The Dominican Republic

RISK & COMPLIANCE REPORT

DATE: October 2018

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Executive Summary Dominican Republic	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering Assessment Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) International Narcotics Control Majors List
Medium Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations Weakness in Government Legislation to combat Money Laundering World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

sugarcane, coffee, cotton, cocoa, tobacco, rice, beans, potatoes, corn, bananas; cattle, pigs, dairy products, beef, eggs

Industries:

tourism, sugar processing, ferronickel and gold mining, textiles, cement, tobacco

Exports - commodities:

ferronickel, sugar, gold, silver, coffee, cocoa, tobacco, meats, consumer goods

Exports - partners:

US 46.1%, Haiti 17.4%, China 4.2% (2012)

Imports - commodities:

foodstuffs, petroleum, cotton and fabrics, chemicals and pharmaceuticals

Imports - partners:

US 42.5%, Venezuela 7.4%, China 6.2%, Mexico 5.2%, Colombia 4.2% (2012)

Investment Restrictions:

While the Dominican government welcomes foreign investment, systemic problems remain that limit the attractiveness of investment opportunities. Foreign investors cite a lack of clear, standardized rules by which to compete and a lack of enforcement of existing rules.

Contents

Section 1 - Background

The Taino - indigenous inhabitants of Hispaniola prior to the arrival of the Europeans - divided the island into five chiefdoms and territories. Christopher COLUMBUS explored and claimed the island on his first voyage in 1492; it became a springboard for Spanish conquest of the Caribbean and the American mainland. In 1697, Spain recognized French dominion over the western third of the island, which in 1804 became Haiti. The remainder of the island, by then known as Santo Domingo, sought to gain its own independence in 1821 but was conquered and ruled by the Haitians for 22 years; it finally attained independence as the Dominican Republic in 1844. In 1861, the Dominicans voluntarily returned to the Spanish Empire, but two years later they launched a war that restored independence in 1865. A legacy of unsettled, mostly non-representative rule followed, capped by the dictatorship of Rafael Leonidas TRUJILLO from 1930 to 1961. Juan BOSCH was elected president in 1962 but was deposed in a military coup in 1963. In 1965, the United States led an intervention in the midst of a civil war sparked by an uprising to restore BOSCH. In 1966, Joaquin BALAGUER defeated BOSCH in an election to become president. BALAGUER maintained a tight grip on power for most of the next 30 years when international reaction to flawed elections forced him to curtail his term in 1996. Since then, regular competitive elections have been held in which opposition candidates have won the presidency. Former President Leonel FERNANDEZ Reyna (first term 1996-2000) won election to a new term in 2004 following a constitutional amendment allowing presidents to serve more than one term, and was since reelected to a second consecutive term.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

The Dominican Republic is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in The Dominican Republic was undertaken by the Financial Action Task Force (FATF) in 2018. According to that Evaluation, The Dominican Republic was deemed Compliant for 14 and Largely Compliant for 19 of the FATF 40 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations. It was deemed Highly Effective for 0 and Substantially Effective 2 of the Effectiveness & Technical Compliance ratings.

Key Findings

In 2014, the Dominican Republic conducted its National Risk Assessment (NRA) based on the 2010-2014 period. Through the NRA, the country made a radiography of its money laundering and terrorism financing (ML/TF) inherent risks. Overall, the outcomes of the NRA seem reasonable and have a satisfactory level of reliability, despite the difficulties to obtain reliable statistics for some sectors. In 2017, the National Risk Strategy was elaborated to mitigate threats and vulnerabilities detected in the NRA of 2014.

Designated non-financial business or professions (DNFBPs) were rated in the NRA as the most vulnerable sector to ML/TF misuse due to the lack of specific regulation and of reliable data for the assessment of its inherent risks.

The Dominican Republic has carried out several studies relating to TF, one of which was confidentially made available to the assessment team, with an analysis of the different aspects related to the degree of threat and vulnerability of the country in relation to terrorism and its financing. The report provides a detailed analysis of TF specifically on the following sectors: Non-profit organisations (NPOs), remittances (including an analysis of types, values, and countries), money orders, legal arrangements, and imports and exports sector, and it concludes that the risk level is low.

As a result of the implementation of the National Strategy, the Dominican Republic amended its legal framework, improved the inter-agency co-ordination process with the creation of the National Committee against Money Laundering and Terrorist Financing (CONCLAFIT), provided training to promote the use of financial investigations and improve training to reporting institutions, and provided the Financial Analysis Unit (UAF) with technological tools to streamline the financial analysis, as well as with financial resources for its implementation.

There is a low number of financial intelligence reports spontaneously disseminated by the UAF to the Public Prosecutor's Office (MP); additionally, the latter used them few times for criminal investigation purposes, which negatively impacts on its effectiveness to investigate and trace criminal assets related to ML, predicate offences and TF, resulting from the natural activity performed by the UAF.

Moreover, an active participation by the UAF in the dissemination of financial intelligence reports through Technical Assistance to competent authorities is highlighted, with a considerable number of assistance requests answered to the MP, contributing to the development and conclusion of judicial investigations.

Authorities have made efforts to combat ML related to drug trafficking, in line with the risks identified in the NRA. However, there are few cases related to other identified threats. There are important cases of prosecution and conviction for ML of predicate offences committed abroad.

The Dominican Republic carries out actions to identify, trace, and confiscate property, assets, or instrumentalities produced by ML. However, the number of confiscated property, even if increasing, is still limited.

There are cases of confiscation in the Dominican Republic resulting from ML actions conducted abroad.

There are no TF cases in the Dominican Republic. However, the country has a Specialized Prosecutor's Office and a National Anti-Terrorist Office that, eventually, can adopt or order corresponding measures for its investigation and the prosecution of those responsible.

The Dominican Republic has carried out several studies relating to TF, one of which was confidentially made available to the assessment team, with an analysis of the different aspects related to the degree of threat and vulnerability of the country in relation to terrorism and its financing, where it can be concluded that the risk level is low.

No matches were found in the reporting institutions (RI) databases with the names of designated persons in the United Nations Security Council Resolutions (UNSCR) lists. The Dominican Republic does not report the existence of co-operation requests based on the UNSCR 1373 (2001) regime either.

The Dominican Republic has a specific study on the NPO sector's risks. Said study was not developed with the aim of identifying potential higher-risk sub-sectors, but it contains a global analysis that verified the legal and institutional frameworks of the control and monitoring systems, in addition to the general features of the sector.

Supervisors have put mechanisms in place to disseminate the updates to the UNSCR lists, and they instructed RI to check them as part of their customer due diligence (CDD) process.

RI, especially from the financial sector, are aware of this obligation and it was verified that they regularly check the lists sent by the Ministry of Foreign Affairs (MIREX). In relation to DNFBPs, considering that regulations are recent for most of them, it could not be verified that the periodic verification is fully implemented.

The country has regulations in place to adopt property and asset freezing measures. Likewise, the implementation of measures by intelligence and prosecution agencies to prevent and detect cases related to Financing of the Proliferation of Weapons of Mass Destruction (FPWMD) was confirmed.

Overall, financial institutions have experience in relation to the implementation of preventative measures. As regards banking and securities financial institutions, in general, there is a good level of understanding of the anti-money laundering/countering the financing of terrorism (AML/CFT) risks and obligations.

The cooperatives sector is at a preliminary stage of understanding and compliance with AML/CFT preventive measures.

Regarding DNFBPs, the assessment team verified that the sectors started to implement the preventive measures. However, given the short time since the publication of the secondary regulations (both legislation and regulations were issued before the finalization of the onsite visit), it was not possible to assess the extent of the level of effectiveness of those measures adopted.

All supervisors have developed and applied training programmes on AML/CFT matters, especially as a result of the enactment of the law and subsequent sectoral regulations.

The enforcement of effective, proportionate and dissuasive sanctions by financial supervisors is limited. In particular, no AML/CFT sanctions were applied in the insurance and cooperatives sectors.

There is basic information on legal persons, which is public and available on the website of the company register. The country has developed a series of reports that, taken together, allow concluding that the vulnerabilities of legal persons and arrangements available in the country have been assessed and understood.

