jamaica	Mexico	Panama	Peru	Uruguay	Israel	Spain	UK
Overall score	51	69	71	64	58	42	51	67	51	54	61	86	78	96
Laws on PE/VC fund formation and operation	1	4	3	3	2	2	2	3	2	2	2	4	4	4
Tax treatment of PE/VC funds & investments	2	3	2	2	3	1	2	2	2	1	3	3	4	4
Protection of minority shareholder rights	2	3	3	3	2	2	2	3	2	2	2	4	3	4
Restrictions on local institutional investors investing in PE/VC	1	2	2	3	1	1	2	3	2	3	2	4	3	4
Protection of intellectual property rights	2	2	3	2	3	1	2	2	2	2	3	3	3	4
Bankruptcy procedures/creditors' rights/partner liability	2	3	3	3	2	1	2	3	2	2	3	2	3	3
Capital markets development and feasibility of exits	2	3	3	2	2	1	2	3	2	2	2	3	3	4
Registration/reserve requirements on inward investments	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Corporate governance requirements	2	3	3	3	2	3	2	3	2	3	2	4	3	4
Strength of the judicial system	2	2	3	2	3	1	2	2	2	1	3	4	2	4
Perceived corruption	2	1	3	1	3	1	1	1	1	1	3	3	3	4
Quality of local accounting/use of international standards	4	4	4	3	4	3	3	3	3	4	3	4	4	4
Entrepreneurship	3	3	3	3	2	2	2	3	2	2	2	3	2	3

Overall Score Against PE/VC Investments

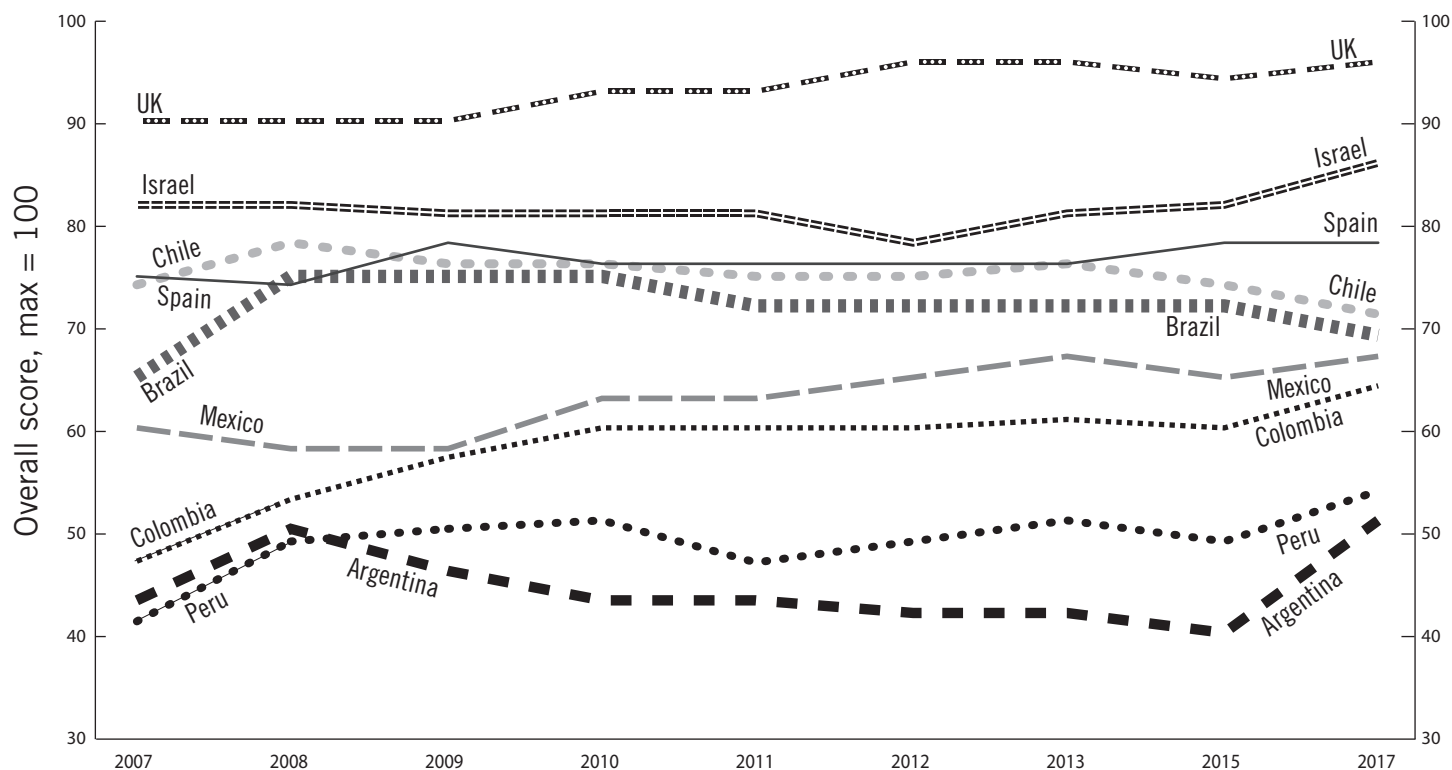


Overall Score Ranked by 2017/2018 scores

Regional Rank	Country	Score <small>(1-100 where 100 = best)</small>	Change from 2015 (▲▼)	PE/VC % GDP
1	Chile	71	▼ 3	0.130
2	Brazil	69	▼ 3	0.263
3	Mexico	67	▲ 2	0.173
4	Colombia	64	▲ 4	0.159
5	Uruguay	61	▲ 7	0.230
6	Costa Rica	58	▲ 2	0.015
7	Peru	54	▲ 5	0.246
=8	Argentina	51	▲ 11	0.038
=8	Jamaica	51	▲ 5	0.000
=8	Panama	51	▲ 1	0.055
11	Dominican Republic	42	0	0.000

Overall score is the weighted total of all scorecard indicators, ranging from 0-100 where 100=best / strongest environment

Evolution of Select PE/VC Markets: 2007-2017



Country Profile

ARGENTINA

	2015	2017
OVERALL SCORE:	40	51
REGIONAL RANKING:	11TH	8TH

The Macri Administration has moved quickly to make the country more investor friendly with an improved framework for both local and international investors, resulting in an upgrade on five indicators. The greatest successes for private capital investors are the passage of the Entrepreneurship Law and a major step toward relaxing the foreign exchange controls that in the past restricted inflows and outflows of foreign currency.

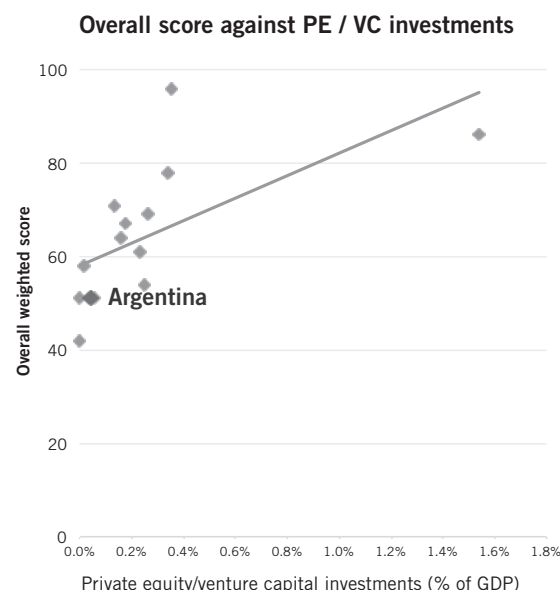
Strengths: Despite the challenges to doing business in Argentina, entrepreneurship continues to be one of the country's major strengths. A new highly successful tax amnesty scheme attracted US\$115b in repatriations representing new sources of capital for infrastructure, real estate, energy, and private capital investments.

Challenges: Local pension funds are not a source of capital for PE/VC and the lack of a specific fund structure for PE/VC investments remains a constraint for the development of the fund industry in Argentina.

	2015	2017	CHANGE
Overall score	40	51	+11
Laws on PE/VC fund formation and operation	0	1	+1
Tax treatment of PE/VC funds & investments	1	2	+1
Protection of minority shareholder rights	2	2	0
Restrictions on local institutional investors investing in PE/VC	0	1	+1
Protection of intellectual property rights	2	2	0
Bankruptcy procedures/creditors' rights/partner liability	2	2	0
Capital markets development and feasibility of exits	2	2	0
Registration/reserve requirements on inward investments	1	3	+2
Corporate governance requirements	2	2	0
Strength of the judicial system	2	2	0
Perceived corruption	1	2	+1
Quality of local accounting/use of international standards	4	4	0
Entrepreneurship	3	3	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Argentina ScoreNotes

Aspects	Score	Notes
(4-0)		
Laws on PE/VC fund formation and operation	1	While the lack of a specific PE/VC legal framework remains a constraint for developing the funds industry in Argentina, a new framework for government involvement in VC fund formation merits a score upgrade. The Entrepreneurship Law (<i>Ley de Emprendedores</i>) of March 2017 allows the federal government to act as a limited partner in VC funds and accelerators. Proposed reforms to the Capital Markets Law would make it easier to form closed-end funds (possibly including PE funds) as well as move toward pass-through taxation provisions. At present, the Funds Law only makes general provisions for funds of various types, and subjects only closed-end funds to double taxation at the fund and investor level. As a result, offshore vehicles are common and funds separate their domestic administrative offices from their incorporated overseas holdings. (ambito.com; infobae.com; Interviews, March 2017; mondaq.com)
Tax treatment of PE/VC funds & investments	2	While Argentina remains a complex, high-tax environment for PE/VC, important improvements have taken place, meriting a score upgrade. The new Entrepreneurship Law qualifies certain VC investors to receive up to a 75% deduction on their investments, up to 10% of their net taxable income. Law 27,260 of 2016 introduced several positive reforms, eliminating or reducing certain taxes for investors. The 10% withholding tax on dividends for foreigners and Argentine residents was eliminated (dropping the effective rate from 41.5% to 35%), as was the 1% alternative minimum corporate tax (as of FY2019). The burden of the personal assets tax has also been significantly reduced, and tax compliant citizens have been granted a 3-year exemption. The law also instituted a successful tax amnesty scheme for those declaring assets and accounts held outside the formal financial system and overseas by end-2016. A significant portion of the US\$115bn repatriated through the tax amnesty is expected to enter the formal economy through investments in the infrastructure, real estate and energy funds over the next few years. The general corporate and capital gains tax rate remains at 35%, taxable on worldwide income with a tax credit on foreign income paid. Non-residents are taxed at a reduced rate of 15% on capital gains from the sale of domestic company shares. Offshore incorporation of fund vehicles is a common strategy to avoid double taxation. (ambito.com; EIU Country Commerce, December 2016; ey.com; Interviews, March 2017)

Argentina ScoreNotes

Aspects	Score	Notes (4-0)
Protection of minority shareholder rights	2	Although laws exist to protect minority rights, enforcement is uneven. Annual board of directors' meetings, registration or publication of share transfers and public notice of shareholder meetings are required under most circumstances. In corporations (<i>sociedades anónimas</i> —SAs), shareholders representing the majority of voting shares must be present at meetings, with decisions taken by a majority of votes. LLCs (<i>sociedades de responsabilidad limitada</i> —SRLs) have the same requirements as SAs (unless control is determined by a partnership agreement), and major decisions require unanimity. Foreign shareholder representatives must be registered in Buenos Aires. In response to interference in corporate boards by the previous government, Congress is considering a reform to the Capital Markets Law of 2013 that would restrict powers of the securities regulator (CNV) to cases in which minority rights of firms are clearly violated. Shareholder agreements are common practice for private companies and international arbitration clauses are chosen by offshore funds. Enforceability can be problematic given lengthy court delays and the lack of automatic deference to foreign court judgments, although the more flexible rules of the 2015 Civil and Commercial Code should help to improve this. The new simplified joint-stock company model, created under the Entrepreneurship Law, may help to overcome challenges with other company types and serve as an alternative model for small and mid-market investments. (EIU Country Commerce, December 2016; Interviews, March 2017; US Country Commercial Guide, 2016)
Restrictions on local institutional investors investing in PE/VC funds	1	The new Entrepreneurship Law allows the government to play a role in setting up and co-investing in VC funds for the first time, meriting a score upgrade. Through a new government fiduciary fund called <i>Fondo Fiduciario para el Desarrollo del Capital Emprendedor</i> (FONDCE), the government will contribute 40% state capital participation in 10 new VC funds over 2017-2019, with a minimum combined capitalization of US\$30m. The December 2008 re-nationalization of social security closed the door to the meager participation of pension funds as institutional investors in PE funds. ANSES, the social security administrator, has no express provision for investing in PE/VC funds nor any apparent interest. Insurance companies are allowed to invest only in liquid, externally-rated instruments. (ambito.com; EIU Financial Services Report, December 2016; Interviews, March 2017)
Protection of intellectual property rights	2	Argentina remains on the Office of the US Trade Representative's 2016 Priority Watch List due to concerns on intellectual property rights (IPR) enforcement and protection. Both physical and digital counterfeiting are problematic and enforcement is rated as non-existent. Although the government has taken steps to improve patent processing times, there is a significant backlog. Informants note conflicts between pharmaceutical labs and brands over IPR, and Argentina does not approve patent applications with claims for common pharmaceutical products. (EIU Country Commerce, July 2016; Interviews, March 2017; USTR, Special 301 Report, 2016)
Bankruptcy procedures/creditors' rights/partner liability	2	The 1995 <i>Ley de Concursos y Quiebras</i> , last modified in 2006, allows firms to restructure debts through an extra-judicial procedure with a simple board majority and approval of two-thirds of creditors. Creditors, however, have limited rights. The insolvency framework prioritizes employees and tax authorities over creditors for receiving payments, and creditors do not have a say in the decision to sell substantial assets of the debtor. The selection or appointment of the insolvency representative does not require creditor approval and creditors can't request information from the representative. However, creditors can object to decisions by the debtor to accept or reject creditors' claims. Bankruptcy liability concerns are not significant for shareholders in corporations (SAs) and limited liability companies (SRLs), and are limited to capital share. (Interviews, March 2017; US Country Commercial Guide, 2016)
Capital markets development and feasibility of exits	2	Argentina has a less developed capital market than neighboring countries. Market capitalization of the Merval, the country's stock exchange, has improved under the current government, increasing from Ps 54.7b in September 2015 to Ps126b in November 2016. The number of listed companies has also grown from 15 to 23; helping to diversify the listings beyond energy companies and financial institutions. While strategic buyers remain the most typical route for investment exit, the outlook for IPOs is improving. (EIU Financial Services, 4th quarter 2016; EIU Risk Briefing; Interviews, March 2017; US Investment Climate Statement, 2016)
Registration/reserve requirements on inward investments	3	The complex and onerous system of exchange controls has been relaxed under the new government, meriting two score upgrades. Minimum stay requirements on capital inflows to portfolio investments were reduced from 365 to 120 days in 2016 and eliminated in February 2017. The non-remunerated deposit requirement for new capital inflows (previously 30%) was also eliminated. Foreign currency proceeds from export of services are no longer required to be repatriated and converted into pesos. Some bureaucratic steps and reporting requirements remain in place, including for remitting profits and registering transactions with foreign counterparts to prove companies are transferring dividends and not other kinds of payments. (EIU Country Commerce, December 2016; Interviews, March 2017; Marval, O'Farrell & Mairal website; US Country Commercial Guide, 2016)
Corporate governance requirements	2	Corporations (SAs) must submit an annual profit-and-loss statement and audited balance sheet to the Justice Inspectorate (<i>Inspección General de Justicia</i>) of the City of Buenos Aires or to provincial authorities for publication in the official bulletin. Companies must have one or more internal auditors, chosen by shareholders, when their capital exceeds Ps10m or when involved in regulated activities. For LLCs (SRLs), if capital exceeds Ps10m, the company must submit an annual report. The company must also have an auditing committee, with at least one regular auditor and one alternate. Additional standards exist for publicly-traded firms. The new Entrepreneurship Law, passed in March 2017, will make it possible to create a new type of simplified business (<i>sociedad por acciones simplificada</i> , or SAS) online in a single day, with significant lesser requirements. (ambito.com; EIU Country Commerce, December 2016; Interviews March 2017, April 2015)
Strength of the judicial system	2	Adjudication of disputes is possible under the Argentinian court systems, although foreign investors often prefer private and international arbitration, due to lengthy decision times. According to the World Bank, commercial dispute resolution takes just under two years, slightly better than the regional average. Argentina has a history of political interference in the judicial system; however, a recent decision by the Supreme Court to strike down a reform to limit the independence of the judiciary system is a positive development. (EIU Country Commerce, July 2016; EIU Risk Briefing; US Investment Climate Statement, 2016; World Bank, Doing Business, 2017)
Perceived corruption	2	While corruption continues to be a challenge, the current administration is taking steps to improve the legal environment, meriting a score upgrade. The government has proposed a series of criminal justice and administrative reforms, including measures on increased financial transparency for government employees and speedier recovery of assets lost through corruption. (EIU Risk Briefing; Transparency International, 2016; US Investment Climate Statement, 2016).
Quality of local accounting/use of international standards	4	Standards in use are in line with international accounting norms. Companies that list equities or securities are required to use IFRSs from 2012, although banks and insurance companies follow standards set by their respective regulators. From 2012, unlisted companies must use either IFRS, IFRs for SMEs, or Argentine GAAP, which is in line with IFRS. International auditors are present and reliable. (Deloitte IASPLUS 2017; Interviews March 2017, April 2015)
Entrepreneurship	3	In 2017, the government passed the Entrepreneurship Law to support the creation of small businesses and strengthen economic recovery. The law seeks to reduce the time needed to create a new business, encouraging formalization of their status through a new legal entity—the simplified joint-stock company (<i>sociedad por acciones simplificada</i> —SAS). The SAS has few bureaucratic requirements and can be created online in a single day. The current administration also created dedicated office to promote entrepreneurship that will issue regulations and enforce its provisions. Informants report that there is good managerial talent and an open entrepreneurial culture. (EIU Country Report; Interviews, March 2017; World Bank, Doing Business, 2017)

Country Profile

BRAZIL

	2015	2017
OVERALL SCORE:	72	69
REGIONAL RANKING:	2ND	2ND

Brazilian pension funds have been subject to investigation related to the “Lava Jato” corruption scandal resulting in a score downgrade on restrictions on institutional investors indicator. Nonetheless, Brazil's judiciaries have been persistent in pursuing corruption and holding those charged accountable. The CVM's approval of a comprehensive reform for PE/VC funds is seen as a positive step forward for the industry.

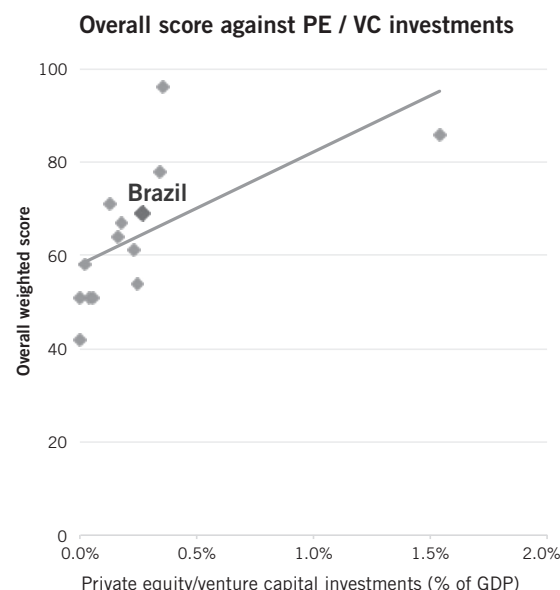
Strengths: The regulatory framework for PE/VC fund formation, tax treatment, capital markets development, and entrepreneurship are among the country's major strengths, though Brazil scores strongly on most indicators.

Challenges: Brazil faces challenges related to corruption, affecting the political and economic stability of the country. There is also work to be done to address property rights as enforcement is lengthy and expensive.

	2015	2017	CHANGE
Overall score	72	69	-3
Laws on PE/VC fund formation and operation	4	4	0
Tax treatment of PE/VC funds & investments	3	3	0
Protection of minority shareholder rights	3	3	0
Restrictions on local institutional investors investing in PE/VC	3	2	-1
Protection of intellectual property rights	2	2	0
Bankruptcy procedures/creditors' rights/partner liability	3	3	0
Capital markets development and feasibility of exits	3	3	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	3	3	0
Strength of the judicial system	2	2	0
Perceived corruption	1	1	0
Quality of local accounting/use of international standards	4	4	0
Entrepreneurship	3	3	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Brazil ScoreNotes

Aspects	Score	Notes
(4-0)		
Laws on PE/VC fund formation and operation	4	In August 2016, Brazil merged the legal frameworks for PE/VC funds by creating a unified single framework. An underlying motive for the reform was that the overarching FIP structure for PE lent itself to additional uses outside of PE, including some instances in which potentially fraudulent investments had taken place. Rule 578 of August 2016 was issued by the Brazilian Securities and Exchange Commission (CVM) and re-categorized VC funds (<i>fundos mútuos de investimento em empresas emergentes</i> —FMIEEs) under the overarching framework for PE funds (<i>fundos de investimento em participações</i> —FIPs). The new regulation divided FIPs into four categories: (a) seed capital (<i>FIP—Capital Semente</i>); (b) emerging companies (<i>FIP—Empresas Emergentes</i>); (c) infrastructure (<i>FIP—Infraestrutura</i>) and intensive economic production in research, development, and innovation (<i>FIP—Produção Econômica Intensiva em Pesquisa, Desenvolvimento e Inovação</i>); and (d) multi-strategy (<i>FIP Multiestratégia</i>). The seed and emerging company categories formerly fell under the VC fund framework. All existing FIPs and FMIEEs must conform by August 2017. New funds must be formed in compliance with the FIP rules. Only qualified investors with at least R\$1m in assets under management may invest in FIPs. Rule 578 also allows FIPs to invest in Brazilian limited liability companies (<i>sociedades limitadas</i>), provided they meet specific requirements, including a restriction that the target company's annual gross profit does not exceed R\$16m. Restrictions on overseas investments have also been lifted, allowing FIPs to invest up to 20% of their subscribed capital in assets overseas, except for the multi-strategy FIPs (directed exclusively to professional investors) which may invest up to 100%. Fund managers also use offshore limited partnerships to structure funds investing in Brazil via FIPs or otherwise. (Correio Brasiliense; Interviews, March-April 2017; LAVCA, Country Policy Overview, December 2016; PwC, September 2016; tozzinifreire.com.br)
Tax treatment of PE/VC funds & investments	3	Brazil has a complex tax system with advantages for foreign investors. The effective corporate rate of 34% applies to companies with over R\$78m in annual gross revenues; financial institutions have a higher effective rate, they pay for social contribution on net profits (15% vs. 9%). Foreign exchange transactions undertaken to invest in Brazilian financial markets are exempt from the financial operations tax (IOF). Foreign investment in regulated PE/VC funds (FIPs) remains exempt from income and capital gains tax provided the investment meets a set of conditions: (a) the funds do not come from entities registered in tax havens, (b) the investor's stake does not exceed 40% of the fund, and (c) the funds do not hold more than 5% of their equity in bonds, not counting Brazilian public bonds. Domestic individual investors in such funds are taxed at 15%. Direct investments by offshore funds in Brazilian companies are assessed a withholding tax on capital gains at a progressive rate between 15% and 22.5%, or 25% if the investor resides in a tax haven. Dividends paid to residents and non-residents are not subject to withholding tax. (EIU Country Commerce, September 2016; Interviews, March-April 2017; KPMG website; LAVCA, Country Policy Overview, December 2016)

