

ANSWERS TO QUESTIONS RECEIVED ABOUT THE 2018 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 one-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 Investmentmanager2018@banrep.gov.co

1. Opening paragraph: Will Banco de la República (BdIR) please confirm if it is reasonable for an external asset manager to expect BdIR to name more than 1 new external manager and/or if external asset managers should reasonably expect a portfolio of \$400-\$700m?

Answer: More than one external manager may be selected, however the expected level of AUM would be of \$1.4 billion for each one.

2. Question 3: BdIR asks for client references. Can an asset manager reveal BdIR's name to potential reference clients? This is often a requirement of existing clients' and should increase the likelihood of high-quality references.

Answer: Yes

3. Question 8: BdIR states that if a Candidate is selected its affiliated custody bank cannot provide custody services. Does this mean that the custodian of a separately managed account (SMA) cannot be affiliated with the Candidate (read: asset manager) of the same SMA? Or does it mean that no custodian of BdIR may be affiliated with any asset manager of BdIR irrespective of which accounts the custodian provides custody services.

Answer: This means that the custodian that provides custody services cannot be affiliated with the Candidate. Banco de la República has two different global custodians (JP Morgan and State Street) in order to avoid any issues that may arise.

4. Question 25: Will BdIR please provide any examples of actual "specific requirements" of reports or report modifications?

Answer: BdIR might ask for changes on the type of information included on the reports (e.g. ISIN instead of SEDOI), or even a new report different from the ones listed on the Table B2. As an example, but not limited to, please find in Annex 1 of this document certain requirements BdIR expects on the main reports, taking into account other reports may be expected from you to provide on a periodical basis or for an exceptional occasion.

5. Question 57: Training/Knowledge Transfer is a common requirement of our many central bank clients. However, paying for a client's accommodation and transportation costs is uncommon and increasingly challenging. If a Candidate asset manager offers 1 week of training at BdIR's offices is the requirement equally fulfilled? Training at BdIR's offices could be provided for both junior and senior level staff and the manager would cover only its own accommodation and transportation costs.

Answer: 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. Providing this service is not a requirement to participate in this RFP but it will be taken into account in the evaluation. It is also possible to provide training at BdIR's premises and it will be considered part of the training proposal.

6. Question 72b: Is it a requirement that an external manager include BdIR under its own' umbrella ISDA Master Agreement?

Answer: No, it is not a requirement however it is desirable to mitigate counterparty risk.

7. Will all candidate questions and answers be made available on the Banco de la República website?

Answer: Yes, all candidate questions and answers be made available on the Banco de la República website.

8. Please clarify what you mean by certificate of incumbency, as part of the Required Minimum Selection Criteria.

Answer: The certificate of incumbency is an official document, such as a certified copy of the resolutions of the Board of Directors or other relevant body or officer, that shall indicate that the persons designated in the certificate are officers of a legal entity, and each has been duly authorized by internal corporate actions to act on behalf of the institution for the actions referenced in the certificate

9. Our ADV Part 1 is over 1,000 pages – can you confirm you would like the entire ADV Part 1 printed and mailed as part of the Required Minimum Selection Criteria?

Answer: It is not necessary to send a hard copy of the ADV, candidates can send it by e-mail.

10. Is BdIR open to a response for a custom solution that does not have a 5-year track record?

Answer: Yes, however we strongly recommend to send as much information as possible since this data will impact the evaluation.

11. If BdIR is open to a custom solution that does not have a 5-year track record, are the underlying component strategies all required to have a 5-year track record?

Answer: Yes, however we strongly recommend to send as much information as possible since this data will impact the evaluation.

12. If BdIR is open to a custom solution that does not have a 5-year track record, may we respond to the RFP proposal using the underlying strategy components (5-year performance history, AUM, client references, etc) where applicable?

Answer: Yes, however we strongly recommend to send as much information as possible since this data will impact the evaluation.

13. Typically, short duration clients have objectives that vary in importance but include a combination of: liquidity, preservation of capital, income, and total return. How would you rank the importance of these from 1-4?

Answer: We do not have an official ranking of the importance of those objectives. BdIR's objectives are similar to those of other central banks.

14. Is there tolerance/expectation for active currency and interest rate management as an alpha source? If so, will the manager have flexibility to implement net-short currency and interest rate positions in the portfolio?

Answer: The answer to both questions is yes. Details on the eligible strategies and risk tolerances are included in the investment guidelines published

15. Under the Management of Settlement Failures section, can you clarify the meaning of "regulatory requirement" in question 30?