The computerisation of the company registers and the centralisation of information on companies, legal arrangements and beneficial ownership through the National Registry of Taxpayers (RNC) of the General Internal Revenue Office (DGII) can be highlighted as a strength.

Even when the DGII has made enormous efforts to achieve the identification of beneficial owners, said identification was focused on the shareholding structure and only after the enactment of the Law 155-17 on the natural persons that exercise the final real control of legal persons or arrangements.

In relation to other forms of international co-operation, competent authorities of the Dominican Republic have entered into memoranda of understanding with the aim of establishing direct communication channels and contact points, and have used mechanisms or means to safeguard the confidentiality of the information exchanged.

In cases where there are not agreements or memoranda of understanding signed, it is still possible to exchange the information by the principle of reciprocity. In this line, it should be mentioned that the UAF is currently in the process to become member of the Egmont Group of Financial Intelligence Units, which has not been an obstacle to provide international co-operation to its foreign counterparts.

Risks and General Situation

In 2014, the Dominican Republic conducted its NRA. For its development, it used a methodological tool elaborated by the World Bank. Several sectors participated in said process and made up different working groups.

By means of the NRA, the country made a radiography of the inherent ML/TF risks. The NRA yielded as higher-risk illicit activities drug trafficking, corruption, bank fraud and fraud against the State. Overall, the outcomes of the NRA are reasonable and have a satisfactory degree of reliability, despite the difficulties to obtain reliable statistics from some sectors.

The NRA rated DNFBPs as the most vulnerable sector to ML/TF misuse due to the lack of specific regulation and of reliable data for the assessment of its inherent risks. In 2017, the National Risk Strategy was elaborated to mitigate threats and vulnerabilities detected in the NRA of 2014.

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As a result of the implementation of the National Strategy, the Dominican Republic amended its legal framework, improved the inter-agency co-ordination process with the creation of the CONCLAFIT, provided training to promote the use of financial investigations and improve training to reporting institutions, and provided the UAF with technological tools to streamline the financial analysis, as well as with financial resources for its implementation.

US Department of State Money Laundering assessment (INCSR)

Dominican Republic is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

The Dominican Republic (DR) is a major transshipment point for illicit narcotics destined for the United States and Europe. The eight international airports, 16 seaports, and a large porous frontier with Haiti present Dominican authorities with serious challenges. The DR is not a major regional financial center, despite having one of the largest economies in the Caribbean.

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and weak financial controls make the DR vulnerable to money laundering threats. Financial institutions in the DR engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States.

Following its expulsion in 2006, the DR is not currently a member of the Egmont Group. It officially requested to begin the process to rejoin Egmont in 2015.

The government should take steps to rectify continuing weaknesses regarding PEPs, pass legislation to provide safe harbor protection for STR filers, and criminalize tipping off. The government should better regulate casinos and non-bank businesses and professions, specifically real estate companies and betting and lottery parlors, and strengthen regulations for financial cooperatives and insurance companies.

VULNERABILITIES AND EXPECTED TYPOLOGIES

The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, and fraudulent financial activities, particularly transactions with forged credit cards. U.S. law enforcement has identified networks smuggling weapons into the DR from the United States. Car dealerships, the precious metals sector, casinos, tourism agencies, and real estate and construction companies contribute to money laundering activities in the DR. Bulk cash smuggling by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the Dominican Republic. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos facilitate the laundering of these illicit funds.

In 2008, the DR passed a law creating an international FTZ. Because the law calls for an independent regulatory and supervisory authority for the FTZs, public perceptions the zone will be left out of the DR's AML regulatory regime have precluded the issuance of implementing regulations.

KEY AML LAWS AND REGULATIONS

Law 155-17 was updated in 2017, to strengthen penalties and broaden the scope of crimes covered under the legislation, among other changes. The DR has comprehensive KYC and STR regulations.

The United States and the DR do not have a bilateral MLAT but do use a similar process via multilateral law enforcement conventions to exchange data for judicial proceedings. The process is only used on a case-by-case basis.

The DR's weak asset forfeiture regime is improving but does not cover confiscation of instrumentalities intended for use in the commission of money laundering offenses; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. The Congress of the Dominican Republic is currently reviewing legislation that would institute non- conviction-based asset forfeiture and align the asset forfeiture regime with international standards.

The Dominican Republic is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is not available. The DR is currently undergoing a GAFILAT evaluation.

AML DEFICIENCIES

The DR has a mechanism (Law 155-17) for sharing and requesting information related to money laundering; however, that mechanism is not in force due to the exclusion of the DR from the Egmont Group. Following its expulsion in 2006, the Dominican government improved the functionality of its AML institutions, but it was only in 2014 that the necessary legislative changes were made to bring the legislative framework into compliance with Egmont Group rules by eliminating a second FIU-like organization. The DR officially requested readmission to the Egmont Group in 2015 but has not yet been readmitted.

The DR has weaknesses regarding PEPs, has no legislation providing safe harbor protection for STR filers, and does not criminalize tipping off. The government also needs to strengthen regulation of casinos and non-bank actors and is exploring methodologies to do so.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The DR continues to work on areas where it is non-compliant with international AML standards, and the national money laundering working group has publicly reaffirmed the government's commitment to reaching compliance.

The Attorney General's Office reports there were six convictions in calendar year 2017 for money laundering as well as 35 active investigations. The Financial Analysis Unit is investigating an additional 37 cases. The Attorney General's Office developed a criminal investigations unit which will work on sensitive cases involving, among other issues, money laundering and corruption.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, The Dominican Republic does not conform with regard to the following government legislation: -

Disclosure Protection - "Safe Harbour" - By law, the jurisdiction provides a "safe harbor" defense to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.

Criminalised Tipping Off - By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.

EU White list of Equivalent Jurisdictions

The Dominican Republic is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

The Dominican Republic is not considered an Offshore Financial Centre

US State Dept Narcotics Report 2017:

Introduction

The Dominican Republic is an important transit country for illicit drugs from South America destined for North America and Europe. The U.S. government estimates that approximately six percent of the cocaine transiting to those markets transships through the Dominican Republic.
Maritime routes, involving the use of "go-fast" boats and commercial containers, continue to be the primary method of smuggling drugs into and out of the country. The country is experiencing an increase in drug-related violence, partially attributable to the practice of drug trafficking organizations paying local partners in narcotics, which leads to the development of local drug gangs that engage in violent turf battles to control domestic drug distribution.

In order to combat the influence of drug traffickers, the Dominican Republic continued its cooperation with the U.S. government in 2016 to interdict illicit drugs and extradite criminals, including those charged with narcotics-related crimes. The United States works actively with the Dominican Republic to plan and conduct international operations to seize illicit drugs and dismantle criminal organizations; however, corruption continues to hamper these efforts. The Dominican government conducts outreach efforts to warn youth about the dangers of drugs.

Conclusion

Combating pervasive corruption, restoring public confidence in law enforcement entities and the judiciary, addressing maritime illicit drug smuggling, and combating rising levels of drug-fueled violence remain among the challenges facing the Dominican Republic. The Dominican Republic's highly successful aerial and maritime interdiction efforts since 2010 demonstrate that Dominican institutions have the capacity and will to stem the flow of drugs into the country. The Dominican government must continue to improve its efforts to build a coherent, multifaceted counterdrug program. Key to that effort will be increased domestic cooperation between the DNP, DNCD, and military units, combined with greater cooperation with law enforcement agencies in other countries in the region.

US State Dept Trafficking in Persons Report 2016 (introduction):

The Dominican Republic is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

The Dominican Republic is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor. Large numbers of Dominican women and children are subjected to sex trafficking throughout the Dominican Republic, the Caribbean, Europe, South and Central America, the Middle East, Asia, and the United States. Foreign national victims from the Caribbean, Asia, and South America are subjected to trafficking in the Dominican Republic. Commercial sexual exploitation of local children by foreign tourists and locals persists, particularly in coastal resort areas of the Dominican Republic. NGO research indicates sex trafficking of 15- to 17-year-old girls occurs in streets, in parks, and on beaches. Government officials and NGOs report an increase in Colombian and Venezuelan women brought to the country to dance in strip clubs who are subjected to forced prostitution. Traffickers lure Dominican women to work in night clubs in the Middle East, the Caribbean, and Latin America and subject them to sex trafficking. Dominican officials and NGOs documented cases of children forced into domestic service, street vending, begging, agricultural work, construction, and moving illicit narcotics. There are reports of forced labor of adults in construction, agricultural, and service sectors. Vulnerable populations include working children and street children, migrant workers, and undocumented or stateless persons of Haitian descent. NGOs and people in prostitution report police complicity in the abuse of people in prostitution, including in areas known for child sex trafficking.

