



# CENTRAL BANK OF THE DOMINICAN REPUBLIC

## INTERNATIONAL PUBLIC BIDDING

### For the Selection of Investment Fund Managers and Securitizers to participate in Central Bank Asset Management

By virtue of the Fourth Resolution of the Monetary Board dated December 23, 2004, the methodology was approved for the legal mechanisms to be used, according to Securities Market Law 19-00, dated May 8, 2000, and its Regulation of Application No. 729-04, dated August 3, 2004, in the realization of the assets that are property of the Central Bank of the Dominican Republic, in order to adequately redeem the debt in certificates issued by said agency and thus contribute to resolving the quasi-fiscal deficit.

Accordingly, the Central Bank will set up closed investment funds with assets grouped according to category, and will also regroup the loan portfolios and similar items pending collection. For these purposes, the Bank has the objective of contracting the services of national or foreign fund managers and securitizers interested in administering said funds and loan portfolios.

To meet the objectives and in compliance with the Paragraph of literal C) of the Ordinal I of said Resolution, the Central Bank invites, by means of a public bidding, companies interested in participating, based on the Terms of reference published on the Central Bank's website, so that within the specified time limit they may present their offers in writing, in English or Spanish.

To achieve these objectives, two Phases have been planned:

**Phase I** contemplates the reception by the Central Bank of the offers of services presented by companies, based on experience and demonstrated management ability, technical support, and moral and economic solvency of the candidate firms, in order that the Central Bank may carry out a pre-selection process, according to the criteria specified in the Terms of Reference. This phase will culminate with the preparation of a "Register of Eligible Companies".

**Phase II** shall consist in the Central Bank presenting to said firms, by means of a public tender, groupings of specific assets with their respective valuations, for the purpose of receiving a technical and economic proposal for the management and/or acquisition of the asset offering previously presented, based on the rules to be presented to them at that time. This phase will culminate with the selection of the proposal that fulfills the optimum conditions as stipulated in the cited Terms of Reference.

The managers of closed investment funds (MIF), selected in the various presentations, would be charged with the administration of the various Funds that the Central Bank of the Dominican Republic will gradually furnish with assets from the Asset Administration, Management, and Realization Program (PROAGRA) of the North Coast Project, assets received from rescued financial entities, assets that the Government may receive in the form of contributions to the solution of the deficit, and others that may be assigned for the same purposes.

The securitization companies, selected in the various presentations, would be charged with the administration of loan portfolios received by the Central Bank from Baninter, Bancredito, and Banco Mercantil, once the respective management contracts for said portfolios expire, as well as any other portfolios or accounts receivable outstanding that may be assigned for these purposes.

#### **Deadline for the Current Presentation:**

The submission of service offers by the firms interested in bidding should be presented to the Executor Unit for the Reduction of the Quasi-fiscal Deficit, no later than February 28, 2005.

The Central Bank, by means of said Executor Unit, shall inform the pre-qualified firms as to the results, five (5) working days after the close of this Bidding.

#### **Contact**

For additional information, visit our website at: [www.bancentral.gov.do](http://www.bancentral.gov.do), or contact us at:

**Unidad Ejecutora para la Reducción del Déficit Cuasifiscal**

**Banco Central de la República Dominicana**

809-221-9111, Exts. 3063, 3064, and 3055.

**CENTRAL BANK OF THE DOMINICAN REPUBLIC**

**TERMS OF REFERENCE  
INTERNATIONAL PUBLIC BIDDING**

**FOR THE SELECTION OF THE  
INVESTMENT FUND ADMINISTRATORS AND SECURITIZATION FIRMS  
PARTICIPATING IN THE MANAGEMENT OF THE ASSETS DESTINED TO  
SOLVE THE QUASI-FISCAL DEFICIT OF THE CENTRAL BANK**

**Santo Domingo, D. R.  
January 2005**

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## I. BACKGROUND

The reduction and gradual phasing-out of the Central Bank quasi-fiscal deficit that originated in the monetary management applied to the bail-out of three banking institutions during 2003, by way of liquidity facilities and a subsequent liquidity squeeze through the placement of Central Bank Certificates, constitute one of the main points in the Monetary Authorities' Agenda in their efforts to restore the macroeconomic stability and growth levels that had been achieved in the 90's.

As of December 31<sup>st</sup>, 2004, the placements of certificates had reached RD\$110,808.8 millions, generating monthly interests that averaged approximately RD\$2,500.0 millions. Thus, at the closing of 2004, the Central Bank deficit reached RD\$31,186.96 millions, representing 4.0 % of the GDP.

In face of the magnitude of this problem, and of its impact on the economy, the Monetary Board, in its Session of September 28, 2004, approved an Integral Solution Proposal aimed at reducing the quasi-fiscal deficit of the Central Bank and to the payment of the principal of the Certificates. The creation of an Executing Unit to coordinate and provide permanent follow-up for the implementation of said Proposal was also approved.

Generally speaking, the Proposal integrates two large Blocks: One is relative to coordinating aspects with monetary policy and inter-institutional follow-up, and the other is related to the realization of those assets destined for the payment of the debt in Certificates of the Central Bank, and whose postulates are in consonance with the general outline recently agreed to in the International Monetary Fund agreement.

The **Second Block** refers mainly to the design and implementation of the juridical and financial means that will allow the Central Bank, in the shortest possible time, to proceed to the realization of the assets received from the institutions rescued in 2003, of other assets of its own, as well as of those it may receive from the Central Government, in order to be in a position of rescuing the debt in certificates issued by said institution and thus contribute to the solution of the above mentioned quasi-fiscal deficit. .

