

LAW ON THE MONETARY SYSTEM AND THE STATE BANK, AS OF 1998

Emergency Decree Law No. 2, Official Gazette Supplement 930 of May 7, 1992

GENERAL NOTE:

The Central Bank of Ecuador shall serve as depository for public funds and as fiscal and financial agent for the Government. For such purpose, the Law on the Monetary System and the State Bank, the Organic Law on Financial Administration and Control and all other provisions contained in special and general laws in which reference is made to the Central Bank as depository of public funds or as fiscal and financial agent for the Government are hereby amended. Issued via Article 29 of Law No. 93, published in Official Gazette Supplement 764 of August 22, 1995.

In all legal provisions contained in the Law on the Monetary System and the State Bank, the General Law on Financial System Institutions, and in all other laws in which reference is made to the Monetary Board, the members or the President of the Monetary Board, such designations shall be understood to read Board of Directors of the Central Bank of Ecuador, members or Chairman of the Board of Directors, respectively. Issued via the General Provision of Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

WHEREAS:

Monetary, financial, credit and foreign exchange policy must contribute to the development of the national economy and safeguard the stability of the national currency and external financial solvency.

Mechanisms must be established for practical and effective coordination of monetary, financial, credit and foreign exchange policy and fiscal policy and all other public sector activities.

Monetary, financial, credit and foreign exchange policy must be defined and implemented by the Monetary Board and the Central Bank as independent and highly technical organizations. The Central Bank must accomplish functions that are compatible with its own objectives. The State Bank must be established as official depository and as a mechanism for channeling public resources towards financing priority development projects.

Now therefore:

In the exercise of its constitutional powers,

THE NATIONAL CONGRESS

PLENARY SESSION OF LEGISLATIVE COMMISSIONS

hereby enacts the following Law:

LAW ON THE MONETARY SYSTEM AND THE STATE BANK

BOOK ONE - THE MONETARY SYSTEM

TITLE I - OBJECTIVES

Article 1.

This Law establishes the monetary system of the Republic of Ecuador to be implemented by the Central Bank of Ecuador. The monetary system is based on the principle of unrestricted circulation of foreign currency in Ecuador and freedom to transfer such currency abroad.

From the date of entry into force of this Law, the Central Bank of Ecuador shall exchange sucres in circulation for US dollars at the fixed and unalterable rate of twenty-five thousand sucres per dollar. Consequently, the Central Bank of Ecuador shall exchange the dollars it is asked to supply at the established rate of exchange, and shall withdraw the sucres it receives from circulation.

The Central Bank of Ecuador may not issue new sucre notes, but is authorized to issue divisional currency, which may only enter into circulation in exchange for sucre notes already in circulation or for US dollar notes. Divisional currency shall be understood as metal currency equivalent to dollar fractions calculated at a rate of S/. 25,000/US dollar.

Note: Article replaced by Law No. 4, published in Official Gazette Supplement 34 of March 13, 2000.

Note: Third paragraph replaced by Law No. 10, published in Official Gazette Supplement 48 of March 31, 2000.

Article 2.

The following systems shall be created, and separate and independent accounts for such systems kept in the balance sheet of the Central Bank of Ecuador:

(a) The Swap System. All national currency issued by the Central Bank of Ecuador and currently in circulation shall be recorded as liabilities in this system, while assets shall consist exclusively of the amount of free reserves required at any time to back at least one hundred (100) percent of the system's liabilities at the rate of exchange established in the preceding article. All profits obtained from operating the swap system must be delivered to the National Treasury at least once a year.

(b) The Financial Reserve System. Financial Reserve System liabilities shall consist exclusively of the following: deposits by public and private financial institutions in the Central Bank of Ecuador and any monetary stabilization bonds issued by the Central Bank. Assets shall consist exclusively of any surplus of free reserves remaining after deducting reserves earmarked under paragraph (a) above for the Swap System, in the amount required to cover, at any time, at least one hundred (100) percent of Financial Reserve System liabilities. All profits obtained from operating the system shall be distributed in accordance with Article 74 of the Law on the Monetary System and the State Bank.

(c) The Operations System. Operations System liabilities shall be made up of deposits by the nonfinancial public sector and private individuals in the Central Bank of Ecuador and other financial liabilities of the Central Bank of Ecuador, including obligations to international monetary and financial institutions. Assets shall consist exclusively of the following: any surplus of free reserves remaining after deducting

those allocated for the systems referred to under (a) and (b) above; repurchase operations performed by the Central Bank of Ecuador pursuant to the provisions of Article 27 of this Law; and such State bonds owned by the Central Bank of Ecuador as are necessary to balance this system's assets and liabilities. The Board of Directors of the Central Bank of Ecuador must establish policies designed to safeguard the quality and liquidity of the assets in this system and ensure that they provide adequate coverage of its liabilities. The ceiling on the Central Bank of Ecuador's financial liabilities shall be determined on a quarterly basis by the Board of Directors of the Central Bank based on a favorable prior report from the Minister of Finance and Public Credit. All profits obtained from operating the system shall be distributed in accordance with Article 74 of the Law on the Monetary System and the State Bank.

The Operations System may not acquire or invest in Ecuadoran State bonds. It may, however, receive such bonds exclusively to capitalize the System or to perform the repurchase operations in US dollars referred to in Article 31 of this Law; and

(d) The system governing other operations conducted by the Central Bank of Ecuador. All remaining accounts, including net worth and the profit and loss accounts shall be recorded in this system.

The Central Bank of Ecuador shall publish the balance sheets of the systems contemplated in this Article at least once a week in the media it deems appropriate for such purpose.

Note: Article replaced by Law No. 4, published in Official Gazette Supplement 34 of March 13, 2000.

TITLE II - DOMESTIC CURRENCY SYSTEM

CHAPTER I - CURRENCY UNIT

Article 3.

Free reserves shall be defined as the net foreign exchange position; special drawing rights; the liquid reserves position maintained by the Central Bank of Ecuador in international monetary organizations; the position held in the Latin American Integration Association (LAIA) and such investments in foreign currency-denominated financial instruments issued by nonresidents as are considered liquid and low-risk by internationally accepted standards. The foreign exchange value of monetary and nonmonetary gold shall likewise be considered part of free reserves.

Freely available international reserves shall be posted in the accounts at market value and in accordance with internationally accepted accounting practices.

The goods and funds making up free reserves are unattachable, may not be the object of any kind of court order, or preventive, precautionary, or enforcement measures and may only be used for the purposes set forth in this Law.

Note: Article amended by Law No. 31, published in Official Gazette Supplement 199 of May 28, 1993.

Note: Article replaced by Law No. 4, published in Official Gazette Supplement 34 of March 13, 2000.

Article 3-A

Note: Article added by Law No. 31, published in Official Gazette Supplement 199 of May 28, 1993.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 4.

All financial operations performed by or through financial system institutions shall be denominated in US dollars. They may, however, be concluded or executed either in national currency or US dollars at the rate of exchange established in Article 1 of this Law.

Note: Article replaced by Law No. 4, Article 1, published in Official Gazette Supplement 34 of March 13, 2000.

Article 5.

If an act that gave rise to a liability stipulated that foreign currency would be given within Ecuador, such liability shall be understood as one involving sums of money and shall be met by paying the specified amount in the currency agreed upon. However, with the consent or at the request of the creditor, said liability may be paid in national currency at the rate established in Article 1 of this Law.

Note: Article replaced by Law No. 4, Article 1, published in Official Gazette Supplement 34 of March 13, 2000.

CHAPTER II - CURRENCY

Article 6.

The minting, circulation, exchange, withdrawal and destruction of banknotes and metallic currency, as well as currency specifications, are the exclusive domain of the Central Bank, in accordance with the provisions of this Law and the regulation and authorization of the Monetary Board.

The circulation of substitute currency is prohibited and punishable by law.

Note: Article amended by Law No. 4, Article 1, published in Official Gazette Supplement 34 of March 13, 2000.

Article 7.

The Central Bank shall exchange national currency of any type or denomination presented to it for exchange against national notes or coins of any denomination requested payable to bearer and on demand at no charge.

If for unforeseeable reasons the Central Bank is temporarily out of coins or notes in the denominations requested it may provide currency in the values closest to those requested.

Article 8.

The Central Bank shall withdraw and destroy any currency that has deteriorated through use or for any other reason and is not suitable for circulation and shall replace it with suitable currency.

However, the Central Bank shall not exchange coins and notes that are impossible to identify, coins exhibiting signs of having been filed down, cut off, or pierced, and notes which have lost more than two fifths of their surface or all of their signatures or that do not display the serial number. Such notes and coins shall be withdrawn from circulation and destroyed without any form of compensation.

The Central Bank may nevertheless exchange the deteriorated currency referred to in the preceding paragraph, provided that proof is submitted to the Bank's satisfaction that the currency's deterioration resulted from unavoidable accidents or force majeure.

The decision of the official in charge of the exchange may be appealed to the competent official of the bank office where this was requested and the latter's decision may be appealed to the General Manager or the persons to whom he has delegated such operations.

Article 9.

Currency called for general and mandatory exchange shall remain legal tender for the period determined by the Monetary Board counting from the date of the call. On expiry of this period, such notes and coins shall no longer be legal tender and may only be exchanged for their face value and at no charge in the cashier's offices of the Central Bank within the period stipulated by the Monetary Board. On expiry of the last stipulated exchange deadline, any currency not exchanged shall lose its value and be destroyed.

CHAPTER III - MEANS OF PAYMENT

Article 10.

The national currency is the preeminent means of payment.

Article 11.

Checks issued against bank liabilities defined as currency deposits are classified as means of payment, although they may not be used as legal tender.

Article 12

.Only the Central Bank and legally authorized banks may contract liabilities in the form of currency deposits.

Article 13.

The Monetary Board shall regulate the administration of the system for clearing checks and other documents as determined by it.

Article 14. Traveler's checks, credit cards and other similar items as determined by the Monetary Board shall also be considered as standard means of payment.

CHAPTER IV: SUPERVISION OF MEANS OF PAYMENT

SECTION I: MONETARY AND FINANCIAL PROGRAM

Article 15.

Note: Article repealed by Article 100 (e) of Law No. 4, published in Official Gazette Supplement 34 of March 13, 2000.

Article 16.

Note: Article repealed by Article 100 (e) of Law No. 4, published in Official Gazette Supplement 34 of March 13, 2000.

SECTION II: RESERVE REQUIREMENT

Article 17.

Financial institutions (including the State Bank but excluding savings and credit cooperatives) operating in Ecuador under the supervision of the Superintendency of Banks are required to maintain reserves on deposits and funds attracted, the amount of such reserves to be determined by the Monetary Board. These reserves shall be denominated “reserve requirement” and shall be kept on deposit both in the Central Bank and secondarily in the safe deposits of respective financial institutions.

In locations where the Central Bank has no offices, required reserves shall be deposited in the financial institutions determined by the Monetary Board, and such financial institutions shall act as correspondents of the Central Bank.

The Monetary Board shall regulate reserve requirement percentages for each liability type.

Note: Article amended by Law No. 33, published in Official Gazette 217 of June 23, 1993.

Article 18.

As circumstances dictate, the Monetary Board may provide that financial institutions maintain a quantity or a percentage of deposits over and above the amount, ceiling or limit established by such Monetary Board as marginal reserves.

Article 19.

The Board of Directors of the Central Bank of Ecuador may agree to pay specific interest on the weekly reserve requirement only when the latter exceeds 10 percent. This interest, which shall be one overall rate, may not be higher than the rate of return of the instruments in which the free reserves are invested, nor may it give rise to operating losses in Central Bank of Ecuador financial transactions. Notwithstanding the provisions set forth in this paragraph, under no circumstances shall the cash segment of the institutions' reserve requirement be included in the reserve requirement calculations for interest purposes. Nor shall interest be paid on surplus reserves voluntarily maintained by financial institutions in the Central Bank. The Board of Directors of the Central Bank of Ecuador may establish differing reserve requirements for public sector financial institutions.

