



**RFP FOR EXTERNAL MANAGERS OF THE FOREIGN RESERVES 2010
BANCO DE LA REPUBLICA**

Since 1994, Banco de la República (the Bank) 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 to 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 has approved a selection process for a new external asset manager to manage a portfolio of approximately US\$1 billion¹. The Bank is looking for asset managers specializing in short-duration fixed income portfolios to manage a portfolio with an allocated ex-ante tracking error of 100 basis points per annum². The asset manager will only be permitted to carry out investment strategies approved by the Board, which are mainly interest rates, currencies, and sector and security selection within sovereigns and government-related sectors, agency MBS and a small pool of corporate issuers, and thus the risk allowance will apply only to such investments.

In order to participate in this selection process, interested firms should answer the attached questionnaire. Eligible firms must have under management at least US\$50 billion in fixed income assets, and have a minimum of 10 years experience in fixed income management. Any firm that has worked with the Bank as a manager of the Bank's Foreign Reserves on or after December 31, 2004 will not be considered. Additional minimum requirements, including those related to training and knowledge transfer and customer service, are described in detail in the questionnaire.

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 does not assume and shall not have any responsibility in connection with this RFP or its analysis or assessment of any or all responses to the RFP.

The schedule for this selection process is as follows:

- Questions about the questionnaire or the selection process should be sent to Investmentmanager2010@banrep.gov.co before April 11, 2010. The Bank expects to post answers to relevant questions on its website (www.banrep.gov.co/index_eng.html) the following week.
- A complete and final response to the attached questionnaire must be submitted before 11:59 p.m. (Bogota time), April 30, 2010 to Investmentmanager2010@banrep.gov.co, with a hard copy of the response sent to the attention of: Head of Foreign Reserves, Banco de la República, Cr 7 No.14-78 P.4, Bogotá, Colombia.
- The Bank expects to evaluate the responses during May, and to contact a select group of candidates in early June. Each of these candidates will be required to present a proposal that includes detailed information regarding fees and training and knowledge transfer.

Please include in your response to the questionnaire the name and contact information of the persons who will be involved in this RFP process. We also request that applicants refrain from contacting any officer of the Bank about this RFP or the selection process.

¹ This is an approximate amount, only for reference purposes. The Bank can modify the amount under management at any time.

² Measured as the ex-ante volatility of the excess returns versus a given benchmark

QUESTIONNAIRE – FIXED INCOME MANAGERS FOR BANCO DE LA REPUBLICA

SECTION A – THE FIRM (information must refer to the asset management company only)

Banco de la República (the Bank) will only consider firms with enough experience and scale as eligible candidates. Please note that to be eligible, firms 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, 2009. Additionally, firms that have worked with the Bank as managers of Foreign Reserves on or after December 31, 2004 will not be considered. Please acknowledge that the firm meets these requirements and provide supporting information as appropriate.

1. Please provide a brief description of your firm, including the legal name, ownership and capital structure, affiliated companies, and branch or office that would be responsible for managing the account (including office's location).
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 to an affiliate, please provide the name and jurisdiction of incorporation of such affiliate.
 - c. Please provide information on all material client-related litigation and any regulatory actions or proceedings in the last ten years including the current status or resolution of each. Please provide a definition of materiality for purposes of your response.
 - d. Describe the firm's code of ethics and how compliance with the code is monitored.
 - e. List all awards or other recognition that the firm or its employees have received during the last five years.
 - f. Which other firms do you consider to be your firm's five main competitors for this mandate?
3. 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.
4. Please provide the following information as of December 31, 2009 (in USD):

Table A1

	Asset category	TOTAL ASSETS UNDER MANAGEMENT	YEARS OF EXPERIENCE MANAGING PORTFOLIOS BY ASSET CATEGORY	NUMBER OF CLIENTS	PERCENTAGE OF ASSETS THAT BELONG TO THE 5 BIGGEST CLIENTS BY CATEGORY
TOTAL ASSETS	TOTAL FIXED INCOME				
	<i>SHORT DURATION (0-3 YEARS) FIXED INCOME</i>				
	OTHER ASSETS				
INSTITUTIONAL CLIENT ASSETS	TOTAL FIXED INCOME				
	<i>SHORT DURATION (0-3 YEARS) FIXED INCOME</i>				
	OTHER ASSETS				
CENTRAL BANK ASSETS	TOTAL FIXED INCOME				
	<i>SHORT DURATION (0-3 YEARS) FIXED INCOME</i>				
	OTHER ASSETS				

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

Table A2

		ASSETS UNDER MANAGEMENT					NUMBER OF CLIENTS				
		2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
TOTAL ASSETS	TOTAL FIXED INCOME										
	<i>SHORT DURATION (0-3 YEARS) FIXED INCOME</i>										
	OTHER ASSETS										
INSTITUTIONAL CLIENT ASSETS	TOTAL FIXED INCOME										
	<i>SHORT DURATION (0-3 YEARS) FIXED INCOME</i>										
	OTHER ASSETS										
CENTRAL BANK ASSETS	TOTAL FIXED INCOME										
	<i>SHORT DURATION (0-3 YEARS) FIXED INCOME</i>										
	OTHER ASSETS										

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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. Please acknowledge that the firm would be able and willing to provide the services described.

6. 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:

Table B1

	Name	Title	Number of years working in investment management	Education	Expected number of hours dedicated to the account weekly
1					
2					
3					
...					
...					
N					

7. Please briefly explain your standard procedures to resolve the following situations:
- a. Breach of the investment guidelines
 - b. Operational issues (overdraft of the account, differences with the custodian, futures commission merchant .among others)
 - c. Client requests/inquiries
8. Please provide a sample of an annual portfolio review report.

