DOING BUSINESS IN THE DOMINICAN REPUBLIC

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26TH EDITION

Pellerano & Herrera
Attorneys at law

DOING BUSINESS
IN THE DOMINICAN REPUBLIC

ABOUT THIS GUIDE

This Doing Business Guide is a publication of the Dominican Republic law firm Pellerano & Herrera. It has been prepared for those interested in investing in the Dominican Republic and provides information about the country, the laws that regulate its economy and society, and the Dominican investment climate. This Guide allows readers to identify the wide variety of investment opportunities in the country and the legal framework that governs investments and investors' commercial activities as well as the legal provisions applicable to foreign citizens when working in or visiting the country.

This Guide does not constitute legal advice or a legal opinion about any specific matter. Should legal advice or other professional assistance be required, the services of a competent professional should be sought. The information contained in this Guide has been updated as of March 2015.

This Guide is regularly updated online at http:www.phlaw.com/.

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Attorneys at law

ABOUT THE FIRM

Pellerano & Herrera has been the leading law firm in the Dominican Republic for more than 25 years. The firm has represented parties in virtually all of the country's major business transactions and projects and it regularly provides advice to prominent international companies and entities that are interested in doing business in the Dominican Republic or investing in local companies, as well as in corporate restructuring projects of ongoing businesses in the country. Pellerano & Herrera has the most complete and multidisciplinary team of lawyers of any law firm in the Dominican Republic, with experience in more areas of practice than any other firm in the country.

Pellerano & Herrera is recognized for providing pragmatic and constructive legal advice to its clients, always striving to add value in the process of meeting their business goals. Pellerano & Herrera is committed to innovation and to the application of best practices, and the firm's attorneys focus on identifying new opportunities for its clients and designing legal strategies accordingly. The firm has adopted a "green" office policy, aimed at minimizing its impact on the environment.

EXPERIENCE

Pellerano & Herrera regularly advises international clients on transactions involving acquisitions, joint ventures, project finance, and tax planning, among other matters. It also advises multinational companies and other clients on the process of entering the Dominican market in a wide range of industries. The firm has a well-known corporate finance and capital market practice and has successfully participated in bond issuances, leverage buyouts ("LBOs"), and project finance transactions that have allowed the entrance of highly recognized companies to the Dominican market.

Moreover, Pellerano & Herrera has a strong and successful litigation practice – considered one of the best in the country – with vast experience in sophisticated civil and commercial lawsuits, civil rights actions, issues of constitutional law, alternative dispute resolution, business, insurance, and intellectual property litigation. The firm has established important precedents, such as the first invocation of the Amparo remedy in the country and the elimination of the Solve et Repete obligation on tax matters.

Attorneys at Pellerano & Herrera regularly perform pro bono work for those who seek to improve the educational standards and general welfare of their community, the country, and the world in general. Attorneys at the firm also pursue significant pro bono work aimed at the protection of civil rights in the Dominican Republic, such as freedom of the press, the right to information, and freedom of expression.

AREAS OF PRACTICE

Antitrust and Unfair Competition; Banking and Finance; Capital Markets; Copyrights; Corporate; Dealership and Distribution; Dispute Resolution; Energy; Environmental Law; Family Law; Franchising; Government; Immigration; Infrastructure; Insurance; Intellectual Property; International Agreements; Labor and Social Security; Litigation; Maritime; Mergers and Acquisitions; Mining; Oil and Gas; Patents; Project and Structured Finance; Real Estate; Sports Law; Sustainable Development; Taxation; Telecommunications; Tourism; Transportation.

Member LexMundi World Ready

NETWORKS

Pellerano & Herrera is the exclusive Dominican law firm member of Lex Mundi, the world's leading association of independent law firms. The firm's membership in Lex Mundi, which has member firms in more than 100 countries, provides a global reach and access to legal resources that enhance the firm's ability to serve its clients' needs around the world.

Pellerano & Herrera is also part of other important legal networks and specialized associations, such as World Services Group, Club de Abogados, Islamic Finance Lawyer, and Legal Sector Alliance.

AWARDS AND RECOGNITIONS

Pellerano & Herrera has been honored with more awards than any other law firm in the Dominican Republic. Recent awards include:

"Law Firm of the Year" Chambers & Partners – 2009, 2010, 2011, and 2013.

"Deal of the Year 2010" Latin Lawyer, for Pellerano & Herrera's work with Barrick Gold Corporation and the Pueblo Viejo Mine Financing – 2011.

"Private Equity Deal of the Year 2009" International Financial Law Review ("IFLR") for Pellerano & Herrera's work as legal counsel to the buyers in the acquisition of the Dominican Republic's airports; this was the first leveraged deal in the Dominican Republic – 2010.

"Leading Firm" Chambers Global – 2004-2015.

"Leading Firm" Chambers Latin America – 2009-2015.

"Leading Firm" Latin Lawyer – 2008-2015.

"Top Tier Firm" the International Financial Law Review (IFLR 1000) – 2010-2015.

"Top Tier Firm" the Legal 500 – 2012-2015.

"Most Admired Law Firm" in the Dominican Republic in the "Most Admired Companies" ranking by Revista Mercado, the Dominican business magazine – 2007-2014.

"Best company to work for" by Revista Mercado, the Dominican business magazine – 2007-2015.

"Topbrand" of the Dominican Republic, Superbrands UK – 2010, 2013.

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DOING BUSINESS IN THE DOMINICAN REPUBLIC

The Dominican Republic offers multiple business and investment opportunities as a result of a variety of factors, including its unique geographical location, current legal framework, economic stability, and infrastructure. Its location, in the center of the Caribbean, allows it to access the North, South, and Central American markets with relative ease, as well as to serve as a bridge between those markets and Europe to trade goods and services.

The country's legal system constitutes another incentive for investment. The Dominican economy has experienced a continuous process of regulatory modernization, which has led to the adoption of a variety of measures aimed at opening and commercially integrating the economy into the international markets. Having recognized that the Dominican market depends on international economic integration, the Dominican government has opted to create a solid legal foundation that allows for sustained economic stability and growth as well as assures freedom and security to the economy's different participants when commercializing goods and services.

Additionally, the Dominican Republic has a widespread, developed, and growing physical infrastructure adjusted to the requirements of a society focused on the production and commercialization of goods and services. The Dominican roadways are among the best in the region, connecting practically all areas of the country. The country has modern, broad, and efficient airport and port systems formed by eight international airports and 14 significant seaports located close to key production centers. Also, the Dominican Republic's modern telecommunications system is one of the country's main competitive advantages.

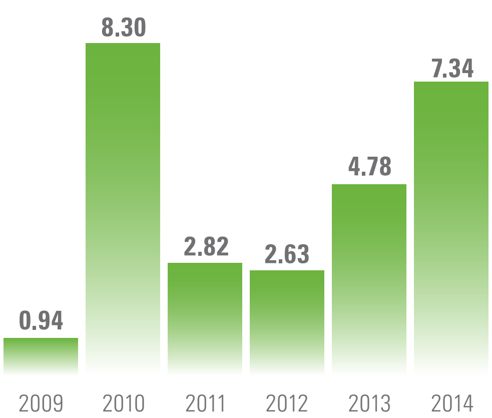
POLITICAL AND ECONOMIC SITUATION

The Dominican Republic is a representative democracy and has celebrated elections with direct and anonymous votes continuously since 1966. Current political leadership shows the intention to develop a sustainable economic project, open to the world, with a transparent and stable judicial system that fosters general competition and combines public sector responsibility with a strong alliance with the private sector.

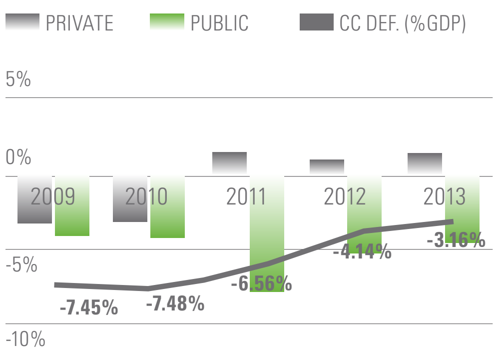
The Dominican economy has two clearly differentiated and essential aspects: the external side of the economy, with its main growth factors found in tourism and industrial free zones, and the domestic economy, with its various dynamic sectors – communications, construction, electricity, commerce, and transportation – contributing to its overall growth.

During the last few years, the Dominican Republic has had enviable macroeconomic stability, evidenced in the growth of its economy and its uniform and healthy exchange rate and rate of inflation.

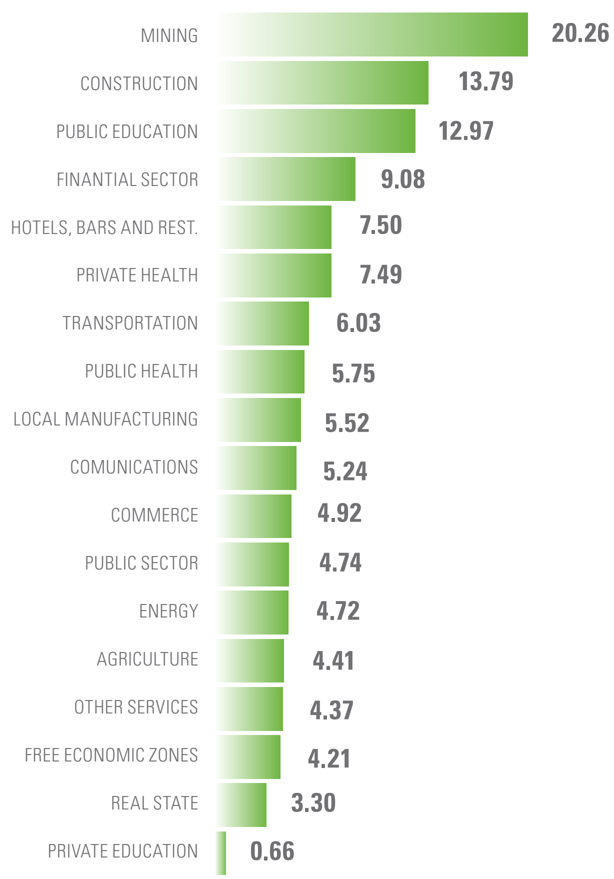
ECONOMIC GROWTH (ANNUAL, %)