Brazil ScoreNotes

Aspects	Score	Notes (4-0)
Protection of minority shareholder rights	3	The corporate law framework extends protections to minority shareholders, and introduces shareholder controls, tag-along rights, mandatory dividend distribution, and others. Shareholders with at least 10% of shares (<i>sociedade anônima</i> —SA) have the right to elect one member of the audit committee. Minority rights, however, are more limited. Special minority protections for matters such as voting rights and board composition apply to special listing segments of the São Paulo Stock Exchange, such as the <i>Novo Mercado</i> . In 2016, a new unified corporate governance code (<i>Código Brasileiro de Governança Corporativa: Companhias Abertas</i>) outlines recommendations including that shareholders' agreements should not govern or transfer to shareholders the exercise of voting rights with respect to day-to-day managerial matters usually decided upon by the board of directors, audit committee or the management in general. Companies are not required to apply the principles in the governance code, but are required to submit an annual compliance report. (EIU Country Commerce, September 2014; Instituto Brasileiro de Governança Corporativa, <i>Código Brasileiro de Governança Corporativa: Companhias Abertas</i> , November 2016; Interviews, March-April 2017)
Restrictions on local institutional investors investing in PE/VC funds	2	Recent corruption scandals have had a negative impact on the operating environment for Brazilian pension funds, leading to a score downgrade. A few pension funds and some FIPs have been the subject of investigations. Although pension funds have been active investors in PE/VC, there has been some dampening effect on PE investing in the short term. It is not clear if this will affect the diminishing propensity to demand a seat on investment committees. By law, up to 20% of a pension plan's portfolio may be invested in PE/VC funds, with no more than 10% invested in the same PE/VC fund. In addition, investments in a FIP cannot exceed 25% of the FIP's net equity. Investments in PE/VC funds that invest abroad must not exceed 10% of assets. Brazilian pension funds are only allowed to invest in foreign PE/VC funds, via other Brazilian investment funds (such as Fundos de Investimento em Ações—FIAs) set up for this purpose. It remains unclear if governance reforms will be necessary to restore confidence, and enable pension funds to resume their robust role in PE. The role of the state development bank (BNDES) in promoting VC, including as co-investors, appears to remain robust, despite cuts in its funding. Insurers have been important but less active investors in PE. (Bloomberg; EIU Financial Services Report, February 2017; Interviews, March-April 2017; Reuters)
Protection of intellectual property rights	2	Brazil has improved legislation and enforcement efforts on IPR in recent years, but remains on the Office of the US Trade Representative (USTR)'s 2016 Watch List. The sale of counterfeit items and online piracy are still problematic. Despite progress made via the online e-Patentes system introduced in 2013, the USTR 2016 report estimates that there was an average pendency of 11 years for patents and 3 years for trademarks. (EIU Country Commerce, September 2016; USTR, Special 301 Report, 2016)
Bankruptcy procedures/creditors' rights/partner liability	3	Bankruptcy rules from 2005 are similar to US Chapters 7 and 11, and include positive aspects such as facilitating protected reorganization and a fast liquidation. The law also created both a judicial reorganization mechanism and an alternative out-of-court proceeding. The extra-judicial mechanism is typically utilized to restructure bondholders when holdouts prevent a collective bargain. The judicial mechanism remains the most common option. Further bankruptcy regulation reform is under consideration and may be submitted in the second or third quarter of 2017. The World Bank's Doing Business 2017 finds that insolvency proceedings take longer and yield a lower recover rate than the regional average. (Emerging Markets Restructuring Journal, Spring 2016; Interviews, March-April 2017; US Country Commercial Guide, 2016; World Bank, Doing Business, 2017)
Capital markets development and feasibility of exits	3	The strength and high turnover rate of the Brazilian stock market offer investors good exit options. Brazil's stock exchange is one of the largest in the world. In 2016, stock offerings went through a slow period, dropping from 17 in 2013 (with ten IPOs) to only two in 2014 (with just one IPO), five in 2015 (with just one IPO), and ten in 2016 (with just one IPO). Early 2017 had two IPOs and three follow-on offerings, including an offering of US\$1.1bn from CCR, a toll road operator. Separately, authorities and lawmakers have been focused on encouraging a culture of equity financing via regulatory changes, including measures to protect minority shareholders, tax reforms and looser listing requirements for SMEs. Despite the size of the country's economy, local currency and derivative markets are relatively underdeveloped. (Abril.com, "Quem entra e quem sai da Bolsa em 2017", December 2016; EIU Financial Services Report, 2017; EIU Risk Briefing; BM&FBovespa's website; Interviews, March 2017, March 2015)
Registration/reserve requirements on inward investments	3	Simple online registration of foreign exchange transactions exists for record-keeping purposes with the Central Bank of Brazil (BCB). The BCB requires registration of all portfolio investments so that foreign parties can acquire foreign currency directly from authorized institutions. There are no reserve or minimum-stay requirements. A current concern of PE funds is increasing costs of custodian accounts, likely a result of banking sector consolidation and heightened compliance concerns. (EIU Country Commerce, September 2016; Interviews, March-April 2017)
Corporate governance requirements	3	The New Corporate Governance Code launched in November 2016 jointly by the CVM, the BM&FBovespa, ABVCAP (the local private equity association), the Brazilian Institute of Corporate Governance (IBGC) and other capital market-related entities, sets out rules and guidelines on best practices for corporate governance and is based on a "comply or explain" principle. Further evidence will be needed to evaluate the code's impact, which may merit a future score upgrade. (EIU Country Commerce, September 2016; Instituto Brasileiro de Governança Corporativa, <i>Código Brasileiro de Governança Corporativa: Companhias Abertas</i> , November 2016; Interviews, March-April 2017)
Strength of the judicial system	2	Although the system is considered to be generally fair, delays reflect the ease with which legal injunctions can be obtained. There is low risk that a contract will not be enforced, but it may be subject to interpretation by state legislatures. The national business lobby has won tax and regulatory concessions to favor their interests over those of foreign companies, but discrimination against foreign companies is diminishing. Recent scandals have heightened scrutiny of the judicial system. The World Bank's Doing Business 2017 estimates an average time of 731 days to enforce a contract, below the regional average of 749. Congress approved a new civil procedure code in 2015, (enforced in March 2016) which standardizes decisions of identical legal actions and encourages amicable resolutions and the use of arbitration. However, critics point out that, while arbitration works well, Brazil will need to provide more support, such as training. (EIU Country Commerce, 2016; Jorno do Brasil, "Novo Código de Processo Civil precisa de infraestrutura, dizem especialistas", March 2017; US Investment Climate Guide 2014; World Bank, Doing Business, 2017)
Perceived corruption	1	Since 2014, the Operation Car Wash (<i>Operação Lava-Jato</i>) corruption scandal has overshadowed the political and business environment. Numerous high-level officials and companies have been implicated in the scandal, which began with the discovery of bribery payments made to Petrobras, the state-controlled energy company. Operation Car Wash also investigated a corruption scheme involving construction companies, which has further spilled across Latin America and has revealed a need for anti-corruption reforms. Against this backdrop, Congress is in the process of introducing new anti-corruption statutes. (EIU Country Report; EIU Risk Briefing; Interviews March-April 2017; US Country Commercial Guide 2016)
Quality of local accounting/use of international standards	4	Brazilian GAAP conforms to IFRS accounting standards. All listed corporations and financial companies must follow IFRS, but it is still not an obligation for non-listed entities. CVM Rule 579, which was issued in August 2016, sets forth rules applicable for the asset valuation of FIPs that are consistent with those of the IFRS. (Comissão de Valores Mobiliários website; Deloitte IAS Plus 2017; Interviews March-April 2017)
Entrepreneurship	3	Although starting a business in Brazil can be a lengthy process, start-up costs remain low. The government provides support for SMEs through subsidized loans and simplified tax procedures. Lending by BNDES has become more austere with a focus on backing infrastructure projects. BNDES funds locally-established VC firms as well as programs supporting entrepreneurs. In 2017, BNDES partnered with INSEED Investimentos to launch CRIATEC 3, a fund for early-stage Brazilian technology companies with a planned investment of R\$220m. CRIATEC 3 is considered the largest early-staged fund to support entrepreneurship in the country. (EIU Country Report; EIU/LAVCA 2017 Survey; FINEP website; LAVCA website; Mondaq website)

Country Profile

CHILE

	2015	2017
OVERALL SCORE:	74	71
REGIONAL RANKING:	1ST	1ST

Popular uprisings against the existing pension fund system have led to a broad review of the regime's viability going forward. At the same time, Chilean pension funds have not been active investors in PE/VC domestically in recent years, compounding uncertainty and resulting in a downgrade on this indicator. The Bachelet administration is perceived as unfavorable by the business community, but the expectation is that a pro-market president will be elected in November 2017.

Strengths: Chile excels in almost all categories compared with regional averages, particularly intellectual property rights, judicial transparency, and perceived corruption.

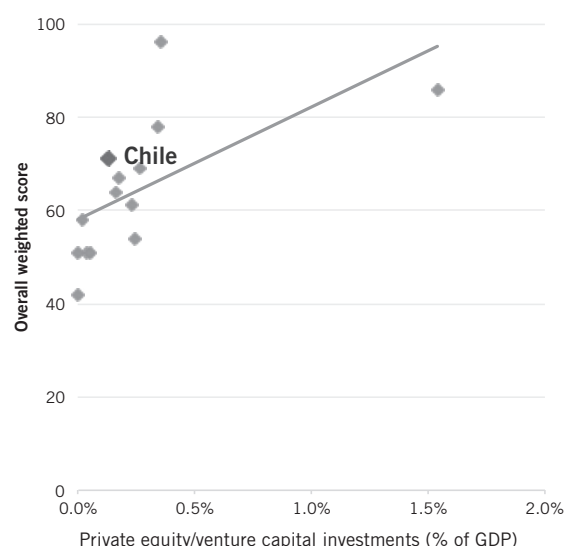
Challenges: Tax treatment continues to be a challenge since Chile's taxation scheme for PE/VC is complex. Restrictions on institutional investors saw a downgrade given the uncertainty around investing in PE/VC funds.

	2015	2017	CHANGE
Overall score	74	71	-3
Laws on PE/VC fund formation and operation	3	3	0
Tax treatment of PE/VC funds & investments	2	2	0
Protection of minority shareholder rights	3	3	0
Restrictions on local institutional investors investing in PE/VC	3	2	-1
Protection of intellectual property rights	3	3	0
Bankruptcy procedures/creditors' rights/partner liability	3	3	0
Capital markets development and feasibility of exits	3	3	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	3	3	0
Strength of the judicial system	3	3	0
Perceived corruption	3	3	0
Quality of local accounting/use of international standards	4	4	0
Entrepreneurship	3	3	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)

Overall score against PE / VC investments



Chile ScoreNotes

Aspects	Score	Notes
Laws on PE/VC fund formation and operation	3	Chile continues to have an investor-friendly legal environment under the auspices of the Single Funds Law of January 2014. The law details provisions on supervision, safeguards, compliance and entry costs, and empowers asset managers to develop innovative products tailored to specific investors. Private investment funds (<i>fondos de inversión privados</i> —FIP) face fewer restrictions and are not supervised by the securities regulator (<i>Superintendencia de Valores y Seguros</i> —SVS). However, companies managing FIPs have to register with the SVS and provide basic information about the FIPs under management. The Single Funds Law also introduced additional challenges, such as requiring investor diversification for companies to maintain their tax-exempt status as a pass-through entity. There is still room to grow and enhance the environment for attracting foreign investment. Few internationally-managed PE funds are currently set up onshore. (EIU Financial Services Report, January 2017; Interviews, January 2017, April 2015; latinlawyer.com; LAVCA, Chile Private Equity Policy Overview, February 8th 2016)
Tax treatment of PE/VC funds & investments	2	The taxation scheme for PE/VC funds and their investors continues to be complex. The first-level corporate tax will reach 25% or 27% in 2018, depending on if the entity is subject to the attribution-based (regime A) or the distribution-based tax regime (regime B). By 2018, combined tax rates for both will be 35% (regime A) and 44.45% (regime B). However, foreign shareholders residing in countries with Tax Treaty pay a reduced combined rate of 35% (FIP), and a 10% rate on taxable profit distributions and capital gains in public investment funds (except public investment funds that are on the stock exchange, which are exempt). When investment funds substantially concentrate their investments abroad, their non-resident shareholders are exempt from capital gains and withholding tax. The corporate tax rates are now applicable to FIPs if they do not fulfil diversified ownership requirements set forth by the 2014 Sole Funds Law. However, beginning on January 21st 2016, for a 4-year term, foreign investors will be entitled to apply for a fixed income tax rate of 44.45%. Foreign investors may waive the fixed tax rate and elect to follow the general taxation scheme with the same rights as resident investors. Resident individuals and non-resident entities are subject to taxes on an accrual basis (progressive tax of 0-35% for resident individuals; flat 35% for non-resident entities and individuals). Some special tax considerations apply: (i) non-resident shareholders of public investment funds pay a 10% sole tax for taxable profit distributions and capital gains; and (ii) Chilean tax law provides non-taxable income regimes for public investment funds traded on the stock exchange, and for capital gains and profit distributions benefiting non-resident shareholders of investment funds with a percentage of their investment activity focused abroad. Finally, fund administrator commissions for non-resident participants are exempt from a value-added tax, and fund investments made abroad are taxed on net earnings. (Carey Abogados website; Deloitte website; EIU Country Commerce, February 2017, January 2016; EIU/LAVCA 2017 Survey; ey.com; Interviews, January 2017, April 2015)

Chile ScoreNotes

Aspects	Score	Notes (4-0)
Protection of minority shareholder rights	3	The Securities Act and the 2010 corporate governance law regulate the issuance of shares for public firms with minority investors and protections for minority shareholders in companies. Private firms face no major requirements beyond addressing the minimum percentage of shares needed to call a meeting or, the voting majorities or supermajorities required for particular decisions. Shareholder agreements are frequently used as the basis for recourse, and have a good degree of enforceability. Stock corporations (<i>sociedad por acciones</i> –SpA) allows for additional flexibility in the transfer of shares, establishment of rights (i.e. drag-along/tag-along rights) and the agreement on and exercise of corporate control; it is frequently used as a corporate vehicle for companies with investments from PE funds. (EIU Country Commerce, January 2016, January 2015; International Bar Association, n.d.; Interviews, January 2017, April 2015)
Restrictions on local institutional investors investing in PE/VC funds	2	Continuing uncertainty over the terms under which pension funds (<i>administradoras de fondo de pensiones</i> –AFPs) may invest in PE/VC funds domestically and abroad merits a score downgrade. These uncertainties may be addressed under the Law to Promote Productivity (Law 20,956 of October 2016), which are required to be adopted by November 2017. Under this law, AFPs and insurance companies would be able to invest in real estate and infrastructure. The law would also replace the current limit of 3% of an AFP's funds under management invested in alternative assets to an overall requirement of between 5-15%. However, authorities need to work defining risk profiles and the investment regimes for each category. Under the law, the restrictive 'feeder funder' structure (currently the only means by which AFPs may invest in international funds) would be amended, increasing the permitted maximum stake in such funds from 35% to 49%. It remains uncertain if AFPs will be permitted to pay fees to international funding managers. As a result, AFPs have frozen investment decisions in the short term. Insurance companies do not face the same restrictions as AFPs and may invest in funds, on and offshore, within the range set by law. (Bloomberg; Economía y Negocios Online; EIU Financial Services Report, January 2017; Financial Times; LAVCA, Chile Private Equity Policy Overview, February 8th 2016; Interviews, January 2017, April 2015; OECD Annual Survey of Investment Regulation of Pension Funds, 2015; Pensions & Investments website)
Protection of intellectual property rights	3	Chile remains on the USTR's Priority Watch List due to pharmaceutical patent protection, satellite signal protection and internet piracy. USTR recognizes progress on IP enforcement and patent processing times. Chile ratified WIPO's Patent Cooperation Treaty in 2008 and in 2011 acceded to the International Convention for the Protection of New Varieties of Plants. Chile was a founding member of the Trans-Pacific Partnership agreement, with stringent IP protection. However, it is pending implementation. (EIU Risk Briefing; EIU Country Commerce, February 2017; Investment Climate Statement, 2014; USTR, Special 301 Report, 2016)
Bankruptcy procedures/creditors' rights/partner liability	3	Chilean bankruptcy procedures have remained unchanged since 2014. The January 2014 insolvency law led to clear improvements including the training of tribunals in new insolvency matters and rulings, the establishment of clearer and more fluent rules for insolvency procedures, and the publishing of all decisions on a dedicated online system. The law provides: (i) a voluntary reorganization procedure; (ii) a liquidation of the insolvent company procedure; and (iii) a cross-border insolvency procedure which equalizes the rights of creditors in the case of cross-border insolvencies. Additionally, for the reorganization procedure a financial protection period. New detailed and more objective regulation on revocation claims brought against contracts or acts executed prior to insolvency and against the interest of the creditors were also established. In accordance with general applicable commercial law, there is no general shareholder liability for a fund's obligations beyond the shareholder's capital contribution. (Carey Abogados website; Interviews, January 2017, April 2015; latinlawyer.com)
Capital markets development and feasibility of exits	3	Chile continues to have the largest stock of credit in Latin America, as well as a higher availability of financing. In recent years, there has been little IPO activity. Despite efforts by companies to publicly offer their shares, only two successful IPOs have taken place on the Chilean market since 2013. In 2016, Lipigas finalized an IPO raising US\$150m and, in 2017, the supermarket chain SMU held a successful IPO raising US\$200m. Despite Chile's comparatively strong capital market, IPO exits remain unfeasible due to low levels of market capitalization, a lack of depth of the local capital market, and associated listing costs. (Bloomberg; EIU Financial Services Report, January 2017; EIU/LAVCA 2017 Survey; Interviews, February 2017, April 2015; MILA website)
Registration/reserve requirements on inward investments	3	There are no reserve requirements or other exchange controls and only simple registration/reporting requirements. A financial analysis unit monitors suspicious financial transactions. Public funds administrators face certain surveillance and reporting requirements to the UAF. The requirement for capital inflows with foreign-exchange guarantees to stay for at least 12 months was eliminated by Law 20,780 effective January 1st 2016. (EIU Country Commerce, February 2017, January 2016)
Corporate governance requirements	3	Compared to publicly-traded companies, the requirements for non-traded companies are less strict. The Securities Act, and laws passed in 2009 and 2013, outline requirements for publicly-traded companies regarding board composition, standard procedures and policies, and annual reporting. General Ruling 341 of 2012 and 385 of 2015, require that all listed stock corporations shall report annually to the SVS, whether they have adopted certain listed standards from a designated protocol, an explanation for why not if that is the case, and any additional standards in place. Non-traded company requirements vary. For example, limited-liability companies (<i>sociedad de responsabilidad limitada</i> –SRLs) do not have a board of directors, while non-listed corporations (<i>sociedades anónimas</i> –SAs) must have at least three directors. Both SRLs and SAs must keep accounting books, but SRLs are not required to present financial statements and have limited taxation reporting requirements, while SAs must issue annual financial statements. Closely-held SAs face a requirement of submitting to an audit. In practice, investors rely a great deal on shareholder agreements to establish workable corporate governance practices in investee firms. SpAs are an intermediate option between SRLs and SAs, allowing for administrative flexibility by permitting shareholders to establish a board or contract an individual or company administrator, to manage the company. In all corporate forms, directors or managers are personally and jointly liable for damages caused by negligence or intentional actions. (EIU Country Commerce, February 2017, January 2016; Interviews, January 2017, April 2015; Montt y Cia)
Strength of the judicial system	3	The judiciary is widely considered to be high quality, with courts viewed as trustworthy. There is little risk of interference in Chile's judicial process. Contract rights are generally upheld and domestic firms do not receive preferential treatment over foreign ones. However, business disputes can take up to five years to resolve due to the volume of cases. The law permits the use of private, alternative dispute resolution mechanisms, and enforceability is perceived as effective. (EIU Country Commerce, February 2017, January 2015; EIU Risk Briefing; Interviews January 2017, April 2015; US Country Commercial Guide 2016)
Perceived corruption	3	Despite recent incidents, Chile has one of the lowest levels of perceived corruption in Latin America. Chile remains a top performer on the Transparency International and World Bank corruption rankings. PE managers cite the illegal flow of private sector money into politics as an issue, such as the incident involving the First Family and illegal real estate transactions. However, anti-corruption advocates view the prosecution of high-profile individuals as a positive sign. (EIU/LAVCA 2017 Survey; EIU Risk Briefing; Interviews February 2017, April 2015; Transparency International, 2016; World Governance Indicators, 2015)
Quality of local accounting/use of international standards	4	The International Financial Reporting Standards (IFRS) are followed by all Chilean firms by law, with different sets of IFRS applicable depending. As of 2009, IFRS are required for all listed firms, and by end-2013, all non-listed firms had completed the transition. Fund managers confirm that accounting standards, including at SMEs, have come into compliance with IFRS norms. (Deloitte IAS PLUS 2017; Interviews January 2017, April 2015)
Entrepreneurship	3	Chile continues to foster a strong entrepreneurial environment. The national economic growth promotion agency, CORFO, funds the Start-Up Chile accelerator, investing US\$40m in 1,300+ companies over six years. CORFO pushes for a diverse portfolio of firms, which raises fund risk. Additionally, CORFO offers attractive financing programs for Chilean VC funds. While there are few barriers to starting a company, corporate expansion is reportedly more complicated. (EIU/LAVCA 2017 Survey; Interviews, February 2017, April 2015)

Country Profile

COLOMBIA

	2015	2017
OVERALL SCORE:	60	64
REGIONAL RANKING:	4TH	4TH

Colombia improved its overall score with an upgrade on three indicators, in part as a reflection of the growing sophistication of regulators. Important changes were made to the pension fund regime merging the limits of foreign and local investments in PE funds. The country is awaiting the results of an historic peace agreement that represents both new opportunities and risks for private investors.

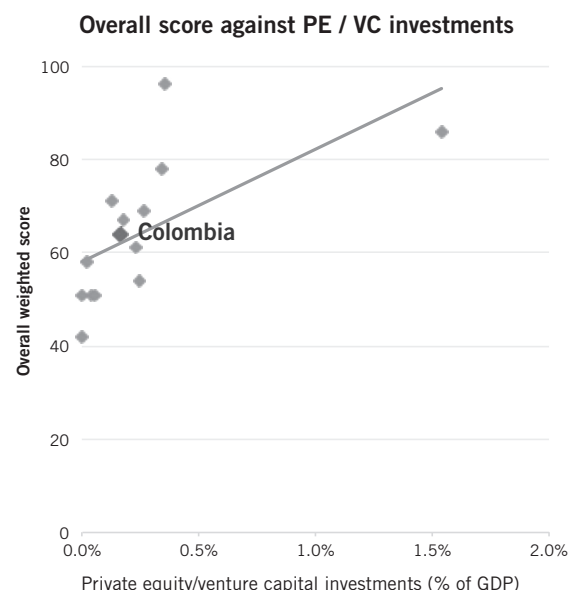
Strengths: The country continues to improve on bankruptcy procedures, corporate governance requirements, and protection of minority shareholders. The reinforced support for entrepreneurship by the government continues to be one of the country's major strengths.

Challenges: The high tax treatment environment remains a challenge for businesses operating in Colombia. The perception of corruption also remains an obstacle for the growth of the local PE/VC industry.