SECTION C - INVESTMENT PROCESS / RISK MANAGEMENT

9. Please complete the following table with information regarding the investment professionals who 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.

10. 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.
11. 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.

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Investment Process

12. 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.
13. Please provide the organizational structure and main functions of the areas involved in the investment process (portfolio management, risk management, compliance, research, etc.). Indicate the number of employees in each area.
14. Please detail how investment decisions are made (people/areas involved, processes, frequency).
15. Please complete the following table (data should refer to the asset management company only). Please allocate assets only to one category:

Table C2

Financial instrument	Assets under managements as of December 2008	Assets under managements as of December 2009	Number of portfolios in which you have this type of investments	Years of experience investing in this type of instruments
Government fixed income				
Government related fixed income*				
Corporate fixed income				
Agency MBS (FNMA, FHLMC or GNMA) MBS				

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

16. Please indicate if the firm engages in active currency strategies. If that is the case, indicate the years of experience of the firm, the total assets under management and number of portfolios where active currency deviations are permitted (USD).
17. Do you have specialized teams involved in the investment process in the following sectors: interest rates, currencies, agency MBS, corporate debt, government related? If so, please provide the following information:

Table C3

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

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

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18. 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.
19. Please briefly describe your approach to:
 - a. Risk budgeting
 - b. Portfolio construction and optimization
20. Please indicate which are your main alpha drivers and your expected information ratios for each of them.

Risk Management

21. How is risk management integrated in your investment process? Describe your firm’s approach to risk management regarding both financial and non-financial risks.
22. Please acknowledge 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.
23. Do you have specialized teams involved in the market, liquidity and credit risk management of the portfolios? If so, please provide the following information:

Table C4

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

24. 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.
25. 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.

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 must provide five days of training for two officers or ten days of training for one officer, including accommodation and transportation costs. This training must suit the Bank’s needs and be offered for both junior and senior staff. Please acknowledge that the firm would be able and willing to provide at least this level of service.

26. Please further elaborate on training / knowledge transfer that your firm provides to clients. Please detail seminars or other events organized, the targeted audience and the type of clients that attend, and the staff and resources that your firm makes available. Include additional information if considered pertinent.

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27. Added value through support to the Bank’s research efforts is another key element of the External Management Program. Other than training, what kind of support and added value could you provide to the Bank in terms of knowledge and technology transfer? Please detail the pool of available resources that could be made available to the Bank.
28. Please describe any other specific products available to clients, for example, access to publications or internal research, technological tools or systems that would be available, etc.

SECTION E – HISTORICAL PERFORMANCE

29. Please provide audited figures of portfolio and benchmark returns, excess returns and information ratios on the last five years 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. Indicate the average size of the assets under management used in this analysis.

Table E1

Composite	Portfolio annual return					Benchmark annual return					Annual excess return					IR					Benchmark description
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	

* Please attach composites and benchmark monthly returns used in this analysis on a separate [excel file](#).

30. Please provide the benchmark and describe the investment guidelines for the five largest portfolios included in the composite(s) as of December 31, 2009. Indicate the relative size of each one of these portfolios within the composite.
31. Please provide the performance attribution for annual excess returns for the composite(s) in question 29.

Table E2

	Annual excess return				
	2005	2006	2007	2008	2009
Interest rates					
Currency					
Sector allocation					
<i>Government / Government-related</i>					
<i>Agency Mortgage Backed Securities</i>					
<i>Corporates</i>					
<i>Other</i>					
Secutiry selection					
Other					

32. If the firm does not comply with GIPS, please provide a description of the standards that it employs in calculating its returns.

SECTION F – BACK OFFICE PROCESSES: REPORTING AND RECONCILIATION

33. Please briefly describe the firm’s back-office operations including settlements, reconciliation, report production, etc.
34. Please indicate the means the firm uses to communicate trades to the custodian, and provide an example for each transaction type (fx transactions, fixed income, futures, mortgages)
35. Daily reporting requirements:
- a. End of day trading report by 6 pm of trade date
 - b. Cash activity report by 12 pm on value date plus one
 - c. Cash reconciliation report with the custodian by 12pm on value date plus one
 - d. Futures cash reconciliation report with the broker by 12pm on value date plus one

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Please confirm that the firm can comply with these reporting requirements on a daily basis. If it cannot meet any of the requirements, indicate why.

36. Monthly reporting requirements:

- a. Investment management report (risk, performance) by ten business days after month end
- b. Audited end of the month holdings report by ten business days after month end
- c. Preliminary daily position file by 12pm of one business day after month end

Please confirm that the firm can comply with these reporting requirements. If it cannot meet any of the requirements, indicate why.

37. Please describe your procedures for resolving compensation claims and for reporting them to your clients. Indicate if they follow ISITC guidelines, (http://www.isitc.org/publish/showDoc.cfm?contentId=0000004693_002_20080924.pdf), and specify differences, if any.
38. Briefly, please describe the major issues currently going on in the industry that you anticipate will demand attention in the next five years (issues relating to custody, settlements, accounting or others considered a back office relevant topic).
39. Does the firm perform back office activities by itself or through a third party? Have you considered or are considering outsourcing them? Please explain.
40. Does your firm provide standard training programs for its customers in topics such as settlement, safekeeping, accounting, etc.? Could it also provide customized training in these same topics?

Please add any additional comments that support the excellence of your back office staff, processes and services.

SECTION G – OTHERS

41. The Bank has a standard Discretionary Management Agreement signed with each of its managers within the External Management Program. Please acknowledge that the firm would be willing to work within this scheme, noting that the Bank does not waive immunity to which it or its assets may be entitled on the grounds of sovereignty or other similar grounds.
42. The Bank's External Management Program works under a performance-based fee schedule. Please acknowledge that the firm would be willing to work with this type of fee schedule.
43. 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.