

**REQUEST FOR PROPOSAL FOR EXTERNAL MANAGERS OF THE FOREIGN RESERVES**  
**BANCO DE LA REPUBLICA**  
**2015**

Since 1994 Banco de la República (the Bank or BdIR) has been successfully running an External Management Program. The main objectives of the program are to: a) enhance the performance of Colombia's Foreign Reserves Investment Portfolio; b) provide training and transfer knowledge to the Bank's staff; and c) support the Bank's research efforts and the management of the reserves where needed.

The Board of Directors of the Bank (the Board) has approved a selection process for a new external asset manager to manage a portfolio of approximately US\$1.4 billion<sup>1</sup>. The Bank is looking for an asset manager specializing in short-duration fixed income portfolios to manage a portfolio with an allocated ex-ante tracking error of 100 basis points per annum<sup>2</sup>.

Funding for the new investment portfolio will be provided in cash or a mixture of cash and securities, with the new asset manager to invest such funds in accordance with investment guidelines approved by the Board. Permissible investments are concentrated in government bonds, however, within strict limits, investments are also allowed in debt of high-quality issuers, such as quasi-governments, supranational organizations, agency MBS, banks and corporations. The minimum credit rating is A+ for banks and corporations and A- for governments and quasi-governments. The current benchmark portfolio is invested in US dollars, Canadian dollars, Australian dollars, British pounds, New Zealand dollars and Swedish kronor. Other eligible currencies are Euros, Japanese yen, Swiss francs and Norwegian kronor. For currency and interest rate risk management, currency forwards and future contracts on interest rates and government bonds are allowed. Additionally as of December 31<sup>st</sup>, 2014 the benchmark portfolio duration was close to 0.70. Further details of the Foreign Reserves Management and the External Management Program can be found on the web page of the Bank (<http://www.banrep.gov.co/es/administracion-reservas-internacionales-2015>).

In order to participate in this selection process, interested firms should answer the attached questionnaire. Eligible asset management divisions/business units must have at least US\$50 billion in fixed income assets under management and have a minimum experience of 10 years in fixed income management for institutional investors. Additionally the legal entity responsible for the investment management agreement must have at least US\$14 billion in fixed income assets under management. Existing investment managers of the Bank, their affiliates, and any other firm or affiliate of any firm that has served the Bank as a manager of the Bank's Foreign Reserves on or after December 31, 2009 will not be eligible for consideration.

**Schedule**

The schedule for this selection process is as follows:

- Questions about the questionnaire or the selection process should be sent to [Investmentmanager2015@banrep.gov.co](mailto:Investmentmanager2015@banrep.gov.co) before April 10, 2015. The Bank expects to publish the answers on its website approximately one week later.
- A complete and final response to the attached questionnaire must be submitted via email by

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<sup>1</sup> This is an approximate amount, only for reference purposes. The Bank can modify the amount under management and the investment guidelines at any time.

<sup>2</sup> Measured as the ex-ante volatility of the excess returns versus a given benchmark.

11:59 p.m. (Bogota time), April 30, 2015 to Investmentmanager2015@banrep.gov.co. Additionally, a hard copy of the response must be sent to the attention of: Departamento de Inversiones Internacionales, Banco de la República, Cr 7 No.14-78 P.4, Bogotá, Colombia.

- The Bank will evaluate the responses and inform all participants whether they have been chosen as finalists by July 2015.
- Officers from the Bank will visit all finalists in their offices in order to get more information about the key aspects of their proposal, including training, at the end of July or the beginning of August.
- Afterwards, each of the finalists will be required to submit a fee proposal and present confirmation of willingness to accept the Bank's standard Discretionary Management Agreement (a copy of which will be provided to finalists).
- The Bank will communicate the results of the process to the finalists by September 2015. In case that the Bank decides to hire a manager, it is expected that the portfolio will be funded on October 31<sup>st</sup>, 2015 or later.

### **Terms and Conditions of the RFP**

During this process we request that participants refrain from contacting directly any officer of the Bank about this RFP or the selection process. We also ask that you do not include any generic marketing or sales information, or rely on cross-references to other documentation, in your responses.