	2015	2017	CHANGE
Overall score	60	64	+4
Laws on PE/VC fund formation and operation	2	3	+1
Tax treatment of PE/VC funds & investments	2	2	0
Protection of minority shareholder rights	3	3	0
Restrictions on local institutional investors investing in PE/VC	3	3	0
Protection of intellectual property rights	2	2	0
Bankruptcy procedures/creditors' rights/partner liability	2	3	+1
Capital markets development and feasibility of exits	2	2	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	3	3	0
Strength of the judicial system	2	2	0
Perceived corruption	1	1	0
Quality of local accounting/use of international standards	2	3	+1
Entrepreneurship	3	3	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Colombia ScoreNotes

Aspects	Score	Notes
Laws on PE/VC fund formation and operation	3	The regulatory burden in Colombia has eased over the past two years, meriting a score upgrade. In order to initiate operations, fondos de capital privado (FCPs) require a "no objection" ruling from Colombia's Financial Superintendence (SFC), which has improved its processing time and now routinely completes requests within the required time frame. Additionally, Circular 015 of March 2016 expands the options for fund managers (sociedades administradoras de fondos de inversión colectiva) to comply with a 2014 requirement to provide periodic, independent valuations of their portfolios. Fund managers were previously required to use one of two official consultants (proveedores de precios) to conduct the evaluation. The new Circular allows fund managers to designate either an independent third party consultant or the general partner in cases when the official consultant does not have adequate methodology to conduct the assessment. A continued complaint of fund managers is that they must provide a daily valuation of each closed and open-ended fund, a requirement that reflects the needs of pension funds but imposes weighty compliance costs on fund managers. (Interviews, February 2017, www.latinlawyer.com ; Superintendencia Financiera website).
Tax treatment of PE/VC funds & investments	2	Colombia's PE/VC tax environment is evolving as a result of major reforms under Law 1819, adopted in December 2016. PE/VC funds are classified as pass-through entities, and investors' tax liabilities depend on their residence and the type of income generated through the PE/VC fund. Companies in which PE/VCs can invest were subject to modifications by Law 1819/2016, which abolishes both the 9% tax and 6% surtax of the Tax on Profits for Fairness (Impuesto Sobre la Renta para la Equidad-CREE). Instead, the law folds the CREE into the corporate income tax, raising the nominal rate from 25% to 34% in 2017, and then falling to 33% in 2018. A new surtax of 6% applies in 2017, but only on entities with taxable income exceeding COP\$800m per year, falling to 4% in 2018 and to zero from 2019 onward. Foreign investors in PE/VC funds through Colombian companies, who receive dividends, are typically not subject to income tax provided they are paid from post-tax profits; they are, however, subject to a 5% dividends tax from 2017 onward. Furthermore, a 10% capital gains tax applies on assets sold after being held for two or more years. Foreign investors may also be required to file an income tax return in Colombia, and may be entitled to credit withholding taxes, if any. (Deloitte, 2016; EIU Country Commerce, January 2017; Interviews, February 2017)
Protection of minority shareholder rights	3	The standard corporate forms, the sociedad anónima (SA) and the sociedad por acciones simplificadas (SAS), require a simple majority for most corporate decisions and 25% approval to call an extraordinary shareholders' meeting. Shareholder agreements are permitted and commonly used to establish voting and special minority rights. Arbitration is common and effective, and foreign investors have at times preferred to take disputes to the Bogotá Chamber of Commerce rather than offshore jurisdictions, because it is less costly. The World Bank's Doing Business 2017 ranks the strength of protection for minority rights for publicly-traded firms in Colombia as well above both the regional average and the OECD average. (Confecámaras website; EIU Country Commerce, January 2017; European Corporate Governance Institute website; Interviews, February 2017, February 2015; World Bank, Doing Business, 2017)

Colombia ScoreNotes

Aspects	Score	Notes (4-0)
Restrictions on local institutional investors investing in PE/VC funds	3	Pension fund administrators (AFPs) are required to offer three different levels of risk, two of which can be invested in PE funds, with limits that were expanded in 2015. Moderate-risk funds originally had a 5% ceiling that was combined into a 10% limit, in both local and foreign PE funds. High-risk funds similarly had a 7% ceiling for each that was combined and raised to 15%. An additional limit for moderate and high-risk funds was introduced (5% and 7% respectively) to promote investments in PPPs and infrastructure projects. Investment concentration limits in individual funds were also raised, from 40% to 50%, provided that the AFP board approves the investment. Parallel changes were adopted in 2016 for insurance companies, already yielding more activity in this sector. Only PE/VC funds that are registered with the National Registry of Securities and Issuers are eligible to receive pension fund investments. Pension funds do not pay taxes on PE/VC investment returns. (EIU/LAVCA 2017 Survey; Interviews February 2017, February 2015; latinlawyer.com, July 27, 2016; OECD Annual Survey of Investment Regulation of Pension Funds, 2015)
Protection of intellectual property rights	2	While Colombia continues to take steps to increase institutional capacity for more effective regulation, supervision and protection of intellectual property rights (IPR), there is still room for improvement in enforcement and prosecution. Colombia remains on the 2016 Office of the US Trade Representative's Watch List for IPR, due to the absence of copyright law amendments and the full implementation of the IPR provisions such as digital piracy and physical counterfeit protections under the US-Colombia Trade Promotion Agreement. The pharmaceutical industry also faces challenges due to the practice of the "second use" principle by Colombian authorities, which may hinder foreign investment in this industry. (EIU Country Commerce, January 2017; USTR, Special 301 Report, 2016)
Bankruptcy procedures/creditors' rights/partner liability	3	Bankruptcy procedures in Colombia have improved, meriting a score upgrade. Amendments in 2010 and 2012 have yielded positive results as successful sales of distressed firms have become increasingly common. Equity shareholders are among those recognized during proceedings and established creditors are guaranteed a vote in the final decision. Shareholders are last in the repayment hierarchy of distressed firms. The World Bank's Doing Business 2017 ranks Colombia significantly ahead of regional averages, and on par with OECD averages, in terms of the time to resolve insolvencies, cost and recovery rate. Liability is limited to capital share for corporations (SAs), limited liability companies (LLCs), and limited SAs (SAS). Limited SAs can be liquidated without permission from the Superintendency of Corporations. (Interviews February 2017, March 2015; US Country Commercial Guide: Colombia, 2016; World Bank, Doing Business, 2017)
Capital markets development and feasibility of exits	2	The Colombian stock market, the <i>Bolsa de Valores de Colombia</i> (BVC), is still relatively small. However, the multi-country MILA stock market, which integrates the stock markets of Colombia, Chile, Mexico and Peru, has the largest number of participating companies in Latin America. Although MILA is still undergoing bureaucratic growing pains, participation in this market is anticipated to increase both foreign investment and the diversity of investable funds. IPO exits remain rare in Colombia. The most recent IPO occurred in September 2014 by the Colombian company <i>Grupo Aval</i> , which raised US\$165m on the New York Stock Exchange. Decree 1019 of 2014 simplifies IPO requirements and helps investors access the "secondary market", widening their reach to include SMEs and infrastructure projects. While the current capital market is small, analysts expect the bond and stock market to deepen over the next five years. The local capital market remains dominated by short-term investment vehicles over long-term options. (EIU Financial Services Report, November 2016; EIU/LAVCA 2017 Survey; EIU Risk Briefing; Interviews, February 2017, March 2015; OECD Committee on Financial Markets)
Registration/reserve requirements on inward investments	3	Foreign investment does not require prior approval, but it must be registered with the Central Bank to guarantee access to foreign currency for repatriation. There are no reserve requirements, minimum-stay requirements, or exchange controls. (EIU Country Commerce, January 2017; Interviews, February 2017)
Corporate governance requirements	3	Updated in 2014, the Code of Best Corporate Practices (" <i>Código Pais</i> ") includes provisions for public companies on subjects including tender offers, related party transactions and audit committees. As of February 2017, 138 companies had adopted the code (up by only one company since April 2015). The World Bank's Doing Business 2017 rates Colombia well above the regional average and slightly above the OECD average on both conflict of interest regulation and shareholder governance for publicly-traded firms. There is a separate voluntary code for privately-held firms created in 2009. (Guía Colombiana de Gobierno Corporativo para Sociedades Cerradas y de Familia, 2009; Interviews, February 2017, February 2015; Superintendencia Financiera website; World Bank, Doing Business, 2017)
Strength of the judicial system	2	Previously, corruption was viewed as a problem afflicting only the lower courts and the civil service; now, even the Supreme Court and Constitutional Court are viewed as susceptible. Since 2011, Colombia has enacted a series of judicial reforms which updated judiciary governing rules and improved checks and balances. The World Bank's Doing Business 2017 ranks Colombia second-to-last in terms of contract enforcement; estimates found that the contract enforcement time in Colombia is double the regional average. International and private arbitration are both available and are preferred to the justice system as a pathway for dispute resolution. Law 1563 of 2012 aligns Colombia's arbitration proceedings with international standards. (EIU Country Commerce, January 2017; EIU Risk Briefing; Interviews, February 2017, March 2015; World Bank, Doing Business, 2017)
Perceived corruption	1	Corruption remains a primary challenge for doing business in Colombia. Despite government efforts, such as joining the OECD Convention on Combating Bribery of Foreign Public Officials in 2013, there has been little progress made. Transparency International's Corruption Perception Index ranks Colombia in the bottom half of Latin American countries. (EIU Country Commerce, January 2017, January 2015; EIU Risk Briefing; Interviews February 2017, March 2015; Transparency International, 2016; US Country Commercial Guide 2016; US Investment Climate Statement 2016; World Governance Indicators, 2015)
Quality of local accounting/use of international standards	3	Colombia continues to make progress to meet international standards, meriting a score upgrade. With the latest tax reform (Law 1819 of 2016), IFRS became the base for tax accounting. However, certain limitations and special rules apply. In January 2014, publicly-traded entities, large companies and collective investment schemes (defined as "Group 1 firms") began implementing IFRS for financial reporting. A December 2014 decree delayed temporarily IFRS asset valuation for tax purposes, requiring these institutions to keep a double set of books for an interim period including 2015 and 2016. "Group 2 firms", comprised of larger firms and medium and large enterprises, began to implement IFRS in January 2016 and must complete the transition by end-2017. "Group 3 firms", which are smaller, follow a simplified accounting regime based on a compilation of standards from the IFRS and the International Standards and Accounting rules issued by the United Nations Conference on Trade and Development. Implementation began in January 2014 and went into full effect by the end of 2015. (Deloitte IAS PLUS 2017; IFRS Foundation, 2016; Interviews February 2017, March 2015; <i>Invierta en Colombia</i> website, Accounting Regulations Applicable to Companies, 2016)
Entrepreneurship	3	The Colombian government has helped foster a supportive environment for entrepreneurs. The <i>iNNpulsa</i> program, created in 2012, is the government's official unit for promoting entrepreneurial growth, tasked with providing training and information, helping to connect entrepreneurs with funds and generally promoting entrepreneurship across the nation. Investors report that in recent years, commercial banks and local chambers of commerce have become more active in early-stage lending and support of entrepreneurs. One example is Ruta N, a city-level initiative in Medellín which encourages and supports local entrepreneurship. <i>Bancoldex Capital</i> and <i>Finagro Capital</i> are also two examples of government initiatives of investments in early stage companies through PE/VC funds. The 2017 Ley Projoven seeks to further incentivize entrepreneurship by exempting new businesses from paying commercial registration fees. The World Bank's Doing Business 2017 rates Colombia as 5th out of 32 countries in Latin America for 'Starting a Business', and the Global Entrepreneurship Monitor estimates Colombia's new business ownership rate to be 11.3%, the second highest in the region. (Colombia joven website; EIU/LAVCA 2017 Survey; <i>Fondo Empezar</i> website; GEM Global Report, 2016/2017; iNNpulsa website; Interviews February 2017; <i>Ruta N</i> website; World Bank, Doing Business, 2017)

Country Profile

COSTA RICA

	2015	2017
OVERALL SCORE:	56	58
REGIONAL RANKING:	5TH	6TH

Costa Rica improved its overall score as a result of government efforts to ascend as an OECD member. The country is one of few in the region with a specific legal vehicle for the creation of funds that can invest in privately-held domestic companies, but most activity remains in the form of regional funds set up through offshore vehicles.

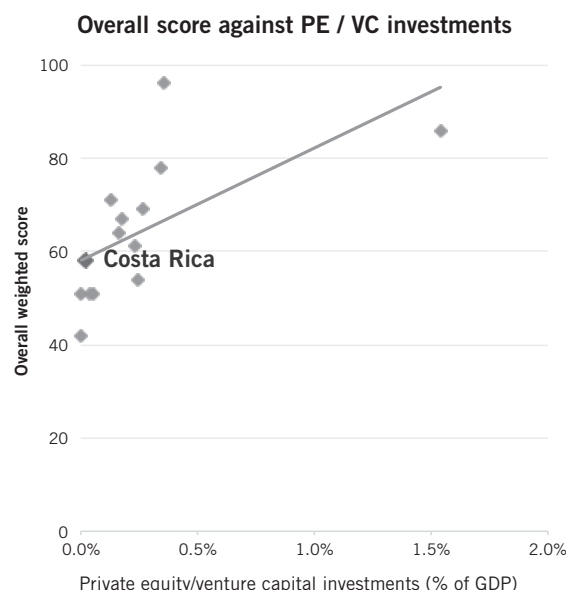
Strengths: The country's strengths are the quality of accounting standards, a strong judicial system, and favorable tax treatment. An upgrade on the protection of minority shareholder rights indicator was made in 2017/2018 improving Costa Rica's overall score.

Challenges: Costa Rica continues to lack a domestically-rooted PE industry despite ongoing efforts. The country's capital markets are still underdeveloped and Costa Rica continues to rank poorly on the entrepreneurship indicator.

	2015	2017	CHANGE
Overall score	56	58	+2
Laws on PE/VC fund formation and operation	2	2	0
Tax treatment of PE/VC funds & investments	3	3	0
Protection of minority shareholder rights	1	2	+1
Restrictions on local institutional investors investing in PE/VC	1	1	0
Protection of intellectual property rights	3	3	0
Bankruptcy procedures/creditors' rights/partner liability	2	2	0
Capital markets development and feasibility of exits	2	2	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	2	2	0
Strength of the judicial system	3	3	0
Perceived corruption	3	3	0
Quality of local accounting/use of international standards	4	4	0
Entrepreneurship	2	2	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Chile ScoreNotes

Aspects	Score	Notes
	(4-0)	
Laws on PE/VC fund formation and operation	2	Initiatives to foster a local PE/VC industry have failed to bear fruit outside of the real estate sector; most investment activity is limited to regional funds set up through offshore vehicles. In 2011, Costa Rica's National Financial System Supervisory Council (CONASSIF) established new requirements and procedures for VC funds (fondos de capital de riesgo) on registering both open and closed funds. However, fund managers (sociedades administradoras de fondos de inversion) find the regulations cumbersome, in particular liquidity requirements for open funds as well as restrictions on the types of investors permitted to participate. The Market for Alternative Shares (MAPA), a 2007 initiative by the National Stock Market (BNV) to improve small and medium enterprise (SME) access to equity financing, has not yielded strong results and only a small number of SMEs have been completed share placements and been listed. A fairly new membership-based, self-described "investment club" co-invests and raises capital among its high-net-worth members for early-stage companies on an ad hoc, company-by-company basis, usually through individualized investment vehicles for each participating investor. (BID/FOMIN/Bolsa Nacional de Valores, Mercado Alternativo para Acciones (MAPA): 2015; Consejo Nacional de Supervisión del Sistema Financiero website; Interviews, February 2017, March 2015; Mercado Alternativo para Acciones website; Superintendencia General de Valores website)
Tax treatment of PE/VC funds & investments	3	Costa Rica continues to have a generally favorable tax environment for PE/VC investing. Only domestically-sourced income is taxable under the tax system's territorial principles, although proposals are being considered to tax income earned outside the country. Capital gains taxes apply only when gains are considered part of the shareholders' "habitual" activities, in which case capital gains are treated as ordinary taxable income, subject to a 30% tax. Local investment funds benefit from a reduced 5% tax applied to the sale of investment assets, although a bill pending before the National Assembly as of March 2017 would raise this rate to 15%. Dividends paid to non-resident shareholders or Costa Rican nationals are subject to a 15% withholding tax (applicable only on post-tax business profits, unlike in most other countries). However, no withholding is assessed if the firm's home country does not allow credits for taxes paid in Costa Rica, in which case the rate falls to 5% when the distributing company is listed on the stock exchange. (EIU Country Commerce, November 2016, November 2014; Interviews, February 2017, March 2015; latinlawyer.com)

Costa Rica ScoreNotes

Aspects	Score	Notes (4-0)
Protection of minority shareholder rights	2	A new law protecting minority investor rights, Legislative Decree 9392 of October 2016, merited a score upgrade. Prior to this law, minority shareholder rights had been poorly understood and protected. The law, passed as part of the country's efforts to join the OECD, gives minority investors the right to be informed about all decisions affecting 10% or more of a company's assets and strengthens due diligence and conflict of interest requirements for CEOs and board members. The law also reduces the shareholder stake required to request an external company audit from 20% to 10%. Limited liability companies are still subject to fewer disclosure requirements and controls compared to corporations (SAs). Fund managers have stated that protections must be incorporated by investors through shareholder agreements and arbitration clauses, which are generally enforceable, as well as through amendments to the company's organizational documents. In some cases, funds seek alternative firm structures, such as investment trusts offshore holding companies through which Costa Rican firms would be subject to the protections established in a different jurisdiction. (Decreto Legislativo 9392, October 2016; EIU Country Commerce, November 2016, November 2014; Gobierno. CR, "Costa Rica se pone al día en protección de inversionistas minoritarios", August 2016; Interviews, February 2017, March 2015; latinlawyer.com)
Restrictions on local institutional investors investing in PE/VC funds	1	Institutional investors in Costa Rica continue to face heavy restrictions on investing in PE/VC funds. Costa Rica's pension system is partially privatized, although the state-owned funds that dominate the market have relative operational autonomy and compete with privately-managed funds. Financed investments in funds are still not permitted under the latest revisions of the investment guidelines (<i>operadoras de pensión complementarias</i> —OPCs), published in March 2017. The guidelines generally restrict OPCs to small holdings in public companies at home or abroad, or to holding low-risk government bonds or commercial paper. Insurance companies are not permitted to invest in PE/VC funds, per the National Insurance Services guidelines, which were last revised in 2014. (EIU/LAVCA Survey, February 2017; Interviews, February 2017, March 2015; Superintendencia de Pensiones (SUPEN), Reglamento de Inversiones de las Entidades Regladas, March 2015; Superintendencia de Seguros (SUGESE), Regulation on the Solvency of Insurance and Reinsurance Companies, October 2014)
Protection of intellectual property rights	3	Despite progress on intellectual property rights enforcement, Costa Rica remains on the Office of the US Trade Representative's Watch List due to a lack of transparency and dedicated IPR resources. The 2011 Government special IPR prosecution unit has yet to be fully implemented. Although licensing agreements exist, most companies operate through direct investment to avoid a burdensome licensing process. The rate of software piracy has declined, but remains high. (EIU Country Commerce, November 2016, EIU Risk Briefing, 2016; Interviews, February 2017; US Country Commercial Guide 2016; USTR, Special 301, 2016)
Bankruptcy procedures/creditors' rights/partner liability	2	Bankruptcy provisions, spelled out in both civil procedures and commercial codes, are clear and similar to US law. As in the US, penal law applies to criminal malfeasance in some bankruptcy cases. The World Bank's Doing Business 2017 ranks the country's insolvency framework just above the regional average, with insolvencies resolved in close to average time, with slightly lower recovery rates and at lower cost. Equity investors are generally not liable beyond the amount invested, but managers and board members are. Investors can hold fund management companies responsible for damages caused by directors, employees or others working for the fund. (Interviews, February 2017, March 2015; latinlawyer.com; U.S. Country Commercial Guide 2016; World Bank, Doing Business, 2017)
Capital markets development and feasibility of exits	2	Local exits are rare and M&A is the most viable exit option for PE/VC funds. Securitization is another exit option open to infrastructure and power generation companies following the publication of new rules issued by the country's financial systems regulatory authority (CONASSIF) in 2014. Under these rules, investment vehicles can be created and publicly traded as a means to finance public works projects. The main Costa Rican exchange, the <i>Bolsa Nacional de Valores</i> (BNV) has few firms listed. The BNV trade volume declined to US\$49bn in 2016 from US\$54.1bn in 2015. Most of the trade volume corresponds to public debt. Foreign investors have easy access to local markets, and de-listings have become common as international companies acquire domestically-listed firms. (Bolsa Nacional de Valores website; EIU Country Finance, February 2012; Interviews, February 2017, March 2015, February 2013, January 2011)
Registration/reserve requirements on inward investments	3	There are no exchange controls, such as minimum-stay requirements or taxes on inward investment. All foreign-exchange transactions exceeding US\$10m must take place through the <i>Banco Central de Costa Rica</i> (BCCR), while others may take place through the national banking system and private banks. There are no requirements on where proceeds can be deposited; however stringent "know your client" regulations require banks to keep a record of all transactions above US\$10,000. Registration of capital is not mandatory, but the Central Bank does not guarantee availability of foreign exchange for repatriation of non-registered investments. (EIU Country Commerce, November 2016; US Country Commercial Guide, 2016)
Corporate governance requirements	2	In preparation for entering the OECD, Costa Rica adopted a new corporate governance regulatory framework in December 2016. The SUGEFE Acuerdo 16-16 establishes guidelines for financial institutions including fund management companies. When this new regulatory framework goes into effect in June 2016, it may lead to a significant improvement in corporate governance in Costa Rica. The new regulations require financial institutions to have at least two independent directors, establishes audit committees and defines their powers and strengthens provisions and restrictions regarding conflicts of interest, related party transactions and due diligence. Legal norms in these areas, as well as training and jurisprudence, had previously been weak, particularly for financial institutions. Shareholder agreements and arbitration clauses are still deemed necessary to shore up deficiencies in invested firms. Bearer shares are forbidden. (Acuerdo SUGEFE 16-16, Diario Oficial Gaceta Oficial, December 2016; EIU Country Commerce, November 2016, November 2014; Interviews, February 2017, March 2015)
Strength of the judicial system	3	The judiciary is independent, and it is highly unlikely that future governments will violate this well-established provision of the constitution. However, the slowness and complexity of the judicial process are not expected to be substantially improved in coming years. US investors report that legal challenges initiated through the arbitration system are not uncommon. While the law permits and facilitates commercial arbitration, specialized commercial courts do not exist. Respect for the rule of law, which is higher than in most Latin American countries, will reduce uncertainty for foreign investors and ensure continued political stability. Contracts are generally upheld and investments are secure. (EIU Risk Briefing; US Country Commercial Guide, 2016)
Perceived corruption	3	Despite some isolated cases, corruption is not viewed as a problem. Costa Rica has an independent judiciary and its state institutions have avoided infiltration by interests allied to the illegal drug trade. US firms have not identified corruption as a major risk, but there have been allegations of corruption in the administration of public tenders and in the processing of permits. Costa Rica ranks in the top half for the region on the Transparency International 2016 Corruption Perception Index. Similarly, Costa Rica scores a 75% on the World Bank's 2015 Control of Corruption indicator, outperforming the regional score of 53%. (EIU Risk Briefing; Transparency International, 2016; US Country Commercial Guide, 2016; World Governance Indicators, 2015)
Quality of local accounting/use of international standards	4	With the exception of financial institutions and some smaller firms, all business entities in Costa Rica follow IFRS. Listed companies are required to prepare financial statements under IFRS, while financial entities follow the accounting guidelines of their respective regulatory agencies. IFRS for SMEs requires the publication of financial statements. Private share placement in the Market for Alternative Shares (MAPA) requires the use of IFRS by invested firms. (Colegio de Contadores Públicos de Costa Rica, Acuerdo 504-2010, September 2010; Deloitte IAS PLUS 2017; Interviews, February 2017, March 2015)
Entrepreneurship	2	While the Costa Rican government is making efforts to promote new business development, the overall entrepreneurial environment remains weak. The development bank of Costa Rica (<i>Banca para el Desarrollo</i> —SBD) has initiatives to promote entrepreneurship, including supporting business incubators, providing financing and cost reduction programs for SMEs and streamlining bureaucratic processes for new businesses. However, the number of procedures required is still above the regional average and acts as a deterrent to new entrepreneurs. Investors cite a lack of institutional expertise and extensive timelines as additional challenges. This is reflected in Costa Rica's low rate of new business ownership (4% versus the regional average of 8%) as estimated by the Global Entrepreneurship Monitor. (GEM Global Report 2014; Interviews, February 2017, March 2015; Sistema de Banca para el Desarrollo website)

Country Profile

DOMINICAN REPUBLIC

	2015	2017
OVERALL SCORE:	42	42
REGIONAL RANKING:	10TH	11TH

While the overall environment for PE/VC investments has not changed substantially, ongoing progress in the business climate in the Dominican Republic has been made under stable political leadership. The reelection of a popular pro-business president points to a continuation of this trend. A new entrepreneurship law (Ley de Emprendimiento) was passed in an effort to promote the creation of new businesses in the country.