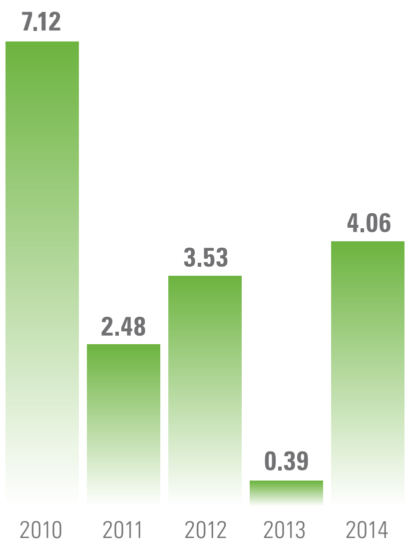
CURRENT ACCOUNT DEFICIT (BY SECTOR, % GDP)



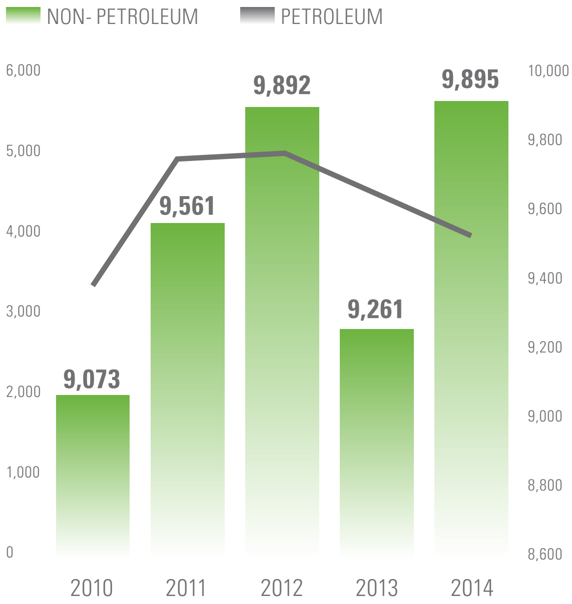
SECTORIAL GROWTH (2014, %)



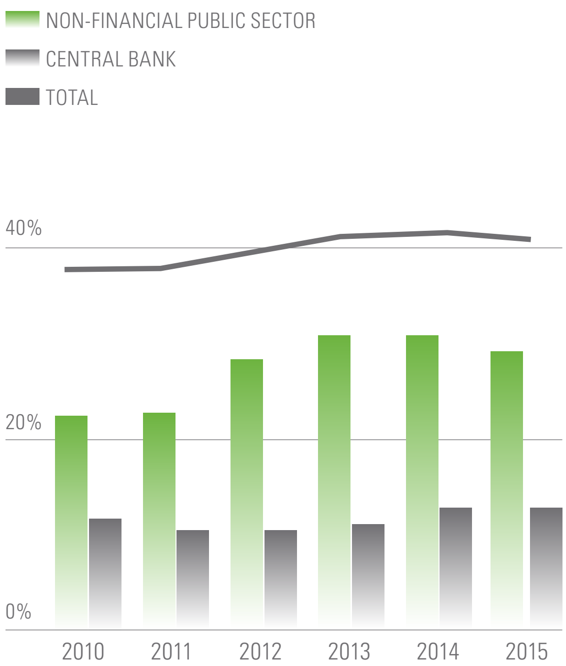
PRIVATE CONSUMPTION (NET FROM PUBLIC TRANSFERS, REAL GROWTH)



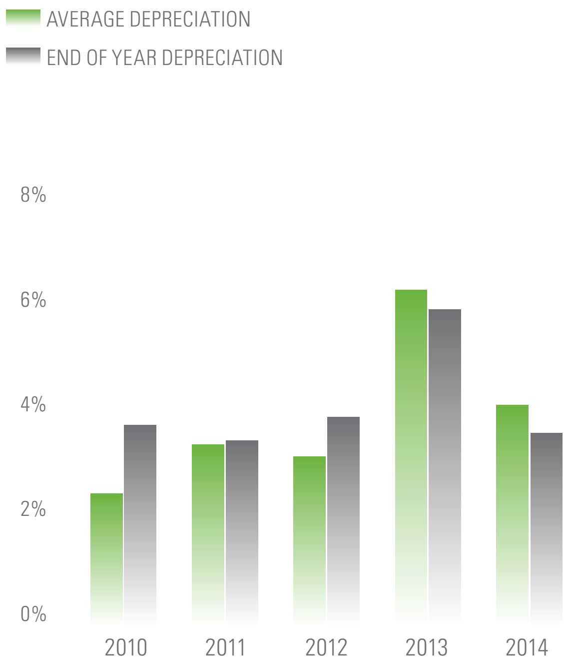
NATIONAL IMPORTS (US$ MM)



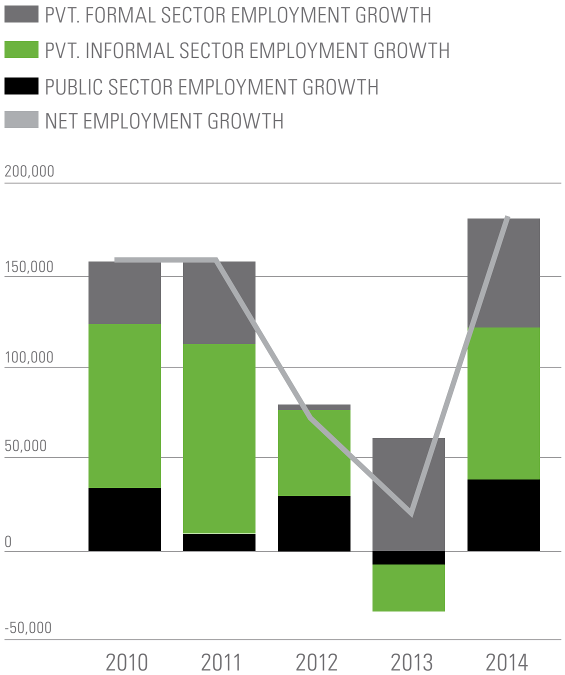
TOTAL PUBLIC DEBT (AS % GDP, EXCL. INTRAGOVERNMENTAL DEBT)



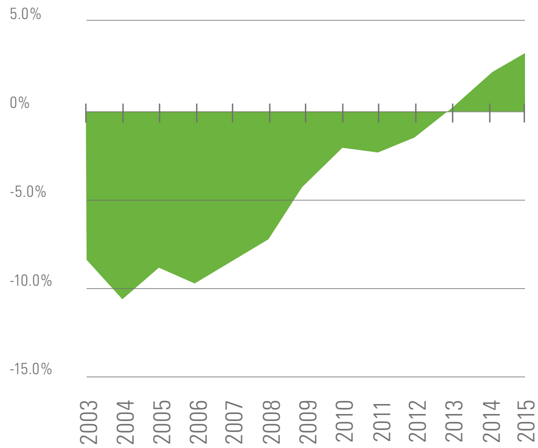
DOMINICAN PESO DEPRECIATION AGAINST U.S. DOLLAR (%)



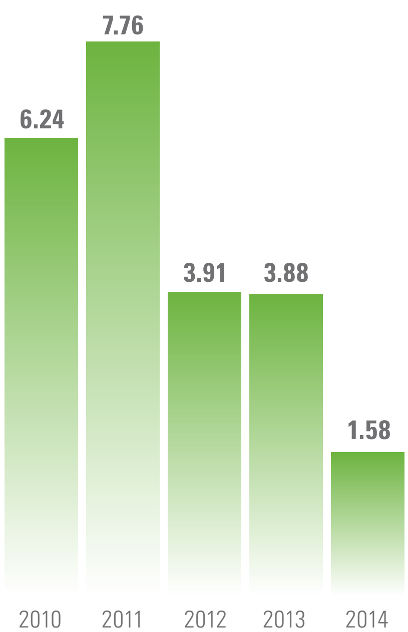
NET EMPLOYMENT GROWTH (ABSOLUTE)



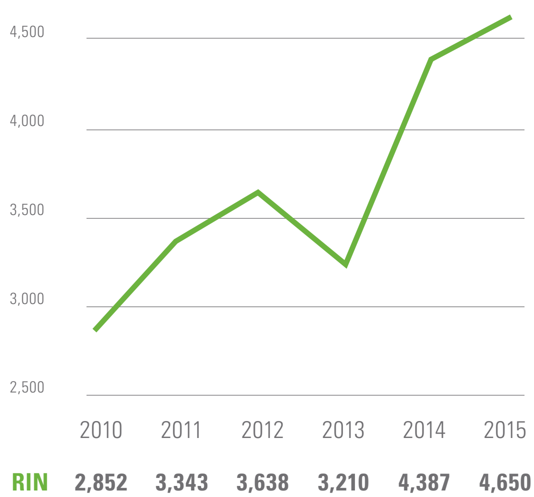
SALARY WAGE GAP BETWEEN MEN AND WOMEN (% DIFFERENCE IN SALARY FOR WOMEN/ MEN, ACTIVELY CONTRIBUTING TO THEIR SOCIAL SECURITY FUND)



INFLATION RATE (%)



NET INTERNATIONAL RESERVES (US$ MM)



THE DOMINICAN REPUBLIC
MODERN LEGAL SYSTEM

During the 1990s, the Dominican Republic initiated the first wave of reforms to modernize the country's legal system and the economic framework under which corporate vehicles operate in the country, in order to:

(i) promote the flow of foreign capital into the country;

(ii) adapt the economy to international competition; and

(iii) facilitate its integration into economic groups at the regional and global level.

This process is still ongoing, with a second wave having started this past decade to continue to modernize the legal system's regulation of specific industries, such as the banking and monetary systems, including the strengthening of corporate governance, competition, and consumer protection regulations, which affect everyone in general.

Chronologically, the main reforms that have taken place include new laws regarding telecommunications, industrial property, copyright, reactivation of exports, the environment, the financial system, the insurance sector, the energy sector, fiscal and customs reform, special legislation to attract retirees and baby-boomers, trusts and the development of low cost real estate projects, money laundering, risk prevention in financial institutions, and government procurement, among others. Legislative measures relating to the entry into force of the Dominican Republic-Central America Free Trade Agreement ("DR-CAFTA") also have been adopted, especially with respect to intellectual property protection.