This RFP does not commit the Bank to award a contract. The Bank reserves the right, in its sole discretion, to accept or reject any or all responses, to negotiate with any or all firms considered, or to cancel or postpone this RFP in whole or in part. The Bank does not assume and shall not have any responsibility, liability or obligation in connection with this RFP or its analysis or assessment of any or all responses to the RFP, and the Bank reserves the right, in its sole discretion, to choose a new external asset manager based on whatever criteria it deems necessary and appropriate. The Bank will not have any obligation to specify the reasons, either in general or specific terms, at any stage in the process, for not accepting a particular applicant's response or for terminating the selection process.

The Bank will not reimburse responding firms for any expenses incurred in preparing or submitting proposals or providing information to the Bank in connection with proposals. The Bank reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected.

To the extent permitted by applicable law, the Bank will treat as confidential information that a firm provides in response to the questionnaire unless such information is otherwise made public by a person other than the Bank. The Bank may provide prospective managers with confidential information in connection with this RFP, and reserves the right to require applicants to enter into a customary non-disclosure agreement with the Bank prior to receiving such information.

Prospective managers may be requested to clarify the contents of their proposal. Other than to provide such information as may be required by the Bank, no prospective manager will be allowed to alter its proposal or to add new information after the RFP due date. If a prospective manager discovers any ambiguity, conflict, discrepancy, omission or other error in this RFP, please immediately notify the Bank of such error before April 10, 2015 and request clarification or modification of the document. If it becomes necessary to revise any part of this RFP or if a more exact interpretation of provisions of this RFP are required prior to the due date for proposals, a supplement will be posted by the Bank on its web site. If such addenda issuance is necessary, the Bank reserves the right to extend the due date of proposals to accommodate such interpretations or additional data requirements.

Fee proposals provided by finalists will be firm for a period of [120] days following submission and may not be changed following submission. If a prospective manager fails to notify the Bank of a known error or an error that reasonably should have been known prior to the final filing date for submission, the prospective manager shall assume the risk. If awarded the contract, the prospective manager shall not be entitled to compensation or time by reason of the error or its late correction.

A prospective manager's willingness to accept the Bank's standard Discretionary Management Agreement will be among the factors used in evaluating the prospective manager.

Notwithstanding any other provision of this RFP, the Bank reserves the right to reject any or all proposals or to waive any informality in a proposal. Please note that the proposal accepted will not necessarily be the low bidder. The Bank will consider each firm's experience in the investment advisory field, each firm's detailed responses to each section of the RFP, work with similar clients on related projects, interviews and presentations. Conditions described in these specifications should be closely adhered to, and any deviations must be carefully explained.

Non-responsive proposals include, but are not limited to, those that:

- Are irregular or not in conformance with RFP requirements and instructions.
- Are conditional, incomplete, indefinite or ambiguous.
- Are not submitted on time.

The Bank may waive minor informalities or irregularities in a proposal that are merely a matter of form and not substance and the correction of which would not be prejudicial to other proposals.

**SECTION A – THE FIRM (information must refer to the asset management division/business unit unless otherwise stated)**

Please include in your response to the questionnaire the name and contact information of the persons who will be involved in this RFP process.

All responses should contain a certification by a duly authorized representative of the prospective asset manager stating that the prospective manager (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.

The Bank will only consider firms with sufficient experience and scale as eligible candidates. Please note that to be eligible, asset management divisions/business units must have at least **US\$50 billion in fixed income** assets under management and **more than 10 years of experience** managing fixed income portfolios for institutional clients, in each case as of December 31, 2014. Additionally the legal entity responsible for the investment management agreement must have at least US\$14 billion in fixed income assets under management. The following entities will not be eligible for consideration: (i) existing external managers, (ii) asset management divisions/business units that have worked with the Bank as managers of the foreign reserves on or after December 31, 2009 and (ii) affiliates<sup>3</sup> of entities described in clauses (i) and (ii). If more than one affiliated entity participates in this process, only one affiliated entity will be eligible to be hired by the Bank. Please include in your response supporting documentation indicating how your firm complies with these standards, including the assets under management for the division/business unit in question and the name of the legal entity that will enter into the investment management agreement with the Bank, if you are selected as the new asset manager.