The Government of the Dominican Republic does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. In 2015, the government initiated investigations of 15 trafficking cases and prosecuted 49 alleged traffickers. The government identified 101 trafficking victims in 2015, but continued to lack specialized victim assistance. The government implemented a naturalization law by providing thousands of undocumented migrants with legal status, decreasing their vulnerability to trafficking. The government reported no new investigations, prosecutions, or convictions of officials complicit in trafficking, which remained a serious concern.

Latest US State Dept Terrorism Report 2009

The Dominican Republic continued to lack the ability to fully control its air, land, and sea borders but is making progress to do so. The Dominican Republic cooperated with U.S. law enforcement agencies under the Sovereign Skies agreement and negotiated a MOU for US$ 10 million to upgrade helicopters and train pilots for counternarcotics operations. In addition, in December 2009, the Dominicans received the first two Brazilian Super Tucano aircraft out of an order of eight that will be used to control its airspace. In another positive step, the Dominican Republic continued to work with the United States to create a nation-wide biometric database base that incorporates and provides timely data from Dominican military, law enforcement, and judicial databases. Biometric equipment was maintained at the headquarters of the Dominican National Police and 16 other key locations, with another 20 sets to be installed. Positive steps were taken last year by the Dominican Republic to strengthen its legal regime and capabilities to combat terrorism.

The National Congress passed the General Counterterrorism Act, thereby creating the legislative framework that defines the behaviors that constitute acts of terrorism and other related acts.

Since the Dominican Republic is a strategic point for international trade and tourism, measures were implemented by the government in coordination with the United States to reinforce customs controls to prevent terrorist organizations from acquiring weapons, weapons delivery systems, and the technologies to manufacture them from persons and institutions located in the country.

The Dominican Republic, in coordination with the United States and other international agencies, organized and/or participated in efforts to strengthen training and international cooperation to combat terrorism. The Dominican Republic hosted a ministerial conference in February that engaged various entities of the UN Office on Drugs and Crime (UNODC) in dealing with issues related to illicit drugs, organized crime, and terrorism. This conference concluded with the adoption of the Political Declaration on Combating Illicit Drug Trafficking, Organized Crime and Other Serious Crimes in the Caribbean. The Office of the Attorney General for the Dominican Republic sponsored Specialized Training in the Prevention and Fight against Terrorism and Terrorist Financing. In November, law enforcement and high-level officials from the Dominican Republic took part in an UNODC Terrorism workshop in the Bahamas and examined trends and discussed the legal framework and mechanisms of international cooperation in the fight against terrorism. In March, the Dominican Republic's counterterrorism unit known as Secretaria de Las Fuerzas Armadas Commando Especial Contra Terrorismo was trained as part of U.S. Southern Command, Special Operations Command-South's Exercise Fused Response. Fused Response provided real world scenarios that tested the commandos' ability to perform counterterrorism type missions. In September, the Dominican Republic participated in a U.S.-sponsored military training exercise, PANAMAX. This particular exercise was designed by U.S. Southern Command to address teamwork and to strengthen the Country's ability to operate jointly against terrorism. As a means to improve border security, members of the specialized Border Security Force were trained by members of the U.S. Border Patrol.

While many land border, ports, and airline hubs remained permeable, the United States assisted the Dominican Republic on various initiatives to improve security, such as the Container Security Initiative. Port Caucedo was identified as a Megaport and its certification was part of the Customs Trade Partnership Against Terrorism Initiative.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	29
World Governance Indicator – Control of Corruption	23

Corruption and Government Transparency - Report by US State Department

The DR has a legal framework that includes laws, regulations and criminal penalties to permit the effective combating of corruption. However, the government does not implement the law effectively. Corruption remains an endemic problem in the security forces, civilian government, and private sector, and officials frequently engage in corrupt practices with impunity.

Corruption and the need for reform efforts are openly and widely discussed as key public grievances. In 2013, Transparency International gave the DR a Corruption Perception Index (CPI) score of 29, ranking it 123 of 177 countries assessed. The World Economic Forum's 2013 Global Competitiveness report also identified corruption as the single most problematic factor for doing business in the DR, ranking the Dominican Government 105 of 148 countries, with a score of 3.8 out of 7, in global competitiveness. Of the specific indicators, the DR was fourth-to-last in favoritism in decisions of government officials and near last in public trust in politicians and diversion of public funds.

Weak enforcement mechanisms and a lack of political will to apply Dominican laws and prosecute criminals, particularly high-level public officials, are the primary barriers to effective investigations. No data are available to assess whether corruption disproportionately affects foreign firms, but both Dominicans and foreign residents in the Dominican Republic encounter the issue routinely. Corruption has the effect of protectionism by giving an "insider" an undue advantage over outsiders (either foreign or domestic). According to a 2010 Gallup poll, a high percentage of the Dominican population believes that paying a bribe is justified, and there is widespread acceptance of the practice. Dominicans point to low law enforcement salaries as part of the incentive for supplemental, illicit income. For example, according to the Dominican National Police, a sergeant earns approximately USD 214 per month, and a colonel approximately USD 560. Dominicans also have a high tolerance for nepotism, often regarding it as a justified and expected activity of those with power and influence.

Nonetheless, giving or accepting a bribe is a criminal act according to Dominican law. Articles 177, 178 and 181 of the Criminal Code prohibit public officials and judges from accepting bribes or other gifts, under the penalty of a fine twice the benefit received and no less than six months in prison. Articles 2 and 3 of the Bribery in Commerce and Investments Law (No. 448-06) prohibit individuals or corporate bodies from giving, and public officials from accepting, gifts or bribes related to their public function, under the penalty of a fine twice the benefit received and three to ten years in prison with labor.

President Danilo Medina, who took office in August 2012, has made notable efforts to promote government accountability. Medina eliminated other government privileges such as luxury vehicles and lavish holiday parties. Further, he required all officials in his administration to comply with laws to declare their personal property within a month of being sworn in and when they leave office. Though Medina has allowed corruption investigations against two senators and a former Minister of Public Works, there have been no high-profile convictions since he assumed office.

Three government agencies have primary responsibility for countering corruption. First, the Public Ministry, led by the attorney general, is responsible for investigating and prosecuting corruption cases through the Department for the Prosecution of Administrative Corruption (DPCA). Since the DPCA's inception in August 2004 until July 2013, 60 of 301 denunciations of corruption reached trial (19.9 percent). In 2013, 13 of 23 denunciations reached trial (56.5 percent). The judiciary has dealt administratively with judges deemed corrupt, but no known prosecutions of corrupt judges have taken place. Second, the Chamber of Accounts, similar to the U.S. Government Accountability Office, promotes government accountability through audits and investigations, which often form the basis of DPCA corruption cases. In 2013, the Chamber of Accounts submitted one annual audit report to Congress with significant findings of misuse of public funds and lack of proper procedures. Third, the General Directorate of Ethics and Governmental Integrity, previously the Commission for Ethics and Combating Corruption, operates with a strong political mandate but minimal practical results. Additionally, the Comptroller General's Office defines management controls and accounting procedures for all government agencies, and a joint commission between the Comptroller General and Chamber of Accounts facilitates audits and investigations.

Civil society is actively engaged in anti-corruption campaigns through non-governmental organizations and the media. Several non-governmental organizations are particularly active in transparency and anti-corruption, notably the Foundation for Institutionalization and Justice (FINJUS), Citizen Participation (Participación Ciudadana), and the Dominican Alliance Against Corruption (ADOCCO). Government agencies have limited and often adversarial relationships with civil society organizations, though a notable example of close cooperation was the 2010 Anti-Corruption Participatory Initiative, in which civil society organizations and government institutions conducted public outreach activities and public official training to encourage effective use of the law.

