

POINTS OF INTEREST

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Situation and Perspective

FEBRUARY 2012

>Investment Climate<

1-Leonel says 'goodbye' to National Assembly with an emotionally charged speech

During the last speech of accounts reporting before the National Assembly the Dominican Republic Chief of State used all the resources of state-of-the-art technology and palpable examples to exhibit the achievements of his government in the areas of road infrastructure, education, health, transportation, among others.

Published by: El Día Newspaper, February 27th of 2012.

2-Dominican Congress initiates the first ordinary legislature of the year

In the midst of an electoral environment, the Chamber of Deputies and the Senate initiated the first ordinary legislature of the year on February 27th. Both chambers are pending an update of their review of important projects left "halfway through" in the past legislature. The National Congress initiates sessions every February 27th, Independence Day, and on August 16th, Day of the Restoration [of Independence].

Published by: el Día Newspaper, February 29th of 2012.

3- Termination of the agreement with the IMF generates diverging opinions.

Representatives of the business sector expressed their differing opinions with respect to the announcement of the Dominican Government that it will terminate the agreement with the International Monetary Fund (IMF) and that it will enter into a form of supervision process. The agreement ends in February 2012, after being in force since October of 2009.

While Manuel Diez, president of the National Private Enterprise Council (Conep), understands that the decision will not cause negative consequences in the short term, Circe Almánzar, executive vice-president of the Association of Industries of the Dominican Republic (AIRD), regrets the decision and affirms that keeping the agreement in force ensures Government compliance with essential requirements for national development. For Julio Brache, president of the American Chamber of Commerce, in other occasions the same situation has occurred with the IMF and the country has been able moved forward. The vice-president of the Dominican Agri-Business Board (JAD), Osmar Benítez, asks the Dominican Government to keep the agreement in place even if only on a partial basis, as he understands that not doing so might lead to a distortion in the [use of] resources.

Published by: Listín Diario Newspaper, February 16th of 2012

4- Fiscal pact would affect legal security of free zone

The Dominican Association of Free Zones (Adozona) expressed its surprise and concern over the statements from the Ministry of Economy, Planning and Development, regarding the proposed fiscal reform, which, as he warned, might affect the legal security of more than 500 enterprises established within the industrial [free zone] parks of the country. The president of the entity, Aquiles Bermúdez, referred to the statements from Ing. Temístocles Montás, during his participation on the topic of the proposed tax reform, in the sense that "the fiscal reform must encompass items related to the incentives regime for productive development, for purposes of overcoming the duality among the free zone enterprises and enterprises that operate outside of these industrial parks".

The business leader considered that any amendments to the free zone special regimes, without taking considering international competition, are carrying out very negative effects to the different economies around the world.

Published by: Hoy Newspaper, February 29th of 2012

5- DR loses positions in “competitiveness”

The Dominican Republic lost in the past years 15 points in the ranking of competitiveness that the World Economic Forum prepares on the basis of the analysis of 142 countries.

The corruption, the taxes and the bureaucracy are the three factors which influence the most in the deterioration of the competitiveness climate of the country, according to the report, which is dated September 7th of 2011 and which encompasses the years 2011-2012. In two years the country has lost 15 points, reducing in this way its capacity to provide an appropriate environment for the enterprises established in the national territory to compete effectively with other enterprises at a global level.

Published by: el Caribe Newspaper, February 18th of 2012

6-Government assesses the result of the litigation that led it to the WTO

The Dominican Republic Government reacted against the loss suffered before the WTO in the case of the suit for countervailing duties, proposing its compromise to promote a ‘harmonious trade exchange’. In a joint communication with the Office of Foreign Trade (Dicoex) the Ministry of Industry and Trade and the Trade Defense Commission (DCD), they expressed their interest in maintaining the commitment of promoting a harmonious and healthy trade exchange with the partners of the different free trade agreements signed by the country.

On Tuesday the World Trade Organization published the final report on the litigation involving the country stemming from the accusation by the Central American group of countries and supported by other countries such as China and Turkey. The WTO document says that the WTO determined that the Dominican Republic violated the trade rules to which it is bound, when it imposed tariffs to the imports from Central America of Tubular Fabric and Polypropylene Bags. The report highlights that the Dominican Republic with its actions has annulled or acted to the detriment of the benefits of Central American exporters and that it was not able to prove that there was an increase of imports causing a substantial damage to the national industry.