Candidates must also provide the following documents or their equivalents for the legal entity that will be managing the assets:

- Audited consolidated financial statements
- Certificate of good standing
- Registration as investment advisor<sup>4</sup>
- Statement on Standards for Attestation Engagements No. 16 – SSAE 16
- Enterprise risk management policies and procedures, including the role of internal audit

Applicants are only expected to send the most recent documentation. Please provide an explanation if any of these documents cannot be provided.

1. Please provide a brief description of your firm, including the legal name, ownership and capital structure, affiliated companies (including relevant relationship information, such as level of ownership and common management), and specify the legal entity that would be responsible for managing the account (including the office location of such entity).
2. Please answer the following questions succinctly:
  - a. What other financial services does the firm provide?
  - b. In which jurisdiction is the firm incorporated? If the firm outsources asset management

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<sup>3</sup> For purposes of this RFP, “affiliate” means any entity or legal organization that controls, is controlled by or is under common control, with another entity.

<sup>4</sup> If your firm is registered with the U.S. SEC, both Part 1 and Part 2 of Form ADV should be provided.

to one or more affiliates, please provide the name and jurisdiction of incorporation of each such affiliate.

- c. The Bank's External Management Program works under a performance-based fee schedule. Please acknowledge that your firm would be willing to work with this type of fee schedule.
- d. Would your firm provide / receive any advice or investment strategy to the Bank through or from any subadvisor, affiliate or other agent? If so, please describe what entity(ies) and your relationship.
- e. Would your firm utilize or partner with any subadvisors, affiliates or other agents in the provision of services to the Bank? If so, please describe what entity(ies) and your relationship with them.
- f. Please review and complete Annex 1. If you answered yes to any question on Annex 1, please describe.
- g. Does your firm or its affiliates have any real or potential conflicts of interest (personal or organizational) with the Bank? If so, how does your firm propose to avoid, mitigate or neutralize such conflicts of interest?
- h. Describe how (if at all) your proprietary interests or interests of your other clients might affect your duties to the Bank.

List all awards or other recognition that the firm or its employees have received during the last five years.

- 3. Please provide contact information for three to five current client references with mandates similar to the one proposed by the Bank. All information will be kept confidential.
- 4. Please provide any additional information not included above about the firm that supports its qualification to manage a fixed-income portfolio for a central bank.
- 5. Please provide the following information as of December 31, 2014 (in USD million):

**Table A1**

CATEGORY	TOTAL ASSETS UNDER MANAGEMENT	YEARS OF FIRM'S EXPERIENCE MANAGING PORTFOLIOS BY CATEGORY	NUMBER OF CLIENTS
TOTAL			
FIXED INCOME			
INSTITUTIONAL CLIENTS			
CENTRAL BANKS			
SHORT DURATION (0-3 YEARS) FIXED INCOME			

\* Each of the categories is independent from each other, meaning they are not necessarily subgroups of the other categories.

- 6. Please provide the following information regarding assets under management as of December 31, for each year (in USD million):

**Table A2**

CATEGORY	ASSETS UNDER MANAGEMENT					NUMBER OF CLIENTS				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
TOTAL										
FIXED INCOME										
INSTITUTIONAL CLIENTS										
CENTRAL BANKS										
SHORT DURATION (0-3 YEARS) FIXED INCOME										

\* Each of the categories is independent from each other, meaning they are not necessarily subgroups of the other categories.

7. Please complete the following table (data should refer to the asset management division/business unit only). Please allocate assets only to one category:

**Table A3**

<b>Financial instrument</b>	<b>Assets under management as of December 2014</b>	<b>Years of experience investing in this type of instruments</b>
Government fixed income		
Government related fixed income*		
Corporate fixed income		
Agency MBS (FNMA, FHLMC or GNMA)		

\* The Government related sector is composed by the following subsectors: supranational, government guaranteed agencies, government owned agencies / government sponsored agencies and local authorities, other than agency MBS.