## II. JUSTIFICATION FOR PUBLIC BIDDING INVITATION

By virtue of the Fourth Resolution of the Monetary Board, dated December 23, 2004, in its Ordinal 1, the scheme for the juridical means which under the Securities Market Law No. 19-00, dated May 8, 2000, and its application rules No. 729-04, dated August 3, 2004, will be used for the realization of the assets destined to the solution of the quasi-fiscal deficit of the Central Bank, was approved based on the following structure:

- 1. Closed Investment Funds** shall be constituted as autonomous estates, legally and accountably separate from the Central Bank, with the transfer to said funds, of the real estate and movable assets of the Program for the Administration, Management and Realization of Assets (*Programa de Administración, Gestión y Realización de Activos*) (*PROAGRA*), of the North Coast Project (*Proyecto Costa Norte*), of the rescued financial institutions and of those assets the Government may transfer as a contribution to the solution of the deficit, as well as others destined to the same purposes. The Central Bank shall be, initially, the only shareholder of the estates to be constituted, being the owner of the assets to be transferred to said Funds. The policies of said Funds must be approved by the Superintendence of Securities, and they shall be contained in their By-Laws and Regulations, and include all aspects relating to initial liquidity

requisites, investment criteria, valuation methodology of the shares, fee and commissions policy, indebtedness policy and other relevant information.

2. **Fund Administrators**, such as private or mixed companies, approved and registered in the Superintendence of Securities according to the above mentioned Law No. 19-00, which shall be responsible for managing the closed investment funds on the basis of the legal and accounting separation of the same. The framework governing the relations between the closed investment funds of the Central Bank constituted with its own assets, and the administrators of closed investment funds chosen through the bidding mechanism provided for in these Terms of Reference shall be established through an administration contract, registered and approved by the Superintendence of Securities.
3. **Securitization Firms**, such as private or mixed companies, approved and registered with the Superintendence of Securities by virtue of Law No. 19-00, or allowed in their by-laws to manage the loan portfolios received from the rescued entities, that shall be transferred and managed by this type of companies, once the respective administration contracts are concluded. The estates constituted by the loan portfolio shall be governed by regulations and by an administration contract, registered and approved by the Superintendence of Securities. They shall indicate the policies and restrictions to be applied, including those pertaining to the applicable recognition of administration fees and commissions, taking into account the norms in effect, and the international standards regarding this matter.

Likewise, and as part of the scheme, a **Policies Committee**, in charge of decision making for the proposed structures, presided by the Governor of the Central Bank, or by the person to whom he delegates, and integrated by two members of the Monetary Board, a secretary and two professionals specialized in these matters, as well as a representative from each of the chosen Administration and Securitization Firms, has been foreseen.

For the implementation of this structure, the above-mentioned Fourth Resolution of the Monetary Board foresees an invitation to international public bidding in order to select the Fund Administrators and the Securitization Firms referred to above.

### III. GENERAL OBJECTIVES AND SCOPE:

The present document has the following objectives:

1. The first **General Objective** is to establish guidelines and procedures for the pre-qualification and selection of more than one private company, domestic or international, as administrator of the closed investment funds (*AFI*), which will be in charge of managing the different funds that will be gradually constituted by the Central Bank of the Dominican Republic with the assets of the Program for the Administration, Management and Realization of Assets (*PROAGRA*), of the Northern Coast Project, of those received from the rescued financial institutions, of those that the Government may transfer as a contribution to the solution of the deficit, as well as others that may be destined for those purposes.
2. The second **General Objective** is to establish guidelines and procedures for the pre-qualification and selection of one or several private securitization firms, domestic or international; pre-qualified for the administration of debt portfolios received by the Central Bank from Baninter, Bancredito and Banco Mercantil, once the respective administration

contracts of the same are terminated, as well as other pending remainders and accounts receivable destined for these purposes.

To attain these objectives two Phases have been planned:

**Phase I** contemplates the pre-qualification of the firms based on their experience and on the demonstration of management capacity, technical support, moral and economic solvency of the soliciting firms, in accordance with the criteria detailed in the present document. This phase shall end with the selection of the firms that shall pass to Phase II.

**Phase II** will begin once the participating firms have been pre-selected, and shall consist of presenting to them, groups of specific assets with their respective valuations, in order that they may put forward their administration and/or acquisition prospects, based on the rules timely presented to them.

Regarding the administrators of closed investment funds and securitization firms pre-selected under the present public bidding mechanism, they must have the approval to operate from the Superintendence of Securities and be duly registered in the Registry of Securities and Commodity Exchange of said Superintendence, in order to enter into Phase II.

Through the Executive Unit for the reduction of the quasi-fiscal deficit, the Central Bank will coordinate the presentation of the request of the selected Administrators to the Superintendence of Securities for entry into the Registry of the Securities and Commodities Exchange of the closed investment funds that are to be created. To this end, it is necessary to prepare all the documentation required by said Superintendence, and listed in the attached annex, including the administration contract between the administrator and the shareholder, and the Internal Regulations of the fund, or its by-laws, among others.

#### **IV. SCOPE OF APPLICATION:**

1. Scope of application for the administration of the closed investment funds to be constituted:
  - a. Domestic administrators of closed investment funds, registered or in the process of being registered in the Superintendence of Securities of the Dominican Republic.
  - b. International administrators of closed investment funds, which will participate in Phase I with the registry of their country of origin, and which in order to enter into Phase II shall require the registration in and approval of the Superintendence of Securities of the Dominican Republic.
  - c. Mixed property administrators of closed investment funds, local and international.
2. Administration of debt portfolios for securitization:
  - a. Local securitization companies, authorized or in the process of being authorized by the Superintendence of Securities of the Dominican Republic..
  - b. International securitization companies, which shall participate in Phase I with the registries of their countries of origin, and which in order to enter into Phase II, shall require registration in and approval of the Superintendence of Securities of the Dominican Republic.

- c. Multiple banks and saving and credit banks, in accordance with the Monetary and Financial Law in force and the provisions established by the Monetary Board regarding this matter.
  - d. The National Bank for Home and Production Development (*Banco Nacional de Fomento a la Vivienda y a la Producción*).
  - e. Any other entity allowed by its by-laws to perform this function.
3. For the acquisition of funds and properties, and debt portfolios:
- a. Dully constituted institutional investors, such as financial intermediation entities, investment banks and other capital market intermediaries.
  - b. Trading, real estate, and project developer corporations.

## V. BIDDING CONTEXT:

### 1. Legal Frame.

- a. **Monetary and Financial Law, No. 183-02**, dated November 21, 2002, and its regulations.

