

Situation and Perspective

LAST EDITION OF 2012
DECEMBER

POINTS OF INTEREST

- Investment Climate (1-6)
- Economics Aspects (7-12)
- Political Aspects (13-15)
- Legislative Aspects (16-18)

IN THIS EDITION:

Investment of Pension Fund reserves enabled	1
RD\$4,500 million bond issue approved	2
Indomina Film Studios construction advances	3
MSMEs participation	4
Canadian investment in DR	5
Economic Operators	6
Private sector credit	7
Exchange rates	8
Inflation	9
Austerity and Transparency	10
About the Electrical Pact strategy	11
Payment of 13th Salary boots economy	12
TSE voids PRD process against Mejía	13
SCJ orders reopening Felix Bautista case	14
Judge rejects imprisoning Amable Aristy	15
2013 budget is now Law	16
Application of Tax Amnesty	17
Industrialists reject Law 28-01	18

>Investment Climate<

1 - Investment of Pension Fund reserves enabled

The executive branch created through Decree #663-12 the Commission for Development of the Mortgage Market and Trusts. The entity shall consider and propose measures for the implementation of Law #189-11 on Development of the Mortgage Market and Trusts.

The Government reported that it will have available up to RD\$40 billion for the construction of affordable housing through private banks. The Superintendent of Pensions, Joaquín Gerónimo, explained that a budget of \$10 billion per year is projected in order to meet the housing shortage.

Posted by: EL CARIBE newspaper, December 5, 2012

2 - RD\$4, 500 million bond issue approved

The Securities Superintendence approved a \$4,500 million bond issue in the ordinary session of the National Securities Council held on December 11.

It also approved the Dominican Republic's first closed-end investment fund for a total of \$2 billion pesos, thus demonstrating the great trust and confidence there is today in the growing securities exchange due to the high profit margins it yields investors.

The \$4,500 million were allocated as follows: \$3 billion to the Popular Savings & Loan Association, in ordinary bonds; \$1 billion to the National Savings and Loan Association, in corporate bonds; \$500 million in corporate bonds to Parallax Securities' brokerage house and its investment fund, through Pioneer Investment Fund's administrator.

Posted by: The Hoy newspaper, December 14, 2012.

3 - Indomina Film Studios construction advances

Indomina-Pinewood Film Studios, being built in this city, are at an advanced stage of construction, as was noted in separate visits made by senators and journalists on Friday, December 20.

With an investment of over US\$20 million, the water tank – which will allow the shooting of seascapes of any kind – is almost finished and will be operational in early 2013.

Likewise, the studios being built on the north parcel of Indomina are advancing rapidly and are slated to be ready before the second quarter of 2013 closes.

The total investment made by Indomina-Pinewood Studios in the first phase of these facilities is US\$56 million. Once operating, the studios are expected to generate more than 20,000 jobs in less than 10 years.

Posted by: The Hoy newspaper, December 21, 2012

4 - MSMEs participation could reach RD\$29,000 MM

The participation of micro, small and medium enterprises (MSME) in public institutions could reach RD\$29,000 million this year, which would have a major impact on the sector.

The announcement was made by the Director of Public Procurement, Yokasta Guzman. She guaranteed that RD\$29,000 million will go to micro, small and medium enterprises throughout the country. She also said that this amount represents approximately 20% of public procurement aimed at MSMEs from the 2013 budget, under the provisions of Law 488-08.

Posted by: HOY. December 3, 2012

5 - Canadian company will invest RD\$500 MM in new plant

On Friday December 6, President Danilo Medina received a delegation of Canadian businessmen who announced the investment of RD\$500 million in the opening of a new textile manufacturing plant to be installed in Las Americas Industrial Free Zone.

The information was released by the Minister of Industry and Trade, José del Castillo, after meeting with the president of the Canadian firm Gildan. Del Castillo also reported that he discussed with President Medina the expansion of a clean energy plant in the municipality of Guerra, with an aggregate investment of RD\$500 million pesos among the two projects.

In the opening of the textile factory and the plant expansion the company will invest \$500 million pesos and generate a thousand direct jobs.

Posted by: The Hoy newspaper , December 7, 2012

6 - Customs certifies two companies as Economic Operators

On Thursday December 12 the Directorate General of Customs issued certificates from the OAS-sponsored Authorized Economic Operator program to corporate executives of DP World Multimodal Caucedo and Dominican Kimberly-Clark.

The DGA director, Fernando Fernández, explained that these certificates under the OAS program are of the most innovative instruments in Dominican and international customs, and that they are aimed at facilitating cross-border trade.

He said that so far there are only three companies under the OAS-sponsored program -the third one being the Port of Haina – while 12 others have applied for the certificate.