The Dominican Congress ratified the UN Convention Against Corruption (UNCAC) on October 26, 2006. The UN Convention has a broader scope on corruption than do other agreements; it includes provisions regarding money laundering, obstruction of justice, private sector corruption, and asset recovery. As for regional initiatives, the DR has signed the Inter-American Convention Against Corruption (IACAC), though the DR is not a party to the 1992 Inter-American Convention on Mutual Assistance in Criminal Matters. Both the Central American Free Trade Agreement (CAFTA-DR) and UNCAC mandate that the country criminalize bribery.

Section 3 - Economy

The Dominican Republic has long been viewed primarily as an exporter of sugar, coffee, and tobacco, but in recent years the service sector has overtaken agriculture as the economy's largest employer, due to growth in construction, tourism, and free trade zones. The mining sector has also played a greater role in the export market since late 2012 with the commencement of the extraction phase of the Pueblo Viejo Gold and Silver mine. The country suffers from marked income inequality; the poorest half of the population receives less than one-fifth of GDP, while the richest 10% enjoys nearly 40% of GDP. High unemployment, a large informal sector, and underemployment remain important long-term challenges.

The economy is highly dependent upon the US, the destination for approximately half of exports. Remittances from the US amount to about 7% of GDP, equivalent to about a third of exports and two-thirds of tourism receipts. The Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) came into force in March 2007, boosting investment and exports and reducing losses to the Asian garment industry.

The Dominican Republic's economy rebounded from the global recession in 2010-15, and the fiscal situation is improving. A tax reform package passed in November 2012, a reduction in government spending, and lower energy costs helped to narrow the central government budget deficit from 6.6% of GDP in 2012 to 2.6% in 2015. A liability management operation in January 2015, in which the government paid down over $4 billion of the country's Petrocaribe debt at a discount of 52% with proceeds from the sale of $2.5 billion in global bonds, reduced the country's debt load by approximately by 4% of GDP. Analysts project 6% GDP growth in 2016 and inflation within the Central Bank's target of 4.0%, 1.0%, due to low oil prices, increased remittances, and continued expansion in the services sector based on growth in construction.

Agriculture - products:

cocoa, tobacco, sugarcane, coffee, cotton, rice, beans, potatoes, corn, bananas; cattle, pigs, dairy products, beef, eggs

Industries:

tourism, sugar processing, gold mining, textiles, cement, tobacco, electrical components, medical devices

Exports - commodities:

gold, silver, cocoa, sugar, coffee, tobacco, meats, consumer goods

Exports - partners:

US 42.5%, Haiti 16.5%, Canada 8.1%, India 4.8% (2015)

Imports - commodities:

petroleum, foodstuffs, cotton and fabrics, chemicals and pharmaceuticals

Imports - partners:

US 42%, China 9.2%, Venezuela 5.6%, Trinidad and Tobago 4.5%, Mexico 4.4% (2015)

Banking

The Central Bank of the Dominican Republic implements monetary policy and issues the national currency (Dominican pesos, commonly abbreviated as "RD$"). The Central Bank also manages external payments. Commercial banks represent one of the principal sources for private sector financing. The majority of the requested loans are short and medium term, ranging from 30-90 days for working capital or trade financing and from 1, 3 to 5 years at the most for capital expenses. Working capital fixed-term loans require that the borrower make either periodic payments of principal and interest or a single principal bullet payment of the entire outstanding balance at maturity.

Stock Exchange

The Dominican securities market, the Bolsa de Valores de Santo Domingo, opened on December 12, 1991, and mostly handles offerings of commercial paper. In 2009, the Bolsa de Valores handled more than USD 768 million worth of transactions, with USD 116.5 million in the primary and USD 651.9 million in the secondary market. It is supervised by the Superintendency of Securities (SIV), which approves all public securities offerings.

Section 4 - Investment Climate

Executive Summary

Over the last few decades, the Dominican Republic has adopted policies of greater openness to international trade and investment. As a result, foreign direct investment (FDI) has played a prominent role in the country's economic development; however, significant systemic problems remain. Foreign investors cite a lack of clear, standardized rules by which to compete and a lack of enforcement of existing rules. Complaints have included allegations of widespread corruption, requests for bribes, delays in government payments, increased time and costs necessary to enforce contracts, and non-standard procedures in customs valuation of imported goods, as well as product misclassification as a means of negating CAFTA-DR benefits and increasing customs revenues. The Dominican authorities have carried out some reform efforts aimed at improving transparency and effectiveness of laws affecting competition. Nevertheless, corruption, the need for reform, and better implementation of existing laws are openly and widely discussed as key public grievances.

In 2015, the Dominican economy grew an estimated 7 percent, according to the Central Bank, making it the fastest-growing country in Latin America. Growth was led by public and private sector construction, with 18.2% growth, financial services, with 9.2% growth, and by commerce, education, remittances, and increased tourism receipts. The fiscal deficit, at 1.6% of GDP in 2015, was down somewhat from the previous year. While the macroeconomic situation has stabilized, the investment climate in the coming years will largely depend on sustaining the political will to make and to implement reforms necessary to promote competitiveness, transparency, and attract further foreign investment.

According to information from the International Trade Administration (ITA), the U.S. foreign direct investment (FDI) in the Dominican Republic (stock) was USD 1.224 billion in 2015.

The Dominican Republic is among the main recipients of FDI in the Caribbean and Central America. The manufacturing, mining, power generation, real estate, and tourism sectors are the largest recipients of foreign direct investment. A major Canadian investment in the mining sector totaled over USD 4 billion and represents the largest FDI to date. Historically, the United States has been the largest investor, followed by Canada and Spain.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	115 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	93 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	89 of 143	globalinnovationindex.org/content/page/data-analysis

U.S. FDI in partner country ($M USD, stock positions)	2015	USD $1.224 billion	http://tse.export.gov/
World Bank GNI per capita	2014	USD $6,040	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Under the Foreign Investment Law (No. 16-95), unlimited foreign investment is permitted in all sectors, with the exception of the disposal and storage of toxic, hazardous, or radioactive waste not produced in the country; activities negatively impacting public health and the environment; and the production of materials and equipment directly linked to national security, unless authorized by the President.

Other Investment Policy Reviews

The government conducted an investment policy review in the context of a World Trade Organization (WTO) Trade Policy Review in 2015.

In the past three years, the government has not conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD). The last United Nations Conference on Trade and Development (UNCTAD) investment policy review was published in 2009.

Laws/Regulations on Foreign Direct Investment

There are no limits on foreign control of firms or screening of foreign investment in the open sectors not excluded in the Foreign Investment Law (No. 16-95).

Business Registration

The Dominican Republic has a single-window registration website for S.R.L. company registration (http://www.formalizate.gob.do/) that offers a one-stop shop for registration needs. The registration website is managed by a consortium that includes local chambers of commerce and ONAPI, the patents and trademarks regulator. According to the World Bank's 2016 Doing Business report, starting a business requires a 7 step process that takes 14.5 days, costs 16.4 percent of income per capita, and requires business to have paid-in minimum capital of 39.8 percent of income per capita. For non-S.R.L. company registrations, the use of a local lawyer is highly advisable.

The Ministry of Industry and Commerce (MIC) leads the Dominican Republic's assistance and registration program for small and medium-sized enterprises (PYMES). The +PYMES program, a partnership between the Ministry of Industry and Commerce (MIC) and the National Competitiveness Council, offers technical assistance to majority Dominican-owned companies and defines small businesses as those with fewer than 75 employees and medium-sized businesses as those with between 76 and 150 employees.

Industrial Promotion

There are no specific government programs to attract foreign investment. In practice, the Export and Investment Center of the Dominican Republic (CEI-RD) offers assistance to foreign investors wanting to invest in the Dominican Republic, and the National Council of Free Trade Zones for Export (CNZFE) offers assistance to companies looking to invest in the free trade zones.