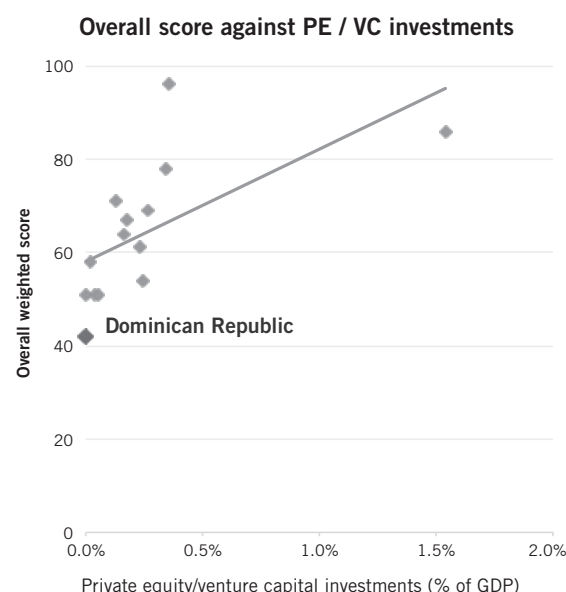
Strengths: The country maintains high scores on requirements for inward investments, international accounting standards, and corporate governance.

Challenges: The PE/VC industry remains largely underdeveloped and continues to score poorly on the majority of indicators including restrictions on institutional investors, tax treatment, and the strength of the judicial system.

	2015	2017	CHANGE
Overall score	42	42	0
Laws on PE/VC fund formation and operation	2	2	0
Tax treatment of PE/VC funds & investments	1	1	0
Protection of minority shareholder rights	2	2	0
Restrictions on local institutional investors investing in PE/VC	1	1	0
Protection of intellectual property rights	1	1	0
Bankruptcy procedures/creditors' rights/partner liability	1	1	0
Capital markets development and feasibility of exits	1	1	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	3	3	0
Strength of the judicial system	1	1	0
Perceived corruption	1	1	0
Quality of local accounting/use of international standards	3	3	0
Entrepreneurship	2	2	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Dominican Republic ScoreNotes

Aspects	Score (4-0)	Notes
Laws on PE/VC fund formation and operation	2	The 2011 Trust Law was originally seen as a promising step toward creating viable locally-domiciled PE funds, but only limited activity has taken place, primarily in real estate. The law allows for the formation of investment trusts (<i>fideicomisos de inversion</i>) as well as public offering trusts (<i>fideicomisos de oferta pública</i>). Fund managers (<i>administradoras de fondos de inversión</i>) may administer either open- or closed-end funds but not both, and they must be registered as ' <i>sociedades administradoras de fondos de inversión</i> ' with the Securities Superintendency (<i>Superintendencia de Valores</i>). Tax exemptions for trusts and eligibility for pension fund investments are only granted on a discretionary, case-by-case basis, and pension funds are mostly only active in real estate investment funds. As of February 2017, there are ten registered investment fund managers, including non-PE fund managers. Most investment trusts are created by and funded overwhelmingly by banks or insurance companies. Offshore entities have remained the structure of choice for international fund managers operating in the Dominican Republic, many of which invest there as part of regional funds. Dominican investors have moved toward operating PE funds set up as local companies, not subject to express regulation except under general company law. Angel investing continues to expand, both through pooled capital investments and private share placements through angel networks. (Interviews, March 2017, April 2015; latinlawyer.com; Superintendencia de Valores website)
Tax treatment of PE/VC funds & investments	1	The tax regime remains burdensome for PE/VC investing. The flat income tax rate for corporations (applicable at the same rate to capital gains) was reduced under a 2012 reform to 28% for 2014 and stands at 27% from 2015. It also applies to Dominican-sourced income of non-resident individuals and corporations not domiciled in the country. In addition to the capital gains tax paid by sellers, purchasers of shares in Dominican companies must withhold 1% of the purchase price. Withholding tax on dividends paid to a resident or non-resident stands at a 10% rate since January 2013. Pass-through is not automatic and must be structured carefully through shareholder agreements. The 2011 Trust Law establishes certain tax exemptions for investments in public offering and investment trusts, yet in practice tax authorities have been slow or reluctant to grant it and only consider exemptions on a case-by-case basis. (ey.com; Interviews, March 2017, April 2015)

Dominican Republic ScoreNotes

Aspects	Score	Notes (4-0)
Protection of minority shareholder rights	2	The Dominican Republic's business culture, which is traditionally centered on family-owned businesses, has been slow to accept a significant or meaningful role for outside shareholders. General company law protects some basic minority rights including pre-emptive rights in the event of new shares subscription, information rights, and the right to file derivative lawsuits against directors. For corporations (<i>sociedad anonimas-SA</i>), auditing and reporting requirements facilitate minority board member access to financial information. Minority rights are weaker in the limited liability company form (<i>sociedades de responsabilidad limitada-SRL</i>), although a one-tenth minority can vote to appoint an independent accountant to conduct audits. Simplified corporations (<i>sociedades anonimas simplificadas-SAS</i>) are not required to form a board. Stronger protections may be incorporated into revised company statutes or changes in bylaws, and investors often prefer that companies set up under offshore jurisdictions to strengthen protections. Shareholders' agreements are generally valid and enforceable. The World Bank's Doing Business 2017 rates the country above the regional average on strength of minority investor protection in publicly traded firms. (Interviews, March 2017, April 2015; Ley General 479-08; International Finance Corporation/American Chamber of Commerce Informe Sobre Gobierno Corporativo en la Republica Dominicana, 2014; World Bank, Doing Business, 2017)
Restrictions on local institutional investors investing in PE/VC funds	1	As with PE/VC funds, pension funds have not matched expectations of increased investment activity following the passage of the 2011 Trust Law. Investments by pension funds are subject to prior authorization and approval including quarterly risk classifications. Fund managers for such investments must also have at least US\$10m under management and two years of experience; furthermore, the fund instrument must have been created at least six months prior and have three separate, unrelated investors committed. While pension fund investment limits in other types of instruments (e.g. 30% for equity investments) have been specified and modified since 2011, no specific limits have been set for investment trusts and public offering trusts. Investments abroad remain prohibited for pension funds. Under the Insurance Law of 2002 (mostly recently revised in 2015), insurers remain restricted from engaging in most equity investments and there is no provision for investing in PE or VC instruments domestically or abroad, although they can set up their own investment or public-offering trusts. (Interviews, March 2017, April 2015; Ley de Seguros y Fianzas 146-02; OECD, Annual Survey of Investment Regulation of Pension Funds, 2015; Superintendencia de Pensiones website)
Protection of intellectual property rights	1	Protection of intellectual property rights (IPR) has slowly advanced in recent years, but there is still room for improvement. The country has undertaken measures to allocate more resources for enforcement, but advances are limited by budgetary and institutional constraints, as the nation lacks the technical expertise to support enforcement. The country remains on the Office of the US Trade Representative (USTR)'s 2016 Watch List for IPR infringement, owing to the widespread availability of pirated and counterfeit products, satellite signal piracy and a long-standing patent application backlog. Experts note the importance of registering IP in both the Dominican Republic and abroad for ensured protection although the latter can be costly and time consuming. (EIU Risk Briefing; Interviews, April 2015; US Investment Climate Statement 2016; USTR, Special 301 Report, 2016)
Bankruptcy procedures/creditors' rights/partner liability	1	An improved bankruptcy law, the Restructuring and Liquidation of Business Entities and Merchants Law (Law 141-15 of August 2015), went into effect in February 2017 and may lead to future improvements. Under the law, a debtor company will now be able to continue to operate for up to five years during reorganization proceedings. Specialized courts with exclusive jurisdiction over insolvency, including the orderly winding-down and sale of distressed firms were created under the new law. Capturing the impact of the pre-2017 legal environment, the World Bank's Doing Business 2017 finds that resolving bankruptcies is more costly and slower than regional averages, with a lower recovery rate. In principle, shareholder liability is limited to capital share. (Interviews March 2017, April 2015; Pellerano & Herrera, November 2016; US Country Commercial Guide, 2016; World Bank, Doing Business, 2017)
Capital markets development and feasibility of exits	1	The availability of finance from the local banking system is limited, and foreign firms and large domestic companies rely on external bank financing. The stock market, which is 100% fixed income, remains tiny. Domestic equity financing for foreign firms is unavailable. The country lacks a viable stock market for local IPOs to be an exit option. Private investors typically exit by selling shares to strategic investors or other private equity funds. The financial system is inefficient relative to its Dominican Republic-Central American Free-Trade Agreement (CAFTA-DR) trade agreement partners. The country's domestic exchange is focused on fixed-income and commercial paper, and while it has grown rapidly in recent years, it remains small and does not provide a significant channel for equity finance. (Bolsa de Valores de la Republica Dominicana website; EIU Risk Briefing; Interviews, March 2017; latinlawyer.com; US Investment Climate Statement, 2016)
Registration/reserve requirements on inward investments	3	There are no reserve requirements or exchange controls. Individuals and companies generating foreign currency from exports, services rendered and other specified activities are required to exchange foreign currency with the central bank through commercial banks. Some reporting for money-laundering control purposes applies. (ey.com; US Country Commercial Guide, 2016)
Corporate governance requirements	3	With a business culture based on family ownership, fully independent boards are uncommon. Yet limited liability companies (SRLs) and public or private corporations have annual auditing requirements, obligations to inform shareholders of transactions representing more than 15% of assets and restrictions on related-party transactions. Both must have vigilance officers who are certified public accountants and separate from the board. Simplified corporations do not face any of these requirements. Under SRLs, transfers of ownership stakes to outside parties require three-quarters board approval. Policing of financial reporting remains uneven. (International Finance Corporation/American Chamber of Commerce, Informe Sobre Gobierno Corporativo en la Republica Dominicana, 2014; Interviews, March 2017, April 2015; latinlawyer.com)
Strength of the judicial system	1	The slow judicial process and flaws in the regulatory system are the main points of concern. Foreign firms are protected from overt discrimination under protections outlined in the DR-CAFTA. There is little risk of expropriation of assets, and protection of private property is mostly effective. The lower levels of the judiciary are prone to corruption, although the Supreme Court is regarded as reasonably independent. Investors typically avoid resolving disputes in Dominican courts. Arbitration through the chambers of commerce serves as an alternative. In general, contractual rights are enforced but there have been cases where the government has reopened negotiations to alter contract terms, particularly in the natural resources sector. The World Bank's Doing Business 2017 scores the DR near the bottom of the regional rankings for enforcing contracts. (EIU Risk Briefing; latinlawyer.com; US Investment Climate Statement 2016; World Bank, Doing Business Report, 2017)
Perceived corruption	1	The political and judicial systems have been ineffective in the fight against corruption. The Medina administration has made some progress, enacting a new law that requires the disclosure of assets, liabilities, net worth and other financial connections of government officials. However, implementation challenges related to its enforcement and oversight will result in only limited progress towards increased government transparency, which will continue to remain among the main weaknesses of the country's business environment. Foreign firms have indicated that they face systematic corruption, limiting their ability to defend their interests. The Dominican Republic scores poorly in both the World Bank's 2015 control of corruption measure (22nd percentile) and Transparency International's 2016 Corruptions Perception Index (115 out of 175 countries). (EIU Country Report, 2017; EIU Risk Briefing; Transparency International, 2016; World Governance Indicators, 2015)
Quality of local accounting/use of international standards	3	Under standards issued by the Institute of CPAs, a transition to full compliance with IFRS was completed for public companies as of January 1st 2014. Since that date, IFRS for SMEs must be followed by all non-listed companies. However, accounting practices reportedly remain opaque, particularly in smaller firms, a problem noted in earlier scorecards. International auditors are present and reliable. (Deloitte IAS PLUS 2017; Interviews March 2017, April 2015)
Entrepreneurship	2	Although the full impact remains to be seen, the passage of an entrepreneurship law has the potential to improve the regulatory environment for new businesses in the country. The <i>Ley de Emprendimiento</i> (effective November 2016) seeks to create a supportive environment for start-ups and young companies and to encourage their formalization. Under this law, the government created the National Entrepreneurship Network (RD-Emprende), an organization that is open to all institutions that aim to support entrepreneurship, as well as the National Institute for the Promotion of Entrepreneurship and Corporate Innovation (Proemprededor). <i>Proindustria</i> , a regulator and representative body for industrial sector innovation, is also engaged in efforts to promote SMEs in the manufacturing sector. (<i>Diario Libre</i> , "El Senado aprueba la Ley de Emprendimiento", June 2016; EIU/LAVCA 2017 Survey; Interviews, January 2013, March 2015, March 2017; Ley de Emprendimiento, November 2015)

Country Profile

JAMAICA

	2015	2017
OVERALL SCORE:	46	51
REGIONAL RANKING:	9TH	8TH

Jamaica's 2017/2018 Scorecard reflects a tangible outcome as a result of government efforts to improve and develop the business environment. Jamaica saw upgrades in three indicators including the general framework for PE/VC fund formation, bankruptcy procedures, and regulation allowing local institutional investors to invest in PE/VC funds.

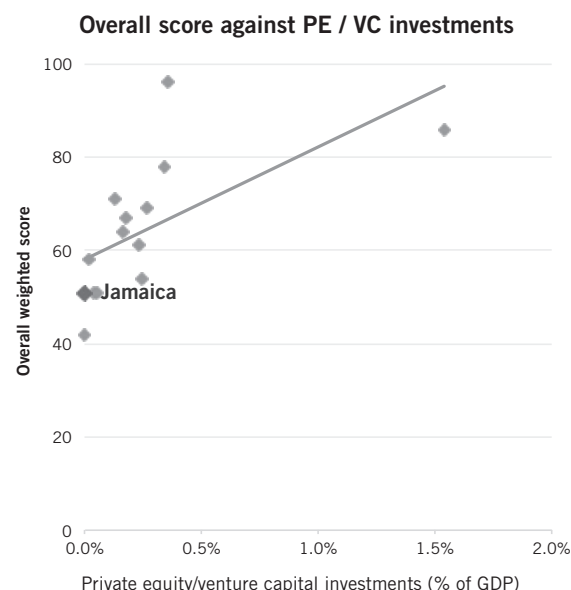
Strengths: One of Jamaica's strengths is registration and reserve requirements on inward investments. Continued efforts to boost the entrepreneurship ecosystem have also been made.

Challenges: The country scores poorly in several areas, particularly in capital markets development, corporate governance, protection of intellectual property rights, and high levels of perceived corruption.

	2015	2017	CHANGE
Overall score	46	51	+5
Laws on PE/VC fund formation and operation	1	2	+1
Tax treatment of PE/VC funds & investments	2	2	0
Protection of minority shareholder rights	2	2	0
Restrictions on local institutional investors investing in PE/VC	1	2	+1
Protection of intellectual property rights	2	2	0
Bankruptcy procedures/creditors' rights/partner liability	1	2	+1
Capital markets development and feasibility of exits	2	2	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	2	2	0
Strength of the judicial system	2	2	0
Perceived corruption	1	1	0
Quality of local accounting/use of international standards	3	3	0
Entrepreneurship	2	2	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Jamaica ScoreNotes

Aspects	Score (4-0)	Notes
Laws on PE/VC fund formation and operation	2	The Partnership (Limited) Act of 2016 provides a new general framework improving the legal environment for PE/VC fund formation, meriting a score upgrade. The Act recognizes limited partnerships (LPEs), limited liability companies (LLCs), and limited liability limited partnerships (LLLPs), as well as foreign LLLPs and foreign LPs. At least two new funds have been set up as LLCs to attract domestic institutional investors and subsequently raise funds through stock market listings. To fundraise in Jamaica, simple registration with the regulator, the Financial Services Commission, is necessary. Two angel networks are now actively investing in private placements. (Development Bank of Jamaica website; EIU/LAVCA survey, February 2015; Government of Jamaica, Partnership (Limited) Act, October 2016; Interviews, February 2017, March 2015)
Tax treatment of PE/VC funds & investments	2	Although Jamaica has had longstanding tax credits for investing in venture capital, few are able to take advantage as they are limited to locally-domiciled investment vehicles and are dependent on ad hoc determinations by the Ministry of Finance. However, the Financial Service Commission is currently considering proposals to create pass-through provisions and capital gains reductions or exemptions for fund structures. Incentives exist for firms listed on the Junior Market (100% for five years, and 50% for five years thereafter). Dividends paid by unlisted Jamaican companies to corporate investors are taxable at a corporate rate of 33 1/3% (25% for individuals). Jamaica does allow for lower taxation rates for dividend payments to foreign investors and non-resident corporations subject to Jamaican income taxes when there is an applicable double-tax treaty in place. A minimum business tax of 60,000 Jamaican dollars was instituted in 2014, applicable once a firm is registered and whether it is dormant, active, or loss-making. (Interviews, February 2017, March 2015; PwC website)
Protection of minority shareholder rights	2	While individual companies may write their own bylaws, national laws do not grant shareholders of privately-held companies rights to amend bylaws or statutes with a simple majority and companies do not need to obtain shareholder approval when issuing new shares. Shareholders must be granted subscription rights on new shares, and minority investors must be offered the same terms as other investors in the event of takeover bids for 90% or more control. There are no statutory requirements that shareholders approve external auditors, be allowed to freely trade shares prior to shareholder meetings or major corporate actions, or be empowered to call for an extraordinary meeting with 10% of shares. However, both the voluntary code of the Private Sector Organisation of Business and the Development Bank of Jamaica have guidelines that address minority rights for SME investments. Additionally, angel networks are reportedly insistent on establishing clear procedures and rights in their investments. Industry stakeholders report positive experiences with incorporation of minority rights (e.g., drag-along/tag-along rights) into company statutes and bylaws. (Government of Jamaica, Jamaica Information Service, December 12, 2016; Interviews, February 2017, March 2015)

Jamaica ScoreNotes

Aspects	Score	Notes (4-0)
Restrictions on local institutional investors investing in PE/VC funds	2	Institutional investors have circumvented legal obstacles making the first PE/VC investments in Jamaican history, meriting a score upgrade. Pending regulations may spur further activity. Two recent regional funds, set up for Jamaican fundraising purposes as LLCs, have attracted pension funds, insurance companies, the Development Bank of Jamaica and other domestic investors even prior to being listed on the exchange. A practical difficulty that remains is that the Pensions Act of 2004 (amended in 2006) sets a 5% asset limit on investments in vaguely defined "other" asset classes; PE/VC is not expressly listed as an asset class, and only "open" collective investment funds (such as the aforementioned new funds set up as LLCs) are expressly recognized as legitimate investment targets. Regulations that would recognize the asset class, allow for investment in closed vehicles, and expand the limit up to 20% of AUM for PE are under study with action possible by end-2017. (Financial Services Commission website; Interviews, February 2017, March 2015)
Protection of intellectual property rights	2	Despite reforms in 2015 to improve the Copyright Act of 1999, copyright protection and enforcement remain significant barriers to a robust IPR framework. The US Commercial Service identifies a lack of progress in bringing patent laws into conformity with international standards as a cause for concern. Since 2004, Jamaica has been on the Office of the US Trade Representative's Watch List for its patent legislation. The 2014 bankruptcy law eased procedures in this area by allowing insolvent businesses to preserve their intellectual property and ensure protection. A Patent & Designs bill, originally developed in 2012, is still under review by the Chief Parliamentary Council and will introduce additional rules and fee tiers. Jamaica's patent office, the Jamaica Intellectual Property Office (JIPO), is a member of the World Intellectual Property Organization (WIPO) and a co-signer of the Berne Convention for the Protection of Literary and Artistic Works. (EIU Risk Briefing; US Investment Climate Statement, 2016; US Patent & Trademark Office, 2016; USTR Special 301 Report, 2016)
Bankruptcy procedures/creditors' rights/partner liability	2	Bankruptcy regulations adopted in 2014 have had positive outcomes, meriting a score upgrade. Prior to 2014, the insolvency framework was heavily weighted toward creditors and did not give distressed firms the opportunity to restructure prior to entering bankruptcy. The 2014 Insolvency Act (effective January 2015) and allowed debtors to make a proposal to their creditors for the restructuring of debts, subject to creditor approval. Creditors can also invoke bankruptcy proceedings against the debtor. During a temporary stay period in which a reorganisation plan is put together and presented, the creditor is precluded from enforcing claims against the debtor. Compared to neighboring countries within the region, the time and cost to settle insolvency are much lower and the recovery rate is much higher, according to the World Bank's Doing Business 2017 rankings. Partner liability beyond capital share is not a concern in the absence of demonstrable malfeasance. (Interviews, February 2017, March 2015; US Country Commercial Guide, June 2016; World Bank, Doing Business, 2017)
Capital markets development and feasibility of exits	2	The Jamaican capital market is expanding as the number of firms in the pre-IPO phase increases. The Jamaica Stock Exchange (JSE) is the main exchange for the country with a market capitalisation of more than J\$770m. The JSE also created the Junior Market for SMEs which listed 29 companies as of January 2017. The Junior Market offers SMEs tax incentives and a platform to help raise equity funding through IPOs. Tax incentives for companies listed have been in place since 2009, and a 2016 revision granted Junior Market-listing companies a 5-year corporate tax holiday, permitting 50% of the prevailing rate to be paid in the following five years. Many IPOs are significantly oversubscribed (greater than 60% oversubscription) and this secondary market augurs well as an exit mechanism for private equity deals. There is ample room for deepening the shallow capital market, which does not provide much scope for project financing by large foreign investors. (EIU Risk Briefing; The Income Tax (Amendment) Act, 2016; Interviews, March 2015, February 2017; Jamaican Stock Exchange, Monthly Statistics for January 2017; US Investment Climate Statement, 2016)
Registration/reserve requirements on inward investments	3	Jamaica has no exchange controls such as reserve requirements, tiered exchange rates, or minimum stay requirements. Foreign exchange transactions must be conducted through authorized foreign exchange dealers at market determined rates. (US Country Commercial Guide, June 2016)
Corporate governance requirements	2	Jamaica ranks ahead of regional averages, but behind OECD high-income averages for both conflict-of-interest regulation and shareholder governance for public traded firms in the World Bank's Doing Business 2017 rankings. Governance standards at non-listed firms are more uneven. In December 2016, the Private Sector Organisation of Jamaica published the third update of its Voluntary Corporate Governance Code for medium and large businesses. The Code focuses on principles such as the appointment and role of directors, board effectiveness, remuneration, disclosures, relationship with shareholders, and accountability norms and auditing standards. Adopting firms must submit annual reports on their implementation. Limited companies are a common form taken by invested firms. Shareholder agreements are enforceable, and recourse to arbitration is frequently incorporated in such agreements. Some investors prefer investee firms to (re) incorporate under offshore jurisdictions in order to facilitate governance and dispute settlement. (Government of Jamaica, Jamaica Information Service, December 2, 2016; Interviews, February 2017, March 2015; Jamaica Deposit Insurance Corporation, 2016; World Bank, Doing Business, 2017)
Strength of the judicial system	2	The judicial process continues to be slow, as criminal trials clog the system and delay commercial dispute resolution. While contracts are enforceable, the commercial court introduced in 2001 does not achieve speedy resolutions, and is slowed by a lack of training of judges and lawyers. Private businesses are often advised to pursue alternative forms of dispute resolution or include a provision for overseas arbitration within the contract. The cost of enforcing contracts in Jamaica is very high, at 45.6% of the cost of the claim amount. (EIU Risk Briefing; US Country Commercial Guide, 2017; World Bank, Doing Business Report, 2017)
Perceived corruption	1	Corruption remains a principal challenge for Jamaica. Efforts are under way to address this, but political and financial scandals by public officials from both major parties arise periodically and erode public perception of government transparency. Although there is an anti-corruption law, the Corruption Prevention Act (CPA), in place, enforcement is weak due to lack of capacity and resources. Reports suggest that the non-compliance rate for mandatory financial reports runs upwards of 48% in these cases. Jamaica performed below average in global corruption measures, ranking 83 out of 176 countries on Transparency International's Corruption Perceptions Index and in the 48 th percentile in the World Bank's control of corruption measure. (EIU Risk Briefing; Interviews, March 2015; Transparency International, 2016; US Investment Climate Statement, 2016; World Governance Indicators, 2016)
Quality of local accounting/use of international standards	3	IFRS are required for both listed and privately held firms. The Institute of Chartered Accountants of Jamaica adopted the IFRS for SMEs for all companies without public accountability starting January 2011, except for companies that elect to use full IFRSs or are government owned. Firms operating in Jamaica but incorporated in the U.S. follow US GAAP. International auditors are present. (Deloitte IASPLUS, 2017; Interviews, February 2017, March 2015)
Entrepreneurship	2	Despite continued support by the Jamaican government for entrepreneurship, there have not been significant results as of yet. Funds such as the Self-Start Fund created by the Ministry of Industry Investment and Commerce (MIIC) invest in and provide financial services to SMEs. The government also funds the Jamaica Business Development Corporation, which operates incubators and provides training. The Development Bank of Jamaica (DBJ) is responsible for initiatives such as the Jamaica Venture Capital Programme, Start-Up Jamaica (jointly with the MSTEM ministry), and the National Business Model Competition, co-funded by the IDB and MIF. The DBJ also has agreements with the IDB and the World Bank's Access to Finance (ATF) Project to support entrepreneurship and SME development. Nevertheless, a high unemployment rate and a lack of technical skills in the workforce hampers increased entrepreneurial activity and growth. The World Bank's 2017 Doing Business ranks Jamaica very highly in the 'Starting a Business' indicator, as 12th out of 190 countries, an improvement from its rank of 20th out of 175 in 2015. (Development Bank of Jamaica; GEM Policy Brief: Jamaica, 2016; Interviews, March 2015, February 2016; Ministry of Industry Investment and Commerce; World Bank, Doing Business, 2017)

Country Profile

MEXICO

	2015	2017
OVERALL SCORE:	65	67
REGIONAL RANKING:	3RD	3RD

Mexico continues to pursue new regulatory initiatives to support private capital investment and to facilitate local investor participation, notably with the creation of a real estate trust for energy and infrastructure investment in 2015. In 2016, Mexico recorded the highest number of VC deals in Latin America across all investment stages (seed, early, and expansion) for the first time.