Published by: el Caribe Newspaper, February 2nd of 2012.

7- Barceló Group clamors for security for investments

The Barceló Group, owner of the hotel chains of Spanish capital established in the Bavaro- Punta Cana zone, requested the Dominican President and the President of the Supreme Court of Justice legal security for such corporation, after a court of first instance of the province of La Altagracia, headed by an interim judge, ruled against the top executives of the tourism complex to five years in prison. In a public statement, the Barceló Group indicates that the judicial decision has its origin in litigation of a civil and commercial character related with an executive attachment of assets made by an enterprise of the complex, in leased commercial property whose contract had expired and the tenant also would not pay.

They explain that after such ruling, Hotelera Bávaro and the presumed suspects had denounced to the past president of the SCJ and the current Attorney General of the Republic, the irregularities of the investigation and the process of instruction, as well as the actions of which it had been victim, as a form of pressure, for its counterpart to obtain an onerous transaction.

Published by: Hoy Newspaper, February 9th of 2012

>Economics Aspects<

8- Exchange Rates



IMAGEN PUBLICADA POR PERIODICO HOY DIGITAL, "NEGOCIOS", 26 DE JULIO DEL 2008

During the course of the month of February the Dollar of the United States has remained between RD\$38.88 and RD\$ 38.99, while the euro has remained between RD\$ 50.58 and RD\$52.41. While fuel prices were between RD\$227.50 for a gallon of premium and RD\$211.10 for a regular unleaded gallon.

Exchange

Rates and

Fuel prices

According to the last report from the Central Bank of the Dominican Republic the percentage change in CPI in the month of January was 0.44, with a base index of 108.23 and a 12-month average 8.51.

Monetary and banking indicators traditional for the month of february (in millions):

Gross international assets: U.S. \$ 4033.4

Gross international reserves: U.S. \$ 3422.5

Net International Reserves IMF: U.S. \$ 2979.5

Investment securities: 85,800.9

9-Summary on the evolution of the Financial System during the year 2011

Up to December of 2011, the total assets of the System reached RD\$890,217.5 Million, for an increase of 14.6% with respect to 2010.

The liabilities were assessed at RD\$786,256 Million, with a growth rate of 14.2% and an increase of RD\$97,925.9 Million, slightly less than the year 2010 when it was of 15.1%.

The credit portfolio accumulated RD\$49,232 Million in 2011, for a total of RD\$499,313.3 Million, meaning, 10.9% and 3 percentage points more than that experimented in 2010.

The deposits, which represent the 91.5% of the liabilities, reached RD\$719,730.7 Million, with a growth in 2011 of RD\$82,256.4, equivalent to 12.9%. That growth represented 1.9 percentage points less than in 2010.

Published by: Investigation and Analysis Unit (UIA) of Vicini Group

10- Perspective of the Financial System during the year 2012

The Banks Superintendence projects a growth in the assets of the Financial System between a 14% and 16%, an increase in the credit portfolio between 11% and 14% and of the deposits between 12% and 15%, assuming a GDP growth between 4.5% and 5%, an inflation rate of 5.5% (+/- 1.0%) and a relative stability of the exchange rate.

Published by: Investigation and Analysis Unit (UIA) of Vicini Group.

11- Central Bank informs the CPI of January was of 0.44%

The Central Bank informed that the inflation of January, measured by the variation of the Consumer Price Index (CPI), was of 0.44% in relation to December of 2011.

The institution indicates that the result of 0.44% in January of this year was significantly inferior to the level of 1.24% registered in January of 2011, which evidences a reduction in the rhythm of growth of the internal prices.

The report points out that the annualized inflation of the past twelve years, measured from January 2011 to January 2012, reached 6.90%, while the subjacent annualized reached 4.77%.

Published by: Listín Diario Newspaper, February 16th of 2012

12-“The Electric sector is the Achilles' heel”

Eugene Rault Grullón, treasurer of ANJE, proposes a strict control of the expenses incurred as a way to compensate the deficit of the electricity sector. ANJE holds that the high level of subsidies that it receives is not sustainable in the long term. “If we have an increase of income that is not identified, we are talking of a 20% increase of income, that we do not know where it will come out; there is the subject of the fiscal reform, that if it will be approved or not. We are proposing for the electric sector a subsidy of 250 Million dollars. On last year it was of 300 Million and concluded in 700. We are proposing a reduction of this subsidy this year.