The reserve requirements established by the Board shall be general for the various types of deposits and funds attracted referred to in Article 17 of this Law. Nevertheless, differential and progressive reserve requirements may be established for segments of the total amount of each liability or for institutions not covered by the general regulations at the time of their inception. The Board may also set differential and progressive reserve interest rates on deposits by public sector institutions in financial institutions. Note: First paragraph replaced by Law No. 4, Article 2, published in Official Gazette Supplement 34 of March 13, 2000.

Article 20.

The reserve requirement position of each financial institution shall be established weekly, based on the amount of the reserves, deposits and other liabilities at the close of each day of the preceding week. However, these institutions may offset any shortfall in reserve requirements on one or more days of the week with excess reserves on the other days of the same week, pursuant to the pertinent regulations issued by the Monetary Board.

In the event of a shortfall in the reserve position, the respective institution shall be required to replenish such shortfall the following week. Failure to comply with this provision shall result in the Superintendent of Banks imposing a fine on such institution of up to one and a half times the average interest rate charged by banks.

Nevertheless, in cases of abuse, the Superintendency may deny the option of offsetting reserve requirement shortfalls and surpluses and consider the total amount of daily shortfalls as reserve outflow.

The main office and branches or agencies of a financial institution operating in the national territory shall be considered jointly in calculating their respective reserve requirements.

Article 21.

Financial institutions required to do so shall submit a weekly report to the Superintendency of Banks, with a copy to the Central Bank, with daily figures on the total amount of liabilities for which they must maintain reserves.

Article 22.

The Monetary Board may authorize banks to accept and administer monetary deposits in foreign currencies.

In such cases, the Monetary Board shall be required to:

- (a) Regulate the reserves for the various categories of deposits or funds attracted;
and
- (b) Determine the convertible currency or currencies in which reserves must be maintained in the Central Bank.

Pursuant to Monetary Board regulations, reserves kept by banks against their liabilities in foreign currency shall be exempt from the restrictions of this Law for assets held in foreign currencies. The regulations of this Section shall apply to all cases not covered in this Article.

SECTION III: OPEN MARKET OPERATIONS

Article 23.

The Board of Directors of the Central Bank of Ecuador may issue general regulations authorizing the Central Bank of Ecuador to use the free reserves of the Operations System referred to in Article 2 (c) of this Law to re-circulate financial system liquidity by conducting open market operations via the following mechanisms:

(a) Issuing and placing Central Bank of Ecuador debt instruments and securities on the terms stipulated by regulations issued by the Board of Directors of the Central Bank of Ecuador. The Board of Directors of the Central Bank of Ecuador shall also determine which financial system institutions may acquire such instruments;

(b) Conducting repurchase operations in US dollars with public and private financial institutions subject to reserve requirements. Such operations must deal exclusively in securities issued or guaranteed by the State through the Ministry of Economy and Finance. These operations shall be for liquidity purposes only, and for that reason shall be available only to banks that have at least the minimum adjusted capital base required by the Law, subsequent to certification by the Superintendency of Banks. Repurchase operations may only be effected for up to 80 percent of the value of the security. If a private financial institution should request repurchase operations for an amount exceeding 50 percent of such financial institution's reserve requirement deposits, the Central Bank must first request authorization from the Superintendency of Banks.

The term for such repurchase operations may in no case exceed 90 days.

Note: Article replaced by Law No. 4, Article 3, published in Official Gazette Supplement 34 of March 13, 2000.

Note: Article replaced by Law No. 000, Article 107, published in Official Gazette Supplement 1444 of August 18, 2000.

SECTION IV: CREDIT OPERATIONS

Article 24. Note: Second paragraph added by Law No. 000, published in Official Gazette Supplement 1000 of July 31, 1996.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 25. Note: Article replaced by Law No. 000, published in Official Gazette Supplement 1000 of July 31, 1996.

Note: Article amended by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 26. Note: Article repealed by Law No. 52, published in Gazette Supplement 439 of May 12, 1994.

Note: Article restored by Law No. 000, published in Official Gazette Supplement 1000 of July 31, 1996.

Note: Article repealed by Law No. 17, published in Official Gazette Supplement 78 of December 1, 1998.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 26-A. Note: Article added by Law No. 000, published in Official Gazette Supplement 1000 of July 31, 1996.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 27. Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 28. Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

SECTION V: CENTRAL BANK INTEREST RATES AND COMMISSIONS

Article 29.

The Monetary Board shall determine the interest rate schedule applicable to Central Bank lending and borrowing operations, as well as the commissions said Central Bank shall charge for its services.

CHAPTER V: RELATIONS WITH THE FINANCIAL SYSTEM

Article 30.

The Ecuadoran financial system includes the Central Bank, public financial institutions, private financial institutions and all other institutions supervised by the Superintendency of Banks.

Article 31.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 32.

The Monetary Board may establish conditions and limits on the external debt contracted abroad by Ecuadoran financial institutions. The Monetary Board may also establish conditions and limits on the amounts of security, sureties, guarantees or any other contingency offered on loans by Ecuadoran financial institutions to any natural or juridical person.

Article 33.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 34.

The Monetary Board shall broadly determine the system of interest rates for lending and borrowing operations. The Monetary Board may specify appropriate amortization schedules for medium and long-term operations.

Compound interest (i.e. the charging of interest on interest) is prohibited by the Political Constitution of the Republic of Ecuador, the Civil Code, and the Commercial Code. Noncompliance shall be penalized in accordance with the penalties established for usury without prejudice to the repayment of all interest charged.

The judges presiding at sentencing shall order repayment of unduly charged interest independently of the penalties established for this offense.

Note: Second paragraph replaced by Law No. 4, published in Official Gazette Supplement 34 of March 13, 2000.

Note: Second paragraph replaced by Law No. 10, published in Official Gazette Supplement 48 of March 31, 2000.

Article 35.

Any changes resolved by the Monetary Board on interest rate schedules for lending and borrowing operations by Ecuadoran financial institutions shall apply only to future operations and shall not be retroactive.

Article 36.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 37.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 38.

Financial institutions authorized to deal in foreign currencies shall notify the Central Bank weekly and shall provide daily figures on the amounts and exchange rates of their operations and the information needed by the Central Bank on movements in their foreign currency accounts.

Article 39.

Note: Article repealed by Law No. 52, published in Gazette Supplement 439 of May 12, 1994.

CHAPTER VI: RELATIONS WITH THE CENTRAL GOVERNMENT

Article 40.

The Central Bank is the financial agent of the Central Government. As such, said Central Bank shall handle external debt servicing, using public funds allocated for this purpose. Such funds shall be held in a trust fund managed by the State Bank or shall be debited from the deposit account of said bank in the event of noncompliance with debt-servicing obligations.

The Central Bank shall also participate in negotiating, converting and renegotiating the external public debt.

Article 41.

The Central Bank may contract external loans to finance the balance of payments on behalf of the Central Government subject to a favorable prior report from the Ministry of Finance and Public Credit, and the cost and foreign exchange differential of these loans shall be met with funds from the Central Government General Budget.

The external loans that the Central Bank may independently contract shall be limited exclusively to meeting liquidity requirements and such loans shall require a favorable prior report from the Monetary Board.

Note: Article amended by Law No. 4, Article 4, published in Official Gazette Supplement 34 of March 13, 2000.

Article 42.

Prior to national government contracting of loans, financial liabilities or external supplier credits, the Ministry of Finance and Public Credit must request the favorable opinion of the Monetary Board, and said opinion shall refer to the financial terms of the debt and its impact on the monetary and financial program.

A favorable opinion must also be requested by public financial institutions and by all other public sector entities and enterprises when contracting internal and external debt.

Article 43.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 44.

Note: Article repealed by Law No. 18, published in Official Gazette Supplement 76 of November 30, 1992.

Article 45.

The government and all other public sector entities and enterprises of any kind must effect collection and payment of foreign transactions in accordance with the regulations issued by the Monetary Board.

Article 46.

The Central Bank shall represent the Government in its relations with the International Monetary Fund, the Latin American Reserve Fund and other similar monetary organizations, and shall pay subscriptions, and acquire shares and securities of these organizations.

Article 47.

The Monetary Board shall regulate financial investments and funds held in deposit in the State Bank by the Government, public financial institutions and all other public sector entities and enterprises.

TITLE III: EXTERNAL MONETARY SYSTEM

CHAPTER I: EXTERNAL VALUE AND CONVERTIBILITY OF THE CURRENCY

Article 48.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 49.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 50.

The Central Bank shall publish the exchange rates on foreign currencies applicable to Ecuador's international transactions on a daily basis. In the event of any doubts concerning currency parities, the General Manager shall certify such parities at the request of any interested party.

The certifications referred to in the preceding paragraph shall constitute sufficient and incontrovertible proof.

Article 51.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 52.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 53.

Note: Article replaced by Law No. 52, published in Gazette Supplement 439 of May 12, 1994.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

CHAPTER II: INTERNATIONAL ASSETS AND LIABILITIES

Article 54.

The international assets of the Central Bank shall comprise the following items:

- (a) Foreign exchange;
- (b) Special drawing rights;
- (c) Monetary gold;
- (d) Reserve position and loans from international organizations;
- (e) Credit balances under bilateral agreements and swaps; and
- (f) Other assets in foreign currency.

Article 55.

The international liabilities of the Central Bank shall comprise the following items:

- (a) Liabilities payable in foreign currency;
- (b) Use of the proceeds from loans from international organizations;
- (c) Debit balances under bilateral agreements and swaps; and
- (d) Other international liabilities in foreign currency.

CHAPTER III: INTERNATIONAL MONETARY RESERVES

Article 56.

With the affirmative vote of four of its members, the Monetary Board shall regulate the method for computing Central Bank international monetary reserves. The approval of the President of the Republic of Ecuador shall be required for such method to become effective.

As authorized by the new Monetary System provided for in this Law, and with the same majority vote as that referred to in the preceding paragraph, the Board of Directors of the Central Bank of Ecuador must sell the international assets defined in Article 54 (c) and convert them into liquid assets for the purpose of integrating the foreign exchange component of free reserves.

Note: Article amended by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Note: Second paragraph added by Law No. 4, Article 5, published in Official Gazette Supplement 34 of March 13, 2000.

Article 57.

In order to maintain Ecuadoran external financial solvency, the Monetary Board shall ensure that the Central Bank retain sufficient international monetary reserves to meet any foreseeable international payments needs.

Article 58.

Should the Monetary Board deem the level of international monetary reserves to be inadequate, said Monetary Board shall take the necessary measures within the powers granted it by the law.

Should such measures prove to be insufficient or if basic objectives of national economic policy have to be compromised, the Monetary Board shall propose to the President of the Republic of Ecuador that steps be taken to help restore equilibrium in the balance of payments.

Article 59.

The Central Bank shall maintain international reserves in the currencies most frequently used by Ecuador for foreign payments, with particular emphasis on diversified and readily acceptable currencies.

The Central Bank shall invest Ecuadoran international monetary reserves in such a way as to ensure the safety, liquidity and profitability of such investments (in that order) pursuant to the policies issued by the Monetary Board to this effect. The yield from the investment shall constitute exclusive Central Bank revenue and shall therefore be recorded in the income statement.

Article 60.

When international monetary reserves liquidity balances exceed foreseeable international payment needs, the Central Bank may purchase securities that ensure safety, liquidity and profitability (in that order), under the terms and conditions determined by the Monetary Board, with the affirmative vote of four of its members.

Note: Article amended by Law No. 4, published in Official Gazette Supplement 34 of March 13, 2000.

CHAPTER IV: FOREIGN EXCHANGE POLICY

Article 61.

It shall be incumbent upon the Central Bank of Ecuador to purchase foreign exchange and service the debt and make all foreign payments of any kind required of the Government of the Republic of Ecuador and public sector entities and enterprises. The Monetary Board may authorize the Government of the Republic of Ecuador and public sector entities and enterprises to hold part of such foreign exchange in foreign or domestic bank accounts.

