Fitch Monitoring Dominican Republic's Domestic Bonds

23 de diciembre de 2005

Fitch Ratings-New York-21 December 2005: Fitch Ratings today commented on the repayment situation of the Dominican Republic's peso-denominated 104-99 bonds issued domestically. Fitch rates the Dominican Republic as follows: --Foreign Currency Issuer Default Rating 'B-'; --Local Currency Issuer Default Rating 'B'; --Rating Outlook Stable. In 1999, the Dominican government issued DOP3.7 billion of peso-denominated bonds for a term of six years at an annual interest rate of 7%, payable quarterly, to repay official debt owed to government suppliers and contractors, as well as other liabilities. While the quarterly interest payments were paid, with occasional delays, principal repayment upon maturity on Nov. 9, 2005 was delayed due to administrative constraints. According to the authorities, the clearing and settlement system was not efficient enough to pay the large volume of bondholders outstanding, which prompted them to issue a schedule of repayment depending upon the series of bond held, spread over a one-month period beginning on Nov. 9, 2005 and ending on Dec. 9, 2005. Furthermore, although the current administration only included the necessary financial resources to pay back 50% of the bonds outstanding in its 2005 budget and local bond issuance to cover the remaining 50% (120-05 bonds) with an authorized issuance date in December, the authorities have assured Fitch that given the better than budgeted fiscal performance, sufficient liquidity exists to pay this entire obligation. Although the law approved for the issuance of these bonds does not explicitly state a grace period for payment of interest and principal, it does clearly state that any unpaid interest and principal can be used against the payment of fiscal liabilities. Moreover, Fitch understands that most purchasers of the bonds when issued in 1999 understood that at least part of the debt service would be made in this manner. The repayment situation has been complicated further by a recent judicial order to stop payment on DOP568 million of 104-99 bonds issued during the presidential transition period (between May 16, 2004 and Aug. 16, 2004) pending a criminal investigation. In addition, private agents have, through a judge, issued restraining or withholding payment orders on the payment of approximately DOP200 million of these bonds. Neither the state-owned bank, Banco de Reservas, or the Finance Ministry can make payment until these orders are lifted; however, the Finance Ministry has the financial resources for the payment of these bonds in a special account at Banco de Reservas. Furthermore, according to local sources, bondholders have the option of resolving the non-payment situation by utilizing the Dominican legal process and requesting a judge to lift the stop payment order, an option that to date has been utilized by only a limited number of bondholders. As of Dec. 12, the government has paid all bondholders that have claimed their payment at Banco de Reservas and were not affected by the judicial orders, as well as DOP9 million to bondholders that have been authorized by the District Attorney to lift the stop payment, as they were able to prove that they acquired their bonds in the secondary market with no knowledge of the problem involved. Contact: Theresa Paiz Fredel +1-212-908-0534, New York. Media Relations: Christopher Kimble, New York, Tel: +1 212-908-0226. Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.