## SECTION B – CUSTOMER SERVICE

The Bank expects the selected firm to have a dedicated and efficient customer service team that understands the Bank’s specific needs as a central bank. Additionally, the firm must be willing to prepare monthly performance and risk presentations, to regularly participate in conference calls with the Bank’s staff, and to prepare an annual review of the portfolio to be presented in meetings to be held at the Bank.

8. Please confirm that the firm would be able and willing to provide the services described.
9. Please provide a brief description of your customer service program. Additionally, please complete the following table with the information of the customer service employees who would be directly involved with the Bank’s account, including the most important point of contact and his/her location.

**Table B1**

<b>Person</b>	<b>Name</b>	<b>Title</b>	<b>Number of years working in investment management</b>	<b>Education (bachelor, masters, Ph.D., CFA)*</b>
1				
2				
3				
...				
...				
N				

\* In case they have more than one of these degrees please provide all of them.

10. Please briefly explain your standard procedures to resolve the following situations:
- Breach of the investment guidelines
  - Operational issues (overdraft of the account, differences with the custodian, futures

- commission merchant, among others)
- c. Client requests/inquiries

11. Please provide a sample of an annual portfolio review report.

## Operations

### **BACK OFFICE PROCEDURES**

12. Describe briefly your back-office operations including trade confirmations, settlements, reconciliation, exceptions identification, monitoring and escalation, report production, etc.
13. Describe your technological infrastructure and connections among the different systems involved on the back-office activities. Describe the level of automation and connections with JP. Morgan Chase and State Street Bank (which are the Bank's current custodians) and with JP Morgan and Goldman Sachs (which are the Bank's current clearing brokers).
14. How do you notify clients of changes in your internal back-office procedures? Do you conduct (or take into consideration) test stages with clients before the effective date of the implementation of those changes
15. Indicate the means you would use to communicate trades to the Bank's custodians and the time at which instructions will be sent. Please provide an example for each transaction type (forex, fixed income, futures, mortgages, TBAs, cash movements to and from the Bank's custodians and the clearing broker). If all trades will be instructed to the Bank's custodians via SWIFT, please specify the messages types used. Which means do you use alternatively in the case of a SWIFT contingency?
16. Do you instruct FX transactions via CLS? Describe the instruction and communication processes with the custodians.
17. Do you perform back office activities by yourself or are such activities outsourced to an affiliate or a third party? If such activities are outsourced/subcontracted (either to an affiliate or third party), please provide the name of the company to which such activities are outsourced/subcontracted and describe your monitoring and tracking out procedures to assure that the company to which such activities are outsourced/subcontracted firm complies with the requirements? Are you considering outsourcing/subcontracting of any applicable back office activities (either to an affiliate or third party)in the next two years?
18. Describe your recordkeeping policies related to the transactions of the account and the availability for inspection and audit purposes by the Bank or any person designated by the Bank.

### **CLIENT SERVICE**

19. Describe the communication procedures with clients and with custodian banks. Include degree of automation, timing of communications, and controls in place and back-up structure for the client service group.
20. Describe if you have internal timing standards to answer queries sent by your clients. Include your escalation procedures.
21. Taking into account that BdIR is located in Eastern Standard Time (NY), indicate how and when clients can contact you.
22. Please provide your views on the major issues facing the industry and those that you anticipate will demand attention in the next five years. (We are referring to issues relating to custody, settlements, accounting and any other topic that can be considered as relevant to back offices).

23. Do you produce bulletins or news flashes on the topics mentioned in the above question which could be shared with BdIR?

#### **REPORTING**

24. Please confirm that you can comply with providing the following reports. Indicate whether the reports will be delivered via email, web platform, fax, other.