There are a lot of decisions to take in the midst of the elections, and there is a high political cost and we do not know if they will be taken. The next government, whichever it is, will have to face this”, he said. The Budget presents an overestimate of income and an underestimate of expenses, that we think will make difficult to meet the deficit goals at the end of the year, which are by themselves less than those of this year, as we do not yet have an official figure. We are talking that the goal of the current account deficit this year is of 5.4%, last year it was of 7.9%. Also, the projections speak of a 2.1% deficit, when the goal was really 1.6%, in the agreement with the IMF”, explains Eugene Rault Grullón, treasurer of the business group.

Published by: el Caribe Newspaper, Thursday February 9th of 2012

13- Tax Administration extends exemptions for the farm sector for the 2012 fiscal year

The General Internal Tax Administration (DGII) announced the extension for all of the 2012 fiscal period of the measures related to the exemptions of payment of advances of the Income Tax, of payment of the Assets Tax and the withholding of the Income Tax over the payments made by the Dominican State. The measure is contained in the General Norm 01-2012 issued by the DGII and which enters into force starting from today Tuesday February 21st of the current year.

The application of the exemption that favors the farm sector began on the year 2008 for supporting farm producers that suffered great losses from the damages caused by the Olga and Noel storms.

Published by: General Internal Tax Administration February 21st of 2012

>Political Aspects<

14- Fernandez lists public works constructed during his presidency

The president Leonel Fernandez highlighted that since 2005 until today the Government has initiated 4,043 projects, of which it has concluded 3,323. Similarly, the Chief of State assured that through the National Housing Institute (INVI) more than 22 thousand homes of a social character destined for scarce resource families of the country have been built.

Among the works executed last year he mentioned the tourism boulevard of the Atlantic in the provinces of Maria Trinidad Sanchez and Samaná, with an extension of 124 km; and the conclusion of the highway Santo Domingo-Cruce de Molenillos, for the purpose of achieving the sustained development of the Northeast. In the speech made before the National Assembly, the Dominican Chief of State highlighted the construction of the overpass of the Charles de Gaulle Avenue with the San Isidro Highway, in Santo Domingo East, and the tunnels of the 27 de Febrero and Núñez de Cáceres avenues; Ortega y Gasset and 27 de Febrero, between the Carmen Mendoza de Cornielle and Fernando Defilló streets, and the tunnel of the Ortega y Gasset avenue and the Autonomous University of Santo Domingo (UASD).

Published by: el Caribe Newspaper, 28 February 2012

15- The PLD and PRSC seal an Alliance “for closing the bad road”

The disciples of Juan Bosch and part of those of Joaquin Balaguer, sealed on Sunday February 19th a new electoral alliance named “National Patriotic Consensus” as a re-edition of the “Patriotic Front” signed 16 years ago, in the same venue of the Sports Palace (“Palacio de los Deportes”) of Santo Domingo among the Dominican Liberation Party (PLD) and Reformist Social Christian Party (PRSC).

The agreement was signed by the President of the PLD, Leonel Fernandez; the official party's presidential candidate, Danilo Medina, and the president of the PRSC, Carlos Morales Troncoso. With the agreement the PRSC assumes the presidential and vice-presidential candidates of the PLD for the May 20th elections and the official party commits to complying twelve points of the program of the PRSC party from the administration of the Dominican State.

Among these initiatives are: assigning an significant part of the National Budget to works of infrastructure in the different communities, austerity in the public finances and giving account of the budget execution every month.

Also, that the gross domestic product reaches the least favored sectors, rationalizing and lowering the levels of external debt, guaranteeing the education for all and respecting the environment and the cultural assets.

Published by: El Caribe Newspaper, February 20th of 2012.

16-Danilo Medina is favored by 4 out of 5 polls

In less than 24 hours three polls were published covering the electoral preference of Dominican voters, coinciding in that the team composed by Danilo Medina-Margarita Cedeño de Fernandez would win in the first round of the presidential elections to take place on May 20th over the team composed by Hipólito Mejía and Luis Abinader. The first of the polling firms to give account of the results of its poll was Benenson Strategy Group, on Monday February 20th, showing that among electors a 50% favors the formula of the Dominican Liberation Party (PLD) and a 46% favors that of the Dominican Revolutionary Party (PRD).