Answer: BdIR is interested in learning if the candidate anticipates that any of the markets in which the portfolio will be invested has special legal requirements related to settlement failures (for example, restricted market, collateralization, or a market practice such as TMPG in the USA or JSDA in Japan).

16. Please provide the Discretionary Management Agreement.

Answer: Finalists will receive a copy of the Discretionary Management Agreement

17. Kindly share which counterparties you have ISDA agreements with.

Answer:
HSBC USA Bank
Wells Fargo Bank
JP Morgan Chase
Westpac Banking
BNP Paribas
Toronto Dominion Bank
Bank of Nova Scotia

However, please be aware that BdIR's ISDA's do not cover external managers at the moment.

18. Page 16, mentions that we must submit an excel file in its format, kindly provide the file.

Answer: File is included in BdIRs website under "RFP Tables"

19. Under Reporting section, Table B2 under Monthly Reporting Requirements, 3rd item: Audited End of Month holdings report by 10th business day. Please clarify "audited".

Answer: "Audited" means that these reports should be internally reconciled with the custodian's records and checked by the investment manager. The "audited" reports are different from the ones listed as "preliminary", as preliminary reports do not need to be reconciled.

20. Question 75 – Could you please clarify if this question is referencing the challenges requested in Question 74 rather than Question 72?

Answer: We confirm that question 75 refers to question 74.

21. Annex 1. Instructions for the Proposal – Could you please clarify if “Responses to the Questionnaire” should be submitted in physical copy in addition to via e-mail? Similarly, could you please clarify if the “Certification as to Satisfaction of the Minimum Selection Criteria for Consideration” and “Additional Documentation” should be submitted via e-mail in addition to in physical copy?

Answer: “Responses to the questionnaire” should not be submitted in physical copy, and the “Certification as to Satisfaction of the Minimum Selection Criteria for Consideration” and “Additional Documentation” should be submitted only via a physical copy.

22. Please can you confirm that no legal licensing or local registration or representation would be required in Colombia, for an external manager to manage this mandate?

Answer: No legal licensing or local registration or representation is required in Colombia

23. Regarding your custodians, please could you provide the location of the State Street Bank and JP Morgan Chase entities in question, and ideally their BIC codes?

Answer: Our custodian State Street Bank & Trust Company is located in Boston, and its BIC code is SBOSUS3UXXX.

Our custodian JP Morgan Chase Bank N.A. is located in New York City, and its BIC code is CHASUS33XXX.

