ANSWERS TO QUESTIONS RECEIVED ABOUT THE RFP FOR EXTERNAL MANAGERS OF THE FOREIGN RESERVES – BANCO DE LA REPÚBLICA - 2024

The following is a compilation of the questions received through May 17, 2024, from candidates about the RFP for external managers of the foreign reserves – Banco de la República - 2024. Some questions were edited for clarity and confidentiality purposes. With the publication of this document, the questions and responses stage of this RFP is closed.

GENERAL QUESTIONS

1. **I lead the distribution of products for third companies in the company A. The firm B is one of the managers that we represent. I write you because we would love to share the RFP with other firms that we represent and that also have the capabilities to manage this type of mandates. Is it possible that we share this request for proposal? If you prefer, we can set a quick call to meet each other and introduce our platform?**

   Answer: Please be advised that the 2024 Banco de la República RFP for external managers of the foreign reserves is an open and public process. All relevant information is available for any interested firm at RFP for External Managers of the Foreign Reserves. Any firm that meets the requirements is invited to participate, and no authorization by BdlR is necessary to participate until the deadline.

   Please note that none of our employees are authorized to provide information, respond to emails directly, or meet with candidates in person or virtually.

2. **It happens that a colleague and I will be in Bogotá on coming days, and we were thinking of visiting you, but we just received the invitation to the RFP. Does that prevent us from scheduling a meeting or visits while you do not receive the proposals yet accepted?**

   Answer: During this process we request that participants refrain from directly contacting any officer of the Bank about this RFP or the selection process effective immediately upon the release of this RFP and continuing until the review and evaluation process is completed.

3. **What is the maximum size of files that your mail system can accept?**

   Answer: The size of each email must be equal or less than 10 MB due to BdlR's server capacity. If you need to send separate e-mails, please take into account that they should be numbered (for example, "e-mail 1 of n") and come from the same e-mail address.

4. **Within the 30% weight to the 'investment process and risk management' section of the RFP, what importance do you assign to ESG components of the process?**

   Answer: ESG is a subject that has been gaining relevance to the management of the international reserves' portfolio investments, thus, BdlR wants to understand how external managers are including ESG considerations into their investment and risk management processes. For the evaluation of the "investment and risk management" section, various factors are considered according to BdlR's internal methodology, and all of the factors add up to the overall rating.

5. **Please can you confirm the custodian and clearer used from the list provided in the RFP?**
   - **JP Morgan Chase Bank N.A. located in New York City - CHASUS33XXX**
   - **State Street Bank & Trust Company - located in Boston - SBOSUS3UXXX**
   - **JP Morgan Securities LLC**
   - **Goldman Sachs & Co**

   Answer: The listed entities are BdlR´s current custodians and clearing brokers, and any of them can be assigned to the mandate.

6. **For table C2 in the investment process section of the RFP, are these tables rigid, or can they be modified to better depict the structure of our centralized resources? For example, we have a broad credit research department that could fit into the corporate debt sector as laid out in the existing table. However, we also have more specific, focused teams consisting of investment professionals beyond just credit research that recommend investments in their focus area (e.g. global credit, US investment grade credit etc.)**

   Answer: No. The tables cannot be modified by candidates. Please note all responses should be complete and that the RFP requires candidates to avoid inaccurate, vague or partial answers. Be aware that any unanswered question or table and/or any incomplete response or table will receive the minimum score applicable.

ELIGIBILITY CRITERIA

1. **The Candidate responding to the Request for Proposal will be a private company incorporated in Country A and Country B. The authorised signer of the Request for Proposal submission (including the Compliance Certificate and the Certification as to Satisfaction of the Minimum Selection Criteria for Consideration) will be a Director of the Candidate. A Certificate of Incumbency is not an official document which can be accessed from Country C Companies House. Our response to the Request for Proposal will, as requested, include a Certificate of Good Standing provided by Country C Companies House in respect of the Candidate. This will confirm the existence of the Candidate and that it is in good standing and contain certain information, including the Directors of the Candidate (which will include the authorised signer). Please confirm that provision of this document will satisfy the requirement to provide a Certificate of Incumbency.**

   Answer: As required under the "Certification" section of the RFP, together with the Required Minimum Selection Criteria, Candidates must provide (i) a Compliance Certification (in the form of Annex 2 attached to the RFP) duly signed and (ii) a Certificate of Incumbency attesting to the signatory's authority to sign the Compliance Certification and to make the certification set forth in the RFP.