Limits on Foreign Control and Right to Private Ownership and Establishment

There are no general (statutory, de facto, or otherwise) limits on foreign ownership or control.

Privatization Program

The government does not have any privatization programs. A partial privatization of state-owned enterprises (SOEs) carried out in the late 1990s resulted in foreign investors purchasing shares and obtaining management control of former SOEs engaged in activities such as electricity generation, airport management, and sugarcane processing.

Screening of FDI

The government does not screen, review, or approve foreign direct investments.

Competition Law

There is no government agency that reviews transactions for competition-related concerns (whether domestic or international in nature); however, the government's National Commission for the Defense of Competition (ProCompetencia) is responsible for promoting and defending competition by fostering best practices.

2. Conversion and Transfer Policies

Foreign Exchange

The Dominican exchange system is a market with free convertibility of the peso. Economic agents perform their transactions of foreign currencies under free market conditions. There are generally no restrictions or limitations placed on foreign investors in converting, transferring, or repatriating funds associated with an investment.

The Central Bank uses an average of the exchange rates reported by the foreign exchange market and financial intermediaries to set the rate for its own operations. Importers may obtain foreign currency directly from commercial banks and exchange agents.

The Central Bank participates in this market in pursuit of monetary policy objectives, buying or selling currencies and performing any other operation in the market.

Resolutions 64-06 and 106-06, issued by the Dominican Civil Aviation Board in 2006, require all airlines serving the Dominican market to pay nearly all local taxes in U.S. dollars as opposed to local currency for both entry and exit of each passenger. Some airlines have considered challenging this requirement in the courts, but the fines for failure to comply are punitive and compel the airlines to comply until the courts decide otherwise.

Remittance Policies

The government has made no changes, nor does it plan to change investment remittance policies. The government does not engage in currency manipulation tactics, and there are no parallel markets. The Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofthedominicanrepublic.html.

3. Expropriation and Compensation

There are dozens of outstanding disputes filed by U.S. investors with the Dominican government concerning unpaid government contracts or expropriated property and businesses. Property claims make up the majority of expropriation cases. Most, but not all, expropriations have been used for infrastructure or commercial development. In some cases, claims have remained unresolved for many years. Typically, investors and lenders have not received prompt payment of fair market value for their losses, and subsequent enforcement has been difficult even in cases in which the Dominican courts, including the Supreme Court, have ordered compensation or the government has recognized a claim. In other cases, lengthy delays in compensation payments have been blamed on errors committed by government-contracted property assessors, slow processes to correct land title errors, a lack of budgeted funds, and other technical procedures. The procedures to resolve expropriations lack transparency and, to a foreigner, may appear to be antiquated. Government agencies frequently disagree amongst themselves regarding with whom lies the responsibility to take the next action. Few examples exist where government officials have been held responsible for not paying a recognized claim or not paying the claim in a timely manner.

Recent administrations have expropriated fewer properties than their predecessors, and for the most part, have, in each of those cases, paid compensation. Discussions at the U.S.-Dominican Trade and Investment Council meetings in October 2002 prompted the Dominican government to establish procedures under a 1999 law to issue bonds to settle claims against the Dominican government dating from before August 16, 1996, including claims for expropriated property.

In 2005, with assistance from the U.S. Agency for International Development (USAID), the Dominican government identified and analyzed 248 expropriation cases; most (65.5 percent) were resolved by paying claimants with bonds or by dismissing the claim. However, a number of U.S. claims against the Dominican Republic remain.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The legal system of the Dominican Republic is civil law and is based on the Napoleonic code. On October 23, 2007, Decree No. 610-07 placed DICOEX – the Directorate of Foreign Commerce of the then-Secretariat of State for Industry and Commerce – in charge of commercial dispute settlement, including disputes related to the Investment Chapter of CAFTA-DR. The main laws governing commercial disputes are the Commercial Code; Law No. 479-08, the Commercial Societies Law; Law No. 3-02, concerning Business Registration; Law No. 126-02, concerning e-Commerce and Digital Documents and Signatures; and Bill No. 173, dealing with agent and distributor protection. The government does not have a commercial court system.

Bankruptcy

The Restructuring and Liquidation of Business Entities and Merchants Law (Law 141-15) was signed by President Medina on August 18, 2015, and is scheduled to take effect 18 months after signing. The law will allow a debtor company to continue to operate for up to five years during reorganization proceedings by staying legal proceedings. The law orders the creation of new courts with exclusive jurisdiction to hear all matters regarding the insolvency process, contemplates the appointment of conciliators, verifiers, experts, and employee representatives, allows the debtor to contract for new debt which will have priority status in relation to other secured and unsecured claims, stipulates civil and criminal sanctions for non-compliance, and permits the possibility of coordinating cross-border proceedings based on recommendations of the United Nations Commission on International Trade (UNCITRAL) Model Law of 1997.

Investment Disputes

Currently, quite a few U.S. investors, ranging from large firms to private individuals, have disputes with the Dominican government and parastatal firms involving payments, expropriations, contractual obligations, or regulatory obligations. Regardless of whether they are located in a free-trade zone, companies have problems with dispute resolution, both with the Dominican government and with private-sector entities. U.S. firms indicate that corruption on all levels – business, government, and judicial – in the Dominican Republic impedes their access to justice to defend their interests. Moreover, several large U.S. firms have been subjects of injunctions issued by lower courts on behalf of distributors with whom they are engaged in a contract dispute. These disputes are often the result of the firm seeking to end the relationship in accordance with the contract, and the distributor using the injunction as a way of obtaining a more beneficial settlement. These injunctions often disrupt the U.S. companies' distribution activities, resulting in severe negative impact on sales. In order to effectively engage in the Dominican market, many U.S. companies seek local partners that are well-connected and understand the local business environment.

International Arbitration

Law 489-09 on commercial arbitration governs the enforcement of arbitration awards, arbitral agreements, and arbitration proceedings in the Dominican Republic. The Dominican Republic has entered into several bilateral investment treaties, most of which contain dispute resolution provisions that submit the parties to arbitration. In 2006, the CAFTA-DR agreement established the use of international arbitration as a dispute resolution mechanism. In 2014, an American-owned tourism development in the DR filed an arbitration complaint against the GoDR under the dispute mechanism of the CAFTA-DR treaty.

ICSID Convention and New York Convention

In April 2002, the Dominican Republic became a signatory to the International Center for the Settlement of Investment Disputes (ICSID, also known as the "Washington Convention"). In August of the same year, the Dominican Republic became signatory to the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). The New York Convention requires that the domestic courts of member states recognize and enforce arbitral awards.

Duration of Dispute Resolution – Local Courts

It can take any number of years to obtain a resolution on a dispute litigated within the local domestic court system. Sometimes disputes are not resolved, or, if resolved, the judgments are not enforced.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The government has not notified the WTO of any measures that are inconsistent with the requirements of the WTO's Trade Related Investment Measures (TRIMs) obligations, nor does the government maintain any measures that are inconsistent with TRIMs requirements.

Investment Incentives

Foreign investors receive no special investment incentives and no other types of favored treatment, except for investments in renewable energy; in manufacturing investments located in Special Zones for Border Development (near the frontier with Haiti); and for investment in tourism projects in certain locations (see below). There are no requirements for investors to export a defined percentage of their production.

Foreign companies are unrestricted in their access to foreign exchange. There are no requirements that foreign equity be reduced over time or that technology be transferred according to defined terms. The government imposes no conditions on foreign investors concerning location, local ownership, local content, or export requirements.

The Renewable Energy Incentives Law (No. 57-07), which entered into force in June 2008, provides an array of incentives to businesses developing renewable energy technologies. This law was passed as part of the Dominican government's efforts to invigorate the local production of renewable energy as well as renewable energy-related manufactured products. The incentives included a 100 percent tax exemption on imported inputs (equipment and materials) and a 10-year (from the date of initial operation and not beyond 2020) tax exemption on profits derived from the sale of electricity generated from renewable resources. This law played a large role in the debut of the Caribbean's first and only commercially viable wind farm in October 2011. Foreign investors praise the provisions of the law, but express frustration with approval and execution of potential renewable energy projects. In 2012, the law was modified as part of President Medina's fiscal reform measures, reducing the tax incentive for small-scale producers of renewable energy and eliminating the 10-year tax exemption on profits derived from the sale of electricity generated from renewable sources.