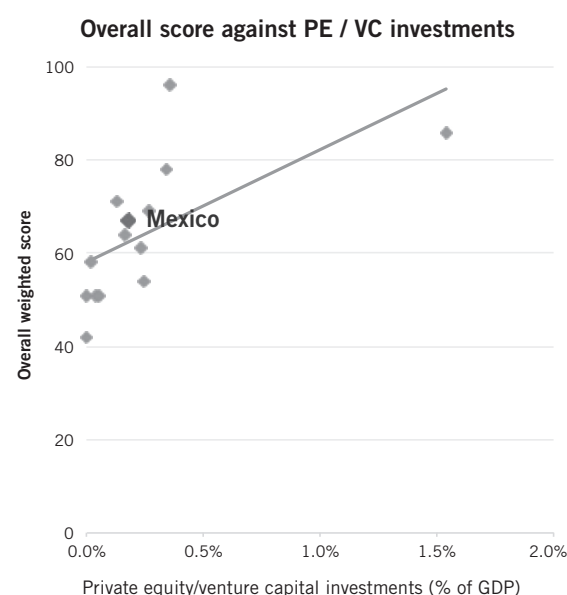
Strengths: Mexico's strengths are its corporate governance requirements and bankruptcy procedures. Protection of minority shareholder rights scored above the regional average. Entrepreneurship activity continues to grow supported by government efforts in this area.

Challenges: Perceived corruption continues to be a challenge for investors in Mexico. Tax treatment of PE/VC funds remains complex and burdensome. The country also scores low on the strength of the judicial system and protection of intellectual property rights.

	2015	2017	CHANGE
Overall score	65	67	+2
Laws on PE/VC fund formation and operation	2	3	+1
Tax treatment of PE/VC funds & investments	2	2	0
Protection of minority shareholder rights	3	3	0
Restrictions on local institutional investors investing in PE/VC	3	3	0
Protection of intellectual property rights	2	2	0
Bankruptcy procedures/creditors' rights/partner liability	3	3	0
Capital markets development and feasibility of exits	3	3	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	3	3	0
Strength of the judicial system	2	2	0
Perceived corruption	1	1	0
Quality of local accounting/use of international standards	3	3	0
Entrepreneurship	3	3	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Mexico ScoreNotes

Aspects	Score (4-0)	Notes
Laws on PE/VC fund formation and operation	3	In addition to offering diverse vehicles for structuring funds, Mexico has also eased regulatory requirements for pension funds and other PE/VC fund investments, meriting a score upgrade. Many fund managers continue to set up dual vehicles to attract Mexican institutional investors (through CKDs) and offshore or individual Mexican investors (typically through offshore-domiciled vehicles). The number and size of CKDs, which are exchange-traded instruments, has continued to grow, as pension funds become familiar with the asset class. In December 2015, the national securities regulator (CNBV) created a new vehicle called the Certificados de Proyectos de Inversión (CERPIs), which are investment vehicles issued through the Mexican stock exchange (Bolsa Mexicana de Valores—BMV) targeted at sophisticated investors, such as pension funds and insurance companies. CERPIs generally focus on projects rather than a pool of assets or portfolio companies, give fund administrators greater flexibility and entail higher risk/reward. The first CERPI was launched in September 2016 and is viewed favorably as an extension of the CKD scheme. Another specialized trust vehicle first created in 2006, the FICAP (fideicomisos de inversión de capital privado), is an option for smaller funds attracting only domestic non-institutional capital. The FICAP has limited disclosure requirements and enhanced fiscal transparency, but restricts the transfer of shares until two years after their acquisition. Pension fund investments in real estate and infrastructure funds (fideicomisos de infraestructura y bienes raíces—FIBRAs), were permitted as of 2013 and have continued to grow in recent years. A new energy and infrastructure investment trust (FIBRA-E) vehicle, targeted at both sophisticated and individual investors, was established in October 2015. As with FIBRAs, the FIBRA-E must distribute at least 95% of its taxable income each year (subject to certain rules). Separate funds of funds remain active. (BMV Group, September 2016; Deloitte/Basila Abogados, 2015; Interviews, March–April 2017, February–March 2015; LAVCA, Country Policy Overview, 2016; PwC, October 2015)
Tax treatment of PE/VC funds & investments	2	Mexico remains a difficult tax environment for PE/VC investing due to onerous reporting requirements, discretionary enforcement, and a fairly heavy tax burden. The most recent tax reform, effective January 2014, eliminated the flat-rate corporate tax and cancelled scheduled reductions of the standard corporate tax rate (ISR), keeping it at 30%. Taxes on Mexican companies are levied on worldwide income, although double-tax treaties with over 50 countries lower tax obligations. As part of the reform, dividends to resident and non-resident shareholders of a Mexican corporation are subject to a 10% withholding tax, although the company's net tax profit account balance as of end-2013 is not subject to withholding tax upon future distribution. Investors in the FIBRA-E instruments for energy and infrastructure are exempt from this 10% withholding tax. The 2013 reform also mandated an additional 10% tax on the sale by individuals of stocks traded on the BMV based on net, inflation-adjusted gains. Corporate capital gains on the sale of fixed assets are taxed at the regular corporate rate. CKD trusts (fideicomisos emisores) and the new CERPIs are eligible to receive pass-through tax treatment; pension funds (AFORES) do not face income tax. (EIU Country Commerce, June 2016; Interviews, March–April 2017, February–March 2015; LAVCA, Country Policy Overview, 2016; PwC, October 2015)

Mexico ScoreNotes

Aspects	Score	Notes (4-0)
Protection of minority shareholder rights	3	The World Bank's Doing Business 2017 rates minority investor protections in Mexico above the regional average. Minority shareholders with 25% or more of shares (10% for public companies) have the right to appoint a director and can name board members with only 10% of the shares. Companies are required to form independent audit and corporate governance committees. A special corporate category, the <i>sociedad anónima promotora de inversión</i> (SAPI), is frequently used by PE funds because it provides greater legal protection for minority shareholders by allowing special bylaw provisions, such as "drag-along" and "tag-along" rights. In all cases, shareholder agreements and arbitration clauses remain crucial. Investors in CKD shares with 10% holdings (25% holdings for investors in the new CERPI vehicle) receive rights to appoint a member of the technical committee, to request a common representative to summon a general assembly, and other powers. (BMV Group, September 2016; EIU Country Commerce, June 2016; Interviews, March-April 2017, February-March 2015; World Bank, Doing Business, 2017)
Restrictions on local institutional investors investing in PE/VC funds	3	The introduction of the CERPI investment vehicle in 2015 opened a new pathway for indirect investments by institutional investors in PE/VC funds. Institutional investors can invest in the CERPIs and the previously established CKD vehicle, which must be traded on the BMV, the Mexican stock exchange. Depending on their risk orientation, privatized pension funds (AFOREs) can invest up to 10%, 15%, 20%, and 30%, respectively, in a combination of CKDs, CERPIs, real estate investment trusts (FIBRAs), and energy investment trusts (FIBRA-ES). AFOREs have become increasingly active investors in PE through CKDs and are beginning to invest in the newer CERPIs, although still below their investment limits. Pension funds are also permitted to invest in Mexican general partners investing within the same fund instrument both domestically and abroad. However, international funds without a local CKD structure cannot raise funds from Mexican AFOREs, as is permitted in some other countries. Insurance companies may invest in CKDs and CERPIs but are still timid and face constraints. Insurers may invest a combined 50% of technical reserves in equities or equity investment funds, yet unquoted shares may not be used to cover the technical reserves requirements they must meet under solvency regulations. At least 70% of their investments must be peso-denominated. (Interviews, March-April 2017, January-February 2015; OECD, Annual Survey of Investment Regulation of Pension Funds, 2015; OECD, Regulation of Insurance Company and Pension Fund Investment, October 2015)
Protection of intellectual property rights	2	Although Mexico has passed a number of laws mandating penalties for intellectual property rights (IPR) violations, enforcement remains weak. The Office of the United States Trade Representative (USTR) continues to include Mexico on the Watch List for IPR violations, citing the widespread availability of pirated and counterfeit goods. There is a demand for pirated goods, which form a significant part of the informal employment economy. The USTR also highlights the link between the production of pirated goods and transnational criminal organizations, and notes that the creation of a Digital IP Crime Unit in the Attorney General's office in 2015 is a step in the right direction. Mexico is party to a number of international IPR agreements, including the Madrid Protocol, and was a willing participant in the IPR discussions during the Trans-Pacific Partnership negotiations. (EIU Country Commerce, July 2016; US Investment Climate Statement, 2016; USTR, Special 301 Report, 2016)
Bankruptcy procedures/creditors' rights/partner liability	3	The Financial Sector Reform of January 2014 (effective 2015) continues to yield improvements. The reform strengthened protections for creditors, reinforced judicial leadership of bankruptcy proceedings while removing judges' discretion to grant delays, and altered the creditor hierarchy to favor common creditors. The 2014 reform focused on enabling agreement among parties and also permits pre-packaged or voluntary bankruptcies. According to the World Bank's Doing Business 2017, the strength of the insolvency framework is well above the regional average with bankruptcies resolved more quickly and with a higher recovery rate, albeit at a higher cost. (Interviews, March-April 2017, February-March 2015; US Country Commercial Guide, 2016; World Bank, Doing Business, 2017)
Capital markets development and feasibility of exits	3	With a market capitalization of US\$356bn as of January 2017, the <i>Bolsa Mexicana de Valores</i> (BMV) is Latin America's second-largest stock exchange. The BMV is second only to Brazil's BM&F Bovespa, which acquired a 4.1% stake in the BMV in April 2016, with an investment of just over US\$36 m. The stock market remains small in comparison to the size of the economy. It had increased throughout 2016, but is still recovering from a downturn following the 2016 US Presidential elections. A second, competing stock exchange, the <i>Bolsa Institucional de Valores</i> (BIVA), which may have more room for mid-cap and smaller companies, is expected to launch in 2017. IPOs remain a feasible option for exiting investments, although the number of IPOs has decreased since 2014, when a total of ten IPOs were launched. Seven IPOs were launched in 2015, and only two were completed in 2016, in part due to uncertain short-term economic conditions. IPO activity is expected to be limited until the policy environment evens out. (EIU Financial Services Report, January 2017; The Financial Times, "Rival aims to challenge Mexican stock exchange", January 2016; Interviews, March-April 2017, January 2015)
Registration/reserve requirements on inward investments	3	Capital flows freely into Mexico. No restrictions apply to the repatriation of capital, apart from normal reporting requirements. Amounts exceeding US\$10,000 must be reported to the financial authorities under strict anti-money-laundering rules. (EIU Country Commerce, June 2016)
Corporate governance requirements	3	Governance rules for listed corporations reflect global standards. Listed Mexican firms must comply with reporting requirements set out by the local securities regulator CNBV. For both listed and unlisted firms, a simple majority of shareholders has control, and representatives from half of a corporation's total capital constitute a quorum at required general annual meetings. For extraordinary meetings, 75% representation of capital is necessary for a quorum on first call and 50% thereafter; a simple majority determines decisions. The SAPI corporate category allows firms to avoid some requirements established for conventional corporations for three years, in return for adopting the voluntary Code of Improved Corporate Practices. (EIU Country Commerce, June 2016; Interviews, March-April 2017, February-March 2015)
Strength of the judicial system	2	The judicial system continues to have challenges with inefficient and slow dispute resolution, and is susceptible to corruption. As a result, fund investors tend to avoid using the court system and favor arbitration, which can also be expensive and comes with its own challenges. Nonetheless, Mexico is ranked highly in the World Bank's Doing Business 2017 for contract enforcement, taking about half the time for contract resolution as the regional average. (EIU Risk Briefing; Interviews March-April 2017, February-March 2015; US Investment Climate Statement 2016; World Bank, Doing Business, 2017)
Perceived corruption	1	Corruption remains a significant challenge in Mexico. Numerous high-profile political corruption scandals, a weak judiciary, and the corrupting influence of organized crime have had an enormous impact on the country. Frequent protests against corruption and crime have impacted the political stability of the country. These trends have been reflected in global corruption measures: Mexico fell 20 places in the Transparency International Corruptions Perception Index rankings between 2014 and 2016, and also dropped from the 39th percentile in 2013 to the 25th percentile in 2015 in the World Bank's Control of Corruption measure. (EIU Risk Briefing; EIU Country Commerce Report, July 2016; Transparency International, 2016; US Investment Climate Statement 2016; World Governance Indicators, 2015)
Quality of local accounting/use of international standards	3	Mexico has mostly converged with international standards, although practices remain uneven at smaller and family-owned businesses. Since 2012, all listed companies are required to use IFRS. Unlisted firms are also permitted to use IFRS, and have increasingly adopted these standards. The standard for unlisted firms, Mexican GAAP, is similar to IFRS. International auditors are present and competent. (Deloitte-IAS PLUS 2017; EIU Country Commerce, June 2016; Interviews, March-April, 2017, February-March 2015)
Entrepreneurship	3	Mexico has a positive entrepreneurial environment, with increasing government support. The country is home to the largest fintech market in the region, with 158 firms. The Instituto Nacional del Emprendedor, formed in 2013, supports domestic entrepreneurship and has invested more than US\$750m through programs and the National Entrepreneurship Fund which provides SME entrepreneurs with both programmatic and financial support. Mexican entrepreneurs are finding opportunities to improve access to credit for SMEs and people operating in the informal economy. In 2016, Mexico recorded the highest number of VC deals in Latin America across all investment stages for the first time. (EIU Financial Services Report, 1st Quarter 2017; Interviews, March-April 2017, March 2015)

Country Profile

PANAMA

	2015	2017
OVERALL SCORE:	50	51
REGIONAL RANKING:	7TH	8TH

Panama continues to have a fast-growing economy and foreign investment remains strong. The country received an upgrade on the quality of local accounting following the implementation of IFRS. Nevertheless, the country's PE/VC industry is still underdeveloped and most funds in the country operate through offshore vehicles.

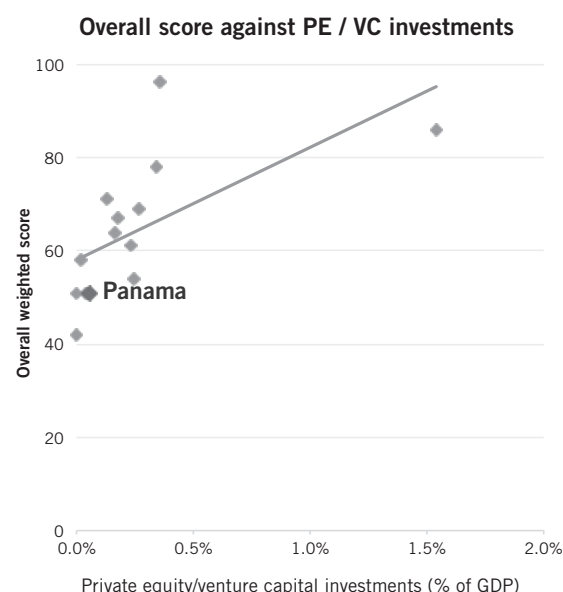
Strengths: Panama's major strength is its openness to inward investment.

Challenges: The country's main challenge is perceived corruption. The country also ranks below regional average on several indicators including tax treatment, minority shareholder rights, laws for fund formation, and corporate governance.

	2015	2017	CHANGE
Overall score	50	51	+1
Laws on PE/VC fund formation and operation	2	2	0
Tax treatment of PE/VC funds & investments	2	2	0
Protection of minority shareholder rights	2	2	0
Restrictions on local institutional investors investing in PE/VC	2	2	0
Protection of intellectual property rights	2	2	0
Bankruptcy procedures/creditors' rights/partner liability	2	2	0
Capital markets development and feasibility of exits	2	2	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	2	2	0
Strength of the judicial system	2	2	0
Perceived corruption	1	1	0
Quality of local accounting/use of international standards	2	3	+1
Entrepreneurship	2	2	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Panama ScoreNotes

Aspects	Score (4-0)	Notes
Laws on PE/VC fund formation and operation	2	PE/VC investments in the local market remain limited in Panama, although some local funds do make investments in other Central American countries. There is no legal structure for PE/VC, and it is challenging to adapt other fund instruments (such as those designed for mutual funds) for PE/VC investments. Most funds operate through offshore investment vehicles, even those which are operated by fund managers based in Panama. Panama is considered by some to be a useful base for regional investment operations, given the open, US dollar-based economy and the country's status as a financial services center. (Interviews, March 2017, April 2015; latinlawyer.com; Superintendencia del Mercado Valores de Panama website)
Tax treatment of PE/VC funds & investments	2	PE/VC investments in Panama are subject to a moderate level of taxation. A 10% withholding tax applies to investors on share dividends from operations in Panama, although some funds using offshore vehicles are able to avoid this. A withholding tax rate of 5% applies on dividends derived from operations outside of Panama, as well as from the export of goods from Panama and on businesses operating within the free zones. If dividends are not declared, a retained earnings tax of 10% is due on 40% of net income. The rate is 20% for bearer shares. Most payments remitted abroad to beneficiaries not resident in Panama are subject to income tax withholding. Since 2011, corporate income tax has been assessed on Panamanian-sourced income at a 25% rate. Companies with annual gross income exceeding US\$1.5m must pay the higher of the two amounts resulting from either the flat rate of 25% of net income or the alternative minimum tax of 4.67% on gross taxable income. No tax is imposed on capital gains from sales of shares registered with the National Securities Commission. Otherwise, the sale of securities is taxable at either 5% of the buyer's price or 10% of the seller's profit, whichever is lower. (EIU Country Commerce, November 2016, November 2014; Interviews, March 2017, April 2015)
Protection of minority shareholder rights	2	For unlisted corporations (sociedad anonimas—SAs), there are no specific laws that govern matters such as who can convene a shareholders' meeting or what constitutes effective control. There are no specific financial disclosure requirements beyond tax returns. No legal requirements exist on the percentage of shares that constitute effective control. However, in order for decisions made at a shareholders meeting to be valid, all shareholders must either be present or there must be a quorum and all absent shareholders must have communicated their wish to abstain. Bearer shares are permitted. Funds work with internationally-trained lawyers who are able to incorporate minority rights into enforceable statutes and shareholder agreements. Sometimes investee firms incorporate under the laws of foreign jurisdictions. The World Bank's Doing Business 2017 rates minority investor protection (for publicly traded firms) as above the regional average. (EIU Country Commerce, November 2016, November 2014; Interviews, March 2017, April 2015; World Bank, Doing Business, 2017)

Panama ScoreNotes

Aspects	Score	Notes (4-0)
Restrictions on local institutional investors investing in PE/VC funds	2	Restrictions continue to impede institutional investing in Panama. Insurance companies are allowed to invest only in public-sector debt securities, mortgages, mortgage-backed securities and securities issued through the local stock market or approved by the National Securities Commission. Insurance companies may invest up to 25% of required reserves abroad, but may only place their funds in investment-grade securities of well-established companies. Pension funds may invest 45% of assets in stocks, including 15% in foreign equities. There are no specific provisions for investment in PE/VC funds, although a 10% catch-all category exists for “other types of instruments” that may be approved by the securities regulator. In addition, pension funds may invest in offshore investment funds only if at least 50% of the assets of said fund are invested in securities that are rated investment grade either by agencies from the fund’s respective country of origin or by an international rating agency. (Comisión Nacional de Valores, Acuerdo 11-2005; Guide to Latin American Pensions Investment Context and Regulations—The Minor Markets, 2013; Interviews, March 2017, April 2015; Superintendencia de Seguros y Reasuguros website)
Protection of intellectual property rights	2	Protection of intellectual property rights (IPR) remains a problem in Panama. Disputes around IPR have been very slow and prolonged. According to the Global Software Survey 2016, 72% of installed software is unlicensed, a figure that has remained unchanged from 2011 and is well above the Latin America regional average of 55%. The study estimates that the commercial value of unlicensed software in Panama stood at US\$117m in 2015, down slightly from US\$120m in 2013. Panama has strengthened its IPR legislation by passing free-trade agreements with several European countries and the U.S., the latter of which adopts full US standards for patents, trade secrets, and IPR measures specific to the pharmaceutical industry. (BSA Global Software Survey 2016; EIU Country Commerce, November 2016; US Investment Climate Statement, 2016)
Bankruptcy procedures/creditors’ rights/partner liability	2	A promising new bankruptcy law was passed in 2016, although it remains untested. Law 12 of May 19th 2016, effective January 2nd 2017, allows for protected reorganizations of troubled firms as an alternative to judicial liquidations. Liquidating a bankrupt business is quicker in Panama compared to the Latin American average, but the process is more costly, yielding a lower recovery rate and typically a piecemeal sale of assets. Liability beyond capital share is generally not a concern in the absence of demonstrable malfeasance. (Arias & Muñoz; Gobierno de la Republica de Panama, Gaceta Oficial Digital; Interviews, March 2017, April 2015; latinlawyer.com)
Capital markets development and feasibility of exits	2	The market for equities remains small with international and local development banks still providing the majority of equity financing. M&A is the most common exit option, and IPO exits are not seen as realistic. The Securities Market Superintendency (<i>Superintendencia del Mercado de Valores</i> —SMV) is the main regulator for capital markets. Even though the Panamanian Stock Exchange (<i>Bolsa de Valores de Panama</i> —BVP) is well managed, it is used predominantly as a market for debt securities and is relatively underdeveloped. Panama achieved investment grade status in 2010, a significant step forward for its capital markets. (EIU Country Commerce, November 2016; Interviews, February 2017, April 2015, January 2011; US Investment Climate Statement, 2016)
Registration/reserve requirements on inward investments	3	Panama has no exchange controls, but does have reporting requirements designed to prevent money laundering and terrorist financing. There are no reserve requirements or restrictions on portfolio investment. (EIU Country Commerce, November 2016)
Corporate governance requirements	2	Corporate governance standards under the commercial code are fairly minimal, and the prevalence of private, family-owned firms encourages a culture of secrecy. However, Law 2 of 2011 requires lawyers or agents to know the identities of holders of bearer shares and to report their identity upon request by the authorities, under “know your investor” provisions. The securities regulator, <i>Superintendencia del Mercado Valores</i> , expects publicly-traded firms and entities listing financial instruments on the exchange to follow certain governance norms (Law 12 of 2003), although a 2014 report found that only about 50% had done so. Typically, funds establish clear terms on voting rights, quorums, calling meetings, and other governance issues in shareholder agreements. When registered with authorities, such agreements are well understood and enforceable. (EIU Country Commerce, November 2016, November 2014; Interviews, March 2017, April 2015; Superintendencia del Mercado de Valores, Unidad de Estudios Financieros, 2014)
Strength of the judicial system	2	The legal system and civil service both suffer from corruption and a lack of independence, which can put outsiders at a disadvantage. Panama was in the process of transitioning from a civil to an accusatory system (similar to the US), hoping to simplify and expedite court cases. By the end of 2016, the transition was completed in six provinces, but it has not yet been implemented in Panama City and Colón, two major commercial centers. The authorities recognize the importance of foreign investment for the development of the country’s service sector, and try to ensure even-handed treatment of foreign and domestic investors. While commercial law is comprehensive, the judiciary often lacks transparency and businesses do not always trust the judicial system as an independent arbiter in commercial disputes. This accounts for the significant inclusion of arbitration clauses into contracts. (EIU Risk Briefing; Interviews, April 2015; US Investment Climate Statement, 2016)
Perceived corruption	1	Laws to combat money laundering have been tightened but in the wake of the Panama Papers scandal, the country is under renewed pressure from the OECD to improve financial transparency. Officially, there is little change—the government had proclaimed its commitment to greater financial transparency before the scandal broke—but in reality, the government has been forced to move further and faster than planned. President Juan Carlos Varela has stated that Panama, which had previously only “immobilized” bearer shares, would now eliminate anonymous share-holding entirely. Also, he said that the country would fully meet OECD standards for disclosure of tax information by 2018. In the meantime, the legal system and civil service still suffer from corruption. There have been instances of private sector contracts awarded without a bidding process and a lack of pre-auditing of several government department projects. Prosecution against corruption is rare, especially in high profile cases. Panama ranks poorly in the World Bank’s 2015 control of corruption measure (47th percentile) and Transparency International’s 2016 corruption perceptions index (87th out of 176 countries). (EIU Country Commerce, November 2016; EIU Risk Briefing; Interviews, April 2015; Transparency International, 2016; US Investment Climate Statement, 2016; World Governance Indicators, 2015)
Quality of local accounting/use of international standards	3	IFRS have steadily expanded to larger segments of firms, and legal challenges to their implementation have been overcome, meriting a score upgrade. Large firms (beyond US\$250,000 in annual revenues) and firms that are publicly traded or list publicly-traded securities must follow IFRS. A separate set of IFRS exists for SMEs and is mandatory. Law 52 introduced in Panama on October 27th 2016 requires offshore companies (which are common in the country) to maintain accounting records and supporting documentation and present them upon request to tax and other authorities. Large international accounting firms are present. (Deloitte IAS PLUS 2017; Deloitte, November 2016; EIU Country Commerce, November 2016; IFRS Foundation, November 21, 2016; Interviews, March 2017, April 2015)
Entrepreneurship	2	Government entities, such as the SME agency (AMPYME) and Ministry of Science, Technology, and Innovation (SENACYT), continue to run several programs supporting entrepreneurship in the country. Corporate taxes are low and business registration processes have improved, although there is still room for additional improvements. The rate of new business ownership as estimated by the Global Entrepreneurship Monitor maintains steady at 4.4%. Panama ranks 43rd in the world in the World Bank’s Doing Business 2017 “Ease of starting a business” indicator, the second highest in the Latin America and Caribbean region. (GEM Global Report, 2016/2017; Interviews, March 2017, April 2015; World Bank, Doing Business, 2017)

Country Profile

PERU

	2015	2017
OVERALL SCORE:	49	54
REGIONAL RANKING:	8TH	7TH

Peru improved its position in the Scorecard with an upgrade on restrictions on institutional investors investing in PE/VC. The election of a market friendly president in 2016 is expected to translate into increased investments, as existing bottlenecks into executing projects are resolved. Specifically, the government seeks to facilitate new investments into infrastructure projects from both local and international sources of capital.