Social reforms have occupied a large part of the legislative agenda. The most significant reforms during the past decade were the modernization of the criminal justice system, the adoption of a Code of Protection of Children and Adolescents, the Public Health Law, the Social Security Law, and the creation of specialized courts to prosecute the Public Administration. However slow, significant steps in the implementation of these regulations have taken place, and some important accomplishments are becoming evident, especially regarding the transparency of the judicial system. Recently, the Dominican Constitution also was amended with the goal of modernizing the government as well as its essential regulations.

The following highlights some of the reforms have taken place over the last few years in order to promote the modernization of the most important sectors in the Dominican economy and to promote and protect investment, both local and foreign.

SECURITIES MARKET

Since the year 2000, a burgeoning and constantly diversifying securities market has been operating in the Dominican Republic. The regulatory framework, updated in 2012, governs the authorization and treatment of public offerings of securities and issuers, from their issuance to their placement in the market, imposing new transparency standards that are superior to those previously existing. The law defines and strictly regulates the fiduciary responsibility of market participants, such as the Superintendent of Securities as the regulating agent, the National Council of Securities as the appellate organ for the Superintendent's decisions, the Stock Exchange and exchange posts, the Unique Centralized Deposit of Securities ("CEVALDOM"), compensation chambers, risk assessment companies, investment funds, fund administrators, mutual funds, and securitization agencies. All of these market participants are required to promote market transparency for investors.

The Dominican securities market's first public offering took place in August 2014, diversifying from the "bonds only" format under which it operated, signaling the growing trust in this market.

MONETARY AND FINANCIAL SYSTEMS

The assets of the financial system – perhaps the most dynamic sector of the economy – account for more than half of the country's gross domestic product ("GDP"). Since the severe crisis of 2003, the financial sector, which had been the most regulated sector of the national economy, has faced even greater regulation. With the objective of keeping the exchange rate under control, easing access to capital, and fostering trust in depositors nationwide, the financial system is under the supervision and control of the Central Bank, as the entity responsible for the issuance of currency and the custody of financial reserves, the Superintendent of Banks, as the regulating agent, and the Monetary Board, as the highest entity responsible for authorizing parties to operate in the financial system.

The national monetary system allows the free convertibility of currency, the free determination of interest rates, the free cross border movement of capital, and the unrestricted participation of foreign financial institutions in the Dominican market, as long as the security deposits required by law for all banks, regardless of their nationality, remain in the Dominican Republic.

Among the most relevant regulations that affect businesses in the financial sector are the antitrust laws, which contain the obligation to notify and obtain authorization from the Monetary Board for any fluctuation in the capital of the institution or a change in the equity distribution. Also noteworthy are consumer protection laws and regulations as well as taxes on bank deposits, electronic transfers of funds, and interest payments to financial institutions established overseas.

FOREIGN INVESTMENT

Dominican law accords equal treatment to domestic and foreign investment. The only restrictions on foreign investment apply to some particularly sensitive industries, such as mining, where no sovereign government may invest in Dominican mining projects. Aviation, health projects such as hospitals and pharmacies, the handling of toxic waste, and radio transmissions require a minimum of Dominican capital. Public media managers must be Dominican, among other industry-specific restrictions.

To promote foreign investment in the country and to develop the export sector, the country created the Center for Export and Investment ("CEI-RD"). The registering of investment at the CEI-RD is not mandatory and even without it foreign investors may remit profits and repatriate capital without prior authorization, provided they meet tax commitments, which are the same as for Dominican nationals. The remitted amounts include royalties, capital gains, and capital upon liquidation of the company receiving the investment, to the extent of invested capital. Registration with the CEI-RD, however, allows access to preferential treatment and expedited residence rules for investors and company management.

The Dominican Republic has maintained an active policy of multilateral trade relations, signing numerous free trade agreements as well as bilateral investment treaties with Argentina, Chile, South Korea, Spain, Finland, France, Italy, Morocco, Panama, Republic of China (Taiwan), the Netherlands, and Switzerland. At the same time, it has signed treaties to avoid double taxation with Canada and Spain.

PROMOTION OF NATIONAL COMPETITIVENESS

With the goal of promoting the competitiveness of the country's economic sectors, the government recently has adopted the following measures:

1. Created the National Council on Competition ("CNC"), which is in charge of formulating, implementing, and developing competitive strategies for the country's economy;
2. Enacted a law that regulates unlawful commercial practices and establishes rules for the behavior of economic agents to promote free competition and to prevent distortions resulting from unfair trade practices. This law is not yet being applied because the officials responsible for its application have not been appointed;

3. Created a new institutional framework that allows the competitive development of industry and proposes policies and programs; and
4. Modernized the regulation of corporate matters in the country.

NATIONAL FILM INDUSTRY

The recent technical and tax law has stimulated the development, production, dissemination, and preservation of films on Dominican soil. Law No. 108-10 for the Promotion of Film Activity and its regulations create and organize a series of governmental structures responsible for overseeing the film industry and channeling incentives, such as the General Directorate of Film ("DGCINE"), a promotional agency of the national film industry; the Intersectoral Council for the Promotion of Film Activity in the Dominican Republic ("CIPAC"), a governing body composed of government officials and industry professionals; the System of Information and Registration of Dominican Film ("SIRECINE"), a database of qualified professionals; and the Film Promotion Fund ("FONPROCINE"), a financial institution for Dominican projects administered by CIPAC through DGCINE. Under this system, film projects and their budgets must be submitted to the DGCINE before starting pre-production; DGCINE serves as a single source for other permissions such as the filming permit that allows filming on public property and the necessary environmental permits.

The law provides significant incentives to filmmakers, including that once a project has exceeded a minimum of a USD$500,000.00 investment, 25 percent of the approved DGCINE budget is deductible from the income tax the producer has to pay. This exemption may be transferred.

There also is a general exemption affecting services subject to value added taxes, permits for the temporary importation of necessary equipment, and an exemption up to 100 percent of the income tax for movie studios and movie theaters. Foreign films produced in the country also enjoy tax exemptions and customs facilities, as mentioned above.

INTERNATIONAL **COMMERCE** AND **TRADE**

International commerce plays an important role in today's world and in the Dominican economy. The government and private sector have made significant efforts to strengthen this dimension of the Dominican economy, achieving, in general, very positive results. This also is reflected in the interest in the development of free zones and matters related to competition as well as in the dedication with which the government and private companies have sought regional integration and adoption of bilateral and multilateral agreements with several countries.

IMPORTS AND EXPORTS

The Dominican Republic imports and exports products to and from around the world. Fifty-eight percent of Dominican exports are to its principal trading partner, the United States. As of August 2014, the next largest trading partners were Haiti (14 percent of exports), the European Union (seven percent), and China (five percent). As for imports, the United States leads with 39 percent, followed by the European Union with 10 percent, China with 10 percent, and Venezuela with six percent.

The most dynamic sectors of international trade for the Dominican Republic are manufacturing, fuels and mining, and agriculture.

IMPORTS

In 2000 the country adopted the single Spanish version of the Harmonized Commodity Description and Coding System, which is used internationally. This led to a simplification of the process of calculating and collecting tariffs.

Customs taxes are calculated and paid in Dominican pesos, with most being ad valorem taxes. The value of products is determined according to the Agreement Establishing the World Trade Organization on Customs Valuation. Although the Directorate General of Customs ("DGA") admits certain minimum values for most products where there is disagreement about valuation, the import process has been simplified by eliminating the consular invoice and allowing the electronic transmission of most documents. The official exchange rate in effect at the time of the payment is used for conversion of the value of the goods into Dominican pesos. In addition to tariffs, which have followed a downward trend since 1996, an importer must pay the value added tax that corresponds to the product, called in the Dominican Republic the Tax on the Transfer of Industrialized Goods and Services ("ITBIS"), as well as the Selective Consumption Tax ("ISC") for certain goods, mainly alcohol and tobacco.

EXPORTS

The Dominican Republic exports a wide range of finished and semi-finished goods. The export process was substantially simplified in 2007 with the implementation of a Single Customs Declaration. The incorporation of the CEI-RD as the single source for obtaining technical or sanitary permits also has expedited the process. No export permits are necessary except for certain products including certain woods, tortoise shells, mining, and pharmaceuticals.

A large portion of exports occur within the framework of free zones, including electronics, jewelry, and medicines. Traditional exports include sugar, coffee, cocoa, and tobacco. Free zones receive export incentives, although elimination of those incentives is contemplated in 2015. In recent years, with the installation of large-scale projects of gold and ferronickel mining, the country has increased its minerals exports, making it the second most important export product after manufacturing.

LAW 173 ON PROTECTION OF AGENT AND IMPORTERS OF GOODS AND PRODUCTS

The contractual relations between parties linked by distribution agreements in the Dominican Republic, whether exclusive or not, generally are governed by Law 173-66 on the Protection of Agent and Importers of Goods and Products. The purpose of this law is the protection of individuals and companies engaged in the Dominican Republic in promoting and managing the importation, distribution, sale, rental, or any other use of goods or products imported from abroad or manufactured in the country belonging to a foreign person from a unilateral termination without just cause from the foreign licensor. The termination process includes several stages of conciliation and judicial assessment of the causes of the alleged breach of contract and, if unilateral termination from the licensor is demonstrated, the reparation contemplated under this law can reach very significant amounts.

Companies from the United States that sign distribution agreements after the entry into force of DR-CAFTA will be automatically excluded from the application of Law No. 173, unless the parties expressly provide otherwise.

REGIONAL MERCANTILE PARTNERSHIPS

The Dominican Republic has developed a policy of promoting trade integration in Latin America and the Caribbean. The Dominican position was geared towards an approach to its closest geographic region, suggesting the formation of a strategic alliance with the countries of Central America and CARICOM. This expands the market and exporting capacity of these countries, easing negotiations with the hemisphere's large commercial forces.

The Dominican Republic already has signed a free trade agreement with Central America, a similar agreement with the Caribbean Community ("CARICOM"), and a partial international treaty with the Republic of Panama. The Caribbean nations that have formed the CARIFORUM belong to the Forum of African, Caribbean and Pacific States, which have signed a free trade agreement called the Economic Partnership Agreement ("EPA") with the European Union that provides non-reciprocal market advantages for developing countries, although it has faced problems due to its failure to comply with reciprocity policies of the World Trade Organization ("WTO").

FREE TRADE AGREEMENT WITH CARICOM. The Caribbean Community or CARICOM provides for political cooperation and the creation of a common market among the English speaking countries of the region.