- a. Daily reporting requirements:
  - i. End of day trading report by 6 pm EST of trade date
  - ii. Cash activity report by 12 pm EST on value date plus one
  - iii. Cash reconciliation report with the Bank's custodians by 12 pm EST on value date plus one
  - iv. Futures cash reconciliation report with the broker by 12 pm EST on value date plus one
  - v. Account holdings report. A report with all relevant information for each investment type in the account (fixed income positions, open foreign exchange contracts, futures, tba's, and any other asset class in the portfolio). The deadline is 12 pm EST on trade date plus one.
- b. Monthly reporting requirements:
  - i. Investment Management Report (risk, performance) by ten business days after month end
  - ii. Audited End of the Month Holdings report by ten business days after month end
  - iii. Detailed excel spreadsheet containing a list of assets, including cost, unit valuation, position valuation, accrued income, position duration and position contribution to duration
  - iv. Detailed activity summary for the previous month, including trades, dividends and interest
  - v. Preliminary monthly position file by 12pm [EST] of one business day after month end
  - vi. Reconciliation report of the Bank's custodians records with respect to the Investment Manager's records of cash accounts, holdings, pricing discrepancies and off-balance sheet items

"Business day" means a day other than a day on which banks in the jurisdiction of the account manager are generally closed for business, Saturday or Sunday.

#### **MANAGEMENT OF SETTLEMENT FAILURES**

25. How are overdraft charges handled?
26. Describe the market practices that you follow to manage settlement failures.
27. Specify if you keep record of the failures due to operational risk. How do you monitor operational risk events that had an effect on the settlement of transactions?

#### **RESEARCH AND TRAINING**

28. Does your firm provide standard training programs for its customers on topics such as settlement, safekeeping, accounting, risk control, performance measurement, etc.? If so, do you currently provide, or would you consider providing, customized training in such topics for a customer's staff?



**TAXES**

29. Describe the procedures you have in place, or possibly will implement, to monitor investments for which tax exemption documentation is available and which actions are taken when there is no available/updated documentation. BdIR can provide semi-annually a list of markets and locations where securities can be held indicating the status of tax exemption documentation and the rates for each market.

**SECTION C - INVESTMENT PROCESS / RISK MANAGEMENT**

30. Please complete the following table with information regarding the portfolio management team that would be directly involved with the Bank’s account. Provide a brief biography of each as an annex.

**Table C1**

Person	Name	Title	Number of years working in investment management	Number of years at the firm	Education (bachelor, masters, Ph.D., CFA)*
1					
2					
3					
...					
...					
N					

\* In case they have more than one of these degrees please provide all of them.

- 31. Please provide the number of investment professionals who left the firm during the last three years. Briefly detail the reasons and year in which each of them left.
- 32. Please describe minimum qualifications for your staff and briefly comment about internal training programs for portfolio managers, risk managers, traders, research analysts, operational analysts, etc.

**Investment Process**

- 33. Please briefly describe the theory and beliefs underlying the firm’s investment philosophy in fixed income (quantitative or fundamental, top-down or bottom up). If possible describe how this is evidenced in the firm’s investment process.
- 34. Please provide the organizational structure and main functions of the areas involved in the investment process (portfolio management, risk management, compliance, internal audit, research, etc.). Indicate the number of employees in each area.
- 35. Please detail how investment decisions are made (people/areas involved, processes, frequency). Are there any committees where investment ideas are discussed? Who is accountable for the investment decisions?
- 36. Do you have specialized teams responsible for making investment recommendations in the following sectors: interest rates, currencies, agency MBS, corporate debt, and government related debt? If so, please provide the following information for those teams:

**Table C2**

Sectors	Number of members	Name of member	Years of experience	Education (bachelor, masters, Ph.D., CFA)*
Interest rates				
Currencies				
Agency MBS				
Corporate debt				
Government related*				

\* In case they have more than one of these degrees please provide all of them.

\*\* The Government related sector is composed by the following subsectors: supranational, government guaranteed agencies, government owned agencies / government sponsored agencies and local authorities.

37. Please explain the role of the portfolio manager in charge of the account. Does he/she participate in the decision making process? Is he/she allowed to deviate from the overall investment strategy of the firm? Does his/her compensation depend on the performance of the account?
38. Do you have separate research teams in economics and quantitative analysis that provide support to the portfolio management function? If so, please provide the number of dedicated members.
39. Has your investment process experienced significant changes during the last 5 years? Do you envision significant changes to that process in the near future? Please briefly elaborate if needed.
40. Please describe your approach to risk budgeting and portfolio construction. Do you use any quantitative tools in this process?
41. If your firm has previously worked with the Bank as an external manager, please explain what has changed in your investment process.