Foreign exchange proceeds entering Ecuador from foreign investments and external loans may be sold to the Central Bank of Ecuador, which may accept or reject the sale. However, if the sale is effected, the seller shall be entitled to repurchase the foreign exchange to repatriate capital and profits or principal and interest, as appropriate, pursuant to the pertinent regulations issued by the Monetary Board.

All other foreign exchange transactions may be conducted in the free market.

Note: Article amended by Law No. 93, published in Official Gazette Supplement 764 of August 22, 1995.

Article 62.

Article 61 of this Law shall not necessarily apply when forms of payment other than money are envisaged in international transactions, in which case the provisions issued by the Monetary Board shall apply.

Article 63.

The Monetary Board shall stipulate that imports and exports must be declared to the Central Bank of Ecuador or its branches, in which case the form and term of validity of such operations shall be regulated by the Central Bank. In any event, all such declarations must be submitted prior to shipment and shall require the approval of the Central Bank. Noncompliance with this obligation by importers shall result in the immediate reshipment of the respective merchandise.

The Central Bank of Ecuador may delegate the receipt and approval of import and export declarations to its branches throughout the country.

Correspondent banks must gather information on and accept responsibility for the identity of importers and exporters prior to granting their approval. Failure to secure identification shall result in the correspondent bank incurring all respective civil and criminal liabilities.

The Monetary Board shall regulate any foreign trade transactions that may be exempt from the obligation to present a declaration due to their special characteristics.

The Monetary Board may prohibit or limit imports of specific merchandise with due consideration of the balance of payments position and the prior approval of the respective Ministries.

Note: Article amended by Law No. 93, published in Official Gazette Supplement 764 of August 22, 1995.

Note: Article replaced by Law No. 99, Article 127 No. 1, published in Official Gazette 359 of July 13, 1998.

Article 64.

The Monetary Board may stipulate that foreign exchange income from operations it determines must be sold in Ecuador and establish penalties of up to the amount of unsold foreign exchange in the event of noncompliance with such obligation. Said penalties shall be imposed by the Central Bank of Ecuador, and all proceeds shall constitute Central Bank income.

Note: Article replaced by Law No. 93, published in Official Gazette Supplement 764 of August 22, 1995.

Article 65.

Any persons willfully carrying out any acts yielding them improper foreign exchange or monetary benefits shall be penalized pursuant to Article 575 of the Criminal Code.

The Central Bank is obligated to report these acts to the fiscal agent of the pertinent jurisdiction so that he may inform the judge of the respective criminal court.

The Central Bank shall also require that any foreign exchange that has been concealed or illegally obtained be surrendered.

The Central Bank may be a party to any legal actions filed by the customs authorities against infractions of this Article.

Article 66.

The Monetary Board shall regulate the cases and the manner in which the Central Bank can take part in buying, selling or dealing in gold.

Article 67.

The Central Bank may also carry out operations in foreign exchange or gold futures, in the manner and under the conditions established by the Monetary Board.

Article 68.

Note: Article repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000.

Article 69.

The Central Bank must submit an annual budget on foreign exchange inflows and outflows to the Monetary Board by February of each year, based on estimates of the balance of payments for the year elapsed. The Central Bank shall submit a monthly report to the Monetary Board on such budget execution.

TITLE IV: CENTRAL BANK OF ECUADOR

CHAPTER I: OBJECTIVE AND LEGAL STATUS

Article 70.

The Central Bank of Ecuador is a juridical person under public law, of indefinite duration, with technical and administrative autonomy and its own assets. Central Bank functions shall include establishing, supervising and implementing Ecuadoran monetary, financial, credit and foreign exchange policy with the aim of ensuring currency stability. The organization, functions and powers of the Central Bank are governed by the provisions of this Law, its by-laws and internal regulations, and by the regulations and resolutions issued by its Board of Directors.

Note: Article replaced by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Article 71.

The main office of the Central Bank shall be located in the city of Quito and it shall maintain offices in Guayaquil, Cuenca, Manta and other cities as determined by the Monetary Board.

CHAPTER II: CAPITAL, PROFITS AND RESERVES

Article 72.

The capital of the Central Bank is the exclusive and nontransferable property of the Republic of Ecuador.

After receiving the report of the Ministry of Finance and Public Credit, the Monetary Board shall propose any changes in the capital of the Central Bank to the President of the Republic of Ecuador who shall determine the terms of payment.

Article 73.

The Central Bank fiscal year shall be the calendar year.

The Central Bank shall prepare its balance sheet and income statement at the close of each fiscal year.

Profits or losses arising from the purchase and sale of foreign exchange, fluctuations in the exchange rate of the sucre with respect to other currencies, the printing or destroying of currency, the issuing of securities by the Central Bank, and other transactions as agreed upon by the Monetary Board by unanimous vote shall be recorded in a temporary asset and liability account. This account shall be settled at the close of each fiscal year and assigned to the Central Bank income statement.

Article 74.

At the close of each fiscal year, net profits shall be credited to the general reserve fund until the amount of such account is equal to 500 percent of the paid-in capital of the Central Bank. When this percentage is reached, an amount equal to 25 percent of total profits shall be credited to the general reserve fund, and the balance must be transferred to the national treasury master current account.

Article 75.

Any losses at the close of a fiscal year shall be offset by the general reserve fund and, if the contents of such reserve fund are insufficient, said losses shall be charged to the capital, in which case they must be capitalized pursuant to paragraph two of Article 72 of this Law.

Article 76.

The Central Bank shall submit a monthly report to the Monetary Board and the Superintendent of Banks on its financial position, together with the pertinent financial statements. These documents must be signed by the Central Bank general manager and general accountant and submitted within the following month.

CHAPTER III: MANAGEMENT, ADMINISTRATIVE AND SUPERVISORY BODIES

SECTION I: MONETARY BOARD

Article 77.

In order to issue regulations, the Monetary Board shall require the prior report of the General Manager of the Central Bank.

Note: First paragraph repealed by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Article 78.

The Board of Directors is the highest government body of the Central Bank of Ecuador, shall enjoy national authority and, pursuant to the Political Constitution of the Republic of Ecuador, shall be composed of five members designated by the National Congress at the suggestion of the President of the Republic of Ecuador. The Board of Directors shall conduct its activities with due consideration of the national general interest at all times. Members of the Board of Directors shall perform their duties for a period of six years with partial renewal every three years.

The Chairman of the Board of Directors and an alternate to replace him in the event of his temporary absence shall be elected from among the members of said Board of Directors for a period of three years.

Should any member of the Board of Directors permanently cease to perform his duties, he shall be replaced pursuant to the procedure laid down in the Political Constitution of the Republic of Ecuador. The replacement member shall carry out his duties until the electoral term for which the member he is replacing has expired.

In the permanent absence of the Chairman, a new Chairman shall be elected when the full membership of the Board of Directors has been restored. The new Chairman shall perform his duties until the term for which the previous Chairman was elected has expired.

Members of the Board of Directors may not carry out any other professional duties with the exception of university teaching. Board members shall have no professional or business links with public or private financial institutions during and up to six months following completion of their term of office.

Note: Article replaced by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Article 79.

At the request of the President of the Republic of Ecuador, the Superintendent of Banks shall issue a report on compliance with the conditions laid down in the Law for candidates or members of the Board of Directors, and shall make specific comments on their eligibility or ineligibility vis-à-vis the disqualifications included in this Law.

Proposed candidates may not be representatives, agents or dependents of financial institutions operating in Ecuador, nor shareholders nor legal representatives of companies holding stocks in financial institutions. The Superintendent of Banks shall issue the required report within ten days.

Note: Article replaced by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Article 80.

The following are excluded from membership of the Monetary Board:

- (a) Persons who are not Ecuadorans by birth and are not entitled to citizenship rights;
- (b) The spouse or relatives of a voting member of the Monetary Board or of the General Manager of the Central Bank of Ecuador, within the third degree of consanguinity or the second degree of affinity, as well as parents and adoptive children;
- (c) Persons in arrears with financial institutions;
- (d) Persons who have been sentenced for a crime;
- (e) Persons declared legally liable for irregularities in the management of public or private entities or companies or who have had been censured in audits, as confirmed by the Office of the Comptroller General of the State;
- (f) Owners of current accounts closed by the Superintendency of Banks, for up to two years following their rehabilitation;
- (g) Persons performing a function for which they were elected by popular vote for the duration of their term; and
- (h) Persons who for any reason are legally unable to hold the position.

Note: Last paragraph repealed by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Article 81.

On receiving information that any of the legal causes for disqualification mentioned in the previous Article or noncompliance in terms of the prohibitions established in the last paragraph of Article 78 of this reform and the third paragraph of Article 83 have occurred,

the President of the Republic of Ecuador shall request the removal of the respective member by the National Congress and such member of the Board of Directors shall be suspended from this date until such time as the National Congress resolves the matter.

The removal of one or all members of the Board of Directors shall be duly proposed by the President of the Republic of Ecuador in accordance with the Law, and when the case has been proven, shall be resolved by a two-thirds majority of the members of the National Congress within a term of up to twenty days.

However, any actions or contracts authorized by the vote of the board member prior to his suspension or removal shall not be invalidated by these circumstances.

Note: Article replaced by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Article 82.

Any action, resolution or omission by the Board contrary to legal provisions or that might cause harm to the Government, the Monetary Board, the Central Bank or third parties shall render all voting members present at the respective meeting personally liable, and compensation shall be paid for all damage and harm caused by such personal liability.

Any members who cast a dissenting vote and advisory members who expressed their disagreement, which must be recorded in the minutes of the respective meeting, shall be released from such personal liability.

Any lawsuits filed against the voting members of the Monetary Board stipulated in this law shall be heard by the Supreme Court of Justice, as court of original jurisdiction and as appellate court, with the powers and following the same procedure as referred to in Articles 13 and 28 of the Organic Law of the Judiciary.

Article 83.

If any voting member of the Monetary Board or his spouse, associates in companies or their spouses, or their relatives within the third degree of consanguinity or the second degree of affinity have any personal or business interest in the discussion or resolution of a specific matter, they shall be excluded from participating in such discussion or resolution and shall have to withdraw from the meeting for as long as the matter is dealt with.

Compliance with this provision shall be recorded in the minutes of the respective meeting.

Any voting member taking part in a meeting in violation of the provisions of this Article shall be disqualified and shall be liable for any civil and criminal legal actions resulting from their participation. The Superintendent of Banks shall issue the declaration of disqualification, pursuant to paragraph 3 of Article 81.

This provision shall not apply to general regulations.

Note: The authority conferred on the Superintendent of Banks in Article 83 is hereby repealed. Issued via Law No. 12, Article 9 (d), published in Official Gazette Supplement 20 of September 7, 1998.

Article 84.

The Board of Directors shall hold meetings convened by the Chairman at his own initiative or at the request of two board members, the Minister of Finance and Public Credit, the Superintendent of Banks or the General Manager of the Central Bank.

The quorum for meetings of the Board of Directors of the Central Bank shall require the presence of at least four of its members.

Decisions shall be adopted by a simple majority of three votes in favor except in cases requiring a special majority or a unanimous decision.

Note: Article replaced by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Article 85.

Note: Article repealed by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Article 86.

The remuneration for voting members and the administrative expenses of the Monetary Board shall be approved by the Board itself and shall be shown in the Central Bank budget. The Superintendency of Banks shall supervise budget execution and settlement.

Article 87.

The Monetary Board shall propose the draft by-laws determining the organic structure of the Central Bank to the President of the Republic of Ecuador. The Monetary Board shall also issue the necessary resolutions on the development of the Central Bank.

At the request of the Monetary Board, the President of the Republic of Ecuador shall promulgate the by-laws through executive decree.

Neither the Monetary Board nor its members may participate in the internal administration of the Central Bank or take decisions on Central Bank internal administration other than those expressly authorized in the Law.

Note: Last paragraph replaced by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

Article 88.