Posted by: The Hoy newspaper , December 13-14, 2012

>Economics Aspects<

7 - Private sector credit begins to awaken

According to the Superintendence of Banks (SB), in the first six months of 2012 the banking system's credit portfolio increased from RD\$476,831.41 million to RD\$507,220.7 million – having peaked at RD\$534,333.2 million in September – for an absolute increase of RD\$27,112.5 million, equivalent to 5.34% in the third quarter. Official data bode well for the last month of 2012, which would favor a recovery of productive activity.

This was revealed yesterday by the Central Bank as part of the report of its monthly monetary policy meeting, in which it left untouched at 5.00% its benchmark (overnight) deposit rate and at 7.00% its (Lombard) lending rate.

However, the monetary authority admitted that both production and domestic demand are under-performing compared to their potential.

Posted by: The Listin Diario newspaper, December 1, 2012.

8- Exchange Rates



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

During the course of the month of December the Dollar of the United States has remained between RD\$ 40.20 and RD\$ 40.39, while the euro has remained between RD\$ 51.75 and RD\$53.34 . While fuel prices were between 231.10 for a gallon of premium and RD\$214.00 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 November was 0.63 , with a base index of 111.27 and a 12-month average 4.00.

**Monetary and banking indicators:
Central Bank:**

Gross international assets: US\$ 4108.0
Gross international reserves: US\$ 3494.1
Net International Reserves IMF: U.S. \$ US\$3145.4

Global Market – December 2012

Products	Prices
Sugar (US\$ x Pound)	19,45
Cocoa (US\$ x Tons)	2.255
Coffee (US\$ x Pound)	147,90
Petroleum (US\$ x Barrel)	90,87
Gold (US\$ x Troy Ounce)	1662.60
Silver (US\$ x Ounce)	30.18

9- In 11 months, inflation reached 3.26%

The Central Bank said the November inflation, as measured by the change in the Consumer Price Index (CPI), was 0.63%, compared to October of this year, which put the cumulative inflation for the first eleven months of the year (January to November) at 3.26%.

It reads that the annualized rate from November 2011 to November 2012 was 3.37%, providing a favorable environment for the continuation of a flexible monetary policy.

Posted by: The Listin Diario newspaper, December 10, 2012

10- IDB sees austerity and transparency as good signs

The representative of the Inter-American Development Bank (IDB), Manuel Labrado said the IDB sees improvement in the institutional aspect in recent months, where there has been a manifest desire, followed by actions, to improve transparency, austerity and law enforcement.

"This has been very positive and gives good signs on the austerity and spending fronts; this improvement has happened in a very short time, especially in regards to transparency," he said.

Labrado explained that in the past four years, the IDB has approved more than US\$1,500 million in loans, mostly for the public sector – with 15% going to the private sector – primarily for infrastructure and banking.

Posted by: The Hoy newspaper , December 26, 2012.

11- Bichara unveils Electrical Pact's comprehensive strategy

Streamlining the power sector's balance sheet through structures for sharing financial risk with the private sector, where for every dollar invested the State can receive six dollars of funding, is one of the seven pillars that make up the Comprehensive Strategy of the Power Sector, unveiled by the executive vice president of the Dominican Corporation of State Electrical Enterprises (CDEEE), Rubén Jiménez Bichara.

Jiménez cited as CDEEE's goals for 2013-2016: (a) a reduction of technical and nontechnical losses between 2 and 3 percentage points per year, from the present level down to an estimated 27% in 2016 – which would in turn have an impact on cash receipts of US\$70.0 MM per year; (b) increased collection levels as a function of the energy delivered, with an estimated cash impact of US\$40.0 MM per year; (c) the conversion of 780 MW to natural gas; (d) an increase of 300MW in coal-fueled plants and (e) an increase of about 100 MW in hydro-power supply.

Posted by: The Hoy newspaper , December 5, 2012.

12-Payment of 13th salary boots economy

Business activity in the country was boosted after payment of the 13th salary, or Christmas bonus, in mid-December.

For this item the government allocated just over RD\$7,000 million to pay public employees and retirees, said the Minister of Finance Simón Lizardo.

Posted by: The Listin Diario newspaper, December 13, 2012.

>Political Aspects<**13 - TSE voids PRD process against Hipólito Mejía**

The PRD's internal feud continues, and this time it is due to a disciplinary hearing to which some of its leaders were summoned. Those leaders petitioned to the Superior Electoral Court through an appeal for violation of their rights.

On Friday December 20, 2012, the Superior Electoral Court (TSE) ruled by unanimous vote in favor of Hipólito Mejía, Orlando Jorge Mera, Geanilda Vasquez and Andrés Bautista, contending that due process of law was violated in the summons to a disciplinary hearing that the Council of Discipline of the Dominican Revolutionary Party (PRD) intended to start on Friday December 20 against the group, because it does not indicate the charges that are being pressed upon them.