In order to encourage development in economically deprived areas located near the Dominican Republic's border with Haiti, Special Zones for Border Development were created by Law No. 28-01, passed in 2001. A range of incentives, largely in the form of tax exemptions for a maximum period of 20 years, are available to direct investments in manufacturing projects in the Zones. These incentives include the exemption of income tax on the net taxable income of the projects; the exemption of sales tax; the exemption of import duties and tariffs and other related charges on imported equipment and machinery used exclusively in the industrial processes, as well as on imports of lubricants and fuels (except gasoline) used in the processes.

Law 158-01, on the Promotion of Tourism Development, grants incentives, in the form of tax relief, on tourism development projects in certain provinces and municipalities of the DR listed in Law 158-01 and extended in Law 184-02. The government of the Dominican Republic announced a goal of doubling the number of tourist arrivals to the country from 5 million in 2012, to 10 million by 2022.

The Export and Investment Center of the Dominican Republic (CEI-RD), which aims to be a one-stop-shop for investment information, registration and investor after-care services, maintains a user-friendly website for guidance on the government's priority sectors for inward investment and on the range of investment incentives (http://cei-rd.gob.do/).

Research and Development

There are no government financed and/or subsidized research and development programs in which foreign firms might participate.

Performance Requirements

The Dominican labor code establishes that 80 percent of the labor force of a foreign or national company, including free trade zone companies, be composed of Dominican nationals (although the management or administrative staff of a foreign company is exempt from this regulation). The Foreign Investment Law (No. 16-95) provides that contracts licensing patents or trademarks, leases of machinery and equipment, and contracts for provision of technical know-how must be registered with the Directorate of Foreign Investment of the Central Bank.

Data Storage

There are no requirements for foreign IT providers to turn over source code and/or provide access to surveillance (backdoors into hardware and software or turn-over keys for encryption). There are no mechanisms used to enforce any rules on maintaining set amounts of data storage within the country/economy. The government has not enacted data localization policies.

6. Protection of Property Rights

Real Property

The Constitution of the Dominican Republic recognizes and guarantees the right to own private property and provides that the state shall promote the acquisition of property, especially titled real property. The Constitution further provides that it is "in the public interest that land be devoted to useful purposes and that large estates (latifundios) be gradually eliminated," and that the social policy of the state shall promote land reform and effectively integrate the rural population to the national development process by encouraging renewal of agricultural production.

The government advises that investors are ultimately responsible for due diligence and recommends partnering with experienced attorneys to ensure that all documentation ranging from title searches to surveys have been properly verified and processed. In the last five years, the Dominican government has instituted a number of reforms, including the development of a cadaster with digitized property titles and the establishment and expansion of 23 land registry offices across the country. In 2012 the government created the State Lands Titling Commission, which, working with the Dominican Agrarian Institute, is intended to achieve the titling of around 150,000 urban and rural properties.

Under Dominican Republic law, all land must be registered; all unregistered land is considered state land. Registration requires 6 steps, an average of 45 days, and payment of 3.7 percent of the value of the land as a registration fee. The landowner is required to have a survey of the land, a certificate demonstrating that property taxes are current, and a certificate from the Title Registry Office that evidences any encumbrances on the land (such as mortgages or easements) and serves as a check on the extent of land rights to be transferred.

Land tenure insecurity persists, fueled by government land expropriations, institutional weaknesses, lack of effective law enforcement, and local community support for land invasions and squatting. Despite the requirement of land registration, most land in the Dominican Republic is not registered, and even if land rights are registered, tenure is not assured. In some parts of the country, unregistered land has been expropriated for development without notice or compensation. In some cases, however, holders of title certificates have received little or no additional security. Long-standing titling practices–such as issuing provisional titles that are never completed, or providing title to land to multiple owners without requiring individualization of parcels–have created substantial ambiguity in property rights and undermined the reliability of land records. Some of these practices have been curtailed in the last few years, but nonetheless undermine the reliability of existing land documentation. In addition, the country has struggled to control fraud in the creation and registration of land titles, including illegal operations within the government agencies responsible for issuing titles.

In the last decade, the GoDR has implemented reform programs focused on developing institutional frameworks and strengthening government agencies and public administration. As part of its overarching program to modernize the justice sector, the Dominican Republic Supreme Court modernized its property title registration process through a $10 million USD Inter American Development Bank (IDB) loan in an effort to address deficiencies and gaps in the land administration system and strengthen land tenure security. The project involved digitization of land records, decentralization of registries, establishment of a fund to compensate people for title errors, separation of the legal and administrative functions within the agency, and redefinition of the roles and responsibilities of judges and courts.

Intellectual Property Rights

The Dominican Republic has a legal structure with laws and sanctions adequate to protect copyrights and has improved the regulatory framework for patent and trademark protection. However, United States industry representatives continue to cite a lack of enforcement of intellectual property rights (IPR) and common infringement on and theft of IPR as a major concern, validating the Dominican Republic's placement on the United States Trade Representative's Special 301 Watch list.

During the past year, no new IPR related laws or regulations have been enacted. There are no reform bills pending.

Key issues include rampant television signal broadcast piracy, insufficient enforcement actions against the manufacturers of counterfeit pharmaceuticals and other products, a backlog of patents waiting for approval, and weak customs enforcement of counterfeit trafficking. The Dominican government committed, in a side-letter to CAFTA-DR, to take measures to halt television broadcast piracy and agreed to report on its efforts in this regard in a quarterly report to the U.S. Embassy and the Office of the U.S. Trade Representative (USTR). The Dominican authorities have delivered these quarterly reports since January 2005.

To fulfill CAFTA-DR requirements, the Dominican Congress passed legislation in November 2006 to strengthen the IPR protection regime by criminalizing end-user piracy and requiring authorities to seize, forfeit, and destroy counterfeit and pirated goods, as well as the equipment used to produce those goods. CAFTA-DR mandates both statutory and actual damages for copyright and trademark infringement, and requires measures to help ensure that monetary damages can be awarded even when it is difficult to assign a monetary value to the infringement.

Customs officers have ex officio authority to seize any goods suspected as counterfeit. Prior to destroying counterfeit goods, customs officers must notify the rights holder. During this time, the goods are stored by customs, which charges the rights holder for storage. The rights holder then has 30 days to inspect the shipment and try to reach an agreement with the sender and manufacturer. At the end of the 30 days, if no agreement has been reached, then the rights holder can pay to send the items back or to have them destroyed. In the vast majority of cases, the counterfeit items are destroyed by customs after 30 days, and customs ends up bearing the cost of the destruction.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Contact at Mission:

Timothy McNally
Economic Officer
(809) 567-7775, extension 7582
mcnallyts@state.gov

Country/Economy resources:

List of Attorneys in the Dominican Republic, compiled by the Consular Section of the U.S. Embassy in Santo Domingo:
http://photos.state.gov/libraries/dominicanrepublic/66631/acs/attorneys.pdf

American Chamber of Commerce of the Dominican Republic
(809) 381-0777
comunicaciones@amcham.org.do

National Copyright Office (ONDA)
Ministry of Culture
Edificio del Archivo General de la Nación
Calle Modesto Diaz No. 2
Zona Universitaria
Santo Domingo, D.N.
(809) 2746-006
admin.onda@onda.gov.do

National Office of Industrial Property (ONAPI)
Ministry of Industry and Commerce
Av. Los Próceres No.11,
Santo Domingo, D.N.
(809) 567-7474
servicioalcliente@onapi.gob.do
http://onapi.gob.do/

7. Transparency of the Regulatory System

In recent years, the Dominican government has carried out a major reform effort aimed at improving the transparency and effectiveness of laws affecting competition. Nonetheless, efforts to establish the rule of law in many sectors of the economy have been impeded, or in some cases, soundly defeated by special interests. For example, in 2008, the government refused to enforce a court ruling to halt an illegal blockade of a U.S. business by disgruntled ex-contractors. As another example, in 2013, the Dominican government rescinded permits for an American-owned tourism and real estate development and declared large swaths of their land as a national park. In 2015, several U.S. investors cited the Dominican government's repeated failure to pay compensation for or return expropriated land, even though valid court orders had been obtained. Many investors, both Dominican and foreign, consider that influence through political contacts trumps formal systems of regulation.