The Monetary Board shall be empowered to and must:

- (a) Monitor observance of this Law;
- (b) Note: Paragraph repealed by Law No. 4, Article 100 (e), published in Official Gazette Supplement 34 of March 13, 2000;
- (c) Issue, amend and interpret the regulations or resolutions under its competence pursuant to this Law;
- (d) Decide upon requests for domestic and foreign loans from the Government and other public sector institutions and enterprises;
- (e) Appoint and remove the General Manager of the Central Bank and, at its suggestion, the Deputy General Manager, Managers, Deputy Managers, and General Accountant, and all other officers as determined by the by-laws;
- (f) Appoint and remove the Secretary of the Monetary Board, who must be a doctor of jurisprudence, with at least ten years of professional experience, as well as the Deputy Secretary, who must have broad knowledge of and experience in the administrative and banking fields, and appoint the Auditor General of the Central Bank;

- (g) Annually approve the budget of the Central Bank and public sector financial institutions supervised by the Superintendency of Banks, and duly establish uniform treatment in all cases with respect to remuneration policy;
- (h) Approve the general balance sheet and income statement of the Central Bank every six months;
- (i) Approve the annual report submitted to the President of the Republic of Ecuador and the National Congress;
- (j) Propose amendments to this Law and decide upon other draft amendments;
- (k) Rule on the establishment, merger or elimination of public sector financial institutions;
- (l) Issue policies within the area of its competence on the establishment or merger of private sector financial institutions;
- (ll) Rule on the contracting of external audits for specific purposes of the Central Bank, with the prior authorization of the Superintendent of Banks;
- (m) Request authorization from the Superintendency of Banks to establish or eliminate agencies, offices or branches of the Central Bank in Ecuador or abroad, and approve the general policy on correspondent bank arrangements with national banks and foreign banks;
- (n) Decide upon the procurement or transfer of real property of the Central Bank; and
- (ñ) Exercise all other functions and powers incumbent upon it pursuant to this Law.

Article 89.

The Monetary Board shall issue general provisions via regulations, and administrative provisions and individual decisions shall be issued via resolutions.

Regulations issued by the Monetary Board shall come into force from the date of their publication in the Official Gazette, except for those that the Board independently determines shall come into force on the day of their issuance due to their particular content, without

prejudice to their subsequent publication in the Official Gazette. In such cases, these regulations shall be published in the national press as soon as possible.

Resolutions issued by the Monetary Board shall not be subject to the provisions contained in the previous paragraph.

Article 90.

Note: Article repealed by Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

SECTION II: GENERAL MANAGER

Article 91.

The General Manager shall be appointed for a term of four years and may be reelected. He shall be in charge of directing the operations and the internal administration of the Central Bank and shall be responsible for the legal representation and the proper and efficient operation of the institution. He shall be required to devote himself to his duties full-time and may not perform any other public or private activity, except those arising from the proper exercise of his duties.

The terms and conditions governing the exercise of his duties, disqualifications and reasons for removal shall be the same as those applied to members of the Monetary Board.

Article 92.

The General Manager shall be empowered to and must:

- (a) Provide legal representation for the Central Bank;
- (b) Direct the plans, studies and reports on monetary, financial, credit and foreign exchange policies of the institution, propose them to the Monetary Board and monitor compliance with regulations and resolutions issued by the Board;
- (c) Keep the Board informed on the implementation of Ecuadoran monetary, financial, credit and foreign exchange policies;

- (d) Authorize all operations and business of the Central Bank not expressly reserved for the Monetary Board;
- (e) Represent the Central Bank in international monetary organizations, and obtain prior approval from the Monetary Board whenever the subject matter of such representation involves monetary, financial, credit or foreign exchange policies;
- (f) Within his powers, act in relations and dealings with foreign banks, other central banks and international financial organizations;
- (g) Authorize, through his signature, all contracts concluded by the Central Bank, notes or securities issued by it, and the obligations contracted by it, as well as balance sheets and income statements;
- (h) Exercise the compulsory jurisdiction indicated in Article 101 of this Law;
- (i) Appear in legal actions involving the Central Bank or in which it is an interested party;
- (j) Grant powers on behalf of the Central Bank and delegate representative authority to other officials of the institution, except where his participation is required by law;
- (k) Submit the Central Bank draft annual budget to the Monetary Board by December 31 of each year;
- (l) Prepare the Central Bank annual report for the previous fiscal year, bring it to the attention of the Monetary Board, and submit it to the President of the Republic of Ecuador and the National Congress by March 31 of each year;
- (ll) Propose to the Monetary Board the appointment or removal of the Deputy General Manager, Managers, Deputy Managers and General Accountant, and all other officials as determined by the by-laws, such officials to be subject to the conflicts of interest and prohibitions set forth in Article 80 of this Law, and also request that the Monetary Board remove the Auditor General when justified by the circumstances;
- (m) Dismiss any member of staff disclosing confidential information on matters taken up in the Monetary Board or in the Central Bank or taking advantage of any

information for personal purposes or to the detriment of the Central Government, the Central Bank or third parties;

(n) Provide for the publication of Central Bank financial statements in the Central Bank Bulletin; and

(ñ) Exercise any other powers and duties incumbent upon him pursuant to the pertinent legal provisions.

Article 93.

The Deputy General Manager shall be appointed for a term of four years, may be reelected, and shall replace the General Manager in the event of his temporary absence or impediment.

SECTION III: SUPERVISORY BODIES

Article 94.

The Superintendency of Banks shall conduct the external supervision of the financial and administrative operations of the Central Bank.

The Superintendent of Banks may authorize the contracting of private external auditing firms to supervise special matters.

Article 95.

The Central Bank General Internal Auditing Office shall be responsible for the supervision of the Bank and for cooperating with the Superintendent of Banks in the performance of his supervisory duties.

The Auditor General must have broad knowledge of finance and accounting, shall be appointed by the Monetary Board for a term of five years, which may be extended once, and may only be dismissed by the Board itself, at his own initiative or at the request of the General Manager.

The Auditor General shall perform his duties independently and shall keep the Monetary Board and the General Manager of the Bank informed of his activities.

The Auditor General must submit a monthly internal report on the financial position of the Central Bank and on matters that fall within his area of responsibility to the General Manager of the Central Bank and to the Monetary Board, with appropriate recommendations.

Any person subject to any of the disqualifications mentioned in this Law for voting members of the Monetary Board may not be appointed to the post of Auditor General. Disqualification of the Auditor General due to kinship shall apply not only to kinship with the members of the Monetary Board but also with the managers and all other officials indicated in the by-laws of the Central Bank.

CHAPTER IV : PUBLICATIONS

Article 96.

The Central Bank shall publish monthly figures on the most important indicators of Ecuador's monetary, financial, credit and foreign exchange position.

The Central Bank shall also publish its Annual Report and Bulletin.

TITLE V : PROHIBITIONS

SOLE CHAPTER

Article 97.

The Central Bank shall be prohibited from:

- (a) Acquiring or accepting as guarantee any credit documents made out to:
 - 1. The principal and alternate voting members of the Monetary Board, officers and employees of the institution and their spouses.
 - 2. The President and Vice President of the Republic of Ecuador, the Ministers of State, the Superintendent of Banks, the administrators of public sector entities and their spouses.
- (b) Granting an extension or substitution of the loans granted by the institution, with the exception of the cases specifically authorized by this Law;
- (c) Guaranteeing any type of obligations;

- (d) Acquiring or accepting as guarantee any stock in companies of any kind and participating directly or indirectly in enterprises or companies, with the exception of shares or participations acquired in international monetary organizations;
- (e) Granting the National Government and all other public sector entities and enterprises any loan not authorized by this Law. Furthermore, the Central Bank may not assume any direct or indirect obligations, grant subsidies or assume operations pertaining to the National Government and all other public sector entities and enterprises, in any form;
- (f) Granting loans or assuming other obligations with the public and private financial sector other than those set forth in this Law;
- (g) Carrying out operations not specifically authorized by this Law, except those that are not prohibited, are exclusively of a banking nature and are necessary for the accomplishment of monetary, financial, credit and foreign exchange policy objectives in accordance with the pertinent regulations issued by the Monetary Board;
- (h) Authorizing overdrafts of any kind; and
- (i) Granting aid, donations or contributions to any public or private natural or juridical person.

Article 98.

Neither the General Manager nor the officials of the Central Bank may become members of the boards of directors of public or private sector institutions, entities or enterprises, with the exception of the External Credit Committee and the National Defense Board.

TITLE VI: GENERAL PROVISIONS ON THE MONETARY SYSTEM

Article 99.

The powers granted by the Law to the Monetary Board and to the Central Bank must be exercised in a general and uniform manner, without establishing any discriminatory provisions or requirements in relation to persons or institutions conducting operations of the same nature, except for the cases indicated in the Law.

Article 100.

The Central Bank contribution to the upkeep of the Superintendency of Banks shall be computed excluding international assets, deferred assets and securities delivered by the Government for capitalizing the Central Bank.

Article 101.

The Central Bank of Ecuador has compulsory jurisdiction for collecting its loans and all other obligations and shall exercise such jurisdiction in accordance with the provisions of the Code of Civil Procedure.

Article 102.

The loans and obligations owed to the Central Bank shall have preference pursuant to Article 2398 of the Civil Code. Nevertheless, those arising from the liquidation of financial entities shall be in the same category as bank deposits provided for in the laws governing financial institutions.

Article 103.

The powers granted by the General Manager to officials of the Bank for administrative purposes or for legal representation of the Central Bank shall be extended through an official document signed by the General Manager or his replacement. The certification by the Secretary General of the institution on the appointment and possession of the principal and of the agent or legal representative shall be attached to the official document.

The powers granted to the agent or legal representative shall be specified in the official document.

This official power of attorney constitutes conclusive proof to legalize the intervention or legal status of the agent or legal representative, with no need for publication or registration or any further formality.

In the event of the temporary absence of the General Manager, the delegated officials shall continue to act with the official power of attorney, and no further delegation is necessary, provided that they continue to perform their duties.

Article 104.

Decisions taken by Central Bank officials may be appealed to the manager of the pertinent office and his decisions may be appealed to the General Manager.

Decisions on applications for the loans provided for in this Law shall be exempt from this provision.

Article 105.

The Monetary Board shall establish the legal interest rate schedule referred to in the Civil Code.

Article 106.

The Central Bank shall continue to pursue the cultural and social activities it was undertaking at the date of issuance of this Law and shall support such activities with its own funds. The structure of these activities shall be determined in the by-laws of the Central Bank and they shall enjoy administrative autonomy. Their budgets shall be approved by the Monetary Board and they shall have their own bookkeeping, but shall be audited by the Bank.

Article 107.

For matters not envisaged in this Law, the laws governing financial institutions, the Commercial Code, the Civil Code and all other pertinent laws shall apply as supplementary laws, provided they are compatible with the nature, purposes and objectives of this Law.

BOOK II: THE STATE BANK

TITLE I: OBJECTIVE, ESTABLISHMENT AND CAPITAL

Article 108.

The State Bank is a public financial institution with legal status, independent, of indefinite duration, with headquarters in the city of Quito. It shall be governed by this Law and additionally by the applicable provisions contained in corporate financial laws.

Article 109.

The objective of the State Bank is to finance programs, projects, works and services designed to provide public services that are the responsibility of the Government, whether such services are provided directly or via mixed “or private” enterprises in accordance with the various forms provided for in the Constitution and in the Law for the Modernization of the State, finance public “and private” sector programs classified by the Board of Directors as projects that contribute to national socio-economic development, and provide banking and financial services as empowered by the law.

To this end, the State Bank shall use its own capital and the funds it obtains in Ecuador or abroad, for its own account or for the account of the Central Government, or on behalf of provincial councils, municipalities and all other public entities and entities established for social purposes.

Note: First paragraph replaced by Law No. 000, Article 108, published in Official Gazette Supplement 144 of August 18, 2000.

Note: Words in inverted commas declared unconstitutional by Constitutional Tribunal Resolution No. 193 of December 12, 2000.