The Dominican Republic has been part of CARICOM since August 22, 1998, when the free trade agreement between the Dominican Republic and CARICOM was signed. This agreement was ratified by the Dominican National Congress in January 2000 and liberalizes more than 85 percent of products traded between both markets, benefiting an estimated 47 million consumers. The agreement also seeks to promote the active participation of the private sector in an effort to deepen and expand economic relations between the parties.

FREE TRADE AGREEMENT WITH CENTRAL AMERICA. On April 16, 1998, the Central America-Dominican Republic Free Trade Agreement was signed. The signatory countries were members of the Central American Economic Integration System, composed of Costa Rica, El Salvador, Honduras, Nicaragua, and Guatemala. It was ratified in March 2002.

The treaty provides for trade in goods and services and the protection and promotion of investments. It is consistent with WTO principles. This treaty opens to the Dominican Republic a potential market of about $30,000 million and more than 40 million consumers.

ASSOCIATION OF CARIBBEAN STATES (AEC). The Association of Caribbean States was created in 1992 to implement ideas for the growth and consolidation of economic relations among its members, as well as the development of strategies leading to an increase of comparative advantages. An agreement between the AEC and the Dominican Republic, which came into force in 2001, provides for the free access of goods, elimination of non-tariff barriers, rules of origin, and investment promotion, among other things.

Under this agreement, Dominican products have preferential entry into Jamaica, Barbados, Trinidad & Tobago, Guyana, and Suriname. A further liberalization in the services market is expected.

PARTIAL INTERNATIONAL TREATY WITH THE REPUBLIC OF PANAMA. A treaty between Panama and the Dominican Republic was signed on February 6, 2003. The treaty provides a list of free products tariffs between the two countries as well as a list of free products in one-way for one party and the other. The main advantage for the Dominican Republic is the preferential entrance of its products into Panama, a nexus of global trade.

FREE TRADE AGREEMENT BETWEEN THE UNITED STATES, CENTRAL AMERICA AND DOMINICAN REPUBLIC ("DR-CAFTA"). The Free Trade Agreement between the Dominican Republic, Central America, and the United States, in force since 2007, is the most extensive free trade agreement in force in the Dominican Republic. It provides for the complete elimination of tariffs by 2015, even on products with local competition, as well as the modernization of the public procurement process, allowing signatory countries to participate in this previously restricted market.

The commercial opportunities of DR-CAFTA surpass those of any other instrument signed by the Dominican Republic, with all possible tariff items and superior facilities to other WTO members to participate in the services sector, resolve disputes, and protect investment.

THE DOMINICAN REPUBLIC AND THE WORLD TRADE ORGANIZATION ("WTO"). The Dominican Republic is a founding member of the WTO and all trade policies not defined in specific agreements follow WTO rules. The influence of the organization has been noted not only in the field of international trade, but it has helped modernize most regulatory aspects of the Dominican Republic in the past two decades.

FINANCING SOURCES

The Dominican Republic benefits from several international financing and insurance programs against political and exchange risks. It is a member of the World Bank group and its different institutions, such as the Multilateral Investment Guarantee Agency ("MIGA"), an agency that promotes the flow of capital toward member countries that are in the development stage and that insures against political risk. Likewise, the Overseas Private Investments Corporation ("OPIC") is active in the Dominican Republic with programs for financing and insuring investments against risks.

The European Investment Bank offers long term loans with low interest for the financing of projects within the African, Caribbean and Pacific Group of States ("ACP"), mainly in the industrial, tourist, mining and energy, transportation, and telecommunications sectors.

BILATERAL AGREEMENTS FOR THE PROMOTION AND PROTECTION OF INVESTMENTS

The Dominican government has accelerated the process of negotiation of bilateral agreements for the promotion and protection of investments with different nations in connection with direct foreign investment ("IED"), which are based on reciprocity and which are designed for the legal promotion and protection of investment and economic development of the country.

Among the agreements of this type are those signed with Argentina, Chile, South Korea, Spain, Finland, France, Italy, Morocco, Panama, Republic of China (Taiwan), the Netherlands, and Switzerland, while treaties to avoid double taxation have been signed with Canada and Spain.

PRINCIPAL **ECONOMIC SECTORS**

TELECOMMUNICATIONS

During the last decades, the telecommunications industry has been one of the most dynamic sectors of the Dominican economy. The General Telecommunications Law modernized the industry and adapted it to the parameters established by international organizations such as the WTO and the International Union for Telecommunications ("UIT"). Dominican law is complemented by the work of the Dominican Telecommunications Institute ("INDOTEL"), which regulates the industry after consultation with the industry's major participants.

The Dominican telecommunications sector is one of the main recipients of foreign direct investment. There are no restrictions as to the source of the nationality of capital, except for public broadcasting, for which Dominican control capital is required. Licensee companies, however, must be incorporated in the Dominican Republic and the Dominican government currently is not participating in the sector.

Telecommunication services may be offered only after obtaining a license from INDOTEL, which is granted by public tender. Once operations begin, companies are free to set their prices, although INDOTEL can intervene when it determines that there is abuse of a dominant position. Interconnection costs also are freely set and INDOTEL also may intervene when there is no consensus between the parties; it is able to order local loop unbundling, if necessary.

BANKING

As previously discussed, current banking regulations allow the operation of different types of entities within the financial system, including multiple banks, credit entities, savings and loan associations, and savings and credit cooperatives. Recent legislative changes liberalize banking services by granting equal treatment to foreign financial intermediaries and establishing the parameters to regulate their admission. Likewise, foreign banks not domiciled in the country are authorized to establish representative offices in the Dominican Republic, in accordance with current regulations.

The establishment of financial intermediaries is subject to the approval of the Monetary Board, subject to the prior favorable opinion of the Banking Superintendent.

Prudential standards take into account modern international trends. To promote the stability and security of the system, Dominican legislation follows the principles established in Basel Agreement I and II and has a strict compliance and close supervision system operated by the financial and monetary authorities.

The law reaffirms the obligation to maintain liquidity reserves at the Central Bank, under the system called "legal reserve" (encaje legal). It establishes norms of mandatory compliance with the objective of facilitating the supervision of financial entities, creates strict requirements of governance, and establishes a preventive supervision model based on a process of permanent follow-up on the minimum conditions of liquidity and solvency to avoid regulatory insolvency.

The law's preventive approach is especially manifested in the regulation system created to confront financial difficulties that may affect these entities. The Extraordinary Program of Risk Prevention for financial intermediary institutions is a fund that can channel public and private resources to protect deposits and avoid a systemic risk that may affect the financial system as a whole.

In addition, there are clearly established rules for weighting the types of violations and the corresponding penalties, as well as the applicable process, that the entity and its directors, as well as affiliated entities, may face. Also, there are criminal offenses for the commission of certain violations.

INSURANCE

The insurance industry is also of ample importance to the national economy. To operate an insurance company, one must obtain permission from the Superintendent of Insurance (the insurance industry regulator, under the Ministry of Finance), which is responsible for supervising the operations of insurance and reinsurance institutions, intermediaries, and adjusters.

In general, the law does not discriminate as to the capital composition of insurance companies, except if the foreign company comes from a country that would not allow the operation of a Dominican insurance company. The law prohibits cross-border procurement of certain services, such as life and health insurance, as well as motor vehicles, boats, and aircraft with Dominican registration. The law also requires that a foreign insurer that intends to offer its products in the country incorporate a subsidiary and make the deposits contemplated by law; the law does not permit operation through branches. Reinsurance may be offered without having to establishing a local presence but a reinsurer must obtain an authorization as a "Reinsurer Not Established" from the Superintendent of Insurance.

Finally, companies are free to set premiums for their products, although they are subject to an evaluation by the Superintendent. The law establishes the necessary requirements to operate as an insurance and reinsurance company in the country as an intermediary or as an adjuster as well as the process for requests to initiate operations. Also, the law governs all matters relating to insurance and bail agreements, such as their execution, provisions, and payment of premiums and claims, among other things, and establishes the creation of a guarantee fund to guarantee the obligations derived from these contracts.

FREE ZONES

Free zones are geographical areas within the Dominican Republic that are subject to special fiscal and customs regimes, within which companies dedicated to the production of goods or the provision of services exclusively for the international market are located. The free zone system in the Dominican Republic is one of the most advanced in the world and the free zones are the source of 71 percent of the products exported by the Dominican Republic, in addition to being the primary recipients of foreign direct investment in the country.

The Dominican free zone system always has been especially attractive to foreign investors for the advantages it offers, including:

1. The regime of tax incentives, including export subsidies or energy expenditures;
2. Preferential access to the United States and European markets, without the application of customs tariffs;
3. The possibility of obtaining financing from local and foreign institutions; and,
4. The availability of a capable workforce.

Dominican law seeks to promote the establishment of free zones and the growth of those in existence, regulating their functioning and development. Law No. 8-90 on Promotion of Free Zones created the National Free Zones Council ("CNZF"), the organization in charge of regulating, supervising, defining, and classifying free zones. The CNZF establishes the requirements for their installation and the applicable incentives and regulates, on an exceptional basis, the sale of their goods in the local market (taxed under a special rate).

There are other laws establishing tax incentives regimes, such as the laws creating a special zone of frontier development. These laws declare the national interest to be the promotion and protection of companies establishing operations within that geographical area, and intend to promote the development of the frontier region with the neighboring country of Haiti. They establish a preferential system that, subject to specific limitations, grants additional fiscal incentives for the constitution of free zones and received utilities.

There also is a law that creates international financial zones, which are entities offering offshore financial services and related activities to individuals and legal entities not residing in the Dominican Republic. Currently, however, these zones still are in the process of being implemented.

TOURISM

Because of the country's natural resources, weather, cultural diversity, and historical interest along with its accessibility and political stability, the Dominican Republic is currently the island with the greatest amount of tourism in the Caribbean.

In addition, tourism is one of the most attractive industries for investment. There are no restrictions on foreign capital, although tour guides and casino employees must be Dominican and travel agents cannot offer cross-border services unless they have a local representative in the Dominican Republic. Additionally, there are attractive tax incentives for the purchase of real estate properties for tourism development, and construction, and for suppliers of hotels and taxes. These incentives are increased when projects are created in certain areas considered "underdeveloped."

Management and tourism industry policies are dictated by the Ministry of Tourism, which in addition to its facilities in the country has offices around the world. The Dominican government is not directly involved in the tourism market, but it supports the development of the industry especially in areas considered sustainable, such as cultural tourism and ecotourism.