The full text of draft regulations is made available for public review, and regulatory agencies give notice of proposed regulations in public meetings where consultations can take place.

The Dominican Institute of Certified Public Accountants (ICPARD) is the country's legally-recognized professional accounting organization and has authority to establish accounting standards in accordance with article 31 of Law 479-08, which also declares that financial statements should be prepared in accordance with generally accepted accounting standards nationally and internationally (as amended by Law 31-11). The ICPARD and the country's stock market regulator (Superintendencia de Valores) require the use of International Financial Reporting Standards (IFRS) and IFRS for small and medium-sized entities (SMEs).

8. Efficient Capital Markets and Portfolio Investment

The Dominican securities market, the Bolsa de Valores de Santo Domingo, opened on December 12, 1991, and mostly handles offerings of commercial paper. In 2015, the Bolsa de Valores handled USD 2.88 billion worth of transactions, the majority of which were in the secondary market. It is supervised by the Superintendency of Securities (SIV), which approves all public securities offerings. The private sector has access to a variety of credit instruments. Foreign investors are able to obtain credit on the local market, but tend to prefer less expensive offshore sources. The Central Bank regularly issues certificates of deposit, using an auction process to determine interest rates and maturities.

Money and Banking System, Hostile Takeovers

During a period of strong GDP growth and largely successful economic reforms in the 1990s, Dominican authorities, including the Central Bank, failed to detect years of large-scale fraud and mismanagement at the privately-owned Banco Intercontinental (Baninter), the country's third largest bank. The failure of Baninter and two other banks in 2003 cost the government in excess of USD 3 billion, severely destabilized the country's finances, and shook business confidence. The failures, and their consequences, brought about a crisis of devaluation, inflation and economic hardship. Upon taking office in August 2004, Leonel Fernandez's administration formulated with the IMF a comprehensive program aimed at addressing the weaknesses in macroeconomic policies, the banking system, and a wide range of other structural areas. In 2005, the IMF's Executive Board approved a USD 665 million stand-by agreement (SBA) that helped the DR recover from its 2003 banking crisis. Business confidence gradually returned, but after effects of the 2003-2004 economic crisis remain, including lingering difficulty in accessing consumer and business credit financing. Reforms enacted after the 2003 crisis allowed the Dominican banking sector to avoid severe difficulties during the international financial crisis of 2009. In the wake of the global economic and financial crisis, the IMF's Executive Board approved a USD 1.7 billion SBA with the Dominican Republic. The 28-month program sought to assist the government in pursuing short-term counter-cyclical polices, strengthen medium-term sustainability, reduce vulnerabilities, and set the foundation for eventual recovery. The SBA lapsed in April 2012 with USD 500 million in pending IMF disbursements. Currently, the Dominican Republic's financial sector remains relatively stable and the financial system indicators were declared largely satisfactory by the IMF during its 2015 Article IV consultations, which noted that "the implementation of sound policies has underpinned the [country's] strong economic performance" and that "The resilience of the financial system has been strengthened over the past years in tandem with improved bank supervision."

9. Competition from State-Owned Enterprises

SOEs in general do not have a significant presence in the economy, with most functions performed by privately-held firms. Notable exceptions are in the electricity and refining sectors. In the electricity sector, private companies only operate in the electricity generation phase of the process, with the government handling the transmission and distribution phases.

The Dominican Republic is not a party to the Government Procurement Agreement (GPA) within the framework of the World Trade Organization (WTO).

OECD Guidelines on Corporate Governance of SOEs

SOE ownership policy is specified in individual law and agreement depending on the SOE. The state-owned electricity distribution company (CDEEE) was established by the General Electricity Law (Law 125-01). Distribution had been previously privatized, but due to the serious problems in that sector (including lack of payment) the government once again took over a key portion of the distribution function. In 2014, an amendment to Law 125-01 allowed the state to enter into energy generation as well as distribution via the proposed construction of two coal plants. There is less transparency regarding state-owned enterprises in the refining sector. The Dominican Republic's sole oil refinery is 51 percent owned by the Dominican government via the Central Bank, with the remainder held by the Venezuelan government.

Sovereign Wealth Funds

State operations have few mechanisms and measures to ensure transparency and accountability. There is no requirement for an annual report from sovereign wealth funds.

10. Responsible Business Conduct

The government does not have an official position or policy on responsible business conduct (RBC), including corporate social responsibility (CSR). Although in general there is not an entrenched culture of CSR on the part of local firms, large foreign companies do normally have an active CSR program, as do a number of the larger local business groups. The majority of local firms do not follow OECD principles regarding CSR, but the firms that do are viewed favorably (especially when their CSR programs are effectively publicized). In 2012 a group of large Dominican companies started the "Heal a Nation" CSR initiative, the largest and most important local CSR initiative.

11. Political Violence

In 2015, there were multiple protests throughout the country over social and economic issues such as salary increases for public employees, other labor disputes, corruption, as well as statelessness and problems with the civil registry system. In several instances, police were unsuccessful in managing the protests without turning to violence. Isolated incidents of intra-party political violence among political candidates and party members were reported in the lead up to the May 2016 elections.

12. Corruption

The Dominican Republic has a legal framework that includes laws, regulations and criminal penalties to combat corruption. However, the government does not implement the law effectively. The Attorney General investigated some allegedly corrupt officials, but government corruption is a key public and business grievance. Corruption remains an endemic problem in the security forces, government, and private sector, and government officials frequently engage in corrupt practices with impunity.

Corruption and the need for reform efforts are openly and widely discussed as key public grievances. In 2015, Transparency International gave the DR a Corruption Perception Index (CPI) score of 33, ranking it 103 of 167 countries assessed. The World Economic Forum's 2015-2016 Global Competitiveness report ranks the Dominican government's institutional strength as 98 out of 140 countries (with a score of 3.9 out of 7) and identified corruption as the second most problematic factor for doing business in the Dominican Republic, after high tax rates.

Weak enforcement mechanisms, corruption, and a lack of political will to apply Dominican laws and prosecute criminals - particularly high-level public officials - are the primary barriers to effective investigations. No data are available to assess whether corruption disproportionately affects foreign firms, but both Dominicans and foreign residents in the Dominican Republic encounter the issue routinely. Corruption has the effect of protectionism by giving an "insider" an undue advantage over outsiders (either foreign or domestic). According to a 2010 Gallup poll, a high percentage of the Dominican population believes that paying a bribe is justified, and there is widespread acceptance of the practice. Dominicans point to low law enforcement salaries as part of the incentive for supplemental, illicit income. In 2015, an online video posted by a Dominican National Police officer went viral and generated protests because the officer's complaints about low wages and corruption struck a chord with many Dominicans. Dominicans also have a high tolerance for nepotism, often regarding it as a justified and expected activity of those with power and influence. In October 2015, the Supreme Court voted not to indict Senator Felix Bautista and six codefendants on charges that they embezzled more than $4.54 billion Dominican pesos ($100 million USD) when Bautista headed the State Works Supervisory Engineers Office.

Attorney General Francisco Dominguez Brito said the decision was a blow to the fight on corruption and said that the high court "doesn't deserve the slightest credibility."

Nevertheless, giving or accepting a bribe is a criminal act according to Dominican law. Articles 177, 178 and 181 of the Criminal Code prohibit public officials and judges from accepting bribes or other gifts, under the penalty of a fine twice the benefit received and no less than six months in prison. Articles 2 and 3 of the Bribery in Commerce and Investments Law (No. 448-06) prohibit individuals or corporate bodies from giving, and public officials from accepting, gifts or bribes related to their public function, under the penalty of a fine twice the benefit received and three to ten years in prison. U.S. businesses operating in the Dominican Republic often need to take extensive measures to ensure compliance with the Foreign Corrupt Practices Act (FCPA).