   Also, as set forth in the "Additional Documentation" section of the RFP, Candidates must also provide, among other documents listed therein, (i) a Certificate of good standing and (ii) a Certificate of Incumbency, or their equivalents, for the Responsible Party. The RFP defines a "Certificate of Good Standing" or its equivalent as "an official document that certifies the legal existence of the Responsible Party and that the entity is authorized to do business in the place where it is registered." Because practices regarding Certificates of Incumbency or their equivalents may vary among jurisdictions, the RFP intentionally does not specify the Certificate of Incumbency as being either publicly or privately issued.

   As defined in the RFP, the Responsible Party is the legal entity that will, if its Proposal is selected, enter into an investment management agreement with the Bank and be responsible for the performance of all obligations under such Agreement.

   It is the obligation of the Responsible Party to determine what documentation satisfies the requirements set forth under the "Certification" and "Additional Documentation" sections of the RFP.

INVESTMENT GUIDELINES

1. **Regarding Section 4.1.5 Currency deviations, can a manager be +/- 4% in each permitted currency even if they do not own underlying assets in that currency?**

   Answer: Yes, a manager can be +/- 4% in each currency even if they do not own underlying assets in this currency.

2. **Regarding Section 4.1.5 Currency deviations, can a manager have an aggregate of +8% long deviation versus benchmark in currency exposures such that the sum of longs and short positions can total 16%?**

   Answer: According to our investment guidelines, deviations by currency are calculated as the net position in that currency against the Benchmark. The aggregate currency exposure shall be calculated as the sum of all currencies that have a net long position against the Benchmark.

3. **Regarding section 4.6.5., can a manager have 100% absolute exposure to futures and TBA's or a maximum 100% Net exposure?**

   Answer: For futures and TBA, net positions are defined as long minus short positions, but only when they refer to the same contract. For futures on interest rates, only 25% of the notional amount should be considered in the calculation. The futures on interest rates that these guidelines refer to are futures whose underlying is an actual interest rate, instead of a bond.

4. **Is the benchmark hedged or unhedged?**

   Answer: The benchmark is unhedged.

5. **Can we verify that even though the benchmark has no exposure to corporate bonds, is it permissible to hold up to 11% in corporate bonds in the portfolio?**

   Answer: Yes, it is permissible to hold up to 11% in corporate bonds in the portfolio

6. **Adding up the limits by issuer, it appears that 97% of the portfolio needs to AA or better and we can only hold 3% in A rated bonds. Is this an accurate interpretation?**

   Answer: No. According to our investment guidelines there is a limit per issuer. For instance, 1% for an A corporate bond, as a result, a manager could have more than 3% in the aggregate of A bonds but distributed in different entities and up to the maximum limit allowed for the aggregate for the sector.

7. **Please can you clarify the calculation relating to 4.6.5? In the calculation do you take absolute futures and no netting or the absolute of the netted futures contracts?**

   Answer: For futures and TBA, net positions are defined as long minus short positions, but only when they refer to the same contract. For futures on interest rates, only 25% of the notional amount should be considered in the calculation. The futures on interest rates that these guidelines refer to are futures whose underlying is an actual interest rate, instead of a bond.

8. **Are covered bonds a permitted investment? They're not explicitly listed under securitised, but might be eligible under corporates?**

   Answer: No, covered bonds are not allowed.

9. **Regarding the currency deviation limit provided in the investment guidelines document, we assume that would be measured in absolute value terms. In other words, if we had a 1% active currency overweight to AUD and a 1% active currency underweight to EUR, that would total 2% active aggregate currency exposure (as opposed to a net of 0%). Is that correct?**

   Answer: According to BdIR's investment guidelines, exchange rate deviations by currency are calculated as the net position in that currency against the Benchmark. The aggregate currency exposure shall be calculated as the sum of all currencies that have a net long position against the Benchmark. In the example above, the aggregate currency exposure would be 1% because the portfolio is overweighted in this percentage.

10. **Are interest rate swaps allowed in the mandate? The team may on occasion use interest rate futures and/or interest rate swaps to hedge or manage interest-rate and yield-curve risk.**

    Answer: No, interest rate swaps are not allowed.