AGRICULTURE

The Dominican Republic is the largest exporter of agricultural products and livestock in the region. Although agriculture is surpassed by the country's manufacturing and services exports, agricultural exports have increased substantially over the past 10 years as a result of the benefits of DR-CAFTA and other trade agreements. The agricultural industry is attractive for investment, given that it is protected by the government through tax incentive policies, there are no tariffs on the importation of machinery, and soft loans are available from the Agricultural Bank, a government entity.

The main agricultural products exported from the Dominican Republic are sugar, coffee, cocoa, and tobacco. Since the late 1980s, other products that also are exported in large quantities include fruits, tubers, and other vegetables. Under the direction of the Ministry of Agriculture, the Dominican Republic has been steadily making inroads in organic farming, which is a growing market. The main products are organic dried coconut, biodynamic bananas, pineapples, mangoes, lemons, green coffee, herbs, raw coconut oil, and cocoa.

Other items that in recent years have grown significantly are livestock, forestry, and fisheries, especially the production of chickens and eggs. Because Dominican law does not impose restrictions on foreign investment, agriculture is an important sector in which to invest.

MINING

Traditionally, mining has been an important activity in the Dominican Republic, which exports gold, nickel, marble, limestone, granite, and semiprecious stones. The importance of the country's mineral resources, in addition to advanced technical mandatory requirements for mining concessions, has made this one of the most interesting industries for investment. The supervisory body is the Ministry of Energy and Mines, created in 2014.

ELECTRICITY AND ENERGY

The electricity market in the Dominican Republic consists of three state distribution companies, a state transmission company, and tens of generators, ranging from private to semi-public and public. Each company focuses exclusively on one of the abovementioned three activities except distributors, which may have a stake of up to 15 percent in power generators.

The General Electricity Law regulates all stages of production, transmission, distribution and commercialization of electricity, as well as the functions of the government agencies that oversee the energy sector. These entities are the National Energy Commission ("CNE") and the Superintendent of Energy ("SIE"). To participate in the electricity and energy industry, a license from the SIE is required; the SIE does not distinguish between national and foreign capital, but controls the prices charged to users, which vary by area.

A major advantage of the electricity and energy industry is the exemption from taxes on oil purchased for electricity generation, as well as various tax exemptions in the area of renewable or alternative energy.

AVIATION

The Dominican aviation industry is the largest in the region, especially in view of the renewed commitment of Dominican authorities to gradually increase the flow of tourists to the island. As such, the country boasts a modern civil aviation law that, since 2013, permits the offer of civil aviation services even for companies with 100 percent foreign capital if they are domiciled in the Dominican.

Civil aviation services are provided after a license is obtained from the national authorities, which are the Civil Aviation Board ("JAC"), the final decisionmaker with respect to the granting of licenses, and the Dominican Civil Aviation Institute ("IDAC"), which is the regulatory agency for the industry. Of importance is the involvement of the Specialized Corps of Airport Security and Civil Aviation ("CESAC"), which is responsible for ensuring the safety of passengers, crew, ground staff, and the general public in all matters relating to civil aviation.

The Dominican Civil Aviation Law applies to all civilian aircraft (not owned in whole or in part by a sovereign state), its owners, operators, crew, passengers, and transported effects, as well as any person involved in aviation in the Dominican Republic, departing from it, landing, flying over, or otherwise under the jurisdiction of the Dominican Republic.

Licenses are issued for specific routes, renewable every 10 years, based on bilateral aviation agreements, which the Dominican Republic has signed with Argentina, Austria, Belgium, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, El Salvador, France, Germany, Guatemala, Haiti, Hungary, Israel, Italy, Jamaica, Mexico, the Netherlands, the Netherlands Antilles, Panama, Portugal, Russia, Spain, Trinidad and Tobago, United Arab Emirates, United Kingdom, United States, Venezuela, and associate members of the Association of Caribbean States. In the absence of bilateral agreement, licenses are granted based on reciprocity between countries.

There are no restrictions for foreign companies to operate airports in the country or offer services within them, such as a ramp, safety, and packaging.

PORTS

Maritime transport plays a very important role in the Dominican trade, with about 90 percent of goods entering and leaving the country by sea.

The country currently has 14 major ports, with the busiest being located in Santo Domingo. The ports are monitored and operated by the Dominican Port Authority ("APORDOM"), which may, in turn, grant a license, with no restriction on foreign capital for the licensee companies, although they must establish local agents to represent them. Similarly, foreign companies can provide any maritime service at Dominican ports, provided they have established a local agent for representation.

Companies providing services and port managers are free to set prices for their services, although there are a number of government rates set by decree, of which ships flying a Dominican flag are wholly or partially exempt. Any ship can get a Dominican flag regardless of its owners' nationality, provided the owners have a valid address in the Dominican Republic.

Finally, although the law provides that cabotage services, passenger transport, stevedoring, and the like must be provided by Dominican flag vessels, the current absence of a national fleet makes this provision momentarily not in application.

CONSTRUCTION

Dominican building codes and regulations have requirements for plotting cities and neighborhoods and regulate construction, safety, and public ornamentation. The professional and technical personnel operating in the sector also are regulated. The regulatory body is the Ministry of Public Works and Communications ("MOPC") and its Directorate General of Standards, Regulations and Systems.

Building permits in the Dominican Republic are granted by both the MOPC and each municipality in which a project is built. Each project requires prior assessment by the Ministry of Environment and, in certain cases, a non-objection from the Ministry of Tourism.

PUBLIC BIDS

With the enactment of two laws on public procurement in 2006, one of the primary markets in the Dominican Republic was opened to the general public, including foreign firms.

Under the Public Procurement Directorate, which is under the Ministry of Finance, the procurement process for both the sale of goods or services as well as buildings is governed by the principles of efficiency, competition, equality, and transparency. It covers all public and non-regional financial institutions, whether central, decentralized or autonomous, financial or non-financial. The only restriction imposed on foreign companies is their duty to partner with a Dominican person who owns at least 30 percent of the equity and to have 50 percent Dominican labor. For the signatories to the DR-CAFTA, this limitation applies only to construction bidding.

To participate in a bidding process, every contender must register as a provider of the government and contests have different levels of openness depending on the amounts involved. Similarly, contracts financed through international loans or donations, small contracts, emergency contracts, contracts between government agencies, contracts involving issues that could put national security at risk, and contracts with the aim of benefiting micro small and medium enterprises ("MSMEs") are not open to public bidding.

BUSINESS **ORGANIZATIONS**

Dominican law recognizes the following types of corporate structures and business forms and sets forth a general framework that may be used by the parties to regulate everything from an entity's name, capital, and transfer provisions to the administration and supervision of these entities, decision making of their corporate bodies, transformations, mergers, divisions, and corporate dissolutions.

CORPORATION

The corporation (Sociedad Anónima) is an entity with a legal existence formed by two or more partners who only assume the risk of losses up to their capital contributions.

The corporation structure has been designed for the purpose of organizing companies that require, above all, important levels of control over their corporate governance. Corporations may or may not seek funding from the securities markets as a form of financing and expansion of their operations. If they do so, they will be required to obtain an authorization from the Dominican Republic's Securities Superintendent.

Capital and Transfer Provisions: Corporate capital is represented by shares, which are essentially negotiable securities. The minimum authorized corporate capital is RD$30,000,000.00 and 10 percent of such amount always must be paid and represented by outstanding shares. The law does not establish any restriction on the assignment of shares. Nevertheless, it provides that shareholders may agree to restrictions, so long as they do not contain any permanent prohibition on the transfer of shares.

Administration, Supervision, and Decision Making by Shareholders: A board of directors composed of a minimum of three members is normally in charge of managing these companies. In terms of supervision, the law establishes that corporations must be supervised by one or several vigilance officers that are named for two fiscal periods and primarily are appointed to verify the annual accounts presented by the board of directors and the documents addressed to the shareholders indicating the annual accounts and financial situation of the entity.

The supreme decision making entity is the general meeting of shareholders, who annually receive a report of all the company's operations, decide on the distribution of dividends, and approve the management's annual report.

SIMPLIFIED CORPORATION

The simplified corporation ("S.A.S.") is a limited liability company formed by two or more partners whose losses with respect to the company's activities are limited to their capital contributions. Unlike a corporation, this company allows some freedom to shareholders to regulate the organizational structure of the entity in its bylaws, according to the needs and objectives of the company.

CAPITAL AND TRANSFER PROVISIONS: The capital of a simplified corporation is divided into shares, which only can be issued in registered form. The minimum authorized capital required is RD$3,000,000.00 and at least 10 percent of such amount needs to be subscribed and paid in.

ADMINISTRATION AND SUPERVISION: The partners may, by means of the bylaws, freely determine the organizational structure of the company, which can be managed and directed by a board of directors or by one or more directors. Also, a simplified corporation does not require the supervision of a vigilance officer, unless it issues debt instruments.

LIMITED LIABILITY COMPANIES

A limited liability company ("S.R.L.") is the entity formed by a minimum of two and a maximum of 50 partners, none of whom may have personal responsibility for company debts. This form of commercial organization is used for medium-sized businesses and closed capital entities.

CAPITAL AND TRANSFER PROVISIONS: The capital of an SRL is divided into equal parts denominated corporate quotas or units, which cannot be represented by negotiable shares or have a nominal value below RD$100.00. The minimum corporate capital of an SRL is RD$100,000.00, which must be fully paid-in and outstanding.

Quotas or units, which represent the capital, are securities that are not in essence negotiable securities. These securities generally are transferable in cases of a succession due to the death of a partner, the liquidation of marital property, and among family members. The assignment of corporate units to third parties, as well as the creation of pledges on them, requires the consent of three fourths of the partners, apart from other conditions and formalities.

ADMINISTRATION, SUPERVISION, AND DECISION MAKING: The administration is handled by one or several managers who must be individuals and who individually are equipped with the broadest powers to act in the name of the company under any circumstances. The designation of a vigilance officer is not necessary, but the financial statements of the company must be audited.

Each partner has the right to vote on SRL decisions and has the same number of votes as the corporate quotas that the partner possesses. General meetings of unit owners may be held for the approval of SRL decisions but are not necessary.

INDIVIDUAL ENTERPRISE OF LIMITED LIABILITY

An individual enterprise of limited liability ("E.I.R.L.") is a company of limited liability that belongs to one person, that has the legal ability to exercise rights and obligations, and that forms an independent and separate entity from the rest of the assets of the person who owns the E.I.R.L. Legal entities may not incorporate or purchase businesses of this type.