By virtue of said Law, the regulatory regime of the Monetary and Financial System of the Dominican Republic, is established under the exclusive administration of the following structure:

- i. The **Monetary Board**, as the highest body of the Central Bank and the Superintendence of Banks, with the constitutional mandate of being the rector and regulatory entity of the monetary, exchange and financial policies of the nation.
- ii. The **Central Bank**, as a public entity of Public Law, is vested with legal status, and is completely autonomous according to the Constitution of the Republic, due to its condition as sole issuing entity. It is the responsibility of the Central Bank to execute the monetary, exchange and financial policies, to maintain price stability and to promote the liquidity and solvency of the financial system of the Nation.
- iii. The **Superintendence of Banks**, as an entity of Public Law, is vested with legal status and functional autonomy, and it has among its objectives the supervision of the institutions of financial intermediation.

The Central Bank's role in the above schemes is limited to that of a shareholder of the estates constituted to conform the investment funds, since the Bank is the owner of these assets and it is not its function to enter into an asset realization scheme but to concentrate in controlling inflation and attaining macroeconomic stability. It is for this reason that literal a) of article 84 granted a four (4) year time limit upon the coming into effect of the Monetary and Financial Law, dated November 21, 2002, for the Central Bank to exclude from its balance those assets that are not destined to fulfill its object, as is the case with the assets of PROAGRA, the Northern Coast Project, and those pertaining to the rescued entities, among others.

Furthermore, the *in fine* part of article 15 of the Monetary and Financial Law covers an important legal restriction regarding the management and realization of said assets, since it prohibits the Bank from collateralizing third party liabilities, granting guarantees or any type of backing, or assuming solidarity for liabilities of a third party. Thus the need to exclude these

assets from the balance of the Central Bank in order to maximize their profitability by constituting autonomous estates, under the Securities Market Law No. 19-00, dated May 18, 2000.

On the other hand, the Monetary and Financial Law allows multiple banks, and savings and credit banks, as part of their operations and services, to serve as originator or “securitizer” for credit card portfolios and mortgage loans in the process of securitization, in compliance with literal r) of article 10, and literal t) of article 42, as well as to act as administrators of securitized portfolios at the risk of domestic security issuers, subject to literal s) of article 40, and literal u) of article 42.

Therefore, multiple banks, and savings and credit banks will be allowed to participate in the pre-qualification to act as securitization agent or administrators of the portfolios to be securitized, subject to the banking legislation in effect and to the provisions established by the Monetary Board.

As to literal f) of article 45, it specifically prohibits the institutions of the financial system from participating in the capital of investment funds administrators.

- b. **Law No. 19-00, dated May 8, 2000, which regulates the Securities Market**, the Implementing Regulation No. 729-04 dated August 3, 2003, and its regulatory norms.

According to the above-mentioned Law, the Securities Market of the Dominican Republic comprises the offer and demand of securities representative of capital, credit, debt and negotiation contracts of securities and commodities derivatives.

This Law’s scope of application includes public offers of securities, in national as well as in foreign currency, its issuers and participants in the securities market, considering public offer that which is addressed to the general public or to specific sectors of the general public, by any means of communication or commercialization campaign, in order to purchase, sell or trade instruments of any nature in the securities market. The transactions of securities that do not fit into this definition shall be considered of a private character and shall not be subject to the provisions of this Law.

As part of the structure of the intermediaries of securities, Law No. 19-00 provides for the creation of the Closed Investment Funds and the Securitization Firms, as detailed below:

**Closed Investment Funds (Arts. 99-102):**

- i. Fixed estates with homogenous assets, administered by funds administrator, governed by Law No. 19-00, the implementation Regulations of this Law, the complementary norms, and the Fund’s own Regulations.
- ii. The contribution of corporate persons for investments in securities and real estate.
- iii. Under the protection of a contract, investors receive listed securities from the fund, which are NOT redeemable in advance, but are negotiable in the stock exchange.
- iv. The portfolio of investments: securities and real estate.

These Funds constitute an autonomous estate that must be administered by a Fund Administrator created in accordance to Law No. 19-00, **under the principle of legal and accounting separation**, subject to the supervision of the Superintendence of Securities, and

whose principal object shall be to provide profitability and liquidity for the assets it manages. This administrative entity shall not manage simultaneously open and closed funds, and it must comply with a series of legal, organizational and technical requisites, that guarantee an operative, efficient and transparent administration of the assets under its management, by exploiting and developing the assets into business units that will maximize their worth and capital gain.

**Securitization of Assets (Arts. 107-109):**

- i. Establish an independent estate, exclusive in character that will back-up the issuance of bond-securities debited to the estate, and negotiable under the administration of a securitization firm. The Superintendence of Securities must authorize the issued titles as well as the companies.
- ii. The assets may be of a heterogeneous nature and of restricted liquidity (credits, leasing contracts, accounts receivable, etc.).
- iii. A standard notarized contract shall support the implementation of this mechanism with the object of managing the autonomous estate.
- iv. The purchase and sale of the portfolios of the financial entities to the securitization entities are subject to banking legislation and to the provisions of the Monetary Board.

**2. Nature of the Assets of the Central Bank of the Dominican Republic to be administered under these schemes:**

- a. Regarding the assets to be transferred to the Closed Investment Funds to be managed by the fund administrators to be engaged:

The Central Bank shall contribute to the different investment funds to be constituted, assets of an approximate global value of XXXXXX, originating from the Program for the Administration, Management, and Realization of Assets (*PROAGRA*), from the Northern Coast Project, of those received from the rescued financial institutions and from the Central Government as a contribution to the solution of the quasi-fiscal deficit of said institution.

These assets are of a diverse nature. Namely:

- i. Real property: real estates in various places of the Dominican Republic and suitable to diverse applications. There are large extensions of land near beach zones and/or mountainous terrains, appropriate for different projects, buildings, business premises, and apartments, among others.
  - ii. Movable estate: constituted by shares in different companies, equipment and works of art.
- b. Regarding the loan portfolios to be transferred to the securitization firms to be engaged:

The Central Bank shall grant the administration of the loan portfolio to the securitization firms that qualify, once the present portfolio administration contracts originating from the rescued entities (Baninter, Bancredito and Banco Mercantil) are terminated. Mostly, they consist of commercial portfolios, with and without guarantees, credit card portfolios, as well as portfolios connected to ex-shareholders of the rescued entities. The estimated nominal value of these portfolios is approximately XXXXXXXX.