Article 110.

The initial authorized capital of the State Bank is three hundred billion sucres, divided into shares with a par value of twenty-five thousand sucres per share.

Subscribing shares, capitalizing profits, reserves and other resources earmarked for this purpose by the Central Government, may increase this capital.

The Ministry of Finance and Public Credit shall own at least 51 percent of the shares comprising the capital stock of the State Bank on behalf of the Central Government. Ecuadoran provincial councils, municipalities and regional development organizations may subscribe the remaining shares. The limitation imposed by the Law on Companies shall not apply for purposes of subscription and payment of capital, and the Minister of Finance and the Superintendent of Banks shall determine the payment method and payment periods via a joint resolution.

Article 111.

The State Bank may set up branches or agencies anywhere in Ecuador or abroad.

Article 112.

The State Bank shall have the following resources:

- (a) Capital funds;
- (b) Funds from external loans contracted by the National Government for public sector projects and programs;
- (c) Profits from the operations of the bank;

- (d) The resources stipulated in the Law on the Sectional Development Fund (FODESEC), intended for the subsidy fund, the clearing fund and other funds established by the Central Government for specific programs;
- (e) The resources indicated in Supreme Decree No. 2059 published in Official Gazette No. 490 of December 23, 1978, and amended through Law 138 PCL, published in Official Gazette No. 515 of June 16, 1983 on sharing in oil revenue; and
- (f) The revenue it obtains from any other source.

TITLE II: OPERATIONS WITH THE PUBLIC SECTOR

Article 113.

The State Bank is the depository for public sector funds. Therefore, the Government of the Republic of Ecuador, its subdivisions, and all other public sector entities and enterprises of any type must undertake all relevant collections and payments through the State Bank, pursuant to the resolutions adopted by the Board of Directors.

Subject to prior authorization by the Board of Directors, the State Bank may conclude correspondent agreements with the Central Bank and with all other institutions within the Ecuadoran financial system, to receive, collect and disburse public funds and conduct all other banking operations.

Article 114.

The Government of the Republic of Ecuador, its subdivisions, and all other public sector entities and enterprises of any type shall keep smaller cash amounts on hand to meet payments involving small amounts.

Article 115.

Funds deposited in the form of a guarantee in favor of Central Government or any other subdivision or entities mentioned above and all other deposits that must be made by law shall be kept in the State Bank.

Article 116.

With the prior approval of the Minister of Finance, the Board of Directors of the State Bank may grant certain public sector subdivisions, entities or enterprises exemption from the obligations referred to in Articles 113 and 115 of this Law.

Article 117.

The State Bank may collect public revenue pursuant to the agreements concluded with the Ministry of Finance and all other public sector entities and enterprises. These funds shall be collected for the account of and at the risk of the State Bank, and shall be credited to the Government of the Republic of Ecuador or the appropriate entity. The State Bank may sign correspondent agreements for this purpose.

Article 118.

The State Bank shall credit all available funds of the Government of the Republic of Ecuador to the National Treasury Master Current Account and shall charge all amounts paid or transferred to this account.

Payments borne by this account and transfers of funds from this account to other accounts shall be effected pursuant to the Organic Law on Financial Administration and Control.

All other public sector entities and enterprises shall have their own current accounts.

Article 119.

The State Bank shall service the domestic public debt and shall withhold the necessary funds to service the external public debt, this service to be provided by the Central Bank of Ecuador.

Article 120.

In compliance with the provision set forth in the preceding article, all debt contracted by the Central Government and by all other public sector entities and enterprises shall be backed by the trust fund composed of all revenue obtained from debtors in the State Bank.

Loans granted by the State Bank to mixed “or private” companies must be backed by real guarantees, commercial trust funds or other mechanisms accepted by the State Bank Board of Directors and provided for in the Law.

Note: Second paragraph added by Law N0. 000, Article 109, published in Official Gazette Supplement 144 of August 18, 2000.

Note: “or private” declared unconstitutional by Constitutional Tribunal Resolution No. 193 of December 12, 2000.

Article 121.

The State Bank shall also automatically withhold and distribute the taxes allocated for specific purposes and the fees for services entrusted to it. It shall therefore act as fiscal agent for public sector institutions.

Article 122.

Subject to a favorable report from the Monetary Board, the State Bank may make short-term advances of funds to the National Government for up to 10 percent of the ordinary revenue from the Central Government general budget. Such advance payments shall be made by December 31 of each year based on automatic and daily withholding of funds from the National Treasury Master Current Account.

Article 123.

Subject to prior authorization from the Monetary Board, the State Bank may grant advance payments of up to 180 days to public sector entities that have their own budget, decentralized institutions and Central Government enterprises, such amount not to exceed 10 percent of annual ordinary revenue and to be guaranteed by the respective trust fund contracted on their total revenue. The State Bank Board of Directors shall establish the terms and conditions for all such advance payments.

Article 124.

The State Bank shall finance programs, projects, works and services that are the responsibility of the Government and other productive projects with funds to be provided either to the National Government, the municipalities and provincial councils, or to mixed “or private” enterprises to which the Government has delegated this function in accordance with the applicable legal provisions and in the amounts, for the terms and other conditions established by the Board of Directors. Such financing may also be granted to private institutions with a social or public purpose that receive income from the Central Government.

The operations referred to in Articles 122, 123, 126 and 127 of the Law on the Monetary System and the State Bank shall be subject to approval by the Board of Directors of the State Bank exclusively.

Note: Article replaced by Law No. 000, Article 110, published in Official Gazette Supplement 144 of August 18, 2000.

Note: “or private” declared unconstitutional by Constitutional Tribunal Resolution No. 193 of December 12, 2000.

Article 125.

All investment projects financed by the State Bank for the mixed “and private” public sector shall be preceded by a study to determine their financial, economic and social profitability.

If such profitability is insufficient, but the projects are economically and socially feasible, they may be financed, provided that the source of funds to cover the financing shortfall is determined.

Note: Article amended by Law No. 000, Article 111, published in Official Gazette Supplement 144 of August 18, 2000.

Note: “and private” declared unconstitutional by Constitutional Tribunal Resolution No. 193 of December 12, 2000.

Article 126.

The State Bank may contract foreign loans directly, with the prior approval of the Minister of Finance and the favorable opinion of the Monetary Board. In this case, the foreign exchange shall be handed over to the Central Bank of Ecuador, which shall service the external debt after the equivalent in sucres has been received.

Article 127.

The State Bank shall undertake other financial operations of any type with the National Government and all other public sector entities and enterprises, pursuant to the provisions, procedures and limitations established by the Board of Directors and in conformity with the pertinent provisions issued by the Monetary Board.

Article 128.

As a means of financing public sector operations, the State Bank may issue and place securities in that sector, guaranteed by its portfolio, in the amounts and under the terms and conditions allowed in each case by the Monetary Board.

The State Bank may guarantee public sector operations, provided that the total amount of such guarantees does not exceed 300 percent of its capital and reserves. These guarantees shall be backed by pledging revenue of the entity guaranteed, or through some other type of counter-guarantee accepted by the Board of Directors by unanimous vote.

TITLE III: OPERATIONS WITH THE PRIVATE SECTOR

Article 129.

The State Bank may attract medium- and long-term funds from private financial system institutions when system liquidity permits, as well as from the public. Said State Bank shall invest these resources exclusively in financing development projects for private productive sectors.

Article 130.

The State Bank may grant loans to public sector development finance institutions and to private sector banks and lending institutions, aimed at financing private activities of the agriculture, industry, mining, artisan, tourism, fishing and other productive sectors as agreed by the Board of Directors, with the funds it attracts from both the public and the private sector, except for commercial operations. Said State Bank shall carry out these operations pursuant to the requirements set forth in the pertinent financial laws and the regulations issued for such purpose by the Monetary Board and the Board of Directors.

Article 131.

The loans granted pursuant to the preceding article by public sector development finance institutions and private sector banks and lending establishments with funds from the State Bank shall be subject to a technical, financial, economic and social evaluation of the respective projects.

Article 132.

The State Bank may also carry out operations with the private sector that are compatible with the powers conferred in the preceding articles, under the conditions and regulations established by the Board of Directors, subject to prior authorization by the Monetary Board.

TITLE IV: COMMON PROVISION FOR STATE BANK OPERATIONS

Article 133.

The State Bank shall keep records and separate accounts on its operations with the public sector and the private sector. In no case shall it use private sector funds to finance public sector operations. The Superintendency of Banks shall establish the procedure for consolidating financial balance sheets.

TITLE V: MANAGEMENT AND ADMINISTRATION

CHAPTER I: MEETING OF SHAREHOLDERS

Article 134.

State Bank bodies shall include the meeting of shareholders, the Board of Directors, and the Executive Commission.

Article 135.

The general meeting of shareholders shall be held for the purpose of reviewing the administrative and financial position of the bank, approving financial statements, and allocating or distributing profits.

It shall also decide upon capital increases proposed by the Board of Directors.

It shall appoint the auditor general of the bank for a term of four years, with the right to be reelected from the list of three candidates submitted by the Board of Directors.

Article 136.

State Bank shareholders' meetings shall be convened and chaired by the Minister of Finance. The ordinary meeting and special meetings shall be governed by the Law on Companies.

Article 137.

The Minister of Finance or, by his delegation, the Deputy Minister appointed by him shall act as representative of the State Bank in shareholders meetings.

All other shareholders shall act through their legal representative.

CHAPTER II: THE BOARD OF DIRECTORS

Article 138.

The senior management of the State Bank shall be the Board of Directors, composed of seven members appointed as follows:

(a) The Minister of Finance and Public Credit, who shall be the Chairman of the Board of Directors;

The Chairman of the Board of Directors shall also be the Chairman of the Executive Commission;

(b) One principal voting member and his alternate, appointed by the President of the Republic of Ecuador by Executive Decree;

(c) The Secretary General for Planning of the National Development Council or his delegate;

(d) One voting member for the workers of Ecuador, elected by the legally recognized trade union umbrella organizations;

(e) One representative elected from among the general managers of Ecuadoran public financial institutions;

(f) One representative from the municipalities;

(g) One representative from the provincial councils and the regional development organizations.

The voting members indicated in (d), (e) and (f) and (g) shall be elected by electoral colleges, through major electors convened by the Superintendent of Banks. They shall have their respective alternates designated in the same manner as the principals for a term of two years.

The Superintendency of Banks shall regulate the election of the alternate voting member referred to in this Article (e).

In the event of the Chairman's absence or impediment, said Chairman shall be replaced by a voting member designated by the President of the Bank.

The general manager of the State Bank shall act as advisory voting member of the Board of Directors.

Note: The Minister of Urban Development and Housing shall be the principal voting member of the State Bank Board of Directors and shall be nominated by the President of the Republic of Ecuador. This provision issued via Executive Decree No. 3, published in Official Gazette 1 of August 11, 1992.

Article 139.

The Board of Directors shall exercise the following duties:

- (a) Approve the bank's organic and functional structure, as well as its investment and administrative budget;
- (b) Propose capital increases to the meeting of shareholders;
- (c) Review management and auditing reports, financial statements and the proposed allocation of profits;
- (d) Establish and direct the banking and financial policy of the institution;
- (e) Approve the issue of securities backed by trust guarantees;
- (f) Appoint the General Manager and, at his request, the Deputy General Manager and all other officials stipulated by the by-laws;
- (g) Appoint and remove the Secretary, who must be a doctor of jurisprudence with at least 10 years of professional experience;
- (h) Propose to the President of the Republic Ecuador the general by-laws of the institution and amendments thereto, which shall be approved by executive decree;

- (i) Authorize the acquisition, transfer, or encumbrance of real property;
- (j) Establish the terms and conditions and amounts for lending and borrowing operations;
- (k) Determine the lending and borrowing rates and the commissions on banking operations, pursuant to the provisions issued by the Monetary Board;
- (l) Approve the general terms for all other operations carried out by the bank;
- (ll) Authorize agreements and contracts;
- (m) Establish branches and agencies in locations it deems appropriate and approve correspondent bank policies; and
- (n) Carry out any other duties set forth in this Law.