The Court further stated that, consequently, any subsequent acts arising from directive number 01-2012 through which the group leaders were indicted by the president of the National Council of Discipline PRD, Francisco Rafael Vasquez, and the prosecutor Geovanny Tejada, shall have no legal force or effect

Vargas Maldonado, in order to clarify that he respects and complies fully with the decision of the Superior Electoral Tribunal (TSE), said lawyers will correct any situation in the indictment, so they can resume the case against Mejía, while respecting constitutional rights.

Posted by: El Caribe newspaper, December 21, 2012

14 – Supreme Court Judge orders reopening of Félix Bautista case

Judge Victor Castellanos revoked the temporary filing of the allegations made against the Senator for San Juan de la Maguana. After making the decision, the member of the Supreme Court of Justice (SCJ) ordered the Public Prosecutor to reopen the investigation into the legislator's alleged acts of wrongdoing. The complaint against the temporary filing of the dossier was presented by the Dominican Alliance Against Corruption (Adocco).

The organization said the former director of the Office of Supervision of Public Works got rich illegally. The accusation was then filed by the head of the Directorate of Prosecution of Administrative Corruption (DPCA), Hotoniel Bonilla.

The judge's decision is contained in verdict # 82, which was notified to the parties. On his part, Attorney General of the Republic, Francisco Domínguez Brito said that he will continue the investigations surrounding Bautista.

Posted by: El Caribe newspaper, December 21, 2012.

15 - Judge rejects imprisoning Aristy

The Reformist Party's congressman for the province La Altagracia is on trial for alleged corruption during his tenure as Secretary General of the Dominican Municipal League (LMD) in 2006-2010.

The last action in the criminal process against him was the petition for restraint measures made by the Public Ministry. At that hearing, special judge of the Supreme Court of Justice Alejandro Moscoso Segarra rejected the petition for preventive custody as a restraint measure against Senator Aristy, on the grounds that he considered insufficient the reasons given by the prosecution.

Posted by: Siete Dias newspaper, December 30, 2012.

>Legislative Aspects<

16 - The 2013 budget is now law

On Wednesday December 18, 2012, the Chamber of Deputies passed into law the Budget of Income and Expenditures bill for 2013, with an allocation of 4% of gross domestic product (GDP) to education. The new framework for public sector spending amounts to RD\$530,000,846,000,000 and will be applied with a fiscal deficit estimated at RD\$72 billion

The budget allocates RD\$76,000,119 million to cover the repayment of the public debt, both domestic and foreign, with the interest amounting to RD\$64,000,203 (2.6% of GDP).

Posted by: El Caribe newspaper , December 19, 2012.

17 - The DGII announces how tax amnesty will be applied

The Directorate General of Internal Revenue made available to all taxpayers a table showing the Effective Tax Rates, as a necessary tool for the implementation of the recently enacted Tax Amnesty Law 309-12 for Strengthening of the State's Tax Collection Capacity, Fiscal Sustainability and Development.

The reference document is available on the institution's Internet portal www.dgii.gov.do, at the bottom of the left vertical menu in the Projects tab, Amnesty section, entitled TABLA TET (effective tax rate table).

Law 309-12 states that taxpayers who avail themselves of the tax amnesty on the Transfer of Industrialized Goods and Services (ITBIS-[Valued-added tax]) and income tax (ISR), as well as those exonerated by debt generated by filing declarations with pending taxes, may benefit from the amnesty granted through payment of 0.30% in addition to their effective tax rate (TET) for 2011.

Posted by: The Listin Diario newspaper, December 17, 2012.

18 - Industrialists reject Law 28-01

Law 28-01, which creates a Special Zone for Border Development, embracing the provinces of Pedernales, Independencia, Elías Piña, Dajabón, Montecristi, Santiago Rodríguez and Bahoruco, is about to turn 11.

The Association of Industries (AIRD) warned of the serious damage done to the industrial sector, to the country's image and its judicial security by having a law that fosters unfair competition, in violation of the fundamental principles of the Dominican Constitution.

For the Association of Industries of Herrera and Santo Domingo Province (AEIH), the law is a "harmful distortion" and regards as alarming the cost of that legal framework to the Treasury in terms of the number of jobs it has generated so far.

Posted by: The Listin Diario newspaper, December 11, 2012.

**Russin, Vecchi & Heredia
Bonetti**

Calle El Recodo #2,
Edificio Monte Mirador
Third Floor
Phone: 809-535-9511
Fax: 555-565-6649
E-mail: info@rvhb.com
Web: www.rvhblaw.com

We are a law firm pioneer in the Dominican Republic in offering specialized services to a business community interested in the global economy, with the highest international standards of services, probity and professional excellence.

We are also one of the most recognized and experienced law offices, dedicated to facilitate the establishment of foreign investments with a well earned reputation as a good corporate citizen for our contribution to the improvement of the business climate and our support to the continuing education of professionals of the Law.