## **VI. PRE-QUALIFICATION OF FIRMS:**

### **1. For Interested Closed Investment Funds Administrators:**

The following are the pre-qualification requisites for the Closed Investment Funds Administrators:

#### **1. Information to be presented by the firms:**

##### **a. General information regarding the enterprise**

- i. Company documents, including mercantile registries, tax rolls, and the corresponding operation permits.
- ii. Name and particulars of the Executive or Administration Board of the firm, and an updated list of shareholders, with their respective capacities.
  - o *Proposals that have any type of financial, legal, shareholder or litigious connection with the Central Bank, or with any other government institution, or with the rescued financial entities or related enterprises, shall not be considered*
- iii. Minutes of the Shareholder Assembly that authorized the firm to participate in the bidding and the generals of the legal representative of the company.
- iv. Brief description of the participating organization and its objectives, including address, telephone, and fax numbers, as well as e-mail address.
- v. Ample and verifiable description of its asset managing experience.
- vi. A list of the technical personnel of the firm.
- vii. Organizational and administrative structure.
- viii. Organization chart of the personnel that would be working in the firm, detailing their function and their status. The Curriculum Vitae of the technical personnel that will be working directly with the fund administration activities must be presented.
- ix. Evidence of money laundering controls (Law No. 72-02)

##### **b. Financial information of the enterprise:**

- i. Audited financial statements of the past two years.
- ii. Amount of authorized and paid-in capital of the enterprise.
- iii. Certification of tax payments.
- iv. The enterprise must prove that it has sufficient financial capacity to guarantee compliance with its obligations.
- v. Reference of expenses, commissions and fees.
- vi. Company's annual report for the past two years.

##### **c. Description of the firm's experience and that of the principal executives that will be performing similar tasks:**

- i. Verifiable experience of the firm in:
  - o The creation of investment funds
  - o Asset management:
    - Financial assets
    - Real estate funds
    - Administrators of Pension Funds
    - Risk capital

- The administration of investment funds for the public sector internationally
  - The administration of investment funds for the private sector internationally
  - Other projects developed in the Dominican Republic
- ii. Experience of the firm’s executives that will be working in the project:
- In the creation of investment funds
  - In the administration of assets:
    - Financial assets
    - Real estate funds
    - Administrators of Pension Funds
    - Risk capital
  - In the administration of investment funds for the public sector internationally
  - In the administration of investment funds for the private sector internationally
  - In other projects developed in the Dominican Republic
- iii. Point out, for each project included as a reference:
- Names of the project, and of the institution, enterprise and/or government for which it is being, or was, carried out, including contacts.
  - Description of the type of administered fund.
  - Duration of the administration and commissions charged.
  - Size of the administered fund in US dollars.
  - Financial or operative partners per type of project.
  - Results obtained in the execution of the project.
  - Description and characteristics of the information system used as a development basis in the management of each project.
- iv. Describe the business plans that served as basis and strategy to tackle the situation presented by public sector projects that are representative or similar – within the context presented by the Central Bank in its need to sell these assets.

**d. Additional Information:**

In addition to the information requested above, the soliciting firms must also present the following:

- i. Methodology used in the creation and management of an investment fund.
- ii. Liquidity ratio with which are managed the investment funds under their administration.
- iii. Information system that gives support to the management of the investment funds.
- iv. Procedures being applied in the administration of the investment funds.
- v. A presentation before the Executive Unit for the Reduction of the Quasi-fiscal Deficit of the Central Bank, including a session of questions and answers.

**2. Evaluation tables to be used by the service contractor:**

**General information regarding the enterprise**

Does or does not  
comply

<p><i>Company documents, including mercantile registries, tax rolls, and the corresponding operation permits.</i></p> <p><i>Name and particulars of the members of the Executive or Administration Board of the firm, and of the legal representative of the</i></p>	
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<p><i>company, as well as an updated list of shareholders.</i></p> <p><i>Minutes of the Shareholder Assembly authorizing the firm's participation in the bidding.</i></p> <p><i>Brief description of the participating organization and its objectives.</i></p> <p><i>Ample and verifiable description of its asset managing experience..</i></p> <p><i>A list of the technical personnel of the firm.</i></p> <p><i>Organizational and administrative structure.</i></p> <p><i>Organization chart of the personnel that would be working in the firm, detailing their function and their status. The Curriculums Vitae of the technical personnel that will be working directly with the fund administration activities must be presented.</i></p> <p><i>Norms or security plans regarding its data system.</i></p>	
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**Financial Information of the Enterprise**

Does or does not comply.

<p><i>Audited financial statements for the past two years.</i></p> <p><i>Amount of authorized and paid-in capital of the enterprise.</i></p> <p><i>Certification of tax payments.</i></p> <p><i>Prove that the enterprise has sufficient financial capacity to guarantee compliance with its obligations.</i></p> <p><i>Reference of expenses, commissions and fees</i></p>	
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**Firms Experience**

Maximum Grade

<p><i>Creation of Investment Funds</i></p> <ul style="list-style-type: none"> <li>○ Financial assets</li> <li>○ Real estate funds</li> <li>○ Administration of Pension Funds</li> <li>○ Risk capital</li> </ul> <p>Maximum 10 points; 1 point per fund created since its start Only funds created in the past 5 years.</p>	10
<p><i>Administration of investment funds for the International public sector:</i></p> <ul style="list-style-type: none"> <li>○ Financial assets</li> <li>○ Real estate funds</li> <li>○ Administration of Pension Funds</li> <li>○ Risk capital</li> </ul> <p>Maximum 10 points; 1 point per fund created since its start Only funds managed in the past 5 years.</p>	10
<p><i>Administration of Investment Funds for the international private sector:</i></p> <ul style="list-style-type: none"> <li>○ Financial assets</li> <li>○ Real estate assets</li> <li>○ Administrators of Pension Funds</li> <li>○ Risk capital</li> </ul> <p>Maximum 10 points; 1 point per fund managed in the private sector, whether closed or multilateral. Only funds managed in the past 5 years.</p>	10