CAPITAL AND TRANSFER: The amount of contributions to be made by the owner of an E.I.R.L. may be freely established and increased, in accordance with the procedures established by law. An E.I.R.L. may be transferred in accordance with the rules established by law, but only to another natural person.

FOREIGN COMPANIES

A corporation duly incorporated anywhere in the world is recognized in the Dominican Republic upon confirmation of its legal existence by the appropriate authorities, according to the formalities prescribed by the law of the place of incorporation. Dominican law provides that foreign companies, as to their existence, capacity, operation, and dissolution, are governed by the law of the place of incorporation. Their operations and activities in the Dominican Republic are subject to Dominican law.

Foreign companies setting a branch or permanent establishment in the Dominican Republic or that regularly engage in commercial transactions in the country must be registered in the Commercial Register and join the National Taxpayers Registry kept by the Directorate General of Internal Revenue.

Dominican law recognizes the equality of foreign companies with local companies and, therefore, declares that they have no obligation to provide any kind of bail or guarantee before initiating litigation.

PERMANENT ESTABLISHMENT

A permanent establishment is defined by Dominican legislation as a fixed place of business in which an individual or a company, either local or foreign, conducts all or part of its business, including having a place of management, offices, branches, and services, among other things, provided the fixed place exceeds six months within a one-year period.

Following the enactment of Regulation No. 50-13 dated February 13, 2013, the concept of foreign company was broadened to include entities that in their home country may or may not have legal personality, such as partnerships, trusts, and branches, among others. It also requires non-resident taxpayers with permanent establishments to register before the DGII and to submit information, such as data identifying their taxpayer registration number in their country of tax residence and data concerning equity holders with more than 10 percent of the capital or interest in such non-residing person or entity, in addition to any other information that may be required from any taxpayer.

Likewise, non-resident permanent establishments are required to appoint a local taxpayer to represent it with respect to its tax obligations and to notify the DGII of the appointment. This designation of a local representative also is required for persons or entities residing in countries or territories with preferential tax regimes that have low or no taxation or that are considered tax havens if they own property or rights in the Dominican Republic.

OTHER PROVISIONS OF THE LAW ON CORPORATE ORGANIZATIONS

The law also provides corporate processes that previously were not legally regulated, such as mergers and divisions, increases and reductions in subscribed capital, and the dissolution and liquidation of commercial companies. In addition, it provides for detailed fiduciary duties of directors and includes penal provisions to punish violations of the law by companies and their managers.

LEGAL FRAMEWORK FOR **COMMERCIAL** ACTIVITIES

There are several legal provisions that regulate or affect business transactions in the Dominican Republic. The most important are those related to taxation, labor, the environment, the protection of intellectual property, conducting business transactions, and electronic commerce.

THE DOMINICAN TAX SYSTEM

The tax system in the Dominican Republic accrues its funds from Dominican sources and customs revenues, as well as from financial income generated abroad.

INCOME TAX

Any legal entity or individual residing in the Dominican Republic as well as undivided estates located in the country are subject to the payment of taxes based on their income from Dominican sources and from sources outside the Dominican Republic deriving from investments and financial gains.

Individuals residing or domiciled in the country pay an income tax from any income earned for the work rendered as employees, as well as from income earned from the exercise of a profession or liberal profession, commercial activities, return on investments, or financial earnings from abroad. The tax rate varies depending on the amount of income and change annually when adjusted for inflation.

For the purposes of the law, capital companies, public companies with income of a commercial nature, and other entities, undivided estates, associations of persons, societies in fact, irregular societies, and any other form of organization are considered legal entities. In accordance with Dominican tax law, these entities are subject to the payment of taxes on their net income, revenues, utilities, and benefits obtained in a fiscal year, minus the deductions allowed by law. The applicable income tax rate for legal entities with domicile in the country is 27 percent over their net income, after deductions allowed by law.

The law establishes mandatory monthly advanced payments of income tax, which ultimately are reconciled with the annual payment required to be made at the end of the year. Individuals or legal entities carrying out commercial and industrial activities do not have to pay the advanced payment as long as the annual income from those activities is equal to or less than DOP$5,000,000.00.

Since 2013, taxpayers in free zones must pay income tax at a rate of 3.5 percent for the transfer of goods and services rendered in the Dominican Republic. From 2013 to 2015 (inclusive), the adjustment to the tax scale based on which individuals are taxed does not apply.

CAPITAL GAINS

Capital gains are taxed at the same rate of 27 percent as the income tax. To determine the taxable capital gain amount, a taxpayer deducts, from the price or value of an asset being transferred, the cost of acquisition or production of such asset, adjusted by inflation.

WITHHOLDING

Legal entities and single owner businesses act as withholding agents for the tax authorities whenever they make a payment or credit to the account of other individuals or undivided successions, as well as other entities not exempt from the payment of taxes, except to legal entities. The withholding provided is performed in the percentages of gross income listed below:

1. 10 percent over the amounts paid or credited as payment for leases or rental of any type of movable property or real estate, as payment on account;
2. 10 percent over the fees, commissions, and other remunerations and payments for the rendering of services provided by individuals, unexecuted as employees, whose provision requires the direct intervention of human resources, as payment on account;
3. 25 percent over the amount of prizes or profits earned in lotteries or any type of the prize offered through promotional or advertising campaigns, as a final payment. In case of gains obtained through betting parlors, a scale is applied;
4. 10 percent for dividends paid or credited in the country;
5. Five percent over the payments made by the state and its dependencies, including state enterprises and decentralized and autonomous agencies, to individuals and legal entities for the acquisition of goods and services in general, unexecuted as employees, as payment on account;
6. 10 percent over interest payments to resident individuals; and,
7. 10 percent for any other kind of payment not established above, as an advance payment.

Whoever pays or credits into an account of taxed income from Dominican sources to non-resident persons or persons not domiciled in the country, which are not interest paid or credited into account to foreign financial institutions or dividends, must withhold and pay to the Dominican tax authorities, as a sole and final tax payment, 27 percent of such income.

Whoever pays or credits into an account interests of Dominican sources from loans contracted with foreign credit institutions must withhold and pay to the Dominican tax authorities 10 percent of those interests.

TAX ON THE TRANSFER OF INDUSTRIALIZED GOODS AND SERVICES (ITBIS)

ITBIS is the tax applicable to the transfer and import of industrialized goods, as well as the rendering of services in the Dominican Republic. Individuals and legal entities (foreign and domestic) transferring and importing industrialized goods or rendering services in the country must pay this tax. The services exempted are education, health, transport, electricity, water, garbage collection, personal care, financial services, and pension and retirement. The applicable rate of this tax for 2015 is 18 percent and is calculated over the price of the transfer of the good or the service provided. Certain goods that were taxed at a reduced rate since 2013 will have to pay a rate of 13 percent for fiscal year 2015.

REAL ESTATE PROPERTY TAX

A tax of one percent of its total value is levied on real estate properties that are destined for housing, commercial, and industrial activities belonging to individuals, when the total value of real estate owned by the taxpayer surpasses RD$6,500,000.00. The value is adjusted annually for inflation.

TAX ON ASSETS

A tax is applied to all assets registered in the general balance of the taxpayer, not adjusted by inflation, after applying deductions for depreciation, amortization, provision for unrecoverable receivables, stock investments, real estate properties located in rural areas, agricultural real estate, and taxes that have been paid in advance. Financial intermediary entities, intermediaries in the securities exchange market, investment funds administrators, and title companies, as well as electric generation, transmission, and distribution enterprises, pay this tax on the basis of the total of their fixed assets.

The tax on assets is currently a substitute tax for the income tax; therefore, it must be paid only when the amount due in respect of income tax would be less than the tax on assets. It must be paid even if at the end of the fiscal year the taxpayer had losses. The rate of the current tax on assets is one percent, applicable to taxable assets.

TAX ON THE INCORPORATION OF COMPANIES

The incorporation of limited liability companies and corporations is subject to the payment of a tax of one percent of the corporate capital, with a minimum tax of DOP$1,000.00.

SELECTIVE TAX ON CONSUMPTION (EXCISE TAX)

This excise tax is levied with variable rates on the manufacturing or importation of certain goods such as tobacco, alcohol, and luxury goods, as well as on the provision of telecommunications services, insurance, and, from fiscal year 2013, TV cable service at a rate of 10 percent. For 2015 remains the same rate of ISC Ad-Valorem for alcohol products which changed from 7.5 percent to 10 percent in 2013. The specific for alcohol products varying since 2013 to 2017, increasing its value, as well as the specific for products of snuff since 2013 to 2015. Persons, companies, or enterprises, both national and foreign, that produce or manufacture these goods in the last stage of the production process are obligated to pay this tax, in addition to importers of goods, on their own account or for third parties, and services providers.

TAX ON THE TRANSFER OF REAL ESTATE

Real estate transfers are subject to a one-time tax of three percent over the higher value, if any, that results between the amounts stated in the purchase agreement and the value assigned by the Dominican tax authorities by means of an authorized appraiser. This tax also applies to the transfer of real estate properties purchased through loans granted by financial intermediaries as long as the purchased house or lot paid for with such a loan has a value of over DOP$1,400,000.00, as adjusted by inflation.

TAX ON THE TRANSFER OF MOTOR VEHICLES

The transfer of motor vehicles is subject to a one-time tax of two percent over the greater value between the one stated in the purchase contract and the value assigned by the Dominican tax authorities.

LABOR LAWS

The relationship among employers, whether natural or juridical, with their employees is regulated by the Dominican Labor Code and related laws, which offer a number of guarantees to workers. Some of the key legal obligations are discussed below.

QUOTAS FOR DOMINICAN EMPLOYEES

At least 80 percent of the workers in a company must be Dominican citizens unless qualified individuals from the local market cannot meet this requirement. Managers and other employees with management functions preferably must be Dominicans, although there are no legal restrictions at the management level.

WORK PERIODS

The normal working week is 44 hours; a normal working day is eight hours. The common practice is to work from Monday to Friday and, in some companies, until midday Saturday. Part time workers cannot work more than 29 hours per week.

PAID LEAVE

The law grants five days of paid leave in case of marriage, three days in case of a close family member's death, and two for a father whose wife has had a child.

VACATIONS

All employees who have worked without interruption for more than five months have the right to paid vacations. A vacation of 14 work days is mandatory after a year of consecutive labor. After five years with the same employer, the period grows to 18 work days.