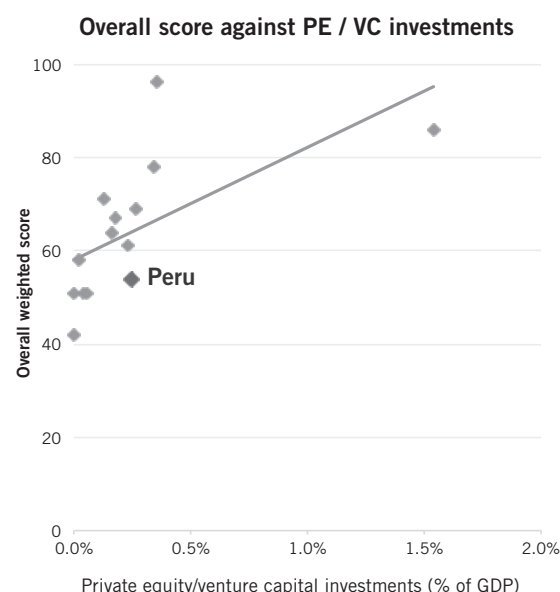
Strengths: Peru's major strengths are the use of international accounting standards, registration/reserve requirements on inward investments, and corporate governance. Pension funds are an important resource for investing domestically.

Challenges: Peru scores poorly on the laws on PE/VC fund formation and tax treatment of PE/VC funds. Perceived corruption is also a challenge.

	2015	2017	CHANGE
Overall score	49	54	+5
Laws on PE/VC fund formation and operation	2	2	0
Tax treatment of PE/VC funds & investments	1	1	0
Protection of minority shareholder rights	1	2	+1
Restrictions on local institutional investors investing in PE/VC	2	3	+1
Protection of intellectual property rights	2	2	0
Bankruptcy procedures/creditors' rights/partner liability	2	2	0
Capital markets development and feasibility of exits	2	2	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	3	3	0
Strength of the judicial system	1	1	0
Perceived corruption	1	1	0
Quality of local accounting/use of international standards	4	4	0
Entrepreneurship	2	2	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Peru ScoreNotes

Aspects	Score	Notes
Laws on PE/VC fund formation and operation	2	Closed-end funds (fondos de inversion) are more suited to PE than VC, but they are the only legally established framework for these investments. The main regulator is the securities superintendency (Superintendencia del Mercado de Valores–SMV) and the process of registration of funds and information reporting can be burdensome. It is not necessary to be registered as a fund manager (sociedad administradora de fondos de inversion–SAFI) or obtain approval from the SMV to launch a fund as a private offering. However, most local fund managers have registered private funds with the SMV as public instruments under a simplified registration regime (régimen simplificado), which is required by some institutional investors to invest in these funds. It is also possible to launch a fund through a public offering which can be marketed to retail investors and where higher regulatory requirements and maximum investment limits apply. (Interviews, March 2017, April 2015; latinlawyer.com; LAVCA, Country Policy Overview, 2016)
Tax treatment of PE/VC funds & investments	1	The tax environment in Peru remains complex and shifting. As fondos de inversión (FIs) are pass-through entities, the tax treatment will depend on the type of investor. For non-resident investors, income derived from such vehicles shall be attributed to them and subject to the applicable withholding tax. The corporate income tax (CIT) rate, applicable on worldwide income of resident entities, stood at 28% in 2015 and 2016, and was scheduled to fall progressively from 2017 onward. Instead, the CIT was raised to 29.5% from January 1st 2017 owing to Legislative Decree 1261 of December 2016. At the same time, withholding tax on dividends was lowered to 5% on payments applicable to profits earned starting January 1st 2017. These two changes are perceived as having a neutral net impact. The tax reform also extends the temporary exemption from the 5% capital gains tax through the end-2019 for capital gains derived from the sale of shares that meet certain liquidity requirements and trade in the Lima Stock Exchange (LSE). The exemption is also extended to other listed instruments, specifically debt instruments (bonds), REIT certificates, ADRs, exchange traded funds and negotiable invoices. Certain restrictions, such as limitations in the stake an individual investor can have in a traded entity, are perceived to curtail the benefits for PE investors. The general capital gains rate for transfers outside the LSE remains at 30% for non-resident shareholders in Peruvian companies and 5% for resident individuals holding shares in Peruvian companies. Holdings in foreign companies are subject to a progressive rate up to 30%. Transactions conducted via the financial system (including dividend distributions) remain subject to a 0.005% financial transactions tax. The general value-added tax rate on goods and services, also applied on management fees charged by PE/VC funds, remains at 18%. (EIU Country Commerce, June 2016; ey.com; Interviews, March 2017, April 2015; LAVCA, Country Policy Overview, 2016)

Peru ScoreNotes

Aspects	Score	Notes (4-0)
Protection of minority shareholder rights	2	Improvements in practice merit a score upgrade. Minority shareholders in public, regular and closed corporations enjoy limited protection in Peru, including subscription rights, the right to participate and be informed of meetings, pre-emptive rights and dissenter rights. Shareholders representing 20% of capital in closed and regular corporations, and 5% in public companies, have the right to force the call for shareholders' meetings. Shareholders representing at least 20% of capital may request the distribution of up to 50% of the available profits from the last fiscal year. Corporations are also required to disclose non-confidential information at the request of shareholders representing at least 5% of capital. For closely-held corporations and regular corporations, company law provides that the shares of the dissenting shareholder shall be reimbursed only at net worth value, or less, if so agreed with the shareholder. In SRLs, meetings can be called by 20% of shareholders. In closely-held corporations and SRLs, partners and the company itself have the right of first refusal in case of transfers of capital holdings to outsiders, except when established otherwise in the bylaws. Shareholder agreements and private arbitration are a common and enforceable recourse for acknowledging further rights to minority shareholders. Incorporation of investee companies in offshore jurisdictions is also a common strategy for offshore PE funds. (EIU Country Commerce, June 2016; International Bar Association, 2016; Interviews, March 2017, April 2015; LAVCA, Country Policy Overview, 2016)
Restrictions on local institutional investors investing in PE/VC funds	3	Regulatory obstacles have declined and expanded investment limits have been defined, meriting an upgrade to the country's previous score. As of January 2016, pension funds are once again permitted to invest in PE funds, pending a general authorization from the financial regulator, the SBS. However, the SBS reserves the right to examine filings made by pension funds. Although offshore PE funds need to register with the SBS as of September 2014, local PE funds must be registered under the relevant internal registry before the AFP is permitted to make an investment. Local PE funds raising capital from Peruvian pension funds generally need to be managed by a <i>Sociedad Administradora de Fondos de Inversion</i> (SAFI) and have an investment advisor with 5+ years of PE experience. SBS Resolution 3973-2016 of July 15, 2016 established specific sub-limits for AFP investments in PE, VC and RE funds: 12-15% in PE for the pension plans with the highest risk profiles, and 6-8% in both VC and RE. This regulation expanded on the previous SBS Resolution 003-2014 of 2014, which had only established sublimits for foreign investments. In February 2016, SBS Resolution 1041-2016 extended the principle of ad hoc oversight to insurance firms, which may now invest up to 3% in PE funds (1% for life insurance companies). (Diario Oficial El Peruano; Interviews, March 2017, April 2015; LAVCA, Country Policy Overview, 2016)
Protection of intellectual property rights	2	Peru remains on the Office of the US Trade Representative's Watch List for 2016. Abuses remain commonplace, enforcement is patchy and slow, and punishments are often disproportionately lax. Some local rules may be overridden by Andean Community norms. Computer software and entertainment media are commonly pirated, as well as trademarked consumer goods. A free-trade agreement with the US (February 2009) has strengthened protection of IPR, but effective enforcement is taking time. (EIU Country Commerce, June 2016; EIU Risk Briefing; US Investment Climate Statement 2016; USTR, Special 301 Report, 2016)
Bankruptcy procedures/creditors' rights/partner liability	2	Bankruptcy procedures set up under the National Institute for the Defense of Competition and the Protection of Intellectual Property remain subject to delays. The World Bank's Doing Business 2017 ranks Peru's insolvency framework 79th out of 190 countries. Insolvency settlements are slightly lengthier, less costly, and award slightly less to creditors. In general, shareholder liability is limited to capital share. (Interviews, 2017, 2015; US Country Commercial Guide 2016; World Bank, Doing Business, 2017)
Capital markets development and feasibility of exits	2	The Lima stock exchange (<i>Bolsa de Valores de Lima</i> —BVL) is continuing the process to merge with the <i>Mercado Integrado Latinoamericano</i> (MILA)—a joint initiative of the bourses of Peru, Colombia, Chile and Mexico—to become a single unified equity and securities exchange. Due to regulatory issues, such as tax rules harmonization, integration is expected to proceed slowly, but will have the potential to deepen Peru's shallow capital markets. As of end-2016, the market capitalization of the BVL was US\$124bn with 277 companies listed (a subset of MILA's market capitalization of US\$789bn with 705 listed companies). Interviewees indicate that IPO exits are possible, fairly inexpensive and also serve as a mechanism for private placement; however, they have not been common as of late due to the small pool of institutional investors and the lack of depth of the local capital markets. Larger private firms sometimes try to restrict outsider interest in their companies (both domestic and foreign) through "cross-shareholding" or "stable shareholder" arrangements. (Bolsa de Valores de Lima website; EIU Financial Services Report; EIU Risk Briefing; Interviews, March 2017, April 2015; Mercado Mila website; US Investment Climate Statement, 2016)
Registration/reserve requirements on inward investments	3	Registration is voluntary, as capital need not be registered to be repatriated. There are no reserve requirements, minimum-stay requirements or other exchange controls. Access to US dollars is free and commonplace, and investors may hold accounts with local banks in any currency. All financial transactions including remittances are subject to a 0.005% financial transactions tax. (US Country Commercial Guide 2016; EIU Country Commerce, June 2016, July 2014)
Corporate governance requirements	3	Corporate governance standards are more transparent in entities that are publicly traded or list securities than in privately-held companies. Board composition and decision-making are often addressed through shareholder agreements, whose enforceability is still uneven. The more elaborate disclosure requirements for <i>fondos de inversion</i> registered under the simplified regime most closely mirror international requirements for funds created through public offerings. (EIU Country Commerce, June 2016; Interviews, March 2017, April 2015; LAVCA Country Policy Overview, 2016; Superintendencia del Mercado de Valores website)
Strength of the judicial system	1	Despite increased investment in the judiciary, the system has remained ineffective. Litigation costs to recover debts can total up to half the amount being contested, leading businesses to prefer dealing with trusted suppliers and customers. Some progress has been made in terms of improving transparency in appointing judges and in Supreme Court rulings, which are now published online. However, poor training and low pay have engendered a culture of bribery. The commercial court in Lima takes an average of approximately 18 months to resolve disputes, and parties involved consider arbitration as a faster and less costly alternative. (EIU Risk Briefing; Interviews, March 2017, April 2015; US Investment Climate Statement 2016; World Bank, Doing Business, 2017)
Perceived corruption	1	Peru has suffered from ongoing high-level corruption scandals over the past few years, which played an important role in the 2016 presidential elections. The latest corruption scandal revolves around the construction firm Odebrecht, a Brazilian company which admitted in court to paying bribes in Peru. The scandal has already caused significant upheaval, with Peruvian courts issuing an arrest warrant against former president Alejandro Toledo in February 2017. Investigations are also underway on the previous President's successors, including the current president, Pedro Pablo Kuczynski. Peru scores poorly on both the 2016 Transparency International ranking (101 out of 176 countries) and the 2015 World Bank Control of Corruption series (32nd percentile). (EIU Country Report; EIU Risk Briefing; Transparency International, 2016; US Investment Climate Statement 2016; World Governance Indicators, 2015)
Quality of local accounting/use of international standards	4	A transition to IFRS was completed in stages, with all firms with 3,000+ <i>unidades impositivas tributarias</i> (UIT) required to adopt them as of FY 2015. SMEs with total assets under 3,000 UIT must follow IFRS for SMEs. International auditing firms are present. (Deloitte/IAS PLUS 2017; Interviews, March 2017, April 2015)
Entrepreneurship	2	Peru continues to improve the business environment. StartUp Perú, launched in 2013 under the Ministry of Production, serves as an incubator to entrepreneurs. In 2015, Peru created industrial parks and technological innovation centers (<i>Centros de Innovación Productiva y Transferencia Tecnológica</i> —CITES). Nine private sector CITES were operating as of June 2016. In 2017, the government passed legislation to support the creation of business development centers (<i>Centros de Desarrollo Empresarial</i> —CDE) which can assist small companies in incorporating. The government also provides tax incentives for research and development companies. According to the World Bank's Doing Business 2017, starting a business in Peru takes less time and is less costly than the regional average. (EIU Country Commerce, June 2016; Interviews, March 2017, April 2015; StartUp Perú website; World Bank, Doing Business, 2017)

Country Profile

URUGUAY

	2015	2017
OVERALL SCORE:	54	61
REGIONAL RANKING:	6TH	5TH

Under the leadership of a new president in 2015, Uruguay has seen an improvement in the business environment. For the first time, the country saw an upgrade on four indicators as result of efforts to advance the environment for business and investment, with macroeconomic policy remaining stable and broadly effective.

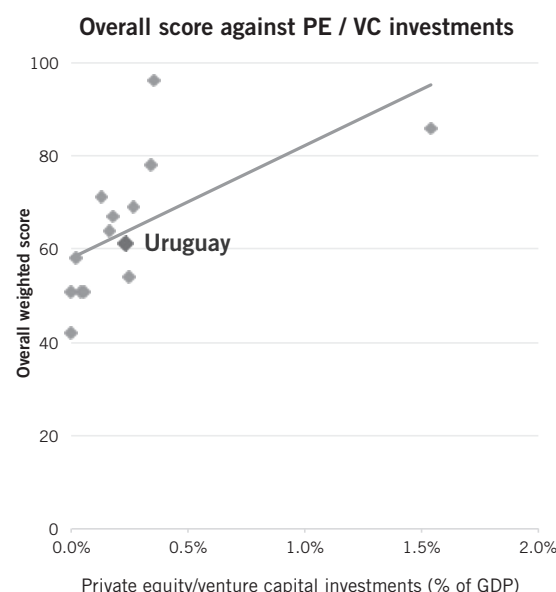
Strengths: Uruguay's strengths remain its favorable tax treatment, bankruptcy procedures, and low level of perceived corruption. Efforts to strengthen the judicial system have been made.

Challenges: The country's laws on fund formation should be strengthened. Participation of institutional investors in PE/VC funds is still very limited. Corporate governance requirements and protection of minority shareholders should also be improved.

	2015	2017	CHANGE
Overall score	54	61	+7
Laws on PE/VC fund formation and operation	2	2	0
Tax treatment of PE/VC funds & investments	3	3	0
Protection of minority shareholder rights	2	2	0
Restrictions on local institutional investors investing in PE/VC	2	2	0
Protection of intellectual property rights	2	3	+1
Bankruptcy procedures/creditors' rights/partner liability	3	3	0
Capital markets development and feasibility of exits	1	2	+1
Registration/reserve requirements on inward investments	2	3	+1
Corporate governance requirements	2	2	0
Strength of the judicial system	2	3	+1
Perceived corruption	3	3	0
Quality of local accounting/use of international standards	3	3	0
Entrepreneurship	2	2	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Uruguay ScoreNotes

Aspects	Score (4-0)	Notes
Laws on PE/VC fund formation and operation	2	A viable institutional vehicle for locally domiciled funds is lacking. A trust (fideicomiso) legal figure exists and can be adapted for PE/VC funds. Yet trusts can be cumbersome, as they prevent a general partner from also being an investor, and tend to be unattractive for foreign investors. Two funds incorporated as trusts have been closed in 2017, underlining these difficulties. Offshore vehicles can be set up by Uruguayan-domiciled funds or by offshore funds seeking co-investment by Uruguayan investors, and are generally more common. PE investment into Uruguayan firms typically comes from regionally-focused international funds, while VC investments originate from angel investor networks, domestic VC funds and supporting government investments. (Interviews, March 2017, April 2015; latinlawyer.com; PwC Uruguay, 2016)
Tax treatment of PE/VC funds & investments	3	Uruguay's tax environment has remained stable and moderately favorable for PE/VC investing. Uruguay does not tax companies or corporate vehicles on income earned outside of the country. As of March 2017, the corporate income tax (IRAE) was 25%. Uruguayan companies paying interest to non-residents must withhold the 12% non-resident income tax (IRNR), although deductions may apply and there are credits for taxes paid abroad. Local corporations, branches of foreign companies and non-resident companies that pay the IRNR also pay a net worth tax on assets held in-country excluding incurred debts and corporate income tax obligations, at a rate of 1.5% for corporations and 2.8% for financial institutions. Capital gains, including from mergers, are taxed as normal corporate income at inflation-adjusted rates (and are also subject to personal income tax). Dividends paid to resident individual shareholders and non-resident individual and corporate shareholders coming from countries with no double taxation convention with Uruguay, are subject to 7% withholding tax, while those received by resident corporations are exempt. (EIU Country Commerce, March 2016; Fischer and Schickendantz, 2016; Interviews March 2017, April 2015; latinlawyer.com)
Protection of minority shareholder rights	2	Minority rights remain moderately well-protected in the view of fund managers and international ratings. Disclosure requirements and corporate transparency are still weaker. Closed corporations (SAs) do not need to publish their balance sheets unless they either (i) invoice 100,000 "re-adjustable units", set forth by the state-owned Uruguayan Mortgage Bank, or (ii) have total assets exceeding 30,000 inflation-adjusted units (UI; 1 UI is equivalent to Ps3.5820 as of March 9, 2017). Closed SAs need not be internally audited. Limited liability companies must disclose annual balance sheets and profit-and-loss statements to partners, but need not undertake external audits if they have fewer than 20 partners. As of January 2015, all corporations that have bearer shares must disclose the identity of their shareholders to the central bank (Banco Central del Uruguay), as per the terms of Law 19,288 of 2014. Shareholder agreements are a common and generally effective strategy for PE/VC investments. The World Bank's Doing Business 2017 rates minority investor protections slightly below the regional average. (EIU Country Commerce, March 2016, March 2014; Interviews March 2017, April 2015; World Bank, Doing Business, 2017)