<b>Experience of the firm's executives (per each individual executive)</b>	<b>Maximum Grade</b>
<p><i>Creation of Investment Funds</i></p> <ul style="list-style-type: none"> <li>○ Financial assets</li> <li>○ Real estate assets</li> <li>○ Administrators of Pension Funds</li> <li>○ Risk capital</li> </ul> <p>Maximum 10 points; 1 point per fund created since its start Only funds created in the past 7 years.</p>	10
<p><i>Administration of Investment Funds for the international public sector:</i></p> <ul style="list-style-type: none"> <li>○ Financial assets</li> <li>○ Real estate assets</li> <li>○ Administrators of Pension Funds</li> <li>○ Risk capital</li> </ul> <p>Maximum 10 points; 1 point per managed fund. Only funds managed in the past 7 years.</p>	10
<p><i>Administration of Investment Funds for the international private sector:</i></p> <ul style="list-style-type: none"> <li>○ Financial assets</li> <li>○ Real estate assets</li> <li>○ Administrators of Pension Funds</li> <li>○ Risk capital</li> </ul> <p>Maximum 10 points; 1 point per fund managed in the private sector, whether closed or multilateral. Only funds managed in the past 7 years.</p>	10
<p><i>Other projects developed in the Dominican Republic:</i></p>	Does or does not comply

**Additional Information**

Does or does not comply

<p><i>Methodology applied in the creation and management of an investment fund.</i></p> <p><i>Liquidity ratio with which investment funds under their administration are managed.</i></p> <p><i>Information system that gives support to the management of the investment funds.</i></p> <p><i>Procedures being applied in the administration of the investment funds.</i></p> <p><i>A presentation before the Executive Unit for the Reduction of the Quasi-fiscal Deficit of the Central Bank, including a session of questions and answers.</i></p>	
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Those firms that have complied with the information requisites requested (Parr. IV 1.a and 1.b) and have obtained a minimum punctuation of 30 points will be considered pre-qualified.

**2. Securitization Firms:**

1. Pre-qualification requisites for securitization firms are listed below:

**a. General Information of the enterprise:**

Companies must present the following information:

- i. Company documents including mercantile registries, tax rolls, and the corresponding operation permits..
- ii. Name and particulars of the Executive or Administration Board of the Firm, and an updated list of shareholders, with their respective capacities.
  - o *Proposals having any type of financial, legal, shareholder or litigious connection with the Central Bank, or with any other government institution, or with the rescued financial entities or related enterprises, shall not be taken into consideration.*
- iii. Minutes of the Shareholder Assembly authorizing the firm to participate in the bidding, including address, telephone and fax numbers and e-mail address of the firm.
- iv. Brief description of the participating organization and its objectives.
- v. Ample and verifiable description of its asset managing experience.
- vi. A list of the technical personnel of the firm.
- vii. Organizational and administrative structure.
- viii. Organization chart of the personnel that would be working in the firm, detailing their function and their status. The *Curriculum Vitae* of the technical personnel that will be working directly with portfolio management must be presented.
- ix. Evidence of money laundering controls (Law No. 72-02)

**b. Financial Information of the Enterprise:**

- i. Audited financial statements for the past two years.
- ii. Amount of authorized and paid-in capital of the enterprise.
- iii. Recent certification of tax payment.
- iv. The enterprise must prove that it has sufficient financial capacity to guarantee compliance with its obligations.
- v. Reference of expenses, fees and commissions.
- vi. Company's annual report for the past two years.

**c. Description of the firm's experience and that of the principal executives that will be performing similar tasks:**

- i. Verifiable experience of the firm in:
  - o The creation of investment funds.
    - Accounts receivable
    - Credit cards
    - Mortgage loans
    - Commercial loans
    - Other portfolios (specify)
  - o In the creation and management of securitized loan portfolios of rescued institutions.
  - o In other projects developed in the Dominican Republic
- ii. **Experience of the firm's executives that will be working in the project:**
  - o In loan portfolio management:
    - Accounts receivable

- Credit cards
- Mortgage loans
- Commercial loans
- Other portfolios (specify)
- In the creation and management of securitized loan portfolios of rescued institutions.
- In other projects developed in the Dominican Republic

**iii. Point out, for each project included as a reference:**

- Name of the project, and of the institution, enterprise and/or government for which it is being, or was, carried out, including contacts.
- Description of the type of securitized portfolio.
- Duration of the administration and commissions charged.
- Size of the administered fund in US dollars.
- Financial or operative partners per type of project.
- Results obtained in the execution of the project.
- Description and characteristics of the information system used as a development basis in the management of each project.

iv. Describe the business plans that served as basis and strategy to tackle the situation presented by public sector projects that are representative or similar – within the context presented by the Central Bank in its need to sell these assets.

**d. Additional Information:**

In addition to the information requested above, the soliciting firms must also present the following:

- a. Methodology used in the creation and management of the securitized portfolio.
  - b. Liquidity ratio required for the management of the securitized portfolio.
  - c. Information system supporting management of securitized portfolios.
  - d. Procedures being applied in the administration of the securitized portfolios.
- II. A presentation before the Executive Unit for the Reduction of the Quasi-fiscal Deficit of the Central Bank, including a session of questions and answers.

2. Pre-qualification table to be used by the service contractor:

**General information of the enterprise**

Does or does not comply

<p><i>Company documents, including mercantile registries, tax rolls, and the corresponding operation permits.</i></p> <p><i>Name and particular of the members of the Executive or Administration Board of the firm, as well as an updated list of shareholders.</i></p> <p><i>Brief description of the participating organization and its objectives.</i></p> <p><i>Ample and verifiable description of its asset managing experience</i></p> <p><i>A list of the Technical Personnel of the firm.</i></p> <p><i>Organizational and Administrative structure.</i></p> <p><i>Organization chart of the personnel that would be working in the firm, detailing their function and their status. The Curriculums Vitae of the technical personnel that will be working directly with the fund</i></p>	
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<i>administration activities must be presented.</i>	
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**Financial information of the enterprise**

