

**LEONEL FERNÁNDEZ REYNA**  
President of the Dominican Republic

Acting by virtue of the authority vested in me by Article 55 of the Constitution of the Republic,

**I PROMULGATE** this law, in order that it be published in the Official Gazette, so that it may come to the knowledge of all, and be obeyed by all.

**PASSED** in the city of Santo Domingo de Guzmán, National District, Capital of the Dominican Republic, this fourth (4th) day of April of the year two thousand five (2005); of the National Independence the one hundred and sixty second, and of the Restoration (of the Republic) the one hundred and forty first.

Signed:

**LEONEL FERNÁNDEZ REYNA**

First ordinary legislative session of the year 2005  
Registered under No. 1600  
On folio -- of letter book A records of  
laws, resolutions, and decrees voted on by the Senate,  
and composed of -- double-spaced typewritten  
pages. Santo Domingo de Guzmán, March 29, year 2005

Signed:

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Legislative Chair

# THE NATIONAL CONGRESS

## IN THE NAME OF THE REPUBLIC

LAW NO. 118-05

**WHEREAS,** its sovereign bond issues of 2001 and 2003 brought the Dominican Republic into the international market of capitals and, that through these instruments, the country has entered the modern world of international finance and the globalization process; and

**WHEREAS,** through the placement of these foreign currency denominated sovereign bonds, in the international market of capitals, the Dominican Republic had the intention of increasing international reserves and improving the country's credit rating, thereby encouraging foreign investments and a reduction of the interest rates that the State, the banks and the companies of the Dominican Republic must pay in order to obtain resources in overseas capital markets; and

**WHEREAS,** the Dominican State is making a major fiscal effort to create conditions for price stability on a sustainable basis, which will in turn help to encourage national and foreign businessmen to continue investing in the nation's productive activities; and

**WHEREAS,** the fiscal adjustments being undertaken by the State must be accompanied by a global strategy to impart sustainability to the external public debt, and thus help the country to move at the same pace of economic activity, without generating inflationary pressures, affecting the lowest income sectors of the population; and

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**SUBJECT:**

Bill authorizing the Executive Branch to replace the sovereign bonds issued in 2001 (August 3<sup>rd</sup>) and 2003 (January 7<sup>th</sup>) (on the basis of laws Nos. 128-01 and 1-03, respectively), for new sovereign issues as a way to obtain better payment conditions that will be more in line with the Dominican Government's repayment capacity

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**WHEREAS,** the Dominican Republic is facing a situation of economic emergency requiring the adoption of extraordinary measures by both the Dominican State and its internal and external creditors in order to regain the nation's macroeconomic stability; and

**WHEREAS,** the Paris Club of creditor nations agreed to offer the Dominican Republic a debt service relief to consolidate maturities falling due in 2004, and to grant the Dominican Republic access to resources from its member nations this year, as long as private creditors are accorded treatment similar or comparable to that which is being given to the Republic by creditor countries through the act of restructuring of April 16, 2004; and

**WHEREAS,** The success of the negotiation of new conditions for the repayment of the country's external debt, in keeping with the Dominican State's capacity of repayment, requires the joint effort of the Executive and Legislative Branches; and

**WHEREAS,** the Dominican Republic has completed negotiations for a new agreement with the International Monetary Fund (IMF), which is fundamental to restoring macroeconomic stability, growth and progress in general, and that the technical agreement already achieved and announced by the FMI on November 24, 2004, requires the Dominican State to restructure its debt with the private sector, including that owed to the 2001 and 2003 sovereign bondholders; and

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**WHEREAS**, negotiating new repayment terms with holders of Dominican sovereign bonds becomes of the essence, since otherwise these sovereign bonds would constitute an excessive burden on the finances of the State in the short and medium terms – for which reason an agreement with the holders of said bonds to extend their maturity is called for. And that this will, in turn, necessitate exchanging current bonds for one or more new issues that will be reflective of the relief sought.

