

SAMPLE OPERATING EXPENSES OR AN OFFSHORE BANK IN PUERTO RICO

These sample operating costs are taken from our previous projects and other International Financial Entities currently running in Puerto Rico.

I should note that each client's business case has been very different. While one spent over \$1 million on IT, another spent \$50,000. While one has 4 employees, another has 25. One is a private bank with high dollar clients, another is engaged in trade finance and another is focused on high volume transactions. Each of these has very different operating costs.

With that said, here are the expenses of clients in Puerto Rico. I used a range to indicate the amounts different clients were paying. Each IFE's business model is different, so this document is meant as a sample only.

Annual Government Fees: \$5,500 license fee and \$5,000 due-diligence fee

Payroll: Most IFEs use ADP or an automated system for payroll, which is \$300 per month. We have one client that handles payroll in-house and one with an outside accountant providing payroll and bookkeeping services (non-bank accounting).

Auditing (BDO): \$10,000 to \$25,000 per year based on transaction volume. Smaller local firms charge \$4,000+

Office for 5 persons (including utilities): a budget of \$4,000 per month for furnished or unfurnished \$2,500+ Most clients plan on adding employees and want a quality office in the financial district.

Tenant improvements (build out) costs are at your discretion. The building will pay \$10 per sq ft of these costs on a 5-year lease. The average cost is \$60 per sq ft and the most expensive was \$150 (Bancredito). The above does not include furniture or fixtures.

Suggested Building 1: <https://aippuertorico.com/>
Suggested Building 2: <https://270puertorico.com/>

Core banking systems go from \$30,000 - \$1,500,000 depending on the amount of work you give them (customization and training), plus a monthly fee. Some offer cloud storage & risk assessment tools which are \$20,000 to \$75,000 per year.

Lower cost systems include NexorONE (starting at \$15,500) and Bansoft, which is the preferred provider for most clients. NexorOne is the light version of Bansoft. Bansoft runs on AWS and other platforms.

A popular platform with clients focused on mobile and tech is Technisys. Another popular option is Fiserv. Yet another is Core Banker by AdTek. The most popular software from Europe seems to be EBANQ.

In the middle of the market is Jack Henry Banking (the largest mid-market provider) and Mbanq (with both cloud and server-based options and volume-based pricing models). At the high end is Temenos with installs ranging from \$1m to \$1.5m.

The software selected must have the US or Puerto Rico installs. That is to say, US compliance systems. I suggest you focus on providers with IFE installs in Puerto Rico.

Compliance Package: \$30,000 setup and \$24,000 per year.

Due Diligence Packages: \$20,000 Most clients use Dow Jones and some use WorldCheck. I will get an updated quote from Dow Jones next week.

Employees (Per Year)

CEO: \$125,000 to \$150,000

C Compliance O: \$80,000 to \$120,000

CFO: \$90,000 to \$135,000

COO: \$85,000 - \$120,000

IT: \$35,000 to \$65,000 (all our clients outsource this, but wanted to give you a point of reference)

Office Manager: \$65,000

New Accounts: \$45,000 x 2

Compliance Officer: \$40,000 to \$55,000

Payroll and other taxes as a percentage of salary: 7.5%

Health Insurance: all officers expect it so for 4 people, \$1,000 per month

The above employee numbers assume you will have high-level employees in Puerto Rico. Keep in mind that the business must be run from Puerto Rico and that you are required to have a minimum of 4 employees. Finally, all account opening and compliance decisions must be made in Puerto Rico.

Your first 4 employees must be residents of Puerto Rico. A resident is any US citizen, green card holder, or person with a US work visa that spends at least 183 days a year on the island. So, you can hire from Puerto Rico or anywhere in the US so long as they are willing to relocate to Puerto Rico.