Does or does not comply

<p><i>Audited financial statements of the past two years.</i>  <i>Authorized and paid-in capital of the enterprise</i>  <i>Certification of tax payments</i>  <i>The enterprise must prove that it has sufficient financial capacity to guarantee compliance with its obligations.</i>  <i>Reference of expenses, commissions and fees.</i></p>	
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**Information of the firm's experience**

Maximum Grade

<p><i>Management of loan portfolio:</i></p> <ul style="list-style-type: none"> <li>○ Accounts receivable</li> <li>○ Credit cards</li> <li>○ Mortgage loans</li> <li>○ Commercial loans</li> </ul> <p>10 points maximum; 1 point per securitized portfolio  Only loan portfolios securitized during the past 7 years.</p>	10
<p><i>Creation and management of securitized loan portfolios of rescued institutions.</i></p> <p>10 points maximum; 1 point per securitized portfolio  Only portfolios securitized during the past 7 years.</p>	10
<p><i>Other projects developed in the Dominican Republic:</i></p>	Does or does not comply

**Experience of the firm's executives (per individual executive)**

Maximum Grade

<p><i>Loan portfolio management:</i></p> <ul style="list-style-type: none"> <li>○ Accounts receivable</li> <li>○ Credit cards</li> <li>○ Mortgage loans</li> <li>○ Commercial loans</li> </ul> <p>10 points maximum: 1 point per securitized portfolio  Only those portfolios securitized during the past 7 years.</p>	10
<p><i>Creation and management of securitized loan portfolios from loans of rescued entities:</i></p> <p>Maximum 10 points; 1 point per securitized portfolio  Only portfolios securitized during the past 7 years.</p>	10

**Additional Information:**

Does or does not comply

<p><i>Methodology used in the creation and management of securitized portfolios.</i>  <i>Liquidity ratio required for the management of the securitized portfolios.</i>  <i>Information system supporting management of securitized portfolios.</i>  <i>Procedures being applied in the administration of the securitized</i></p>	
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*portfolios.*

*A presentation before the Executive Unit for the Reduction of the Quasi-fiscal Deficit of the Central Bank, including a session of questions and answers.*

Firms that have complied with the information requisites laid-out in Parr. IV 2.a y 2.b and have obtained a minimum of **30** points, shall be considered pre-qualified.

Corporate persons interested in pre-qualifying in order to bid with asset acquisition offers in Phase II, must comply with the all the general, legal, financial and additional information established in the present Title.

## **VII. UNDERWRITERS:**

The establishment of underwriters for Phases I and II will be accepted on the basis of legal documentation proving the acceptance of the Consortium by the enterprises involved.

## **VIII. PROCEDURES FOR PRESENTATION OF “SERVICE OFFERS” FOR PHASE I:**

Bidding enterprises must follow the procedure for the presentation of proposals described below:

1. The Central Bank shall announce through the newspapers and in its Web page the availability in its e-mail address and in the Executing Unit’s offices of the corresponding Terms of Reference so that a written proposal to participate in the pre-qualification process, either as closed investment funds administrator, or as securitization firm, or as soliciting firms for the acquisition of the assets according to the provisions of Parr. 3, Title IV of the present document, may be presented.
2. Interested firms must send the information required in the present document to the Central Bank in a sealed envelop. Each sheet of paper must be initialed by the legal representative of the firm and stamped with the company’s seal.

## **IX. PROCEDURE FOR THE EVALUATION AND SELECTION OF PRE-QUALIFYING FIRMS:**

The following procedures are included in the program to be carried out by the Executing Unit for the Reduction of the Quasi-Fiscal Deficit of the Central Bank of the Dominican Republic when evaluating the firms participating in the present public bid:

1. The Executing Unit, shall make a summary of the proposals received and prepare a report of the contents of each individual proposal.
2. The Executing Unit, in coordination with the Management of the Central Bank, shall proceed to evaluate each offer received, in strict accordance with the criteria established in the Terms of Reference, and with the evaluation tables included. To this purpose it may sustain interviews with the executives of soliciting firms.

3. The Executing Unit shall inform of the results to the pre-qualified firms, five (5) business days after the closing date of the present bidding, and shall establish a “Registry of Eligible Enterprises”

#### **X. INVITATION TO PHASE II:**

The Monetary Board shall designate a Committee for the Selection of the Investment Funds Administrators, and the Securitization Firms, as well as of the technical and economic offers presented for the awards contemplated in Phase II.

Once the pre-qualification of Phase I has been concluded, the Central Bank shall invite the pre-qualified firms included in the “Registry of Eligible Enterprises”, through a public call for bids published in the newspapers and in the Internet, to present, for each of the asset category, their technical and economic proposals to opt for the award of the administration of the investment funds that shall be constituted with groups of assets, together with their respective valuations, or that of the loan portfolio to be transferred to the securitization firms.

In the formal invitation to Phase II, the type of assets to be managed shall be presented with more detail, as will the conditions to be met in order to comply with the legal requisites established in Law No. 19-00 that regulates the Securities Market. More information regarding legal requisites can be found in the Annex to these Terms of Reference

1. The Executing Unit, in coordination with the Management of the Central Bank, shall proceed to evaluate each offer received, in strict accordance with the criteria established in the invitation under the modality of public bidding. To this purpose it may sustain interviews with the executives of soliciting firms.
2. The Executing Unit shall submit to the Selection Committee preliminary recommendations based on the evaluation.
  - i. The Selection Committee designated by the Monetary Board shall hear the evaluation of soliciting firms and shall choose, under determined criteria, the firms that shall be in charge of administrating the assets and loan portfolios, as the case may be.
  - ii. We caution that the bidding contest could remain deserted if no participant is selected or should the Selection Committee so considers. In case the Selection Committee declares the bid deserted, it is understood that it is an unappealable decision and that the same does not generate subjective rights for the bidders nor does it presuppose responsibility for the Selection Committee or for the Central Bank of the Dominican Republic.

#### **XI. DEADLINE FOR THE PRESENTATION OF SERVICE OFFERS:**

The deadline for the presentation of service offers for private firms participating in the bidding shall be February 28, 2005.