Annex 1

Daily reporting requirements						
REPORT NAME	FREQUENCY	FORMAT	DELIVERY METHOD	DEADLINE Hour and Day	RESPONSIBLE FOR DELIVERY	SPECIAL CONSIDERATIONS
End of day trading report	Daily	XLS / TXT	Email / available for download at Adviser's/FCM website	6:00 a.m. Trade date + 1	Adviser	Including: transaction category (such as purchases, sales, collateral movements, variation margin, cash transfers, etc.), quantity (original amount, current amount, factor/index ratio, principal amount), accrued interest, proceeds, traded price, currency, exchange rate, trade and value dates, commissions amount, counterparty identification (where applicable) (BIC code, long name, branch and city), security identifier (ISIN, CUSIP or TICKER), transaction description, transaction type (such as fixed income, FX, cash movements, futures, TBAs, and other derivatives), reference and status (New, Modified, Cancelled) and liquidation method and reference rate for NDFs where applicable. This will be a detailed report of all daily transactions, including any amendment or reversal. If during a day there is no trading activity, the Adviser will send a report or message with a note: "No trading activity to report for [date]." Multiple reports are allowed.
Cash activity report.	Daily	XLS - TXT	Email / available for download at Adviser's/FCM website	12:00 p.m. Value date + 1	Adviser	Including: - opening and closing balances by currency - individual cash debits and credits indicating transaction category and type, reference and description and Money Market Funds activity. This will be a detailed cash flow. Any changes in the format of the report will be informed to BDLR with at least 1 month in advance, considering that the indicated reports are interfaced as part of the BDLR's booking, reconciling and other procedures
Cash reconciliation report with the custodian Bank	Daily	XLS / TXT	Email / available for download at Adviser's/FCM website	12:00 p.m. Value date + 1	Adviser	This report must show cash balances of both the Adviser and the Custodian and the exceptions or conciliatory items between the Adviser's records and those of the Custodian. For each item that cannot be reconciled, the report will show the difference registered, the current status of the investigation including date and details and an estimated date for new update or follow-up.
Futures cash report	Daily	XLS / TXT and PDF	Email / available for download at Adviser's/FCM website	12:00 p.m. Value date + 1	Adviser/FCM	Detailing opening and closing balances, commissions, realized and unrealized profit/losses, or any cash item impacting the cash balances in the margin accounts such as interests, incoming and outgoing funds, fx transactions for each currency. Open positions, mark to market and margin details. This report will show the activity for each currency in the margin accounts at each FCM. The Adviser shall diligently clarify any inquiry related to futures activity and movements in the clearing account at the FCM.
Futures cash reconciliation report with the FCM	Daily	XLS / TXT	Email / available for download at Adviser's/FCM website	12:00 p.m. Value date + 1	Adviser	Detailing any differences found as result of the reconciliation with the FCM. For each item that cannot be reconciled, the report will show the difference registered, the current status of the investigation including date and details and an estimated date for new update or follow-up.
Account holdings report	Daily	XLS / TXT	Email / available for download at Adviser's/FCM website	6:00 a.m. Trade date + 1	Adviser	Including: statement date, security identifier, quantity, market value, currency, exchange rate and, for derivatives such as FX Fwd., SWAPS and TBAs, must include transaction reference, deal and value dates, counterparty identification, Money Market Funds balances. It will show every position for each transaction type in the portfolio with the effect of the trading activity of the day (TD). Any changes in the format of the report will be informed to BDLR with at least 1 month in advance, considering that the indicated reports are interfaced as part of the BDLR's booking, reconciling and other procedures
Open TBA Report	Daily	XLS / TXT	Email / available for download at Adviser's/FCM website	12:00 p.m. Value date + 1	Adviser	Including: Trade date, value date, currency, quantity, security identifier and counterparty identification.
Open FX Report	Daily	XLS / TXT	Email / available for download at Adviser's/FCM website	12:00 p.m. Value date + 1	Adviser	Including: Trade date, value date, currencies, spot rate, quantities, derivative identifier and counterparty identification.
Collateral report	Daily	XLS / TXT	Email / available for download at Adviser's/FCM website	12:00 p.m. Value date + 1	Adviser	This report shall show daily collateral balances (cash and securities) for the portfolio including type (broker owned or client), description (currency, security ID, nominal amount) and broker name. This report must include cash and securities collateral received and delivered to counterparties for OTC derivatives.
Monthly reporting requirements						
Investment Management Report	Monthly	XLS / TXT and PDF	Email / available for download at Adviser's/FCM website	before the 10th business day following month end	Adviser	Risk and performance including the Information Ratio, composition by currency and the contribution to duration for the Index and for the portfolio by currency. Provided to the following time periods: month; quarter; year to date; year; and since inception.
Audited End of the Month Holdings report	Monthly	XLS - TXT	Email / available for download at Adviser's/FCM website	before the 10th business day following month end	Adviser	Including statement date, security identifier, quantity, market value, currency, exchange rate and, for derivatives such as FX Fwd., SWAPS and TBAs, must include transaction reference, deal and value dates, counterparty identification, and this report must also include Money Market Funds Audited reports are considered internally reconciled with the custodian's records and checked by the Adviser. The "audited" reports are different from the ones listed as "preliminary", as Bedor do not expect the preliminary ones to be reconciled.
Detailed spreadsheet containing a list of assets	Monthly	XLS / TXT and PDF	Email / available for download at Adviser's/FCM website	before the 10th business day following month end	Adviser	Including cost, unit valuation, position valuation, position Beta, contribution to portfolio Beta, position duration and position contribution to duration.
Detailed activity summary for the previous month	Monthly	XLS / TXT and PDF	Email / available for download at Adviser's/FCM website	before the 10th business day following month end	Adviser	Including trades, dividends and interest.
Reconciliation report of the Bank's custodians records	Monthly	XLS / TXT and PDF	Email / available for download at Adviser's/FCM website	before the 10th business day following month end	Adviser	Reconciliation with respect to the Adviser's records of cash accounts, holdings, pricing discrepancies and off-balance sheet items in which differences are to be highlighted, with the exception of pricing discrepancies. The Adviser is committed to complete the reconciliation format that the Custodian uses for this purpose with its own figures in order to allow the Custodian to perform the final reconciliation and send the result to BDLR in accordance to the Custodian's procedures.
Other reporting requirements - Semi-annually or when required by BDLR						
Counterparty Schedule	Semi-annually	XLS / TXT	Email / available for download at Adviser's/FCM website	n.a.	Adviser	Schedule of counterparties with whom it trades for the account by transaction type (FX, Futures, TBA's and any other derivatives) including counterparty's legal entity name (LEI) and BIC code associated, in each case if applicable This report is to be delivered semi-annually or when required by BDLR.

Notes:
FCM: Futures Commission Merchant
All times mentioned are Eastern Standard time.
All dates are Adviser's business days