Uruguay ScoreNotes

Aspects	Score	Notes (4-0)
Restrictions on local institutional investors investing in PE/VC funds	2	There are no regulatory barriers for institutional investors to participate in PE/VC funds, but their participation is limited due to their conservative approach to risk. Pension funds typically only invest in equities issued by locally-domiciled companies, trusts such as those for public-private infrastructure partnerships, or publicly-traded investment funds. There are six private pension fund administrators (AFPs) as of March 2017. Private insurance companies mobilize fewer assets, and are absent from PE/VC investing. The government's National Research and Innovation Institute (ANII) provides resources to underwrite the costs of fund administrators in early-stage capital and investments in innovative firms, which currently takes the form of support for two funds and one club of angel investors. (Agencia Nacional de Investigación e Innovación website; Interviews March 2017, April 2015; Superintendencia de Pensiones website; Superintendencia de Servicios Financieros website)
Protection of intellectual property rights	3	In a bid to improve economic cooperation with Chile and other international partners, Uruguay has made commitments to strengthen its protections for intellectual property rights, meriting a score upgrade. Uruguay has not been on the Office of the United States Trade Representative (USTR) Watch List since 2006, although it was briefly added to the USTR's 2014 Notorious Markets Report following reports on counterfeiting and piracy in free trade zones (FTZs). It was removed again in 2015 when Uruguay strengthened customs enforcement and control within the FTZs. Entrepreneurs suggest that patent registration can work, but that firms may be hesitant due to the considerable costs and time required to register a patent. Fund managers suggest registering patents abroad, either directly or in addition to local registration, to ensure protection. (EIU Country Commerce, March 2016; EIU Risk Briefing; Interviews, March 2017; US Investment Climate Statement 2016; USTR, Special 301 Report, 2016)
Bankruptcy procedures/creditors' rights/partner liability	3	Uruguay continues to operate under the 2008 Bankruptcy and Business Reorganization Act (BBRA) (slightly modified in 2009 and 2012) which gives creditors more options for actions against a defaulting debtor, provides for expedited collections and payments by creditors, and allows firms to reorganize to regain solvency. The strength of this legislation is demonstrated through the World Bank's Doing Business 2017, which scores Uruguay considerably higher than the regional average for the strength of its insolvency framework. Insolvency resolution in Uruguay is faster and less than half as costly as regional averages, with a significantly higher recovery rate. Unless there is demonstrated fraud or wrongdoing, limited partners and shareholders bear no liability beyond capital shares in bankruptcy. (EIU Country Commerce, March 2016; Interviews, March 2017, April 2015; US Country Commercial Guide, 2016; World Bank, Doing Business, 2017)
Capital markets development and feasibility of exits	2	Improvements in stock market liquidity and a decreased risk of a financial crisis merit a score upgrade. As of December 2016, the primary market of the Montevideo Exchange had a market capitalization of US\$779.5m, showing steady increases over the years. Uruguay remains open to foreign investment, and the government does not require screening mechanisms or government authorization to access capital markets. However, the government is taking a more active role in infrastructure investment, following unsuccessful efforts to attract private investment to this sector. Inadequate access to capital continues to be a primary challenge faced by entrepreneurs in Uruguay. Firms looking to expand their capital base often seek strategic buyers overseas, given the small domestic market size. IPO exits are rare, although a few have taken place. As of March 2017, only one public-private partnership (PPP) project has closed and launched, although several others are in the pipeline. A new infrastructure fund with the Development Bank of Latin America (CAF) aims to invest US\$2.1bn in infrastructure, education, hospitals, housing, ports and railways by 2019. (Bolsa de Valores de Montevideo; EIU Country Commerce, March 2016; EIU Risk Briefing, El Pais, "Código del Proceso Penal estará vigente en 2017", May 2016; Interviews March 2017, April 2015; US Investment Climate Statement 2016)
Registration/reserve requirements on inward investments	3	Reserve requirements introduced in 2013 have since been eliminated or loosened, meriting a score upgrade after the downgrade in the previous Scorecard. At the end of 2014, the central bank eliminated the 50% reserve requirement on foreign purchases of central bank notes and reduced the reserve requirement on foreign purchases of central bank bills from 50% to 30%. All foreign-exchange transactions must be made through the banking system or through currency-exchange houses authorized by the central bank. Legal remittances must be registered with the central bank for statistical purposes. (EIU Country Commerce, March 2016; Interviews, March 2017, April 2015)
Corporate governance requirements	2	Transparency standards for finances and decision-making are moderate to weak, particularly for closed corporations (SAs) and limited liability companies (<i>sociedades de responsabilidad limitada</i> —SRLs). Open SAs must publish annual general balance sheets and profit-and-loss statements, including allocation of earnings. Issuers of listed securities are subject to periodic disclosure requirements vis-à-vis the regulator and the stock exchanges, as well as requirements to adopt corporate governance and internal controls practices. According to the World Bank's Doing Business 2017, both conflict of interest regulation and shareholder governance score slightly below regional averages. Funds deal with limitations effectively through shareholder agreements and in some cases by encouraging investee companies to incorporate under foreign jurisdictions. (EIU Country Commerce, March 2016, March 2014; Interviews March 2017, April 2015; World Bank, Doing Business, 2017)
Strength of the judicial system	3	In late 2015, the Uruguayan government announced that it would launch a constitutional reform to strengthen the transparency and functioning of the judiciary including the Supreme Court, meriting a score upgrade. Uruguay's judiciary is independent, but the trial process is slow and decisions can be opaque. Arbitration awards, foreign and domestic, are enforceable. Bankruptcy cases are particularly prone to delay, and it can often take over two years to close a business. The recovery rate for insolvencies has significantly improved from 28% in 2015 to 42%, placing the country slightly ahead of the regional average, but behind the OECD high-income average of 73%. (EIU Risk Briefing; Interviews, March 2017, April 2015; US Investment Climate Statement 2016; World Bank Doing Business Report, 2017)
Perceived corruption	3	Uruguay continues to have strong laws in place to prevent bribery and corruption. Although corruption among public officials is limited, civil servant appointment and career structure is a generally opaque process. However, this is not seen as an obstacle to investment. The country ranks well in two different corruption measures from the World Bank and Transparency International, ranking 21st in the world for perceived transparency and in the 89th percentile for control of corruption. (EIU Risk Briefing; Interviews, March 2017; Transparency International, 2016; US Investment Climate Statement, 2016; World Governance Indicators, 2015)
Quality of local accounting/use of international standards	3	From 2007 onwards, all Uruguayan companies, public and private, have been legally required to follow IFRS. There are also a few additional local standards that must be met. The auditor's report refers to conformity with Uruguayan GAAP, which is similar to international standards prevalent in Europe. International auditors are present and reliable. (Deloitte IAS PLUS 2017; Interviews, March 2017, April 2015)
Entrepreneurship	2	Uruguay continues to develop a supportive environment for entrepreneurs. The National Agency for Research and Innovation (ANII) is active both as a direct funder and a catalyst for entrepreneurial funds. There are at least four business incubators and there is good support for entrepreneurs in terms of training and firm capacity and skills. However, there are reports that there is little tolerance for failure and entrepreneurs have difficulty finding access to support and funding following an unsuccessful venture. The World Bank's Doing Business 2017 ranks Uruguay 60th out of 190 countries on ease of starting a business, requiring fewer procedures, less time, and lower costs than the averages for the region. (ANII website; GEM Global Report 2016/7; Interviews, March 2017, April 2015; World Bank, Doing Business, 2017)

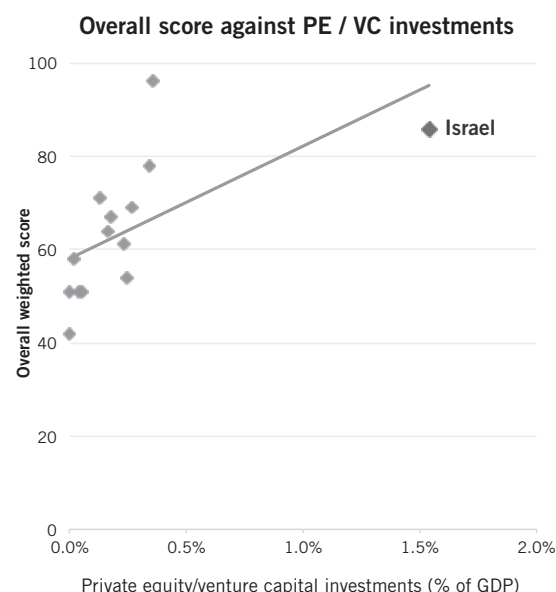
Country Profile

ISRAEL

	2015	2017	CHANGE
Overall score	82	86	+4
Laws on PE/VC fund formation and operation	4	4	0
Tax treatment of PE/VC funds & investments	2	3	+1
Protection of minority shareholder rights	4	4	0
Restrictions on local institutional investors investing in PE/VC	4	4	0
Protection of intellectual property rights	3	3	0
Bankruptcy procedures/creditors' rights/partner liability	2	2	0
Capital markets development and feasibility of exits	3	3	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	4	4	0
Strength of the judicial system	3	4	+1
Perceived corruption	3	3	0
Quality of local accounting/use of international standards	4	4	0
Entrepreneurship	3	3	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Israel ScoreNotes

Aspects	Score	Notes (4-0)
Laws on PE/VC fund formation and operation	4	Clear, favorable laws have permitted a large-scale VC industry to develop since the early 1990s, with a smaller PE industry. The scope of VC activity remains high relative to the size of the economy, and there is a mix of domestic and foreign fund managers. VC fundraising levels reported by the Israeli Venture Capital Research Center have continued to rise year over year, with US\$1.6bn raised in 2016 compared to US\$1.5bn in 2015. As of end-2016, 23 different funds were in operation in Israel. (EIU Financial Service Report, August 2016, August 2014; IVC Research Center, 2017)
Tax treatment of PE/VC funds & investments	3	The tax burden has decreased slightly and remains favorable for foreign investments in PE/VC, meriting a score upgrade. Following a 1.5% reduction on January 1st, 2016, the corporate tax rate stands at 25%. In assessing capital gains tax, the nominal gain is divided between the inflationary amount (taxable on the amount accruing up to end-1993 at 10%, and subsequently zero) and the real gain (taxed at the regular company tax rate of 25%). Corporate taxation applies to both the total undistributed profit and the dividends when distributed, although double-tax treaties may affect this for foreign shareholders. Since January 2012, withholding on dividend income is generally assessed at 25%. Dividends paid by one Israeli company to another are exempt from tax if the paying company has already paid income tax. A 20% tax applies on dividends received from a company that has approved-enterprise status, as awarded under the Approved Enterprise System. An Israeli company paying a dividend to foreign shareholders (whether a company or individual) must deduct 25% withholding tax (30% for "significant investors" with more than a 10% stake). Since January 2009, foreign investors are exempt from tax on all equity investments (listed or not) made from that date, except in real estate and real estate investment trusts, and from tax on profits derived from PE funds, aligning tax benefits to those of Israeli VC funds. (EIU Country Commerce, August 2016, August 2014)
Protection of minority shareholder rights	4	For all limited liability companies (publicly traded or not), a minority shareholder with over a 25% share may block most decisions. The election of board members is determined by a simple majority of those attending the annual meeting. Institutional investors with more than a 5% share must attend and vote. The role of minority investors and the accountability of majority shareholders are bolstered in public companies by amendments to the Companies Law passed by the parliament in April 2011. The World Bank's Doing Business 2017 scores Israel's strength of minority investor protection in public firms as 9th in the world and above the OECD high-income average. (EIU Country Commerce, August 2016; OECD Report to G20 Finance Ministers and Central Bank Governors, September 2015)
Restrictions on local institutional investors investing in PE/VC	4	Institutional investors play a significant and unrestricted role in PE/VC fundraising. Since 2002, all restrictions have been lifted for insurance companies, subject only to prudential oversight. Insurers continue to play a central role in the management of financial assets in Israel, representing around 10% of financial assets held by the public as of end-2016. There are no specific limits on investment categories. There are no restrictions on the percentage of shares that pension funds may invest in alternative asset classes such as PE/VC funds. As a result, pension funds have been able to play a particularly important role in infrastructure funds. (EIU Financial Services Report, November 2016; OECD Report to G20 Finance Ministers and Central Bank Governors, September 2015; OECD Survey of Investment Regulation of Pension Funds, 2015)
Protection of intellectual property rights	3	Generally, patents, trademarks, industrial designs and copyrights are legally recognized in Israel, and there is adequate enforcement of property rights. Israel was removed from the Office of the US Trade Representatives Watch List in 2014, in recognition of its intellectual protection (IP) framework. However, jurisdiction problems regarding IP protection still exist since responsibility for IP protection in the West Bank and Gaza was transferred to the Palestinian Authority in September 1995. In practice, the transfer of responsibility has resulted in less enforcement in those regions. With an estimated piracy rate of 29%, piracy continues to be problematic for Israel. Nevertheless, Israel has stronger IP protections in place than many African, European and Middle Eastern nations. (EIU Country Commerce, August 2016; USTR, Special 301 Report, 2016)

Israel ScoreNotes

Aspects	Score Notes (4-0)
Bankruptcy procedures/creditors' rights/partner liability	2 Compared to OECD high-income averages, settling bankruptcy in Israel continues to be a lengthier and more expensive process with a lower average recovery rate. The Companies Act provides general guarantees of limited liability similar to most Western countries, although courts may lift these protections in cases of criminal abuse or malfeasance. Under a limited partnership, the general partner has full liability and there must be at least one partner with limited liability who is not involved in management. (EIU Country Commerce, August 2016; US Country Commercial Guide 2016)
Capital markets development and feasibility of exits (ie, local IPOs)	3 The Tel Aviv Stock Exchange (TASE) is Israel's only public stock exchange. In 2016, the TASE had a market capitalization of US\$213.9b, a 6.6% increase from 2015, and listed 451 companies, a drop from the 473 companies listed in 2015. IPO activity remains fairly static; there were three IPOs in 2016, two in 2015 and five in 2014. In the high-tech VC sector, M&A deals are the most common form of exit, with a small number of buyouts and IPOs. (EIU Financial Services Report, August 2016; TASE website)
Registration/reserve requirements on inward investments	3 The Bank of Israel requires registration of foreign-currency transactions by individuals and financial intermediaries for monitoring and money laundering prevention purposes. There are no reserve requirements or other exchange controls. (EIU Country Commerce, August 2016; US Country Commercial Guide, 2016)
Corporate governance requirements	4 The Israel Securities Authority formulates corporate governance regulations for public companies, which include declarations of accurate financial statements by senior executives, an appendix by the board and management regarding effectiveness of internal auditing and principles of disclosure. Public companies must have at least two outside directors, an internal auditor, and an audit committee. Under March 2011 regulations, audit committees were granted more independence and independent and minority directors in public companies gained additional powers. There are fewer formal requirements for privately-held companies in areas such as disclosure and voting rights. The election of board members usually requires a simple majority of voters in attendance. A limited partnership has at least one general partner with unlimited liability and at least one partner whose liability is limited, but may not participate in management. A limited partner may not draw on or retrieve investment in the partnership while it exists. (EIU Country Commerce, August 2016)
Strength of the judicial system	4 The Israeli Supreme Court and other legal authorities have strengthened their oversight of the government on political and economic matters, meriting a score upgrade. Israel has a strong and independent judiciary and a solid framework covering issues such as monopoly power and competitive practices. Contractual arrangements are generally secure. Despite the absence of a written constitution, Israel has a system of basic laws which lays out civil and political rights. While the judicial system is strong against political influence, the adjudication process continues to be slow. According to the World Bank's Doing Business 2017 report, the time associated with enforcing contracts remains almost as twice as high as average OECD levels. (EIU Country Commerce, August 2016; EIU Risk Briefing; US Investment Climate Statement 2016; World Bank, Doing Business, 2017)
Perceived corruption	3 While political corruption scandals remain a consistent feature at the highest levels of government, overall corruption is not a major issue. In Transparency International's annual Corruption Perceptions Index, Israel's global rank has jumped from 37th in 2014 to 28th in 2016, and is the second-highest ranked country in the Middle East and North Africa region. In a similar vein, the World Governance Indicators rank Israel in the 78th percentile, slightly below the high-income OECD average. Israel signed the OECD Bribery convention in 2008 and has criminalized bribery. (EIU Country Commerce, August 2016; EIU Risk Briefing; Transparency International, 2016; US Investment Climate Statement 2016; World Governance Indicators, 2014)
Quality of local accounting/use of international standards	4 IFRS continue to be required for listed firms. All unlisted companies except banks are permitted to follow IFRS as an alternative to Israeli GAAP, which are considered to be aligned with international standards. Global international accounting firms maintain offices in Israel and are widely used. (Deloitte IASPLUS 2017; EIU Country Commerce, August 2016)
Entrepreneurship	3 Israel has a supportive environment for entrepreneurship and is a hub for technology and biotech companies. The National Authority for Technological Innovation (NATI) was launched in January 2016 and is responsible for promoting technological and scientific innovation. NATI provides financial and other support to entrepreneurs and business incubators. There are an estimated 20 high-tech incubators operating under the National Technology Incubators Program, supporting an estimated 100 companies as of 2016. According to the World Bank's Doing Business 2017, Israel's time required to start a business is relatively lengthy compared to its OECD regional partners, although much shorter than the regional average. Overall, Israel ranks 52nd in the world for ease of starting a business. (EIU Country Commerce, August 2016; Global Entrepreneurship Monitor 2016/7; World Bank, Doing Business, 2017)

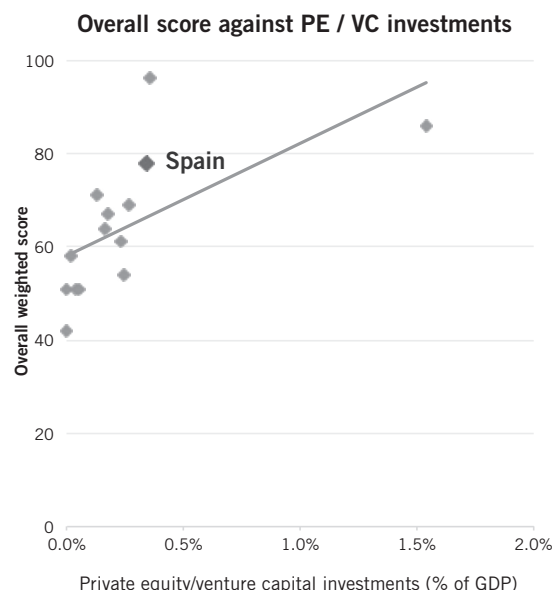
Country Profile

SPAIN

	2015	2017	CHANGE
Overall score	78	78	0
Laws on PE/VC fund formation and operation	4	4	0
Tax treatment of PE/VC funds & investments	4	4	0
Protection of minority shareholder rights	3	3	0
Restrictions on local institutional investors investing in PE/VC	3	3	0
Protection of intellectual property rights	3	3	0
Bankruptcy procedures/creditors' rights/partner liability	3	3	0
Capital markets development and feasibility of exits	3	3	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	3	3	0
Strength of the judicial system	2	2	0
Perceived corruption	3	3	0
Quality of local accounting/use of international standards	4	4	0
Entrepreneurship	2	2	0

Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)



Spain ScoreNotes

Aspects	Score (4-0)	Notes
Laws on PE/VC fund formation and operation	4	Spain's regulatory environment for PE/VC is compliant with EU-wide regulations. Law 22/2014, passed in 2014, regulates VC and PE entities, other closed-ended investment entities and investment managers overseeing them, and harmonizes regulations with Directive 2011/61/EU on alternative investment fund managers (AIFMD). VC/PE entities may either be incorporated as companies (<i>sociedades de capital riesgo</i>) or funds (<i>fondos de capital riesgo</i>) under a simplified process. There are no limits on investments in "funds of funds" (20% of net assets under management). Law 22 also loosens restrictions on fiduciary regimes for fund managers, relaxes investment restriction ratios for funds and companies under certain conditions and creates a special category of SME PE/VC entities (<i>entidades de capital riesgo-Pyme</i>). The AIFMD, effective in EU member states from July 22nd 2013, introduced a harmonized regulatory framework covering areas like capital requirements, disclosure and marketing, compliance, remuneration and the use of depositaries or custodians. The AIFMD enables fund managers to manage and market their funds through a single market passport. The European Venture Capital Regulation, which provides a lighter regulatory regime, is available on a voluntary basis to managers below the AIFMD threshold. (British Venture Capital Association website; International Comparative Legal Guides, 2017; preqin.com)
Tax treatment of PE/VC funds & investments	4	Spain maintains a favorable tax environment for PE/VC investing and invested firms. Capital gains from sales of portfolio companies may, under specific conditions, be entitled to benefit from the Spanish participation exemption. Furthermore, should the Spanish participation exemption not apply and the sale of the interests in the portfolio companies be carried out between the second and 15th year of the investment, a 99% tax-exemption would be applicable, for up to three years from listing (extendable for up to 20 years with prior authorization), provided the PE/VC funds are registered with the Spanish securities regulator. Dividends obtained by PE/VC from subsidiaries are eligible for the Spanish participation exemption, notwithstanding their participation percentage and holding period. Dividends and capital gains realized by Spanish corporate investors and non-resident investors with a permanent establishment PE/VC entities based in Spain are exempt, excluding their participation percentage and holding period. Non-resident investors without a permanent establishment in Spain (who are not resident in a tax-haven country or jurisdiction) are also exempt from Spanish taxation on any dividend or capital gain derived from their interests in PE/VC companies. Legislation takes a neutral stance on corporate combinations by rolling-over capital gains and losses resulting from mergers or specific restructuring transactions. Dividend payments to parent companies are exempt if, among other requirements, the foreign parent has held at least 5% of the share capital of a Spanish company continuously for one year or the acquisition value of the participation exceeds €20m. An anti-avoidance rule may apply under specific conditions. Otherwise, a 19% withholding tax applies, although tax treaties may reduce or eliminate this tax for investors from certain countries. The basic corporate tax rate of 25% applies to global profits of resident corporations. Lower rates may apply to SMEs and newly created companies that meet specific criteria. Spanish corporations (including PE/VC) may be subject to interim corporate income tax payments, should they have accrued revenues (including dividends, in the case of holding companies) of at least €10m in the previous year. (EIU Country Commerce, January 2017, February 2015)
Protection of minority shareholder rights	3	Minority rights are reasonably well protected in Spain. The Corporations Law, as unified under Royal Decree 1/2010 of July 2010, allows for the registration of companies with strong protections of minority rights established in their charters. A 5% minority can call an extraordinary meeting or demand an outside audit in a standard corporation (<i>sociedad anonima-SA</i>) or in the more common limited-liability form (<i>sociedad de responsabilidad limitada-SRL</i>). In SRLs, which constituted almost three-quarters of Spanish companies at end-2016, shares are transferable only with the consent of other controlling shareholders. This consent can only be denied if the other controlling shareholders are willing to buy the total amount of the shares subjected to the transfer or if they find a third party willing to buy them. In an SA, which may also have clauses that restrict free share transfer, any shareholder may challenge a decision in court within one year. The World Bank's Doing Business 2017 ranks Spain at 32nd in the world in terms of minority investor protection. (EIU Country Commerce, January 2017, February 2015; World Bank, Doing Business, 2017)

Spain ScoreNotes

Aspects	Score	Notes (4-0)
Restrictions on local institutional investors investing in PE/VC funds	3	Pension funds remain under-represented in the financial system compared with many other EU countries. Pension funds may invest up to 30% of managed assets in private investment funds (3% in individual funds). Shares in VC funds' assets are available for investment by insurance companies and pension funds. Insurance companies may not invest more than 10% of their assets in securities issued by a single company and no more than 20% may be in a single investment fund. (EIU Financial Services Report, September 2016, September 2014; OECD, Annual Survey of Investment Regulation of Pension Funds, 2015; OECD Report, Regulation of Insurance Company and Pension Fund Investment, September 2015)
Protection of intellectual property rights	3	Spanish laws are in line with EU legislation on intellectual property rights (IPR). Spain has ratified all the main international conventions that allow non-Spanish nationals to protect their local rights. Patents, industrial designs, trademarks and copyrights are all recognized in Spain. Despite strong enforcement practices, internet piracy continues to permeate the music, movie, and entertainment software industries in Spain. In 2015, the Penal Code was revised to clarify Spain's IPR protections, creating a more specific criminal offence for providers of pages linking to pirated content and incorporating new measures that judges can adopt (such as blocking websites). In 2014, the Copyright Act was revised to incorporate two European Directives and to include a set of updates on areas including digital copyright infringements and private copying. A new patents law, passed in 2015 (effective April 2017) aims to modernize Spain's patents legislation to align the country with international norms and attract foreign investment. The law simplifies the awards procedure and lowers administrative fees, among other changes. (EIU Country Report, January 2017; US Investment Climate Statement 2016)
Bankruptcy procedures/creditors' rights/partner liability	3	Spain's bankruptcy system is considered fair and transparent. The Insolvency Law of 2004 increased penalties for firms that do not negotiate reorganizations with creditors when faced with insolvency, which enables creditors to hold owners materially and personally responsible for debts. In 2014, the government approved a reform of the bankruptcy law, aiming to avoid the bankruptcy of viable companies through refinancing agreements which can include debt write-off, capitalization, and rescheduling. Reflecting perhaps the impact of that law, the World Bank's Doing Business 2017 shows that Spain's global ranking on insolvency procedures jumped seven places up to 18th from 2016 to 2017. Bankruptcies are resolved faster and have a high recovery rate compared to OECD high-income averages, although they can be costlier to settle. In both SAs and SRLs, liability of shareholders is limited to the amount of capital contributed barring proof of malfeasance or fraud, and non-voting shareholders have preferential rights in the event of liquidation. (EIU Country Commerce, January 2017, February 2015; US Country Commercial Guide, 2017; World Bank, Doing Business, 2017)
Capital markets development and feasibility of exits	3	Reforms implemented by the government, namely the restructuring of financial institutions, seem to have set Spanish capital markets in the right direction since 2013. The Spanish Bourses and Markets (<i>Bolsas y Mercados Españoles</i> —BME) were formed at end-2001 as Spain's national unified stock exchange and debt and derivatives market. It was created through the merger of four separate exchanges in Madrid, Barcelona, Bilbao and Valencia into one holding company. According to the World Federation of Exchanges, the number of IPOs decreased from 16 IPOs in 2015 to nine IPOs in 2016. (EIU Financial Services Report, March 2017; EVCA website; World Federation of Exchanges website)
Registration/reserve requirements on inward investments	3	Spain does not restrict foreign-currency operations. The government does require notification of certain capital movements for statistical purposes and to prevent money-laundering and tax fraud. (EIU Country Commerce, January 2017)
Corporate governance requirements	3	All corporations are required to undergo annual external audits by a registered auditor with exemptions for smaller companies. Businesses with total assets of less than €2.85m, annual sales under €5.7m, and a workforce of fewer than 50 during two consecutive years may instead submit abbreviated accounts not reviewed by an auditor. A dissenting minority of at least 5% may name an additional outside auditor, including in limited liability companies (SRLs). Several leading Spanish companies have appointed independent directors. Approved annual accounts, a management report and a detailed profit-distribution report must be sent to the publicly-accessible Mercantile Registry. Listed firms are also required to report annually to the National Securities Markets Commission (CNMV) on compliance with a corporate governance code (Código Conthe), which has been periodically updated and contains corporate governance provisions that reflect EU directives on director pay and performance-based pay structures. (EIU Country Commerce, January 2017, February 2015; Comision Nacional del Mercado de Valores, Código de Buen Gobierno, February 2015; Investment Climate Statement, 2015)
Strength of the judicial system	2	The authority of the judiciary continues to be compromised by politicization. Political divisions within the Constitutional Court and the governing body of the judicial system, the <i>Consejo General del Poder Judicial</i> , hinder the proper functioning of the country's highest judicial institutions and erode public confidence. Civil courts may however be considered independent. Regulators are sometimes subject to political pressures. Attitudes towards foreign capital investing directly are generally positive, except in the case of foreign takeovers of sectors that are considered sensitive, like energy. Bankruptcy procedures are considered fair. In March 2014, a reform of the bankruptcy law was passed to promote economic recovery in Spain and to avoid the bankruptcy of viable companies. Cases that involve piracy can take up to two years to reach the courts, by which time the offending companies have already ceased operation. (EIU Country Commerce, January 2017; EIU Risk Briefing; US Investment Climate Statement, 2016)
Perceived corruption	3	Spain has a number of anti-corruption laws, penalties, and regulations that are generally enforced on a uniform basis, with no apparent bias against foreign investors. In March 2015, the Spanish Criminal Code was amended to include jail sentences and fines for corporate administrators who receive financing for committing a business corruption crime. At the same time, Congress also approved the Law for the Control of Political Parties Economic and Financial Activities, prohibiting donations from companies and limiting personal donations to €50,000 per year. Spain scores relatively well in the World Bank's control of corruption index (69th percentile) and Transparency International's 2016 corruption measures, ranking 41st out of 176 countries. (EIU Country Commerce, January 2017; Transparency International, 2016; US Investment Climate Statement 2016; World Governance Indicators, 2016)
Quality of local accounting/use of international standards	4	IFRS, as applied in the European Union, have been legally mandated for listed companies since 2005. As of 2007, unlisted companies may use IFRS in consolidated statements but may not use them in separate statements. International auditors have a strong presence. (Deloitte/IAS PLUS 2017)
Entrepreneurship	2	The World Bank's Doing Business 2017 ranks Spain behind OECD averages in terms of time, cost, and number of procedures required to start a business. The Spanish government continues to introduce reforms, such as reductions in taxes on profits, to encourage SMEs. The government also supports a sustainable-growth model based on R&D, innovation, new technologies and high-value-added sectors as a means to promote investment in Spain. The Global Entrepreneurship Monitor estimates that Spain has a low rate of new business ownership of 2.8%, but it is nevertheless an improvement from the 2014 figure of 2.2%. (EIU Country Commerce, February 2015; World Bank, Doing Business Report, 2017; GEM Global Report 2016)