## **XII. CONTACTS:**

For more information, please contact:

### **Executing Unit for the Reduction of Quasi-fiscal Deficit**

**Banco Central de la República Dominicana**

(809) 221-9111, Extensions 3063, 3064 y 3055

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## ANNEX

### Legal Requisites for the Creation of the Recommended Figures

The Implementation Regulations of Law No. 19-00, dated August 3, 2004, establishes the requisites to operate and register these instruments in the Registry of the Securities and Commodities Registry.

Article 38 provides that the Superintendence of Securities shall have a registry of the securities and commodities market, in which all public information regarding securities, issuances and all other participants regulated by the law, pursuant to the provisions established in the regulations, shall be inscribed. It shall be at the disposal of the public and in it will be registered: public offer securities, administrators of investment funds and the securitization firms.

#### Funds Administrators

Fund administrators shall be constituted as stock companies, in accordance with the Code of Commerce, and they shall be authorized by the National Council of Securities, which will dictate the norms to regulate the constitution, administration and financing of the administrators (Art. 103). The Superintendence, by means of a Council resolution, shall establish the minimum capital required by the fund administrators.

Previously to starting their operations, and in accordance with the norms adopted by the Superintendence of Securities to that effect, the administrator shall submit to the Council, its internal regulations and the participation contract (Art. 104).

Said Regulations must include the minimum contents and conform to a standardized model established by a Council resolution.

The minimum contents of the Internal Regulations for the closed funds, includes:

- a. Denomination, form of constitution of the fund and the object of its investment.
- b. Investment policies, specifying destination of the fund's resources, activities of the companies that will receiving them, policies for the acquisition and selection of the securities, and maximum percentage to be invested in the different instruments.
- c. Plans for the placement of the fund's quotas, and conditions and norms for their negotiation.
- d. Minimum estate required for initiating activities.
- e. Procedures for the valuation of the fund's estate, and for its liquidation.
- f. Period covered by the fund.
- g. Commissions, remunerations or payments to be received by the company and debited to the fund.
- h. Indebtedness policy of the fund.
- i. Any additional information regarding the fund's characteristics.

Art. 233 of the Regulations of Law No. 19-00, provides that contributions to the fund shall be expressed in shares, to be established in the Internal Regulations of the fund. By means of general norms, the Superintendence must establish the characteristics of the shares. Where closed funds are concerned, the Internal Regulations must establish the maximum percentage of expenses that may be charged directly to the fund, as well as the valuation methodology for closed investment funds.

On its part, Art. 237 declares that “The Council shall establish, by means of a resolution, the policy for investment funds. Likewise, it will establish norms to prevent the concentration of fund ownership, the granting of guarantees, the contracting of loans, investments in real estate, as well as, those relative to the preservation of the funds, in the interest of the contributors”

In the case of modifications to the closed funds internal regulations, these must be approved by a majority of contributors.

Assuming the requisites established in the old Regulations and in the Third Resolution of the Council, the requisites to request authorization to operate closed investment funds would be the following:

**Fund Administrators:**

1. Firm’s name, business address and Internal Tax Registry Number (*Registro Nacional de Contribuyentes (RNC)*).
2. Duly certified, registered and published establishing documents:
  - a. Bylaws.
  - b. Memorandum of association.
  - c. List of shareholders and Payment Statement.
  - d. Minutes of the General Assembly where the members of the present Administration Board were elected.
  - e. Certification of business name registration from the National Office of Intellectual Property of the State Department of Industry and Commerce (*Oficina Nacional de Propiedad Intelectual*).
  - f. Tax receipts for the company’s incorporation and legal documents.
3. Organization and Administration Scheme:
  - a. Organization chart and functions manual.
  - b. Procedures manual.
  - c. Internal control mechanisms.
  - d. Models of contracts, forms and other documents to be used in its operations.
4. Name of the persons that shall conform the Investment Committee.
5. Name of the enterprises that are part of the economic or financial group to which the company shall pertain, as well as that of the shareholders and the members of the Executive Board.

**Members of the Executive Board, of the Investment Committee and Executives of the Funds Administrator:**

- 1 Curriculum Vitae and copy of the ID Card. (*Cédula de Identidad y Electoral*).
- 2 Connections to security issuing companies and other market participants.
- 3 Sworn declaration indicating:
  - a. They are in full lawful exercise of their civil rights.
  - b. They have kept an entrepreneurial or professional course of respect for the law..

- c. *They are not members of the Executive Board, or executives or employees of a market participant.*
- d. They are not being processed or have been condemned for the commission of a crime.
- e. They have not fallen into a state of failure or bankruptcy, insolvency or payment cessation.
- f. They have not committed a serious misconduct against provisions of the Central Bank, the Superintendences of Bank, Securities, or Insurance and Pensions.

**Regarding Shareholders of the Funds Administrator:**

- 1. Copy of their ID Card (*Cédula de Identidad y Electoral*).
- 2. Connections to security issuing companies and other market participants.
- 3. Sworn Declaration indicating:
  - a. They are not being processed or have been condemned for the commission of a crime.
  - b. They have not fallen into a state of failure or bankruptcy, insolvency of payment cessation.
  - c. They have not committed a serious misconduct against de provision of the Central Bank nor the Superintendences of Banks, Securities, or Insurance and Pensions.

**Regarding Investment Funds**

- 1. An Evaluation from an Auditing Firm:
  - a. Of the functions and system manuals, and of the internal control procedures of the company and of the funds it manages.
  - b. Certifying the administrative authority, data and management control infrastructures.
  - c. Certifying the accounting separation of the administrator company from each of the funds it will be managing.
- 2. Models of the Quota Subscription Contract as well as of any other contracts and documents to be used.
- 3. Internal Regulations of the Funds:
  - a. Firm's name, manner of constitution of the fund and object of its investments.
  - b. Investment policies, specifying destination of the fund's resources, activities of the companies that will receiving them, policies for the acquisition and selection of the securities, and maximum percentage to be invested in the different instruments.
  - c. Minimum estate required for the initiation of activities.
  - d. Natural or corporate persons that will make the initial contribution.
  - e. Initial price for the fund's quotas.
  - f. Plans for the placement of fund's quotas, and conditions and norms for their negotiation.
  - g. Valuation procedures for the fund's estate and for its liquidation.
  - h. Distribution policies and payment of benefits to shareholders..
  - i. Period covered by the fund.
  - j. Commissions, remunerations or payments to be received by the administrator company and charged to the fund.
  - k. Indebtedness policy of the fund.
  - l. Mechanisms to be applied in case of a conflict between the administrator company and contributors.
  - m. Rights and obligations of the administrator.
  - n. Any other additional information regarding the fund's characteristics.