## Risk Management

42. How is risk management integrated in your investment process? Is the risk management function independent from portfolio management? Can risk managers recommend changes to the portfolio? Describe your firm's approach to risk management regarding both financial and non-financial risks.
43. Please explain what measures are used to assess market risk.
44. Please state if your firm has performance and risk attribution systems and if so briefly describe them, including whether such systems are proprietary or externally provided. Please also provide a sample of a performance / risk report and indicate the frequency with which such reports would be made available to a client.

45. Do you have specialized teams involved in the market and credit risk management of the portfolios? If so, please provide the following information:

**Table C3**

<b>Areas</b>	<b>Number of members</b>	<b>Name of member</b>	<b>Years of experience</b>	<b>Education (bachelor, masters, Ph.D., CFA)*</b>
Market risk				
Credit risk				

\* In case they have more than one of these degrees please provide all of them.

46. Please explain in detail your process to assess credit risk of individual issuers.

47. Regarding compliance:

- a. What is the scope of your compliance function? What tools do you have in order to monitor compliance with portfolio guidelines and internal policies and procedures at all times? Please specify if you have both pre-trade and post trade compliance systems.
- b. Please describe the role of compliance officers, specifying their independence from the investment team and their responsibilities towards clients.

48. Has your risk management process experienced significant changes during the last 5 years? Do you envision significant changes to such process in the near future? Please briefly elaborate if needed.

49. Please describe how your firm would monitor and ensure compliance with the Bank's investment guidelines.

50. In addition to the portfolio-related risk management policies and procedures discussed above, please describe your firm's enterprise-wide risk management, addressing, among other things, operation, legal, compliance and counterparty risk.

51. Please describe your firm's Business Continuity and Operations Plan.

52. Please describe your firm's policy relating to controls over vendors and affiliates that may be involved in the performance of services under the asset manager relationship or that may have access to confidential information of the Bank.

53. Does your firm maintain errors and omissions insurance or other potentially relevant insurance policies? If so, with which insurers and what are the policy limits?

## SECTION D – TRAINING / KNOWLEDGE TRANSFER

One of the objectives of the Bank's External Manager Program is to acquire knowledge and training through our external managers. At a minimum, the selected firm is expected to provide five days of training for two officers or ten days of training for one officer per year, including accommodation and transportation costs. This training must suit the Bank's needs and be offered for both junior and senior staff.

54. Please acknowledge that the firm would be able and willing to provide at least this level of service.
55. Please further elaborate on training / knowledge transfer that your firm provides to clients. Please detail seminars or other events organized, the target audience and the type of clients that attend, and the staff and resources that your firm makes available. Include additional information if considered pertinent.
56. Support to the Bank's research efforts is another key element of the External Management Program. Do you have a dedicated team that provides support to the client's projects/initiatives? If so, please detail the pool of available resources/services that could be made available to the Bank.
57. Please describe any other specific products available to clients, for example, access to research papers, internal research or conference calls on special topics.
58. What other value-added services do you offer to clients?

## SECTION E – HISTORICAL PERFORMANCE

59. Please provide in a separate excel file audited figures of portfolio and benchmark monthly returns during the last five years (from January 2010 to December 2014) of Global Fixed Income Short Duration composite(s) similar to the Bank's proposed mandate in terms of the type of client and permitted asset classes. Returns are to be calculated in compliance with GIPS.
60. Please provide a detailed description of the composite(s) and the benchmark(s), including credit rating breakdown, duration and the average size of the assets under management.
61. If your firm does not comply with GIPS, please provide a description of the standards that it employs in calculating its returns.