SEXUAL HARASSMENT

The law prohibits employers and their representatives from committing actions that may be considered to be sexual harassment, abuse of authority, mobbing, repression of free speech, and other repressive actions against an employee.

MATERNITY PROTECTION

An employee is entitled to a paid rest period of three months due to pregnancy, which she can take at her convenience before or after birth and with the right to enjoy her corresponding vacation immediately that period expires. Similarly, during a child's first year after birth, a mother is entitled to a half day of work each month to take the child to the pediatrician.

Although an employer generally can terminate employment contracts without cause, this right is suspended when an employee is pregnant. In this case, she only may be dismissed for cause, which must be confirmed by an inspector from the Ministry of Labor.

MINIMUM WAGE

Dominican labor legislation establishes a minimum salary for certain private industry employees. This wage is revised periodically by the National Salary Committee, a tripartite entity consisting of a representative from employers, labor unions, and the government. The minimum wage applicable to employees depends on the industry in which they work and the size of their company.

OVERTIME, NIGHT WORK, AND HOLIDAYS

The amount that has to be paid by an employer over the base salary of an employee is 35 percent for overtime that does not exceed 60 weekly working hours, and, in excess of that, 100 percent, which also is the overtime rate for work on Sundays and holidays. Night work (between 9 p.m. and 7 a.m.) requires payment of a 15 percent supplement over the employee's basic salary.

EMPLOYEE BENEFITS

Employee benefits contemplated by law are Christmas salary, profit sharing of the company's benefits (if any), and payment of annual vacations.

TERMINATION OF LABOR CONTRACTS

A labor contract may be terminated, among other reasons, by: (1) layoff or termination sought by any of the parties, in which case it is not necessary to indicate any cause; (2) dismissal for cause; or (3) mutual consent. During the first three months of work, employees may be terminated without the need to pay additional compensation. After this period, they shall have indemnification rights in accordance with their time as employees. In the case of a dismissal for cause in accordance with the causes and procedures established by the Dominican Labor Code, an employer will not have to pay any indemnification to the employee. If, however, a dismissal is declared by an appointed labor court as unfair, the employee is entitled to receive full indemnification; otherwise, only certain rights apply.

Meanwhile, if an employee resigns due to his or her employer's fault, the employer must pay compensation plus damages for the offense committed against the worker. The employer must notify the employee in advance of his or her dismissal, which is known as pre-notice. Pre-notice is not required if the employer compensates the employee. All work-related compensation is not subject to the payment of income tax.

SOCIAL SECURITY OBLIGATIONS

For salaried workers, Social Security in the Dominican Republic is financed in part by employers and in part by employees. In the case of poverty, the full amount is covered by the government. The Dominican Social Security System ("SDSS") is composed of a complex network of state, mixed, and private agencies such as the National Council for Social Security Fund ("CNSS," the body that sets policies), the Treasury of the Social Security ("TSS," created to collect taxes, distribute, and pay financial resources), the Superintendent of Pensions ("SIPEN"), the Superintendent of Health and Labor Risks ("SISALRIL"), the National Health Insurance ("SENASA"), the Pension Fund Administrators ("AFPs"), and the Health Risk Administrators ("ARS"), among others. Dominican law regulates the functioning of all of these entities, establishing the rights and obligations of all parties, including the state, employers, and beneficiaries.

ENVIRONMENTAL LAW

Over the past decade, the Dominican Republic has improved and amended its environmental law, regulating the environment, natural resources, and the use of plants and the development of projects and activities that allow sustainable growth, including through The National Strategy for Development. This environmental regulation is composed of the Dominican Political Constitution (2010), The General Law About the Environment and Natural Resources (64-00), the Sectoral Law on Protected Areas (202-04), and the Technical Environmental Regulation.

The Ministry of Environment and Natural Resources is responsible for ensuring the effective protection of the environment and the natural resources by adopting a comprehensive policy for these purposes governing all institutions involved with the country's natural resources and private entities whose activities may have an impact on them.

The General Law on Environment and Natural Resources authorizes the Ministry of Environment and Natural Resources to issue environmental standards and environmental quality parameters and to monitor and control mobile sources of pollution. It also can issue standards and norms related to the ecosystem, the disposal of solid and liquid waste, air emissions, noise and visual pollution, and polluting or possible polluting activities. Moreover, it issues regulations and procedures for environmental permits and relating to environmental inspections, as well as for administrative sanctions and a "Monitoring and Inspection Manual."

The Dominican environmental law is critical to the planning, implementation, development, and closure of all activity and investment, be it domestic or foreign in the Dominican Republic. It covers virtually every aspect of national life, to the point that every project, infrastructure work, industry, and any other activity that may impact them or affect the environment and natural resources must obtain an environmental authorization (e.g., environmental license, environmental permit, environmental constancy, or minimum impact certificate) in advance. This authorization differs in complexity depending on the project and the categorization and classification (A, B, C, and D) determined by the ministry. These are obtained after the filing of an environmental impact statement ("EIS") or an environmental impact assessment ("EIA") at their own expense. Additionally, there are rules that apply to environmental authorizations, if obtained, follow-up, environmental audits, and performance bonds. Violation of environmental regulations can lead to administrative and criminal sanctions.

INTELLECTUAL PROPERTY PROTECTION

Dominican law regulates the transfer and dissemination of technology to the benefit of producers and users of technology, in accordance with the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS") of the WTO, the Paris Convention for the Protection of Industrial Property, the Co-operation Treaty in Patents ("PCT"), Chapter 15 of DR-CAFTA, and other international agreements. The Dominican Republic has one of the highest levels of protection for intellectual property in the region.

Current legislation states that classifications for registration purposes must be consistent with internationally recognized classification systems: for patents and utility models, the Strasbourg Convention of March 24, 1971; for industrial designs, the Locarno Agreement of October 8, 1968; and for trademarks, the Nice Agreement of June 15, 1957.

The government agency responsible for granting patents and registering industrial property rights is the National Office of Industrial Property ("ONAPI"), which is under the Ministry of Industry and Trade.

Civil and criminal penalties may be applied in case of infringement of intellectual property rights by the courts. These include payment of damages and fines or imprisonment.

PATENTS AND INDUSTRIAL DESIGNS

Patents may be obtained to protect inventions and utility models. An invention is defined as any idea or creation of the human intellect related to products or procedures capable of being applied in industry. It must be novel, i.e., it must be unknown in the relevant industry. Dominican regulations contemplate essential requirements for registration, such as possessing an innovative nature (it must be unknown given the current state of scientific development) and having an inventive character (it must not be able to be deduced by a person with technical knowledge). Any changes that present novelty or uniqueness in aesthetic components of a product, without changing the character or function of the product, must be registered as industrial designs.

Requests for patents and industrial designs are directed to ONAPI and must contain requirements as stated by law.

TRADEMARKS

Dominican law protects all kinds of trademarks, including collective trademarks, certification trademarks, and sound and scent trademarks. The registration of a trademark grants exclusive rights to the holder. On the other hand, the period of use of those trademarks that have been registered (more than six months) determines the priority for the registration. Dominican law also recognizes certain rights of priority for trademarks registered abroad. New trademarks are registered in favor of the person who first requests it. Registration is granted for a period of 10 years, renewable for consecutive periods of 10 years.

Among the distinctive signs that are not registrable are:

- Signs that may be used commercially to describe the product;
- Generic or scientific denominations of products, colors, etc.;
- Signs that are contrary to the public order or morals;
- Signs that ridicule persons, religions, countries, or others; and
- Signs that may deceive the public in terms of the nature or the qualities of the product, etc.

TRADENAMES

Distinctive signs such as names, brands, emblems, slogans, and other elements that identify a company or establishment are protected by the law as tradenames. The right for the exclusive use of a commercial name comes from its first commercial use. The protection is granted even before registration and derives from the use of the name. The right of exclusive use is granted by registering only in cases of commercial slogans. Tradenames may not be composed of indications or signs that are contrary to public order or moral standards or that may create confusion in the public in terms of the nature, activities, or any other aspect related to the company or business associated with it or its products and services.

COPYRIGHTS

The main objective of the Dominican copyright law is to provide a legal and institutional framework in accordance with the provisions of the Aspects of Intellectual Property Rights Agreement related to Commerce ("TRIPS"), which allows for the protection of copyrights in the Dominican Republic, taking into account the national interest. The National Copyright Office ("ONDA"), under the Ministry of Industry and Commerce, is the national authority in charge of the registration and organization of copyright applications. For these purposes, the law has granted it administrative, supervision, and arbitration powers. Its supervision activities are enforced by the obligation of any importer or distributor of commercial goods, services, and equipment to file a registration.

The Dominican Republic has ratified the following international conventions regarding this matter:

- Berne Convention for the Protection of Literary and Artistic Works from 1886;
- Universal Copyright Convention from 1952;
- Rome Convention for the Protection of Interpreters, Audio Producers, and Radio Transmission Organizations from 1961; and,
- Treaties of the Intellectual Property World Organization ("OMPI") for the Rights of Authors and Interpreters and Phonograms of 1996.

Dominican copyright law protects all kind of original intellectual creations that may be fixed, transmitted, or reproduced by any existing means or are existing in print, reproduction, or dissemination. It also protects the independent creations derived from original works, such as those resulting from adaptation or translation, or in another manner transformed from its original version.

COMMERCIAL AGREEMENTS AND CONSUMER RIGHTS

Business agreements and covenants in the Dominican Republic are primarily based on the principle of freedom of contract, as provided in the country's Civil Code. Accordingly, parties to an agreement are free to establish the provisions that will regulate their relationship and to make those provisions legally binding on them, as long as they do not contravene laws regarding public order.

There are, however, regulated sectors such as finance, the provision of public services (water, electricity), and health services that contemplate certain elements of legal control. Even when the law allows contractual freedom, the general framework of consumer law still applies. It has constitutional status in order to avoid situations such as draconian clauses in adhesion contracts, false advertising, selling of defective products, and the like. Similarly, all contests open to the public must submit their bases to the Institute for the Protection of Consumer Rights in advance.

WARRANTIES

The following discusses the main forms of security available to creditors in the Dominican Republic.

