NEWS SHEET
OF THE EMBASSY OF THE DOMINICAN REPUBLIC IN CANADA

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Central Bank of the Dominican Republic announces measures to address the impact of COVID-19 on the Dominican economy

In accordance with the announcement made by President Danilo Medina previously, the Monetary Board and the Central Bank have adopted a set of measures aimed at reducing interest rates in the financial market, to provide liquidity to banking entities, both in national currency and in foreign currency, and to temporarily loosen prudential regulations in the financial sector.

The monetary authorities are convinced that these measures will positively and immediately impact the economic activity, favoring Dominican households, micro, small and medium-sized companies and the private sector in general.

Interest rate measures

1. A reduction in the Monetary Policy Rate (TPM) of 100 basic points, from 4.50% to 3.50% per year, with the aim of encouraging a general drop in interest rates in the financial system through the transmission mechanism of monetary policy.

2. Likewise, and with the purpose of providing liquidity at a low cost to financial institutions, a reduction of 150 basic points in the interest rate that facilitates the liquidity expansion (overnight repos) was approved, going from 6.00 % to 4.50% annually.

3. Additionally, it was decided to lower the interest rate on short-term interest-bearing deposits at the Central Bank (Overnight), from 3.00% to 2.50% annually. This measure contributes to reducing the interbank interest rate and, therefore, reduces the cost of funding for financial institutions.

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Liquidity provision measures to the financial system in national currency

In national currency, liquidity for more than DOP $52 billion will be made available to financial institutions through the following measures:

1. The Monetary Board made more flexible the hedge requirements for legal reserves in national currency of financial institutions, recognizing the titles of the Central Bank and the Ministry of Finance as valid hedge for an amount of up to DOP $22.3 billion, which represents 2.0 percent of the legal reserve coefficient. Of this amount, DOP $10 billion will be allocated to loans to households and to micro, small and medium-sized enterprises and commerce, while the rest of the funds, about DOP $12.3 billion will be channeled to the productive sectors, mainly tourism and the export sector, at interest rates in all cases not greater than 8.0% per year.

It is important to highlight that the new loans granted by financial institutions with these resources will be classified as risk category A and will not be considered in the calculation of the solvency index.

2. The Central Bank enabled the liquidity provision window to financial institutions through the Repos mechanism for up to 90 days for an amount of up to DOP $30 billion, using as guarantee securities from the Central Bank and the Ministry of Finance. This facility would be available to financial institutions with interest rates of 4.75% for Repos up to 30 days and 5.0% for Repos between 31 and 90 days. These facilities could be renewed as long as the uncertain conditions that caused the measure persist.

Liquidity provision measures to the financial system in foreign currency

In foreign currency, liquidity will be provided to the market for more than US $500 million, through the following mechanisms:

1. Inject liquidity in foreign currency for an amount of up to US $300.0 million, through 90-day repos, using securities from the Ministry of Finance as collateral.

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2. Temporarily loosen the requirements for the legal reserve in foreign currency ofcommercial banks, recognizing securities of the Ministry of Finance in dollars as valid hedge coverage of US $222 million, which represents 2.5 percent of the legal reserve ratio. This measure will help facilitate the channeling of foreign exchange to productive sectors such as tourism and exports that have been impacted by the drop in trade and tourism flows globally.

Special regulatory treatment measures for the financial system

1. Authorize financial institutions to freeze the ratings and provisions of the debtors at the level they are at the time of the approval of this Resolution.

2. Authorize credit restructuring that implies a change in the payment conditions, interest rate, terms and installments, among others, in a way that maintain the same risk rating of the debtor at the time of being restructured. In other words, this means that the debtor's credit rating would not be reduced due to problems caused by late payment as a result of the current situation.

3. Authorize to treat as not matured the disbursement of those loans made against lines of credit for a period of sixty (60) days. This measure includes a waiver of the loan principal payment in that period, benefiting the debtor's cash flow.

4. Extend for ninety (90) days the period granted to the debtor for the updating of guarantees corresponding to the appraisals. This measure will provide greater flexibility to the debtor who will have more time to comply with the requirement to update their guarantee.

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