## SECTION F – LEGAL, COMPLIANCE AND OTHER MATTERS

62. Do your Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) Program and AML policies and procedures comply with current AML legislation, regulations and guidelines issued by the regulatory bodies in the jurisdiction in which you operate?
63. Describe your firm's code of ethics and how compliance with the code is monitored.
64. Describe your firm's conflict of interest policy and how compliance with the policy is monitored.
65. Describe your firm's confidentiality policies that would protect against both non-use and non-disclosure of confidential information of the Bank.
66. Describe how the firm determines, adheres to, measures, and reports on standards for best execution with brokers, dealers and other counterparties in compliance with the Bank's investment guidelines.
67. The Bank has a standard Discretionary Management Agreement that it signs with each of its managers within the External Management Program.
  - a. Under the Discretionary Management Agreement, asset managers have discretion as to which assets and securities to trade (within the Bank's investment guidelines). However, if

an asset / security is established under an agreement (e.g., transactions under an ISDA Master Agreement or an MSFTA) that is in the name of or binding on the Bank, the asset manager must first provide a copy of the proposed agreement to the Bank and obtain the Bank's consent to such agreement.

- b. Please be aware that BdIR is considering implementing ISDA Master Agreements with counterparties under which external managers could trade their BdIR-portfolios (e.g., umbrella ISDA agreements), instead of external managers trading BdIR portfolios under their own umbrella ISDA agreements.
- c. The Discretionary Management Agreement provides that the Bank (i) does not agree to waive, and specifically reserves its right to, any immunity to which it or its assets may be entitled on the grounds of sovereignty or other similar grounds, and (ii) does not permit liens or set-off against its assets.

Please confirm that your firm would comply with these provisions.

68. 62. Please confirm that your firm would agree to notify of (and update us on) litigation or any actions or investigations by governmental or regulatory agencies that could adversely affect your ability to fulfill your functions as asset manager.

## ATTACHMENTS

### Annex 1. Compliance Matters

- |   | <u>Yes</u>               | <u>No</u>                |
|---|--------------------------|--------------------------|
| 1. Since January 1, 2010, has a federal, state or foreign regulatory agency or authority:   |                          |                          |
| A. found you or any covered affiliate <sup>5</sup> to have made a false statement or omission?  | <input type="checkbox"/> | <input type="checkbox"/> |
| B. found you or any covered affiliate to have been involved in a violation of securities regulations or statutes?   | <input type="checkbox"/> | <input type="checkbox"/> |
| C. found you or any covered affiliate to have been a cause of an investment-related business having its authorization to do business denied, suspended, revoked, or restricted?   | <input type="checkbox"/> | <input type="checkbox"/> |
| D. entered an order against you or any covered affiliate in connection with investment-related activity?  | <input type="checkbox"/> | <input type="checkbox"/> |
| E. imposed a civil money penalty on you or any covered affiliate, or ordered you or any covered affiliate to cease and desist from any activity?  | <input type="checkbox"/> | <input type="checkbox"/> |
| F. denied, suspended, or revoked your or any covered affiliate's registration or license, or otherwise prevented you or any covered affiliate, by order, from associating with an investment-related business or restricted your or any covered affiliate's activity?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Since January 1, 2010, has any domestic or foreign court:  |                          |                          |
| A. enjoined you or any covered affiliate in connection with any investment-related activity?  | <input type="checkbox"/> | <input type="checkbox"/> |
| B. found that you or any covered affiliate were involved in a violation of investment-related statutes or regulations?  | <input type="checkbox"/> | <input type="checkbox"/> |
| C. dismissed, pursuant to a settlement agreement, an investment-related civil action brought against you or any covered affiliate by a state or foreign financial regulatory authority?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Since January 1, 2010, have you or any covered affiliate been charged with, convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to a misdemeanor involving: investments or an investment-related business, or any fraud, false statements, or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are you or any covered affiliate now the subject of any regulatory or court proceeding that could result in a "yes" answer to any part of Item 1 or 2 above?   | <input type="checkbox"/> | <input type="checkbox"/> |

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<sup>5</sup> "Covered Affiliate" means (1) all of your current employees (other than employee performing only clerical, administrative, support or similar functions); (2) all of your officers, partners or directors (or any person performing similar functions); and (3) all persons and entities directly or indirectly controlling you or controlled by you (including your broker-dealer affiliates). If you are registered with the U.S. SEC, this term and your responses to Annex 1 should be completed consistent with your disclosures in Item 11 of Form ADV, Part I.