MORTGAGES

In general, any type of real estate right can be mortgaged, be it land or even a registered right of use or exploitation of real estate. The construction or improvements of existing buildings on land also are considered real estate and may be mortgaged. Mortgages over real estate properties that will be acquired or built in the future are not permitted although, in practical terms, the security interest of a creditor with respect to a mortgaged property will extend to any buildings or improvements made on the property while a mortgage is in place.

Because a mortgage security depends on the debt it guarantees, the validity of that debt is necessary for the mortgage to be valid. The secured obligation may, however, be conditioned or eventual, in which case the mortgage also will be conditioned or eventual. Likewise, a mortgage may be granted to ensure future obligations, which allow guaranteeing financial instruments such as lines of credit and credit cards. The mortgage debtor must have a duly registered title for the mortgage to be valid with respect to third parties. Persons with conditional property rights may grant mortgages under the same conditions affecting those rights.

PLEDGES

Encumbrances over movable assets may be structured with or without relinquishing possession of such assets. A pledge may cover tangible assets, such as machinery and inventory, and intangible goods, such as credits, bank accounts, and contracts, in which case the debtor of the obligation granted as a pledge must be notified.

PURCHASE OF REAL ESTATE PROPERTY

The purchase of real estate properties or real estate rights by foreigners is not subject to any special requirement. The same rules that apply to Dominicans also apply to foreign purchasers. To protect foreign investors, however, their presence or further assurances often will be required in order to conduct certain real estate transactions.

Before purchasing real estate, it is appropriate to verify the legal status of a property at the Title Registry Office to confirm the identity of the registered owner of the property and whether there are any transfer restrictions that govern that property.

After executing a transfer agreement, a prompt filing of the corresponding transfer documentation is very important. In this regard, a buyer must deposit at the Title Registry a notarized original of the purchase agreement along with the Title Deed in the name of the seller, which shall be cancelled and substituted for a new one in the name of the buyer. The payment of transfer taxes also is required, among other things.

ELECTRONIC COMMERCE

The law on Electronic Commerce, Digital Documents and Signatures has adapted the Dominican legal system to new technologies and has allowed the economy and its agents to benefit from the opportunities that new digital technologies offer for the promotion of economic activities and the execution of commercial transactions in the global market. Specifically, the law:

- Facilitates electronic commerce within and among the nations;
- Validates transactions that have been made by means of new information technologies; and
- Promotes and supports the development of technological initiatives related to electronic commerce and the broad use of these services by Dominicans.

The law is based on model laws prepared by the Commission of the United Nations for International Mercantile Rights ("UNCITRAL") regulating concepts of origin, conservation, data messages, and digital documents to grant them legal validity. The rules also specify the conditions for the use of a digital signature, differentiating it from an electronic signature; establish the requisites for the establishment of certification entities, with the Chamber of Commerce of Santo Domingo being the only one currently in operation; and fix the requirements for digital certificates.

LEGAL FRAMEWORK APPLICABLE TO **FOREIGNERS**

ENTRY AND DEPARTURE

Foreign investors whose businesses or activities require them to visit the Dominican Republic or to move their residence to the country will find information below about the most important laws and regulations that apply to their entry and stay in the country.

ENTRY REQUIREMENTS

In general, foreigners need a visa to enter the Dominican country, except for nationals of countries with which the Dominican Republic has signed agreements to eliminate this requirement. In those cases, foreigners may enter the country for a period of 60 days solely with the purchase of a tourist card, which can be purchased at a Dominican airport upon arrival. When a foreigner wishes to enter the country for residency purposes, he or she must apply for an immigrant visa or a business visa.

In general terms, visas are classified as Diplomatic, Official, Courtesy, Business, Dependents, Tourist, and Student Residence and are issued by the Foreign Service of the Dominican Republic. A foreigner cannot visit the country with a tourist visa and process another visa during his or her stay but must, instead, return to his or her country of origin to do so.

DOMINICAN RESIDENCE

Foreigners may acquire the right to reside in the country by requesting Dominican residency. The process varies depending on the category of foreigner as investor, financier, retiree, or worker. Usually there will be a period of temporary residence that will require annual renewal, culminating, if desired in obtaining Dominican nationality.

ACQUISITION OF DOMINICAN NATIONALITY

The granting of nationality is a discretionary power of the President of the Dominican Republic, a process that can take as long as eight months to one year, under the following circumstances:

- Individuals with Dominican parents;
- Those who have resided for six months in the country, if married to a Dominican citizen;
- Those who can justify an uninterrupted residence of at least two years in the country; and,
- Those who have obtained a special concession from the Dominican President (also called "Privileged Nationality"), normally granted to foreigners that have served meritoriously to the country.

IMPORTANT **ASPECTS** OF **FAMILY LAW**

MARRIAGE

Foreigners who wish to marry in the Dominican Republic must present an original and copy of their passport, a legalized and apostilled document certifying their single status issued by the country of origin, and their tourist card, residence card, or identity card, whichever is applicable.

The Dominican Civil Code regulates the financial relationship between spouses marrying in the Dominican Republic. The default marital property management system applicable to Dominican marriages is community property, except for spouses who have followed the legal procedure to adopt a different system, such as separate property or community of gains.

DIVORCE

Divorce in the Dominican Republic may be executed by mutual consent or due to a specific cause, such as irreconcilable differences, absence or home abandonment, criminal conviction, physical abuse, alcoholism or drug addiction, and cruelty or grave injury.

Dominican law also has instituted a special divorce procedure called "special or quick divorce," which applies only to foreign individuals or Dominican citizens residing abroad wishing to divorce by mutual consent. This procedure is characterized by how quickly it can be decided, registered, and published. It usually takes from one to four weeks to complete.

ADOPTION

The National Council for Children and Adolescents ("CONANI") is in charge of coordinating Dominican adoptions. A request for adoption must comply with the provisions of the International Convention for the Protection of Minors and other international measures in the interest of minors, and must comply with Dominican legal requirements. The Dominican legislation contemplates the procedure called privileged adoption, which is irrevocable and awards the adopting parent with parental rights and the adopted child with the same rights as a legitimate child.

The following people may legally adopt children in the Dominican Republic:

1. 1. Dominican couples, married for at least three years, and foreign couples, after at least five years of marriage;

2. Dominican couples, formed by one man and one woman, evidencing having lived together for at least five consecutive years prior to the adoption process;
3. Single individuals who have or have had the responsibility for the upbringing, care, and education of a child or adolescent;
4. A widower or widow, if the adoption process was initiated before the death of the spouse;
5. Divorced or separated individuals, when the adoption procedure was initiated before the divorce or separation; and
6. Grandparents, uncles and older siblings, grandchildren, nephews and younger brothers, whose father or mother or both parents are deceased and where the adopters can ensure the well-being of their relatives.

With respect to foreign individuals, and Dominicans residing abroad, all must deposit supporting documentation to show their suitability, similar to those required for Dominicans living in the country.

INHERITANCE LAW

The Dominican Civil Code establishes the rules and principles that apply to inheritances. Estates must be divided equally among the surviving closest family members, who will inherit in the following order, with the understanding that individuals in a lower order only will inherit if there are no individuals in a higher order: In the first instance, immediate descendants will inherit; then, ascendants will inherit; then, privileged collaterals; then, collaterals; then, the surviving spouse; and, finally, the government.

Dominican laws provide a mandatory reserve in favor of the descendants and ascendants of an individual, which limits the individual's ability to dispose of all of his or her estate through a will in favor of third parties. This legal reserve equals 50 percent of the estate if the individual has only one descendant or only ascendants; 66 percent of the estate if there are two descendants; and 75 percent if there are three or more.

After death, if the deceased was governed by Dominican law or if there are assets in the country, the law instructs the heirs to proceed with a "Probate Declaration" addressed to the Directorate General of Internal Revenue corresponding to the last domicile of the deceased. After this step, heirs can proceed with the proper allocation of rights and the partition of the property by a notary or a probate court in the event of conflict or if there are minors among the heirs.

FOREIGNERS BEFORE THE DOMINICAN **JUSTICE SYSTEM**

CRIMINAL CONVICTIONS

Dominican courts have jurisdiction over foreign individuals who commit infractions within Dominican territory, even when the actor and the victim are foreigners.

DEPORTATION

Foreign individuals who engage in certain illegal activities in the Dominican Republic may be arrested and deported to their country of origin.

When foreigners are deemed to have become a public nuisance, within five years following their entry to the country, the immigration inspectors are in charge of investigating these cases and obtaining the corresponding arrest warrant and, potentially, deportation. Foreigners may not be deported without having the possibility to defend themselves from the charges of which they are being accused.

EXTRADITION

Extradition is regulated by the Dominican Constitution and the provisions contained in treaties and international conventions signed and approved by the Dominican government. In the absence of treaties, Dominican law provides that extradition may be granted by the country on the basis of the principle of reciprocity between the countries involved.

The Dominican Republic has signed extradition treaties with the United States and Spain. The country also is a signatory to the International Extradition Convention of 1981.

FOREIGN PARTIES BEFORE DOMINICAN COURTS

Access to justice and the right to ask a Dominican court to defend an individual is recognized both for Dominican citizens as well as for foreign individuals and entities, without regard to their country of origin.

By virtue of the principle of contractual freedom, any foreign laws may be chosen as the applicable law to any contract, so long as it does not contradict the Dominican Republic's public order laws, as they cannot be waived or amended by private contracts.

Private documents issued or executed abroad, to be admissible in a local court or before any governmental agency, must be notarized and authenticated by the corresponding agencies in their country of origin and in the Dominican Republic. In addition, documents that are not in Spanish must be translated by an official translator or a similar officer in the country of origin.

For public documents executed in countries that are parties to the Hague Convention of October 5, 1961, the simple submission properly annotated according to the terms of the Apostille Convention is enough to make the documents valid in the Dominican Republic.

ARBITRATION

Beginning in 2008 with the enactment of the Commercial Arbitration Act, this alternative method of dispute resolution has experienced an unexpected boom, to the point that now the Chambers of Commerce in Santo Domingo and Santiago de los Caballeros have fully functioning arbitration tribunals able to render enforceable awards across the country without requiring the intervention of the national courts.

The advantages of arbitration are not only evident in time and price, but provide a degree of specialization often standard for foreign litigants that Dominican courts may not necessarily have.

It is worth mentioning that in October 2001, the Dominican Republic became a member of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"). It is also part of the Interamerican International Commercial Arbitration (the "Panama Convention"). Therefore, the enforcement of foreign arbitral awards must be ordered by a local court, based on the provisions of international conventions and local laws on the subject.

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