President Danilo Medina, who took office in August 2012, has made notable efforts to promote government accountability. Medina eliminated other government privileges such as luxury vehicles and lavish holiday parties. Further, he required all officials in his administration to comply with laws to declare their personal property within a month of being sworn in and when they leave office, although not all officials have complied. Though Medina allowed corruption investigations against two senators and a former Minister of Public Works, no high-profile convictions have been secured since he assumed office.

Three government agencies have primary responsibility for countering corruption. First, the Office of the Attorney General (Ministerio Publico), led by the Attorney General, is responsible for investigating and prosecuting corruption cases through the Special Prosecution of Administrative Corruption (formerly the Department for the Prosecution of Administrative Corruption or DPCA). Since PEPCA's inception in August 2004, the office has obtained 13 convictions. The judiciary has dealt administratively with judges deemed corrupt, but no known prosecutions of corrupt judges have taken place. Second, the Chamber of Accounts, similar to the U.S. Government Accountability Office, promotes government accountability through audits and investigations, which often form the basis of PEPCA corruption cases. In 2015, the Chamber of Accounts submitted one annual audit report to Congress regarding the 2014 budget, which noted the Chamber's continuing concern over significant deficiencies, failures and omissions in the government's budgetary records. The Chamber of Accounts also submitted five audit reports to PEPCA with findings of misuse of public funds and lack of proper procedures, but there were few to no consequences for noncompliance. Third, the General Directorate of Ethics and Governmental Integrity, previously the Commission for Ethics and Combating Corruption, operates with a strong political mandate, but minimal practical results. Additionally, the Comptroller General's Office defines management controls and accounting procedures for all government agencies, and a joint commission between the Comptroller General and Chamber of Accounts facilitates audits and investigations.

The government has taken measures to improve the public procurement system, including the introduction of competitive bidding and contract issuances to small and women-owned businesses. In August 2015, the Government unveiled a new Fiscal Transparency Portal, which provides a central website with information on legislation concerning budgeting, public credit, procurement and treasury management.

Civil society is actively engaged in anti-corruption campaigns through non-governmental organizations and the media. Several non-governmental organizations are particularly active in transparency and anti-corruption, notably the Foundation for Institutionalization and

Justice (FINJUS), Citizen Participation (Participación Ciudadana), and the Dominican Alliance Against Corruption (ADOCCO). Government agencies have limited and often adversarial relationships with civil society organizations, though a notable example of close cooperation was the 2010 Anti-Corruption Participatory Initiative, in which civil society organizations and government institutions conducted public outreach activities and public official training to encourage effective use of the law.

The Dominican Congress ratified the UN Convention Against Corruption (UNCAC) on October 26, 2006. The UN Convention has a broader scope on corruption than do other agreements; it includes provisions regarding money laundering, obstruction of justice, private sector corruption, and asset recovery. As for regional initiatives, the DR has signed the Inter-American Convention Against Corruption (IACAC), though the DR is not a party to the 1992 Inter-American Convention on Mutual Assistance in Criminal Matters. Both the Dominican Republic-Central American Free Trade Agreement (CAFTA-DR) and UNCAC mandate that the Dominican Republic criminalize bribery.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The Dominican Republic has signed and ratified the UN Anticorruption Convention. The Dominican Republic is not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Contact for government agency responsible for combating corruption:

- Procuraduría Especializada contra la Corrupción Administrativa (PEPCA)
- Calle Hipólito Herrera Billini esq. Calle Juan B. Pérez,
- Centro de los Heroes, Santo Domingo, República Dominicana
- Telephone: (809) 533-3522
- Fax: (809) 533-4098
- Email: info@pepca.pgr.gob.do
- Government service for filing complaints and denunciations:
- Linea 311
- Phone: 311 (from inside the country)
- Website: http://www.311.gob.do/

Contact for "watchdog" organization that monitors corruption:

- Participación Ciudadana
- Phone: +809 685 6200
- Fax: +809 685 6631
- Email: info@pciudadana.org

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

The Dominican Republic does not have a bilateral taxation treaty with the United States, but an agreement for the exchange of tax information between the United States and Dominican Republic has been in effect since 1989. The Dominican Republic has bilateral investment treaties with Chile, Finland, France, Italy, South Korea (RoK), Morocco, the Netherlands, Panama, Spain, Switzerland, and Taiwan. It also has trade agreements with the United States and Central American countries (CAFTA-DR), the Caribbean countries (CARICOM), and a partial trade agreement with Panamá. The Dominican government signed an Economic Partnership Agreement with the European Union as part of CARIFORUM that entered into force in 2009.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

The Dominican Republic's free trade zones (FTZs) are regulated by the Promotion of Free Zones Law (No. 8-90), which provides for 100 percent exemption from all taxes, duties, charges and fees affecting production and export activities in the zones. These incentives are for 20 years for zones located near the Dominican-Haitian border and 15 years for those located throughout the rest of the country. This legislation is managed by the Free Trade Zone National Council (CNZFE), a joint private sector/government body with discretionary authority to extend the time limits on these incentives.

Foreign currency flows from the free trade zones are handled via the free foreign exchange market. Foreign and Dominican firms are afforded the same investment opportunities both by law and in practice. The CNZFE’s Annual Statistical Report for 2014 (most recent available), noted a Free Zone Sector with a total of 60 free zone parks (up from 55 the previous year) and 614 operating companies (up from 602). Of those companies, 40.2 percent are from the United States. Other significant investment was made by companies registered in the Dominican Republic, Netherlands, Canada, Germany, South Korea, Switzerland, United Kingdom, and others. In general, firms operating in the free trade zones experience fewer bureaucratic and legal problems than do firms operating outside the zones. In 2014, free zone exports totaled USD $5.24 billion, compared to USD $4.95 billion in 2013. The exports from the FTZ’s comprised 3.1% of GDP in 2013.

At the end of 2015, the tax incentive laws governing the CNZFE's changed. Specifically, in 2016, CNZFE's will be able to offer any amount of their products on the Dominican market for sale (applicable taxing would apply), in parallel with overseas shipments. Before, only up to 20 percent of a CNZFE's products could be sold on the local market. Private industry anticipates the impact would be minimal, since the primary markets for goods produced in the Dominican Republic’s CNZFEs are overseas, including the United States.

Exporters/investors seeking further information from the CNZFE may contact:

Consejo Nacional de Zonas Francas de Exportación

- Leopoldo Navarro No. 61
- Edif. San Rafael, piso no. 5
- Santo Domingo, Dominican Republic

- Phone: (809) 686-8077
- Fax: (809) 686-8079
- Web-site Address: http://www.cnzfe.gov.do

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Foreign direct investment in the last few years has been largely concentrated in industry/trade, mining, real estate development, and the electricity sectors. The Dominican government has made a concerted effort to attract new investment, taking advantage of the foreign investment law and of the country's natural and human resources. The decision in the late 1990s to privatize or "capitalize" ailing state enterprises (electricity, airport management, and sugar) attracted substantial foreign capital to these sectors.

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	$66,224	2014	$64,137	www.worldbank.org/en/country Host country data: DR Central Bank, published year end 2015
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	N/A	N/A	2014	$1,224	Note: the DR Central Bank releases data for FDI flows, not stocks.
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2014	-$6	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	N/A	N/A	2014	1.91%	

Table 3: Sources and Destination of FDI

Dominican Republic data not available on IMF website

Table 4: Sources of Portfolio Investment

Dominican Republic data not available on IMF website

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

civil law system based on the French civil code; Criminal Procedures Code modified in 2004 to include important elements of an accusatory system

International organization participation:

ACP, AOSIS, BCIE, Caricom (observer), CD, CELAC, FAO, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC (NGOs), LAES, LAIA (observer), MIGA, NAM, OAS, OIF (observer), OPANAL, OPCW, PCA, Petrocaribe, SICA (associated member), UN, UNCTAD, UNESCO, UNIDO, Union Latina, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Capital movements are freely transferable.

Treaty and non-treaty withholding tax rates

The Dominican Republic has a double tax treaty with Canada and has negotiated one with Spain that is not yet in effect.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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