It points out that the 51% thinks that the PLD will win the elections and the 43% assumes that the winner would be the opposition party PRD. The firm Asisa, has never favored the candidates of the PRD, reported last Tuesday that according to its latest poll Danilo Medina would win over Hipólito Mejía 52.1% to 46.3%. The study resulted in that an 80% of the voters pointed out that a motive for the growth of the PLD candidate Medina is due to his ballot companion Margarita Cedeño de Fernandez.

The polling firm Hamilton Campaigns presented Danilo Medina with a 50% of the voter preferences, against a 45% preference for Hipólito Mejía. The Hamilton poll was made from February 11th to the 14th to 1,200 people in the whole country. It established that the 54% of those interviewed responded to that the alliance PRSC-PLD will play a role in the victory of the latter organization, a 31% opined the opposite and a 15% said they did not know.

The polling firm Penn, Schoen & Berland, together with the SIN Group and Antena Latina, opened the electoral year presenting on the 23rd of January a poll which gives Danilo Medina, a 46% against a 44% of Hipólito Mejía.

The polling firm Bendixen & Amandi entered for the first time in the Dominican electoral market, publishing on February 7th a poll in which the PRD formula Hipólito Mejía-Luis Abinader win with a 50% against a 39% that Danilo Medina and Margarita Cedeño de Fernandez would obtain.

Published by: el Caribe, 22 de February of 2012.

17- Mejia receives support of the PNVC and criticizes government of the PLD

At the time of being proclaimed as their presidential candidate for the PNVC party, Hipólito Mejia affirmed that “the people are waking up from a bad dream”. In a brief and emotional speech, the presidential candidate of the Dominican Revolutionary Party (PRD) also accused the government of President Leonel Fernandez of disrespecting the Dominican Republic Constitution.

Published by: el Caribe Newspaper, February 20th of 2012.

18-The Central Electoral Board accepts agreements to create Information Technology Management Office

The Plenary of the Central Electoral Board approved an agreement signed by President Leonel Fernandez and the President of the Dominican Revolutionary Party, Miguel Vargas Maldonado, with the mediation of the Catholic Church, that will create an Information Technology Management Office composed of the current director of Computer Systems of the organism and other three technicians appointed pursuant to that agreement. “In no case the members of the Information Technology Management Office will be able to provide direct instructions to the technical and administrative personnel of the Information Technology Office to avoid contradictions, confusion and contradictory orders which may affect the daily works in this areas”, is provided in the document.

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>Legislative Aspects<

19- Sixty draft bills loose active status in Senate

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20- Fernandez will submit to Congress water draft bill

The president Leonel Fernandez will submit to the National Congress the Water Law bill, as announced yesterday by the director of the INAPA, Mariano Germán, who headed an extraordinary meeting of the table number 9 of water of the Participative Anticorruption Initiative (IPAC).

The Water Law bill will encompass the recommendations that the national organs and the international agencies make to amend the draft bill that has remained pending review in the National Congress and has not yet been approved.

Published by: Hoy Newspaper, February 3rd of 2012

21- Mortgage Market Law does not produce expected effects

The expected effects of the enacted Law 189-11, for the Development of the Mortgage Market and the Trust in the Dominican Republic, are not visible. For the moment it is lacking the approval of a series of regulations for its application. The information offered by the president of the Association of Housing Constructors and Promoters (Acoprovi), Fermín Acosta, indicate that the regulations covering low- cost housing and the all- in -one business window (“ventanilla unica”) have not been presented by the Securities Superintendence.

With the approval of the Law for the Development of the Mortgage Market, in May of 2011, it is sought to contribute to reducing the housing deficit existing in the country, calculated in a million homes by the different organs that have analyzed the topic. In the same manner, the Commission for the Classification of Risks and Investment Limits of the Pension Superintendence approved the resolution covering the guidelines so that the pension funds can be invested in the referred mortgage securities. The Securities Superintendent, Guarocuya Felix, has also said that the approval of the Law for the Promotion of the Mortgage Market and Trust means a growth potential for the securities market.

Published by: el Caribe Newspaper, February 20th of 2012

22- Copardom has ready its proposal for reform of the labor code including reducing the severance to employees

The Employer Confederation of the Dominican Republic has readied its reform proposal of 28 out of the 700 articles that the Labor Code has, which includes a reduction of the severance to the employees, and with it, “the excessive and damaging” labor cost.

The amendments seek that the disputes among the employee and employer be resolved through the mediation of the Ministry of Labor, without the conflicts being litigated before a tribunal.

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