Country Profile

UK

	2015	2017	CHANGE
Overall score	94	96	+2
Laws on PE/VC fund formation and operation	4	4	0
Tax treatment of PE/VC funds & investments	4	4	0
Protection of minority shareholder rights	4	4	0
Restrictions on local institutional investors investing in PE/VC	4	4	0
Protection of intellectual property rights	4	4	0
Bankruptcy procedures/creditors' rights/partner liability	3	3	0
Capital markets development and feasibility of exits	4	4	0
Registration/reserve requirements on inward investments	3	3	0
Corporate governance requirements	4	4	0
Strength of the judicial system	4	4	0
Perceived corruption	3	4	+1
Quality of local accounting/use of international standards	4	4	0
Entrepreneurship	3	3	0

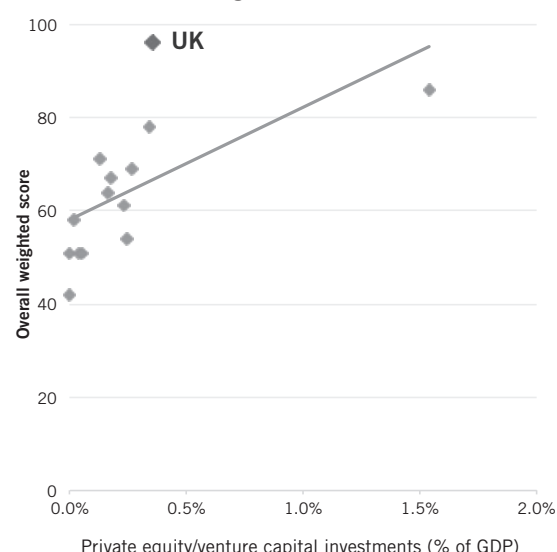
Indicators are scored from 0-4 where 4 = best score

Scores reflect the effect of double weighted indicators (see Scoring Criteria for detail)

UK ScoreNotes

Aspects	Score (4-0)	Notes
Laws on PE/VC fund formation and operation	4	London is an international leader for private equity investment management; UK-based funds account for about 20% of global PE investments. However, it is not yet known what impacts the UK's planned exit from the EU in 2019 (Brexit) may have on London's position as a hub for PE/VC investing in Europe and on legal norms governing formation and operation of PE/VC funds. There are clear nationally-developed laws facilitating the formation of PE/VC funds, which are not distinguished from each other for regulatory purposes. Many different forms exist: stand-alone funds, funds established as subsidiaries of large financial institutions, venture capital trusts, closed-end investment funds, funds set up by "qualified investors" with high net worth, and Enterprise Investment Schemes. All PE/VC firms in the UK are regulated by the Financial Conduct Authority (the FCA, formerly the Financial Services Authority), and comply with Remuneration Codes and standards on remuneration disclosure. The UK's future participation in EU schemes, including the Alternative Investment Fund Managers Directive (AIFMD), which harmonizes the regulatory framework on areas including capital requirements, disclosure and marketing, compliance, remuneration and the use of depositaries or custodians, remains to be seen. (BVCA website; EIU UK Financial Service Report, 1st quarter, 2017; Financial Conduct Authority website; National Association of Pension Funds/BVCA, "Private Equity Made Simple," October 2014)
Tax treatment of PE/VC funds & investments	4	Incentives are generous, and tax rates are low. The Enterprise Investment Scheme (EIS) is designed to encourage investments in SMEs and funds which exclusively invest in these types of companies. Under the EIS, individual investors can obtain tax relief of up to 30% on those investments if held for at least three years and can offset losses against income tax if there are no capital gains. Capital gains tax deferral relief is available to individuals and trustees of certain trusts for investments made within one year before or three years after a gain occurs. Corporate taxes on UK-resident companies are on a progressive scale, with the highest rate at 19%, set to fall to 17% on April 1st 2020. Taxable amounts are assessed based on worldwide income with credit for taxes paid in most overseas jurisdictions and deductions on qualified R&D spending. Corporate capital gains on portfolio investments are taxable in the investor's country of residence, except for investments made via a subsidiary, which are taxed at the same rate as income. The UK has no corporate withholding tax on dividends, and interest is taxed as normal income. A dividend paid by a UK company to a resident individual carries a tax-free dividend allowance, which varies by tax bracket. Under limited circumstances, non-resident taxpayers, including the foreign parent companies of UK subsidiaries, might be able to claim a tax credit refund, in whole or part, under the terms of double-tax agreements. UK resident individual portfolio shareholders in foreign companies are also eligible for a one-ninth tax credit. (EIU Country Commerce, October 2016, October 2014; Enterprise Investment Scheme Association website)
Protection of minority shareholder rights	4	Formal governance requirements remain less stringent for private limited than public limited companies, and are more relaxed for small and medium-sized private companies. PE/VC funds generally seek to strengthen minority rights provisions in shareholder agreements (which are readily enforceable) including dispute settlement provisions involving commercial arbitration. The UK ranked 6th highest in the world in the World Bank's Doing Business 2017 on minority investor protection. (EIU Country Commerce, October 2016, October 2014; World Bank, Doing Business, 2017)
Restrictions on local institutional investors investing in PE/VC	4	Insurance companies may invest where they choose, provided they take a responsible attitude to investing (exercising a legal fiduciary responsibility) and remain within solvency requirements. New EU-wide uniform capital rules and risk-management systems under Solvency II came into effect at the start of 2016. Solvency II sets prudential standards for capital-adequacy requirements, governance and risk management for the insurance industry. The framework requires marked-to-market valuations and a forward-looking assessment of solvency, necessitating higher capital buffers, particularly for insurers seeking to buy more illiquid asset classes including PE. In September 2016, the UK's Treasury Select Committee launched an inquiry into the possible implications and changes to the Solvency II regime when the UK formally leaves the EU. Some UK insurers are likely to view Brexit as an opportunity to leave the Solvency II arrangement. Pension funds operate under a similar responsible investing framework without any specific limits for alternative assets in general or PE/VC in particular. Pension funds continue to represent the most significant source of funding for PE funds, raising £1.9bn and representing 16% of total funding in 2015. Other institutional investors are foundations, endowments, banks, funds of funds, and sovereign wealth funds. (BVCA website March 2017; EIU Country Financial Services, 1st quarter 2017)

Overall score against PE / VC investments



UK ScoreNotes

Aspects	Score (4-0)	Notes
Protection of intellectual property rights	4	The UK continues to have one of the top environments for the protection of intellectual property rights. Software piracy protections are strong and the UK ranks only behind France in the EU for commercial value of unlicensed software. While Brexit will allow the UK to create a legal framework that is different from the European Union, it is unlikely that the protections framework will fundamentally change. Following criticism from other nations, in 2016 the UK amended the Patent Box scheme, which was introduced in 2013 and reduced the corporate tax rate on profits derived from patents to 10%. Companies who register in the scheme after July 1st 2016 will receive a tax break on R&D carried out by the company itself, excluding R&D conducted by a subcontractor or acquired through rights brought in. The arrangement for companies registered in the original scheme previous to this date will end on June 30th 2021. The UK is part of an effort to create a single EU patent and London was originally planned to be one of the three main locations for the Unified Patent Court (UPC). It is uncertain if the UK will elect to participate in either the UPC or the European Union Trade Mark following Brexit. (EIU Country Commerce, October 2016; EIU Risk Briefing; US Investment Climate Statement 2016)
Bankruptcy procedures/creditors' rights/partner liability	3	Regulations govern insolvency procedures for liquidating distressed firms in an expedited fashion. A company can be placed into a formal insolvency procedure by its directors, shareholders, creditors or the court. UK corporate insolvency procedures are under the control of an appointed insolvency practitioner, who is professionally qualified and licensed. The limited other options are a collective corporate rescue effort for the benefit of all creditors with temporary protection of assets ("administration"); administrative receivership; a binding restructuring agreement with creditors ("company voluntary agreement"); a court-approved agreement with creditors and/or shareholders ("scheme of arrangement"); or liquidation. According to the World Bank's Doing Business 2017, the UK is rated slightly above the OECD high-income average, as it is quicker and less costly to resolve insolvencies and recovery rates are higher for creditors. (EIU Country Commerce, October 2016, October 2014; Pinsent Masons website; World Bank, Doing Business, 2017)
Capital markets development and feasibility of exits	4	The UK's financial markets are among the most sophisticated in the world, and London is one of the world's leading financial centers, accounting for 7% of global equity market capitalization. Despite potential difficulties because of Brexit, a proposed merger between the London Stock Exchange (LSE) and the German Deutscher Börse is still under discussion. If finalized, the merger will create the largest stock exchange in Europe with a total of 3,200 companies and a value of approximately US\$24bn. As a result of both a global slowdown on IPOs and uncertainties in the UK financial market resulting from the Brexit vote, there were only 55 IPOs in 2016 as many companies elected to cancel or delay their IPOs. (EIU Country Finance, June 2012; EIU Financial Services Report, January 2017; EIU Risk Briefing; ey.com)
Registration/reserve requirements on inward investments	3	There are no exchange controls in the UK, and European Union rules require free movement of capital throughout the region. It is not yet known if Brexit will have an impact on freedom of capital movement between the UK and EU member states. Banks monitor transactions for suspected money-laundering, and the law requires them to have a money-laundering reporting officer to adequately identify customers when opening accounts and for transactions exceeding £10,000. Registration exists for monitoring purposes but there are no reserve requirements. (EIU Country Commerce, October 2016, October 2014)
Corporate governance requirements	4	All UK-incorporated companies listed on the main market of the London Stock Exchange are required to report on how they have applied the Corporate Governance Code issued by the UK Financial Reporting Council, and to provide specific explanations for deviations. Outside auditing and annual financial reporting, requirements are looser for large corporations as well as SMEs. Such firms are subject, however, to the Companies Act 2006, which requires all firms upon registration to detail shareholder rights and directors' borrowing powers and duties; annual general meetings are not required. For both public and private companies, a simple majority is required for ordinary resolutions (unless bylaws stipulate otherwise); for changing articles and liquidation, 75% of shareholders' votes are required. If a bid is made for the entire equity of a company (and the bidder obtains 90% of equity), the bidder can compel the remaining shareholders to sell. It is unclear if and how the UK's planned Brexit in 2019 will affect the country's alignment of its corporate governance requirements with those of the EU. (EIU Country Commerce, October 2016, October 2014; EIU Financial Services Report, 1st quarter, 2017; Financial Reporting Council website)
Strength of the judicial system	4	The UK is an established market-based economy in which contracts are enforced by an independent and reasonably efficient judicial system. Although there will be regulatory challenges involved in decoupling the UK from the EU, the UK will continue to have a functioning, transparent legal system where disputes can be expected to be resolved fairly via the court system. (EIU Business Environment Rankings; EIU Risk Briefing; US Investment Climate Statement 2016)
Perceived corruption	4	The government's national Anti-Corruption Plan demonstrates high-level commitment for fighting corruption, meriting a score upgrade. Foreign investors generally do not perceive corruption of public officials to be a problem for doing business in the UK. In both Transparency International's 2016 and the World Bank's 2015 corruption measures, the UK maintained a high ranking: 10th out of 175 countries in perceived transparency and in the 94 th percentile for control of corruption. The UK has a robust anti-corruption legal framework, including the Bribery Act of 2010, which created a framework to prosecute bribery both domestically and abroad. (EIU Risk Briefing; Transparency International, 2016, 2015; US Investment Climate Statement 2016; World Governance Indicators, 2015)
Quality of local accounting/use of international standards	4	International financial reporting standards, as adopted by the European Union, are required for public companies; companies must prepare their accounts and be audited according to these standards to be listed on the LSE's main market. IFRS are permitted (but not required) in both consolidated and separate company statements for non-listed firms, although they must follow UK GAAP. The Finance Act of 2009 institutes a senior accounting officer penalty regime, with mandatory annual certification of the adequacy of accounting systems for tax purposes, effective January 1st 2010, with penalties for non-compliance. (Deloitte/IAS PLUS 2017; EIU Country Commerce, October 2016, October 2014)
Entrepreneurship	3	The labor force skills gap, particularly for high-skill, high-tech jobs, continues to be a principal challenge for the UK entrepreneurial climate. The UK government has been working on initiatives to promote entrepreneurial activity, including prioritizing science, technology, engineering and math (STEM) fields and entrepreneurial skill development. The UK government also offers a reduced capital gains tax of 10% for qualifying businesses and business assets. The cost of starting a business ranks as one of the lowest in the world. The World Bank's Doing Business 2017 ranks the UK 7th in the world for ease of starting a business, well above the OECD average. (EIU Country Commerce, October 2016; US Investment Climate Statement 2016; World Bank, Doing Business, 2017)

APPENDICES

Appendix A: Select bibliography

The following cross-national data and information sources were used in the preparation of the 2017/2018 Scorecard:

Economist Intelligence Unit, Country Finance, Country Financial Services and Country Commerce series (by country), Business Environment Rankings and Market Indicators and Forecasts series, 2016/7

Deloitte IAS PLUS, "Use of IFRS by Jurisdiction," <http://www.iasplus.com/country/useias.htm>

Global Entrepreneurship Monitor, Global Report, 2015

Invest Europe, European Private Equity Activity, 2016

The World Bank, World Bank Group Entrepreneurship Database, "Doing Business" series, various countries, 2017

The World Bank, Worldwide Governance Indicators, 2015

Transparency International, Corruption Perceptions Index, 2016

U.S. Department of State, Country Commercial Guide series (various countries and years)

U.S. Department of State, Investment Climate Statement, 2016

U.S. Trade Representative, Special Report, 2016

Appendix B: Interviews

LAVCA collaborated with law firms, PE firms, associations, and individuals in the production of the 2017/2018 Scorecard, including:

Argentina: Marval, O'Farrell & Mairal (Diego Krischcautzky, Hernan Slemenson); Brown Rudnick (Alejandro Fiuza), ARCAP

Brazil: Veirano Advogados (Carlos Alexandre Lobo), ABVCAP

Chile: Carey (Francisco Guzmán, Cristian Eyzaguirre); Philippi Prietocarrizosa Ferrero DU & Uría (Constanza Rodriguez)

Colombia: Brigard & Urrutia Abogados (Carlos Fradique, Luis Gabriel Morcillo), ColCapital

Costa Rica: Batalla Salto Luna (Rodrigo Zelaya, Alejandro Batalla)

Mexico: KPMG (Victor Esquivel)

Peru: Baker & McKenzie (Liliana Espinosa, Oscar Trelles, David Shepard)

Spain: Uría Menéndez (Eduardo Rodriguez Rovira)

Uruguay: Brown Rudnick (Alejandro Fiuza)

For the 2017/2018 scores, the EIU conducted new interviews from February to March 2017 with LAVCA members who are fund managers based in the LAC region. These aimed primarily to obtain more in-depth information on the nature and impact of regulations in the country or countries in which they operate.

The interviews were designed, first, to hear from fund managers working in all the focus countries about their experience in making investments. Second, the interviews sought to gauge the extent to which recent legislative change--or accumulated experience with existing legal frameworks--had affected the business environment for fund managers.

For the debut Scorecard released in 2006, the interviews had served a somewhat different purpose. They were conducted with a broader range of market participants, including attorneys and service providers as well as some US-based fund managers active in multiple countries of the region. Their primary focus at that time was to refine the original 12 criteria and assign them different weights. Also, the interviews for the first two Scorecards were influential in the decision of including entrepreneurship as an additional indicator that significantly impacts the VC/PE business environment.

CONTRIBUTORS

The 2017/2018 Scorecard on the Private Equity and Venture Capital Environment in Latin America is prepared by the Economist Intelligence Unit on behalf of the Latin American Private Equity & Venture Capital Association (LAVCA). LAVCA provided additional analysis for the report.



The Economist Intelligence Unit is part of the Economist Group, the leading source of analysis on international business and world affairs. Founded in 1946 as an in-house research unit for The Economist newspaper, we deliver business intelligence, forecasting and advice to over 1.5m decision-makers from the world's leading companies, financial institutions, governments and universities. The Scorecard was created by the public

policy practice of the Economist Intelligence Unit. To learn more about our services from a member of the team, please contact us www.eiu.com.

Special Contributors

The 2017/2018 Scorecard was made possible by generous contributions from the Multilateral Investment Fund (FOMIN) and Baker McKenzie.



The Multilateral Investment Fund (MIF) serves as an Inter-American Development Group innovation laboratory to promote development through the private sector by identifying, supporting, testing and piloting new solutions to development challenges and seeking to create opportunities for the poor and vulnerable populations in the LAC region. To fulfill its role, the MIF engages and inspires the private sector and works with the public sector when needed. The MIF has been a pioneer in venture capital (VC) in Latin America, launching its investments in 1999 when the industry was practically nonexistent. MIF's support has been instrumental in developing this industry in the region. Over the course of its nearly 20-year history, the MIF has approved more than

80 VC & seed funds for more than USD \$300 million, of which over USD \$230 million has been disbursed to funds investing in over 600 companies in 21 countries. The MIF has also made an important contribution to developing local human capital in the industry, supporting more than 60 new VC and seed fund managers. MIF's role as key investor in a numerous funds has helped attract significant volumes of investment into the region (in the current portfolio, MIF investments have mobilized four times the capital invested). MIF's work has helped develop high potential companies that stand out in their respective countries in terms of economic, social and environmental impact.



Baker McKenzie helps clients solve complex legal problems across borders and practice areas and its unique culture, developed over 65 years, enables Baker McKenzie's 13,000 people to understand local markets and navigate multiple jurisdictions, working together as trusted advisors to clients. As the world's leading cross-border transactions firm, Baker McKenzie's Private Equity Practice helps clients capture these opportunities by providing expert advice on domestic and cross-border buyouts, fund

formation, secondary transactions, capital expansion, management equity participation, exit planning and compliance programs. With 300 private equity lawyers in Latin American and across the world, the Baker McKenzie team has been recommended by leading legal directors for its private equity work in major financial centers and emerging markets. Specifically the Baker McKenzie team has been recognized for its special expertise in real estate funds, as well as our cross-border capability, consistent quality, and strong client service. Our lawyers are also praised for their commercial advice and multi-disciplinary approach to providing private equity clients with comprehensive legal advice. Throughout the deal cycle, Baker McKenzie asks the right questions to uncover value or vulnerability. Baker McKenzie closes gaps between established company cultures and new business demands, applying best practice in entrance planning, exit strategies and deals of all sizes. Working closely with colleagues in the Firm's tax practice, Baker McKenzie can design sophisticated structures to help maximize value. Baker McKenzie lawyers anticipate and understand client constraints across a range of industries and brings diverse capabilities from all major markets in Latin America as well as highly knowledgeable industry lawyers to bear on deals.

Additional contributions and support came from the **LAVCA Public Policy and Global Standards Council**, whose mission is to establish a collaborative working environment with Latin American regulators and policymakers and work in partnership on pertinent issues and policies that positively affect the development of the private equity and venture capital industries. Council participants include:

- Chair: Martin Diaz Plata, Capital Group Private Markets
- Priscila Rodrigues, Bozano Investimentos
- Carlos Ascutti, EY
- Francisco Arboleda, HarbourVest Partners
- Marco Peschiera, The Carlyle Group
- Miguel Olea, The Abraaj Group
- Jose Sosa del Valle, Lexington Partners
- Phillip Von Mehren, Venable



ABOUT LAVCA

The Latin American Private Equity & Venture Capital Association (LAVCA) is a not-for-profit membership organization dedicated to supporting the growth of private equity and venture capital in Latin America and the Caribbean. LAVCA's membership is comprised of over 180 firms, from leading global investment firms active in the region to local fund managers from Mexico to Argentina. Member firms control assets in excess of US\$65b, directed at capitalizing and growing Latin American businesses. LAVCA's mission is accomplished through programs of research, networking forums, investor education seminars, and advocacy of sound public policy.

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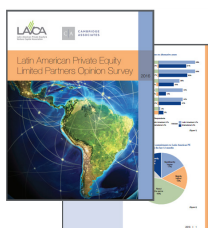
LAVCA Online Directory

The only comprehensive online database of Latin America PE/VC fund managers. System updates are made ongoing.



LAVCA LP Survey

The first comprehensive survey of Latin American PE of its kind, providing a unique perspective of the issues and opportunities facing private equity investors in the region.



The Latin American Private Capital Update

The Latin America Private Capital Update is LAVCA's official bi-weekly newsletter.



The LatAm Venture Bulletin

A bi-weekly newsletter, produced specifically for venture investors, entrepreneurs, and technology startups in the early stage ecosystem, with breaking deals, investor perspectives, research, and curated news from the Latin American venture community.



The LAVCA Fund Manager Directory

The LAVCA Fund Manager Directory catalogs PE/VC managers active in Latin America. Profiles detail investment strategies; AUM; preferred stages, sectors, and geographies; and key contacts.



LAVCA Scorecard

Produced in collaboration with the EIU the LAVCA Scorecard ranks 11 countries based on 13 indicators.



The Latin American PE Deal Book & ESG Cases

The Latin American Private Equity Deal Book & ESG Cases profiles investments from leading private equity players in Latin America. Cases include information about deal execution, investment strategy, ESG, and IRR.



Directory of Latin American Pension Funds & Overview and Analysis of Key Markets

The Directory of Latin American Pension Funds includes an overview and analysis of the key markets, directory of regulatory agencies, and profiles with key contacts at the top pension funds



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