Article 140.

The Board of Directors shall hold ordinary meetings every two weeks and extraordinary meetings when convened by the Chairman or the General Manager. The quorum for such meetings shall be at least four members and resolutions shall be adopted by the affirmative votes of four voting members.

Article 141.

Disqualifications of members of the Board of Directors are set forth in (a), (c), (d), (e), (f) and (h) of Article 80 of this Law. Spouses or relatives of voting members of the Board of Directors or of the General Manager of the State Bank, within the third degree of consanguinity or the second degree of affinity, as well as parents and adoptive children, may not be members of the Board of Directors. The Superintendent of Banks shall evaluate disqualifications of members of the Board of Directors.

CHAPTER III: THE EXECUTIVE COMMISSION

Article 142.

The Executive Commission shall be composed of:

- (a) The Minister of Finance and Public Credit;
- (b) The voting member appointed by the President of the Republic of Ecuador;
- (c) One principal voting member and one alternate appointed annually by the Board of Directors from among the representatives of the municipalities and provincial councils;
- (d) The General Manager of the State Bank or, in his stead, the Deputy General Manager, as advisory voting member.

The Executive Commission shall be chaired by the Minister of Finance and Public Credit or, in his absence, by the voting member designated by the President of the Republic of Ecuador, in which case the Secretary General for Planning shall be called upon to form part of the Executive Commission.

Resolutions shall be adopted by majority vote.

The Secretary of the Board of Directors shall act as the Secretary of the Executive Commission.

Article 143.

The Executive Commission shall be responsible for resolving urgent matters and other duties assigned to it by the Board of Directors. It shall be required to report to the Board of Directors at its next meeting on the resolutions adopted.

Article 144.

The Executive Commission shall meet when convened by the Chairman of the Board of Directors or the General Manager at their own initiative or at the request of any of its members.

Matters shall be discussed in the presence of all members and decisions shall be adopted with a minimum of two affirmative votes.

CHAPTER IV: THE GENERAL MANAGER

Article 145.

The General Manager of the State Bank shall be in charge of directing the operations and the internal management of the bank. He shall be its legal representative and shall be responsible for proper and efficient operations of the institution. He must devote himself to his duties on a full-time basis and may not perform any other public or private activity, except for those arising from the performance of his duties. He shall be designated for a term of four years and may be reelected.

The conditions for carrying out his position, and the disqualifications and reasons for removal shall be the same as those applicable to the members of the Board of Directors.

Article 146.

The General Manager shall be empowered to and must:

- (a) Carry out the legal representation of the State Bank;
- (b) Comply with and ensure compliance with the law, by-laws and resolutions of the General Meeting of Shareholders, the Board of Directors and the Executive Commission;
- (c) Implement the resolutions and conclude the contracts and agreements authorized by the Board of Directors or the Executive Commission;
- (d) Resolve actions relating to the general management of the bank and those indicated in the by-laws, and sign the pertinent contracts;
- (e) Submit the proposed agenda for meetings of the Executive Commission to the Chairman of the Board of Directors and attend these meetings with the right to be heard but not to vote;
- (f) Represent the State Bank on the boards of directors and other bodies of which he is a member;
- (g) Submit the proforma budget of investments and general expenditures of the bank to the Board of Directors by December 31 of each year;
- (h) Propose any amendments to the by-laws to the Board of Directors; and

- (i) Convene the Executive Commission in cases of urgency, and report on the resolutions adopted by the Commission at the next meeting of the Board of Directors.

Article 147.

The powers of attorney issued for administrative purposes or for the legal representation of the State Bank shall be governed by Article 103 of this Law.

Article 148.

The General Manager shall be designated by the Board of Directors for a term of four years and may be reelected. He shall replace the General Manager in cases of absence or impediment and shall carry out the activities entrusted to him by the by-laws and the General Manager.

Article 149.

The managers and all other officials shall have the duties and responsibilities assigned them by the by-laws.

TITLE VI: FISCAL YEAR AND BUDGET

Article 150.

The State Bank fiscal year shall be the calendar year.

Article 151.

The General Manager of the State Bank shall submit a monthly report to the Board of Directors and the Superintendent of Banks on the financial position, along with the respective financial statements. These documents must be delivered within the following month, and signed by the General Manager, the Accountant General and the Auditor General of the Bank. State Bank balance sheets shall be submitted subject to the regulations issued by the Superintendent of Banks.

Article 152.

The Monetary Board shall approve the investment and general expenditures budget of the State bank. Should any liquidity surpluses occur in State Bank accounts during the fiscal year, the Board of Directors shall propose, or the Monetary Board, at its own initiative, shall determine how to invest such surpluses. The general administrative costs of the bank may not exceed 2 percent of total assets for each fiscal year.

TITLE VII: GENERAL PROVISIONS GOVERNING THE STATE BANK

Article 153.

The autonomy of the State Bank established in this Law protects the institution's power to carry out the actions and contracts needed for its administration, pursuant to the provisions issued by its Board of Directors.

Article 154.

The State Bank shall coordinate its actions with national monetary, financial, fiscal and economic policy.

Article 155.

The State Bank is granted summary jurisdiction to recover loans and other obligations, such jurisdiction to be exercised by the General Manager or the official designated by him, pursuant to the regulations set forth in the Code of Civil Procedures.

Article 156.

The loans and obligations owed to the State Bank shall have preference as set forth in Article 2398 of the Civil Code and in the manner established in Article 102 of this Law.

Article 157.

The State Bank shall be obligated to maintain financial solvency margins that yield the proper ratios between technical net worth (capital and reserves), total assets and the various asset categories, pursuant to the regulations issued by the Monetary Board.

Article 158.

The inspection and supervision of the accounts and operations of the State Bank, as well as the monitoring and verification of compliance with the legal and regulatory provisions governing it shall be the exclusive responsibility of the Superintendency of Banks, without prejudice to the internal controls implemented by the bank in its own right.

The Superintendent of Banks may authorize the contracting of external auditors for the supervision of specific matters.

The Auditor General shall be charged with the internal auditing of the institution and must inform the Board of Directors, the General Manager and the Superintendency of Banks of the observations he makes in the performance of his duties.

Article 159.

The officials and staff of the State Bank shall be subject to the regime established in its by-laws.

Article 160.

The State Bank assumes the assets and liabilities of the Development Bank of Ecuador, with all its rights and obligations.

Article 160-A.

The Central Bank of Ecuador shall serve as depository for public funds and as fiscal and financial agent for the Government. For such purpose, the Law on the Monetary System and the State Bank, the Organic Law on Financial Administration and Control and all other provisions contained in special and general laws in which reference is made to the Central Bank as depository of public funds or as fiscal and financial agent for the Government are hereby amended.

For such purpose, in all cases in which the previous paragraph applies, the expressions “Board of Directors of the State Bank” and “State Bank” shall be replaced by “Monetary Board” and “Central Bank of Ecuador” respectively in all corresponding legal rules.

Note: Article issued via Law No. 93, published in Official Gazette Supplement 764 of August 22, 1995.

GENERAL PROVISION

In all legal provisions contained in the Law on the Monetary System and the State Bank, the General Law on Financial System Institutions, and in all other laws in which reference is made to the Monetary Board, the members or the President of the Monetary Board, such designations shall be understood to read Board of Directors of the Central Bank of Ecuador, members or Chairman of the Board of Directors, respectively.

Note: Provision issued via Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

REPEALS AND AMENDMENTS

Article 161. The Law on the Monetary System recorded in Official Gazette, Supplement No. 56, of March 31, 1976, and the amendments thereto issued by Decrees Nos. 474, 1525, 1546, 2170, unnumbered Legislative Decrees, and Laws 122, 12 and 68, promulgated in Official Gazettes Nos. 124 of July 7, 1976, 364 of June 23, 1977, 372 of July 5, 1977, 514 of January 26, 1978, Supplement 453 of March 17, 1983, 41 of October 9, 1984, 240 of August 1, 1985, 255 of August 22, 1985, and 403 of March 26, 1990, in that order, are hereby repealed.

Article 162. The Law on International Exchange Rates recorded in Official Gazette No. 532 of June 4, 1954, and the amendments thereto issued by Decrees Nos. 34, 10, 1740, 186, 1276 and Laws 122 and 9, promulgated in Official Gazettes Nos. 869 of July 14, 1955, 425 of January 30, 1958, 359 of November 26, 1971, 260 of March 8, 1973, 310 of April 5, 1977, Supplement 453 of March 17, 1983 and 255 of August 22, 1985, in that order, are hereby repealed.

Article 163. The Regulations on the Law on International Exchange Rates issued by Decree No. 730-B promulgated in Official Gazette No. 254 of August 16, 1989 and the amendments thereto issued by Decree No. 1609 promulgated in Official Gazette No. 461 of June 19, 1990 are hereby repealed.

Article 164. The Organic Law of the Central Bank recorded by Decree No. 758 promulgated in Official Gazette No. 61 of August 14, 1944 and the amendments thereto issued by Legislative Decree promulgated in Official Gazette No. 87 of September 14, 1944 and Emergency Decree Law No. 320 promulgated in Official Gazette No. 47 of November 12, 1947 are hereby repealed. The By-Laws of the Central Bank of Ecuador approved by Decree No. 423 promulgated in Official Gazette No. 294 of May 29, 1945 are also hereby repealed.

Article 165. Decree No. 3131 promulgated in Official Gazette No. 793 of March 16, 1979, Supreme Decree No. 1962 promulgated in Official Gazette No. 471 of November 25, 1977, Confidential Decree No. 228 promulgated in Confidential Official Gazette No. 563-R of November 15, 1977 and Article 129 (c) of the Law on Elections promulgated in Official Gazette No. 604 of January 15, 1987 are hereby repealed.

Article 166. All legal provisions by means of which the General Manager of the Central Bank, his delegates or representatives form part of the collegiate bodies of the public sector,

such as Boards of Directors, Boards, Councils, etc., are hereby repealed, in particular the following:

1. The pertinent section of Article 5 of Decree No. 415 promulgated in Official Gazette No. 78 of October 13, 1970, through which he becomes part of the National Integration Council;
2. Article 12 (e) of Decree No. 327 promulgated in Official Gazette No. 526 of April 3, 1974 and the amendments thereto issued by Decree No. 1619 promulgated in Official Gazette No. 529 of February 20, 1978, through which he becomes part of the Board of Directors of the National Development Bank;
3. Article 7 (e) of Decree No. 198 promulgated in Official Gazette Supplement No. 527 of April 4, 1974, through which he becomes part of the Customs Tariff Committee;
4. Clause eight of Article 5 of Decree No. 2062 promulgated in Official Gazette No. 494 of December 29, 1977, through which he becomes part of the Board of Directors of the National Financial Corporation;
5. Clause six of Article 2 of Decree No. 3605-B promulgated in Official Gazette No. 883 of July 27, 1979, through which he becomes part of the Administrative Committee of the Law on Tax Payment;
6. The pertinent section of Article 1 of Agreement No. 247 promulgated in Official Gazette No. 192 of May 21, 1980, through which he becomes part of the Permanent Group on External Debt Studies and Planning;
7. Article 1 (c) of Decree No. 163 promulgated in Official Gazette No. 37 of October 2, 1984, through which he becomes part of the Committee on Coordinating and Monitoring Projects Financed by External Loans;
8. Section four of Article 5 of Decree No. 26 promulgated in Official Gazette No. 446 of May 29, 1986, through which he becomes part of the Interinstitutional Artisanry Development Committee;

9. The pertinent section of Article 1 of Decree No. 324 promulgated in Official Gazette No. 104 of January 9, 1989, through which he becomes a part of the CISCE Interinstitutional External Credit Monitoring Committee.