**HAVING SEEN:** Law No. 1486, of March 20<sup>th</sup>, 1938, on the representation of the State in judicial acts, and pursuant to the defense of its interests at law and in legal proceedings;

**HAVING SEEN:** Numeral 13, of article 37 of the Constitution of the Dominican Republic;

**HAVING SEEN:** Law No. 4378, of February 10<sup>th</sup>, 1956, Organic Law of Secretariats of State;

**HAVING SEEN:** Decree No. 1489, of February 11<sup>th</sup>, 1956, on the functions entrusted to the Secretariats of State;

**HAVING SEEN:** Law No.128-01, of August 3<sup>rd</sup>, 2001, authorizing the Executive Branch to issue up to five hundred million US dollars (US\$500,000,000.00) in sovereign bonds of the Dominican Republic to be placed in the international market of capitals;

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**HAVING SEEN:** Law No.128-01, of January 7<sup>th</sup>, 2003, authorizing the Executive Branch to issue up to six hundred million US dollars (US\$600,000,000.00) in sovereign bond of the Dominican Republic to be placed in the international market of capitals;

**HAS PASSED THE FOLLOWING LAW:**

**Art. 1.-** The Executive Branch is hereby authorized to replace the sovereign bonds issued in 2001 (August 3<sup>rd</sup>) and 2003 (January 7<sup>th</sup>) (on the basis of laws Nos. 128-01 and 1-03, respectively), for new sovereign issues as a way to obtain better payment conditions that will be more in line with the Dominican Government's repayment capacity.

**Art. 2.-** The Executive Branch is hereby authorized to negotiate new repayment schedules for these two (2) issuances, extending maturity of same by up to ten (10) years.

**Art. 3.-** Interest payments shall be made on a biannual basis, and the interest rate for the new sovereign bond issue shall be limited to a level not exceeding that paid by the bonds they will be replacing.

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**Paragraph I.** - The Ministry of Finance and its dependencies, and the National Budget Office (ONAPRES) shall make yearly provisions, under the Revenue Budget and Public Expenditure Act of the Dominican State, to service the principal and interest payments on the new issue of sovereign bonds by maturity dates, and they will be further responsible for seeing to it that payments are made in the corresponding currency and in a timely fashion.

**Paragraph II.**- The Executive Branch is hereby authorized to negotiate with the holders of the sovereign bonds that are to be replaced the capitalization of the interests on the repayment of the new sovereign bonds for the period going from 2005 to 2007.

**Art. 4.-** The interests yielded by the new sovereign bonds to be exchanged for the existing bonds and those that may be issued by the Dominican State in keeping with this Law, shall be exempt from the tax withholding deductions imposed by article 306 of Law no. 11-92, of the Tax Code of the Dominican Republic and its modifications, and any other kind of withholding deductions, commissions or charges. Fees and payments for services to be rendered by brokerage firms, financial consulting companies, legal firms, companies in charge of printing the offering circular, or banks acting as fiscal, recording and paying agent, legal registry entities, securities markets which will be listing the operation and credit rating firms, will be exempt from the tax withholding deductions imposed by article 305 of Law no. 11-91, of the Tax Code of the Dominican Republic, as amended, and of any other type of withholding deductions, commissions or surcharges or tax burdens.

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**PASSED** in the Assembly Hall of the Chamber of Deputies, of the (Palace of the) National Congress, Santo Domingo de Guzmán, National District, capital of the Dominican Republic, this sixteenth (16<sup>th</sup>) day of the month March of the year two thousand five (2005); of the National Independence the one hundred and sixty second, and of the Restoration (of the Republic) the one hundred and forty second.

Alfredo Pacheco Osoria,

President

Nemencia de la Cruz Abad,

Secretary

Ilana Neumann Hernández,

Secretary

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**PAG. 7**

**PASSED** in the Assembly Hall of the Senate, (Palace of the) National Congress, in Santo Domingo de Guzmán, National District, Capital of the Dominican Republic, this twenty-ninth (29<sup>th</sup>) day of the month of March of the year two thousand five (2005); of the National Independence the one hundred and sixty second, and of the Restoration (of the Republic) the one hundred and forty first.

ANDRÉS BAUTISTA GARCÍA,

President

MELANIA SALVADOR DE JIMÉNEZ

Secretary

JUAN ANTONIO MORALES VILORIO

Secretary