

ANSWERS TO QUESTIONS RECEIVED ABOUT THE 2015 BANCO DE LA REPUBLICA RFP FOR EXTERNAL MANAGERS OF THE FOREIGN RESERVES

We are sending a compilation of the questions (with corresponding answers) that we received during the two week window that we offered. Some questions were edited for clarity purposes. If you believe that a question that you formulated remains unanswered, please let us know.

QUESTIONS

- 1) In Section "Schedule", do we read the deadline for submitting our RFP correctly considering 30 April 11:59 p.m. Bogotá cutoff for "in time" receipt of email and hardcopy could be received thereafter without negatively impacting our potential to become a short listed candidate?

Answer: The deadline applies for the email version only. Please take into account that the e-mail server of the Central Bank does not accept e-mails larger than 10 MB. If your files are bigger than that, please send separate e-mails. Hardcopies are required, but the deadline does not apply to them. There is no negative impact if hardcopies arrive later.

- 2) Section A question 3 reference clients: under confidentiality agreements we shall have to approach the respective clients seeking approval to disclose their names. Typically they ask the name of the institution that makes this request. Would we be authorized to mention Banco de la República?

Answer: Yes

- 3) Would it be possible to obtain the RFP as a Word Document?

Answer: Yes. We have included a Word version in the website.

- 4) Would there be any type of legal licensing or local registering / representation required in Colombia for an external asset manager to manage this mandate?

Answer: No.

- 5) Are the attached excel spreadsheets a help to fill in the pdf-RFP or would you like to receive them as separate file in the email and separate print out in the hardcopy, too?

Answer: We expect to receive the information as a separate file in the email (excel spreadsheets) and in the hard copy.

- 6) How would you prefer us to deal with the certifications and other assurances of willingness or compliance in general: integral to the RFP wherever the question arises or by separate duly signed letter? The cases where this question is of interest are among others:
 - i. Section A, second paragraph (page 4): the requested certification there that confirms we fulfill criteria i to iv does a duly signed letter listing compliance with satisfy your certification criteria or is any legalization process involved at this stage?
 - ii. Section A, third paragraph toward end: add supporting documentation indicating that our firm fulfills the standards...

iii. Section A, question 2c acknowledgement of readiness to accept performance-based fee schedule

Answer: It is required to send a certification confirming that the asset manager fulfills the criteria i to iv, Section A, second paragraph, signed by a duly authorized representative. It is also required that responses include supporting documentation indicating that the firm fulfills the standards of Section A, third paragraph, whether that be a certification of other type of documentation. The acknowledgment mentioned in Section A, question 2c does not have to be included in this certification.

7) Does it suit your request if we send a document signed by the CIO and deputy CEO and certifying that the Asset manager is able to comply with the 4 points you raise: (i) satisfies the organizational eligibility criteria set forth in the next paragraph, (ii) is capable of performing the services as asset manager contemplated by this RFP, (iii) understands and agrees to the terms and selection process set forth in this RFP and (iv) understands as an asset manager it will have a fiduciary duty to perform its services as asset manager acting in the best interests of the Bank. Also certification for all pages?

Answer: The certification that the asset manager complies with the eligibility criteria can be signed by any duly authorized representative. It is not necessary to certify or sign all pages of the response to the RFP.

8) Section A, fourth paragraph: documents or their equivalents we would like to know please

- a. what a “certificate of good standing” is and which entity issues such in order to assess whether we would have something similar at our disposal to provide you with.
- b. “statement on standards for attestation engagements No. 16-SSAE 16” or equivalent: Would you consider an ISAE 3402 Type II report, the European equivalent?
- c. enterprise risk management policies: in addition to the answers in the related chapter, which kind of documentation would you like us to add?

Answer: A certificate of good standing is a document certifying that an organization is regarded as having complied with all his or its explicit obligations and having unabated powers to conduct its activities. In the US, it is issued by the state governments. Any similar document in other jurisdictions is accepted. Similarly the equivalents to the standards for attestation engagements No. 16-SSAE 16 in any jurisdiction are accepted. Regarding the enterprise risk management policies, this is not a specific requirement and you should include any documentation, internal or external, that you consider relevant.

9) Section A, question 2d do we understand correctly that this question refers to whether we would (partially) outsource portfolio management and research functions? While question 2e would refer to us potentially delegating other service providers like middle and back office functions, reporting functions etc.?

Answer: Yes

10) Section A, question 2 i: are you sure you want to see a complete list of awards (might be a couple of pages) won over the past 5 years both at company and staff level or should we focus on an extract of the most important ones?

Answer: Please include a list of all awards or other recognition, which you consider relevant, that the firm or its employees have received during the last five years.

11) Section D Risk Management questions 42-49 do they refer to the portfolio management activities or also at company level?

Answer: They refer to the portfolio management activities.

12) Section D Risk Management questions 50-53 (and potentially plus 48) do they refer to company level "only"?