10. Section six of Article 4 of Law 45 and section six of Article 6 of Decree 935 promulgated in Official Gazette Supplement No. 283 of September 26, 1989, through which he becomes part of the Board of Directors of PETROECUADOR;

11. The pertinent part of section one of Article 3 of Decree No. 1419 promulgated in Official Gazette No. 418 of April 17, 1990, through which he becomes part of the National Commission in Support of the Andean Integration Process;

12. Article 7 (e) of Decree Law No. 1 promulgated in Official Gazette No. 625 of February 19, 1991, through which he becomes part of the National Council on Free Zones; and

13. The pertinent section of Article 24 of Law 126 promulgated in Official Gazette Supplement No. 695 of May 31, 1991, through which he becomes part of the Board of Directors of the Mining Corporation.

Article 167. All of the provisions establishing a share in the income, rates and profits of the Central Bank of Ecuador are hereby repealed, especially:

1. Article 3 of Decree No. 185 promulgated in Official Gazette No. 260 of March 8, 1973, and amended by Decree No. 479 promulgated in Official Gazette No. 302 of May 9, 1973 and by Law 92 promulgated in Official Gazette No. 934 of May 12, 1988;

2. Article 13 (c) of Decree No. 1020 promulgated in Official Gazette No. 954 of December 17, 1975;

3. Article 3 (a) of Law No. 77 published in Official Gazette No. 80 of September 15, 1981;

4. Article 9 (a) of Law No. 122 published in Official Gazette Supplement No. 453 of March 17, 1983; and

5. Article 1 of Decree No. 2148 promulgated in Official Gazette No. 603 of October 20, 1983.

Article 168. Decree No. 374 promulgated in Official Gazette No. 285 of April 12, 1973, through which the Financial Funds Mechanism was established, and the reforms thereto issued by Decrees Nos. 902, 1058-A, 1036, 1227, and 1400 promulgated in Official Gazette Nos. 637 of September 12, 1974, 687 of November 22, 1974, 957 of December 22, 1975, 348 of October 13, 1982, and 396 of December 24, 1982, in that order, are hereby repealed.

Article 169. All of the legal provisions establishing or regulating the credit lines or rediscount lines of the Central Bank of Ecuador are hereby repealed, in particular:

1. The Legislative Decree promulgated in Official Gazette No. 89 of September 16, 1944;

2. Article 34 of the Law on the IECE Ecuadoran Student Loan and Scholarship Institute, promulgated in Official Gazette No. 48 of March 19, 1976;

3. Note: Numeral repealed by Law 52, published in Gazette Supplement 439 of May 12, 1994.

4. Articles 60 and 79 of Decree No. 3289 promulgated in Official Gazette No. 792 of March 15, 1979;

5. Article 58 of Law No. 74 promulgated in Official Gazette No. 64 of August 24, 1981;

6. The phrase "These credit lines may be rediscounted by the Central Bank" from Article 5 of Law No. 86 promulgated in Official Gazette No. 223 of April 16, 1982 is hereby deleted;

7. Articles 23 and 25 of Decree No. 3289 promulgated in Official Gazette No. 792 of March 15, 1979, and the amendments thereto issued by Law No. 119 promulgated in Official Gazette No. 409 of January 12, 1983;

8. Agreement No. 407 promulgated in Official Gazette No. 8 of August 22, 1984;

9. Article 8 of Law No. 5 promulgated in Official Gazette No. 233 of July 22, 1985 and the amendments thereto issued by Decree Law No. 7 promulgated in Official Gazette No. 255 of August 22, 1985; and

10. Article 14 of Law No. 26 promulgated in Official Gazette No. 200 of May 30, 1989.

Article 170.

Clause 5 of Article 575 of the Criminal Code shall read: "Any person wilfully carrying out actions through which they obtain improper foreign exchange or monetary benefits, either through false declarations or in some other way, shall be punished by a prison term of between three months and four years and a fine of not less than 50 percent and not more than 200 percent of the amounts improperly obtained."

Article 171.

All legal provisions requiring that funds or goods owned by non-public sector third parties be deposited in the Central Bank of Ecuador are hereby amended to state that such deposits shall be made in the State Bank, particularly the following:

1. Article 7 of Decree No. 325 promulgated in Official Gazette No. 181 of April 4, 1941;

2. Article 2 of Agreement No. 341 promulgated in Official Gazette No. 744 of February 17, 1955;

3. Numeral 8 of Article 34 of Decree No. 3756 promulgated in Official Gazette No. 3 of August 15, 1979, declared in force by Decree Law No. 35 promulgated in Official Gazette No. 229 of July 11, 1980;

4. Article 14 of Decree No. 1351 promulgated in Official Gazette No. 285 of July 7, 1964;

5. Article 19 of Decree No. 1404 promulgated in Official Gazette No. 158 of November 11, 1966;
6. Note: Numeral repealed by Law No. 74, published in Official Gazette No. 290 of April 3, 1998.
7. Article 75 (a) of Law No. 35-CL promulgated in Official Gazette No. 338 of March 18, 1968;
8. Article 90 of Agreement No. 8347 promulgated in Official Gazette No. 380 of February 27, 1970, and the amendments thereto issued by Decree No. 1593 promulgated in Official Gazette No. 339 of October 27, 1971;
9. Numeral 3 of Article 128 and Article 188 of Decree No. 891 promulgated in Official Gazette No. 636 of September 11, 1974, the latter amended by Law 131 promulgated in Official Gazette No. 500 of May 26, 1983;
10. Numeral one of Article 263 and Article 306 of the Tax Code issued by Decree No. 1016-A published in Official Gazette Supplement No. 958 of December 23, 1975;
11. Article 7 of Decree No. 1365-A promulgated in Official Gazette No. 343 of May 25, 1977;
12. Clause three of Article 65 of Decree No. 2401-A promulgated in Official Gazette No. 601 of June 6, 1978, and the amendments thereto issued by Decrees Nos. 2858 and 2924 promulgated in Official Gazettes Nos. 672 of September 15, 1978 and 693 of October 18, 1978;
13. Article 9 of Decree No. 1250 promulgated in Official Gazette No. 306 of November 4, 1985;
14. Article 28 (g) of Agreement No. 448 promulgated in Official Gazette Supplement No. 355 of January 15, 1986; and

15. Article 10 (c) of Agreement No. 54 promulgated in Official Gazette No. 379 of February 16, 1990.

Article 172.

All legal provisions that provide for or authorize liquidating or crediting, opening or managing a current or special account in the Central Bank of Ecuador or in the National Development Bank to the order of public agencies or their staff, treasurers or payers and participants in public revenue are hereby amended to state that such financial resources shall be credited to or deposited in the State Bank, in the National Treasury Master Current Account or in the accounts of the respective agencies.

In particular, the following legal provisions shall be amended in this regard:

1. Article 1 (a) and Article 17 of the Legislative Decree of October 22, 1940 promulgated in Official Gazette No. 51 of November 1, 1940;
2. Articles 1 and 2 of Decree No. 451 promulgated in Official Gazette No. 61 of November 28, 1947;
3. Article 6 of the Legislative Decree of November 5, 1948 published in Official Gazette No. 97 of December 29, 1948;
4. Article 1 of Decree No. 785 promulgated in Official Gazette No. 235 of June 13, 1949;
5. Article 1 of Decree No. 180-A promulgated in Official Gazette No. 450 of February 25, 1950;
6. Articles 1 and 3 of Emergency Decree Law No. 394 promulgated in Official Gazette No. 457 of March 6, 1950;
7. Article 1 of Decree No. 44 promulgated in Official Gazette No. 740 of February 15, 1951;
8. Article 1 of Decree No. 294 promulgated in Official Gazette No. 755 of March 5, 1951;

9. Article 2 of the Legislative Decree of October 22, 1952 promulgated in Official Gazette No. 70 of November 22, 1952, and the amendment thereto issued by Emergency Decree Law No. 10 promulgated in Official Gazette No. 131 of April 12, 1962;
10. Article 3 of Emergency Decree Law No. 12 promulgated in Official Gazette No. 233 of June 8, 1953;
11. Article 3 of the Legislative Decree of September 22, 1953 promulgated in Official Gazette No. 366 of November 17, 1953;
12. Article 3 of Emergency Decree Law No. 26 promulgated in Official Gazette No. 575 of July 26, 1954;
13. Article 3 of the Legislative Decree of November 6, 1955 promulgated in Official Gazette No. 1010 of January 2, 1956;
14. Article 3 of the Legislative Decree of November 5, 1959 promulgated in Official Gazette No. 987 of December 8, 1959;
15. Article 64 of Decree No. 2081 promulgated in Official Gazette No. 1024 of January 22, 1960;
16. Article 12 of Emergency Decree Law No. 7 promulgated in Official Gazette No. 143 of February 18, 1961, and the amendments thereto issued by Articles 2 and 3 of Legislative Decree No. 15 promulgated in Official Gazette No. 86 of March 16, 1967;
17. Article 3 of Decree No. 13 promulgated in Official Gazette No. 186 of April 11, 1961;
18. Articles 1 and 2 of Emergency Decree Law No. 4 promulgated in Official Gazette No. 81 of February 13, 1962;
19. Article 1 of Emergency Decree Law No. 44 promulgated in Official Gazette No. 226 of August 7, 1962;

20. Articles 2 and 4 of Emergency Decree Law No. 2 promulgated in Official Gazette No. 331 of December 14, 1962;
21. Articles 3, 4 and 5 of Resolution No. 1092 promulgated in Official Gazette No. 336 of December 20, 1962;
22. Article 2 of Agreement No. 99 promulgated in Official Gazette No. 360 of January 19, 1963;
23. Articles 5 and 6 of Emergency Decree Law No. 7 promulgated in Official Gazette No. 377 of February 8, 1963;
24. Article 3 of Emergency Decree Law No. 15 promulgated in Official gazette No. 441 of April 25, 1963;
25. Articles 21 to 28 of Resolution No. 1168 promulgated in Official Gazette No. 480 of June 13, 1963;
26. Articles 51 and 71 of Decree No. 128 promulgated in Official Gazette No. 163 of January 25, 1964, and the amendments thereto issued by Decree No. 1593 promulgated in Official Gazette No. 339 of October 27, 1971;
27. The final clause of Article 10 of Decree No. 502-C promulgated in Official Gazette No. 221 of April 7, 1964;
28. Articles 2 and 3 of Decree No. 1710 promulgated in Official Gazette No. 311 of August 14, 1964;
29. Article 13 of Decree No. 179 promulgated in Official Gazette No. 430 of February 4, 1965;
30. Articles 6 and 8 of Decree No. 413 promulgated in Official Gazette No. 449 of March 3, 1965;

31. Article 13 of Agreement No. 111 promulgated in Official Gazette No. 453 of March 9, 1965;
32. Article 8 of Decree No. 507-C promulgated in Official Gazette No. 467 of March 29, 1965;
33. Agreement No. 80 promulgated in Official Gazette No. 567 of August 19, 1965, in the pertinent section of the amendments thereto issued by Articles 35, 40, and 41 of Agreement No. 93 published in Official Gazette No. 324 of December 9, 1969;
34. Articles 2, 4, 6 and 25 of Decree No. 1796 promulgated in Official Gazette No. 572 of August 26, 1965;
35. Articles 56 and 57 of Decree No. 87 promulgated in Official Gazette No. 673 of January 20, 1966;
36. Article 4 of Agreement No. 6 promulgated in Official Gazette No. 716 of March 22, 1966;
37. Article 1 of Decree No. 692 promulgated in Official Gazette No. 718 of March 24, 1966;
38. Article 1 of Decree No. 709 promulgated in Official Gazette No. 17 of April 21, 1966;
39. Articles 14 and 15 of Decree No. 577 promulgated in Official Gazette No. 76 of July 14, 1966;
40. Article 1 of Decree No. 856 promulgated in Official Gazette No. 103 of August 23, 1966;
41. Article 1 of Decree No. 935 promulgated in Official Gazette No. 107 of August 29, 1966;