4. Prospectus for the placement of the fund's quotas.
  - a. Name of the fund and of the administrator.
  - b. Name and signature of the legal representative of the administrator company and of the persons that collaborated in the prospect.
  - c. Fund's general data.
  - d. General data of the administrator firm.
  - e. Information regarding the fund's quotas.
  - f. Commissions and expenses to be debited to the fund and contributors.
  - g. Financial statements of the fund and the administrator firm, and a summary of the feasibility analysis.

### **Regarding the Securitization Firms**

The securitization process shall be performed by duly authorized corporate persons, as well as by stock companies constituted pursuant to the Code of Commerce, that have as their exclusive object the acquisition of assets destined for securitization. These companies, which must include in their business name the word "Securitization", shall be under the control and regulation of the Securitization Superintendence and shall be governed by the provisions established in the law and in their regulations (Art. 108).

Having complied with the requisites to be established by the Superintendence through norms of general character, the securitization companies must request from the Superintendence authorization to operate, and inscription in the Registry. The Superintendence shall establish the minimum capital required for the fund administrators.

The new Regulations of the Securities Market Law, approved by Decree No. 729-04 dated August 3, 2004, does not establish such requisites, specifying that the same shall be established by means of norms of a general character by the Superintendence and by the National Securities Council.

Requisites for this type of companies, include aspects such as:

1. Name of the company, business address and Internal Tax Registry Number (*Registro Nacional de Contribuyentes (RNC)*).
2. Duly certified, registered and published establishing documents:
  - a. Bylaws.
  - b. Memorandum of association.
  - c. List of shareholders and payment statements.
  - d. Minutes of the Shareholder General Assembly where members of the present Administration Board were elected.
  - e. Certification of business name registration issued by the National Office of Intellectual Property of the State Department of Industry and Commerce (*Oficina Nacional de Propiedad Intelectual*).
  - f. Tax receipts for the company's incorporation and for legal documents.
3. Organization and Administration Scheme:
  - a. Organization chart and functions manual.
  - b. Procedures Manual.
  - c. Internal Control Mechanisms.
  - d. Contract models, forms and other documents to be used in its operations.

4. Name of the enterprises that are part of the economic or financial group to which the company shall pertain, as well as that of the shareholders and the members of the Executive Board.

**Members of the Executive Board, of the Investment Committee and Executives of the Securitization Firm:**

1. Curriculum Vitae and copy of the ID Card. (*Cédula de Identidad y Electoral*).
2. Connections to security issuing companies and other market participants.
3. Sworn declaration indicating:
  - a. They are in full lawful exercise of their civil rights.
  - b. They have kept an entrepreneurial or professional course of respect for the law..
  - c. *They are not members of the Executive Board, or executives or employees of a market participant.*
  - d. They are not being processed or have been condemned for the commission of a crime.
  - e. They have not fallen into a state of failure or bankruptcy, insolvency or payment cessation.
  - f. They have not committed a serious misconduct against provisions of the Central Bank, the Superintendences of Bank, Securities, or Insurance and Pensions.

**Regarding Shareholders of the Securitization Funds:**

1. Copy of their ID Card (*Cédula de Identidad y Electoral*).
2. Connections to security issuing companies and other market participants.
3. Sworn Declaration indicating:
  - a. They are not being processed or have been condemned for the commission of a crime.
  - b. They have not fallen into a state of failure or bankruptcy, insolvency or payment cessation.
  - c. They have not committed a serious misconduct against de provision of the Central Bank nor the Superintendences of Banks, Securities, nor Insurance and Pensions.

**Regarding the Constitution of the Estate**

Securitization is the process through which an estate is constituted with the sole purpose of endorsing payment of the conferred rights to the holders of the securitized assets issued against said estate. Furthermore, it comprises the transfer of assets and the issuing of the corresponding securities.

1. Manner of constitution of the estates.
2. Special registry for each separate estate to be constituted. Separate accounting for the securitization firm and for each separate estate it shall administer.
3. Model of the Issuing Contract:
  - a. Identification of assets of the separate estate.
  - b. Designation of the custody of the securities that constitute the separate estate.
  - c. Surplus administration.
  - d. The anticipated recaption of the securitized assets of the issuance, or the substitution of the property that constitutes the assets of the separate estate.

- e. Ways and system of communication of the securitization firm with the security holders.
  - f. Holder's option to collect the outstanding balance of its credit from the common estate of the issuer.
4. Models of any other contracts and documents to be used.
  5. Placement prospects of the securitized assets:
    - a. Name of the securitization firm.
    - b. Name and signature of the company's legal representative, as well as of the persons who drew up the prospect.
    - c. General data of the estate.
    - d. General data of the securitization firm.
    - e. Information regarding the securitized assets.
    - f. Financial situation of the securitization firm and a summary of the feasibility analysis.
  6. Sworn Declaration indicating that:
    - a. They are in full lawful exercise of their civil rights.
    - b. They have kept an entrepreneurial or professional course of respect for the law..
    - c. *They are not members of the Executive Board, or executives or employees of a market participant.*
    - d. They are not being processed or have been condemned for the commission of a crime.
    - e. They have not fallen into a state of failure or bankruptcy, insolvency or payment cessation.
    - f. They have not committed a serious misconduct against provisions of the Central Bank, nor the Superintendences of Bank, Securities, or Insurance and Pensions.

**Regarding Shareholders of the Firm**

1. Copy of their ID Card (*Cédula de Identidad y Electoral*).
2. Connections to security issuing companies and other market participants.
3. Sworn Declaration indicating:
  - a. They are not being processed or have been condemned for the commission of a crime.
  - b. They have not fallen into a state of failure or bankruptcy, insolvency or payment cessation.
  - c. They have not committed a serious misconduct against de provision of the Central Bank nor the Superintendences of Banks, Securities, or Insurance and Pensions.