Answer: They refer to the company level. Please feel free to mention any relevant additional information regarding the way that you manage the portfolio.

13) Regarding questions 59 and 60, we would like to clarify your expectations for requirements as per the use of portfolio and/or composite to provide historical returns. Knowing that all our portfolio return calculations are GIPS compliant, should we present in question 59 the return of a GIPS composite or can we present historical returns of a single portfolio?

Answer: We expect and prefer to have short duration composite(s) similar to the Bank's proposed mandate in terms permitted asset classes. Historical returns of a single portfolio should only be provided if there is not enough information to construct GIPS compliant composites. Please note that monthly returns must include information for the last five years (from January 2010 to December 2014).

14) Is there is pre-defined type of training required by the CBC or can the investment manager propose an investment training program according to its capabilities?

Answer: Given that one of the main objectives of the external management program is to provide training and transfer knowledge to Banco de la Republica's staff, it is expected that participants provide a training proposal according to their capabilities. There is not a predefined type of training that Banco de la República requires. It is also important to note that it is not mandatory to provide a training proposal but it will have an impact on the evaluation.

15) Section B / Customer Services / What would BdIR expect to see in the "risk presentation"?

Answer: The candidate must include the risk measures that it considers relevant for the mandate, as it is provided to existing clients.

16) Section B / Customer Services / What would BdIR expect to see in the "annual portfolio review report"?

Answer: The candidate must include the analyses that it considers relevant for the mandate, as it is provided to existing clients.

17) Section C / Investment Process & Risk Management / Q. 44: Is this "risk report" different to the "risk presentation" mentioned in Section B / Customer Services? What would BdLR expect to see in this "risk report"?

Answer: The risk report should be part of the risk presentation.

18) Section B, question 24 b ii: do you really wish to obtain external audit on a monthly report level (for which 10 business days seem very demanding) or do you mean double checked internally and consolidated with custodian for example?

Answer: When we say "audited", we mean a report internally double checked by the manager so we can use it as a definitive monthly report that will not have any modifications. We could expect amendments regarding the preliminary monthly position file but not on the "Audited" end of month Holdings report. If the proposed deadline cannot be met, please indicate when it can be provided.

19) IMA: Could we please have sight of the discretionary management agreement? If it's not possible, could BdLR confirm that the agreement can be in accordance with UK Law.

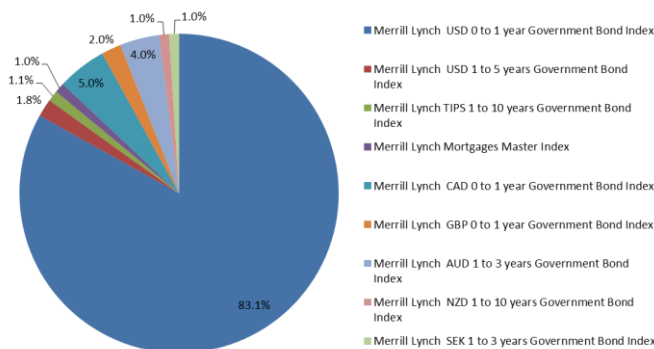
Answer: Banco de la Republica will share a copy of the Investment Management Agreement (IMA) with the firms that are invited to advance to the next stage of the process. We can confirm that the agreement can be in accordance with UK Law.

20) What is the outperformance target of the mandate?

Answer: The expected excess return is 30 basis points annually.

21) We cannot find any indications on investment objectives, detailed description of benchmark or investment guidelines permitted in the material submitted 30 March, other than a general orientation on currencies and TE allowed and what we can gather from your website about the methodology instead of constituents. Would BdLR be willing to share more detail with short listed candidates?

Answer: As a reference, the following is the benchmark of the investment tranche of Banco de la Republica's foreign reserves as of December 2014. Please take into account that Banco de la Republica may modify this benchmark anytime.



External managers are expected to outperform the benchmark by 30 basis points per year within a tracking error of 100 basis points. Detailed Investment guidelines that will apply to the mandate will be made available to the finalists. Please note that details of the Foreign Reserves Management and the External Management Program can be found on the Bank's web page (<http://www.banrep.gov.co/es/administracion-reservas-internacionales-2015>).

22) According to your reports on Foreign Reserve Management, in the past you have allocated mandates of the basis of asset rotation, as distinct from those of a global basis. Do you intend to designate this type of orientation ex ante?

Answer: Before 2010, Banco de la Republica had different mandates for the external management program. At the moment, all external managers have the same benchmark and the same guidelines.

23) Taxes: Q29 / We have assumed this to be a trading related question as opposed to a back-office/custodian related question. Could BdIR provide us with a list of markets?

Answer: As a Central Bank, BdIR is usually granted tax exemption in most eligible markets. The finalists will receive the list of markets indicating the tax status (exempt or not exempt) and the related tax rates including the effect of the tax documentation exemption application.