42. Article 112 of Decree No. 1031 promulgated in Official Gazette No. 123 of September 20, 1966;
43. Articles 3 and 6 of Decree No. 1236 promulgated in Official Gazette No. 147 of October 25, 1966;
44. Article 2 of Agreement No. 22 promulgated in Official Gazette No. 86 of March 16, 1967;
45. Articles 7 and 8 of Legislative Decree No. 77 promulgated in Official Gazette No. 140 of June 5, 1967;
46. Article 4 (a) and Article 16 of Decree No. 113 promulgated in Official Gazette Supplement No. 159 of June 30, 1967;
47. Article 2 of Decree No. 1267 promulgated in Official Gazette No. 272 of December 13, 1967;
48. Articles 1 and 2 of Decree No. 1168-A promulgated in Official Gazette No. 430 of July 30, 1968;
49. Article 12 of unnumbered Resolution promulgated in Official Gazette No. 178 of May 14, 1969;
50. Article 4 of Law No. 69-39 promulgated in Official Gazette No. 292 of October 23, 1969;
51. Articles 1, 2 and 3 of Law No. 69-36 promulgated in Official Gazette No. 293 of October 24, 1969;
52. Article 3 of Agreement No. 215 promulgated in Official Gazette No. 379 of February 26, 1970;
53. Article 1 of Agreement No. 8099 promulgated in Official Gazette No. 390 of March 13, 1970;

54. Article 4 of Law No. 266-CLP promulgated in Official Gazette No. 444 of June 2, 1970;
55. Article 3 of Law No. 264-CLP promulgated in Official Gazette No. 449 of June 9, 1970;
56. Article 3 of Agreement No. 124 promulgated in Official Gazette No. 28 of July 30, 1970, and the amendments thereto issued by Article 1 of Agreement No. 42 promulgated in Official Gazette No. 173 of March 3, 1971;
57. Article 11 of Decree No. 357 promulgated in Official Gazette No. 54 of September 7, 1970;
58. Articles 1 and 5 of Decree No. 603 promulgated in Official Gazette No. 85 of October 22, 1970;
59. Article 5 of Decree No. 964 promulgated in Official Gazette No. 121 of December 15, 1970;
60. Article 1 of Decree No. 10-A promulgated in Official Gazette No. 149 of January 26, 1971;
61. Article 9 of Agreement No. 234 promulgated in Official Gazette No. 176 of March 8, 1971;
62. Article 11 of Agreements Nos. 216 and 330 promulgated in Official Gazette No. 180 of March 12, 1971;
63. Article 2 of Decree No. 460 promulgated in Official Gazette No. 190 of March 26, 1971;
64. Article 15 of Decree No. 503 promulgated in Official Gazette No. 196 of April 5, 1971;

65. Article 8 of Decree No. 597 promulgated in Official Gazette No. 214 of April 30, 1971;
66. Decree No. 982 promulgated in Official Gazette No. 260 of July 6, 1971;
67. Article 20 of Decree No. 1147 promulgated in Official Gazette No. 288 of August 16, 1971;
68. Article 12 of Decree No. 1306 promulgated in Official Gazette No. 301 of September 2, 1971;
69. Clause three of Article 1 of Resolution No. 166 promulgated in Official Gazette No. 302 of September 3, 1971;
70. Clause three of Article 63 of Decree No. 1414 promulgated in Official Gazette No. 319 of September 28, 1971;
71. Article 1 of Resolution No. 5 promulgated in Official Gazette No. 323 of October 4, 1971;
72. Article 4 of Agreement No. 1465 promulgated in Official Gazette No. 364 of December 3, 1971;
73. Article 1 of Decree No. 1811 promulgated in Official Gazette No. 367 of December 9, 1971;
74. Article 5 of Decree No. 1821 promulgated in Official Gazette No. 370 of December 14, 1971;
75. Numeral 6 of Article 39 of Decree No. 1899 promulgated in Official Gazette No. 382 of December 30, 1971;
76. Article 3 of Agreement No. 157 promulgated in Official Gazette No. 78 of June 12, 1972;

77. Sole Article of Agreement No. 477 promulgated in Official Gazette No. 88 of June 26, 1972;

78. Article 6 of Decree No. 533 promulgated in Official Gazette No. 93 of July 3, 1972;

79. Article 9 of Decree No. 642 promulgated in Official Gazette No. 108 of July 25, 1972;

80. Articles 2 and 3 of Decree No. 615 promulgated in Official Gazette No. 109 of July 26, 1972, and the amendments thereto issued by Article 2 of Decree No. 1073 promulgated in Official Gazette No. 150 of September 22, 1972;

81. Article 9 of Agreement No. 240 promulgated in Official Gazette No. 124 of August 17, 1972;

82. Article 2 of Agreement No. 239 promulgated in Official Gazette No. 124 of August 17, 1972;

83. Clause three of Article 13 of Decree No. 1076-B promulgated in Official Gazette No. 153 of September 27, 1972;

84. Article 2 of Decree No. 1076-H promulgated in Official Gazette No. 161 of October 10, 1972;

85. Article 2 of Decree No. 1159 promulgated in Official Gazette No. 168 of October 20, 1972;

86. Sole Article of Agreement No. 332 promulgated in Official Gazette No. 176 of November 1, 1972;

87. Article 7 of Decree No. 1268 promulgated in Official Gazette No. 181 of November 10, 1972;

88. Article 12 of Agreement No. 1067 promulgated in Official Gazette No. 196 of December 1, 1972;
89. Article 5 of Decree No. 1386 promulgated in Official Gazette No. 200 of December 8, 1972;
90. Article 6 of Decree No. 1384 promulgated in Official Gazette No. 202 of December 12, 1972;
91. Article 2 of Decree No. 1429 promulgated in Official Gazette No. 211 of December 26, 1972, and the amendments thereto issued by Decree No. 83-C promulgated in Official Gazette No. 740 of February 12, 1975;
92. Article 2 of Decree No. 1473 promulgated in Official Gazette No. 212 of December 27, 1972;
93. Article 2 of Agreement No. 473 promulgated in Official Gazette No. 220 of January 9, 1973;
94. Articles 3 and 4 are amended, and Article 1 of Decree No. 41 promulgated in Official Gazette No. 232 of January 25, 1973 is hereby deleted;
95. Article 3 of Decree No. 214 promulgated in Official Gazette No. 261 of March 9, 1973;
96. Article 1 of Decree No. 872 promulgated in Official Gazette No. 365 of August 8, 1973;
97. Article 52 of Decree No. 921 promulgated in Official Gazette No. 372 of August 20, 1973;
98. Article 2 of Decree No. 1011 promulgated in Official Gazette No. 383 of September 4, 1973;

99. Articles 1 and 2 of Agreement No. 788 promulgated in Official Gazette No. 390 of September 13, 1973;

100. Clause one of Article 1 of Decree No. 1258 promulgated in Official Gazette No. 433 of November 15, 1973;

101. Article 6 of Decree No. 1393 promulgated in Official Gazette No. 460 of December 26, 1973;

102. Article 1 of Agreement No. 499 promulgated in Official Gazette No. 461 of December 27, 1973;

103. Article 2 of Decree No. 1426 promulgated in Official Gazette No. 464 of January 3, 1974;

104. Article 28 of Decree No. 1456 promulgated in Official Gazette No. 468 of January 9, 1974;

105. Article 3 of Agreement No. 6 promulgated in Official Gazette No. 472 of January 15, 1974;

106. Article 1 of Decree No. 98 promulgated in Official Gazette No. 484 of January 31, 1974;

107. Articles 1, 2 and 4 of Agreement No. 40 promulgated in Official Gazette No. 494 of February 14, 1974;

108. Article 111 of Decree No. 178 promulgated in Official Gazette No. 497 of February 19, 1974;

109. Article 1 (b) of Decree No. 317 promulgated in Official Gazette No. 522 of March 28, 1974, and the amendments thereto issued by Decree No. 82 promulgated in Official Gazette No. 740 of February 12, 1975;

110. Articles 1, 2 and 3 of Agreement No. 89 promulgated in Official Gazette No. 531 of April 10, 1974, and the amendments thereto issued by Agreement No. 12015 published in Official Gazette No. 620 of August 20, 1974;

111. Article 1 of Decree No. 390 promulgated in Official Gazette No. 537 of April 22, 1974;

112. Article 4 of Decree No. 504 promulgated in Official Gazette No. 557 of May 21, 1974;

113. Articles 4 and 10 of Agreement No. 11927 promulgated in Official Gazette No. 569 of June 7, 1974;

114. Articles 5 and 6 of Decree No. 647 promulgated in Official Gazette No. 589 of July 5, 1974;

115. Article 1 of Agreement No. 12014 promulgated in Official Gazette No. 620 of August 20, 1974;

116. Article 22 of Decree No. 945 promulgated in Official Gazette No. 643 of September 20, 1974;

117. Article 1 of Agreement No. 12129 promulgated in Official Gazette No. 650 of October 1, 1974;

118. Article 1 of Agreement No. 12239 promulgated in Official Gazette No. 693 of December 2, 1974;

119. Article 1 of Agreement No. 12240 promulgated in Official Gazette No. 698 of December 10, 1974;

120. Article 1 of Decree No. 1260-A promulgated in Official Gazette No. 703 of December 17, 1974;

121. Article 1 of Decree No. 172-C promulgated in Official Gazette No. 760 of March 12, 1975;
122. Article 1 of Agreement No. 12461 promulgated in Official Gazette No. 782 of April 15, 1975;
123. Article 5 of Decree No. 982 promulgated in Official Gazette No. 945 of December 4, 1975, and the amendments thereto issued by Decree No. 2059 promulgated in Official Gazette No. 490 of December 23, 1977, and Law No. 122 promulgated in Official Gazette Supplement No. 453 of March 17, 1983;
124. Article 1 of Decree No. 21 promulgated in Official Gazette No. 5 of January 16, 1976;
125. Article 3 of Agreement No. 13375 promulgated in Official Gazette No. 168 of September 9, 1976;
126. The fines stipulated in the Law promulgated in Official Gazette No. 389 of July 28, 1977, and the amendments thereto;
127. Article 28 of Agreement No. 8022 promulgated in Official Gazette No. 391 of August 1, 1977, and the amendments thereto issued by Agreement No. 3217 promulgated in Official Gazette No. 271 of September 10, 1980;
128. Article 1 of Decree No. 1678 promulgated in Official Gazette No. 394 of August 4, 1977, and the amendments thereto issued by Law No. 122 promulgated in Official Gazette Supplement No. 453 of March 17, 1983;
129. Article 19 of Agreement No. 8798 promulgated in Official Gazette No. 473 of November 29, 1977;
130. Article 3 of Decree No. 2419 promulgated in Official Gazette No. 572 of April 24, 1978;
131. Articles 98 and 106 of the Labor Code promulgated in Official Gazette No. 650 of August 16, 1978;

132. Article 14 of the Tenancy Law promulgated in Official Gazette No. 681 of September 28, 1978;

133. Article 15 of Decree No. 2928 promulgated in Official Gazette No. 694 of October 19, 1978;

134. Article 6 of Agreement No. 338 promulgated in Official Gazette No. 695 of October 20, 1978, and the amendments thereto issued by Agreement No. 426 promulgated in Official Gazette No. 666 of January 20, 1984;

135. Article 3 of Decree No. 2965 promulgated in Official Gazette No. 710 of November 14, 1978;

136. Article 3 of Agreement No. 174 promulgated in Official Gazette No. 835 of May 18, 1979;

137. Article 11 (a) of Decree No. 1001 promulgated as an Annex in Official Gazette No. 877 of July 18, 1979;

138. Clause two of Article 1 of Decree No. 3677 promulgated in Official Gazette No. 890 of August 7, 1970;

139. Article 145 of Decree No. 3640 promulgated in Official Gazette No. 891 of August 8, 1979;

140. Article 3 of the Legislative Decree of November 6, 1979 promulgated in Official Gazette No. 72 of November 23, 1979;

141. Clause two of Article 31 of Decree No. 3757 promulgated in Official Gazette No. 311 of November 7, 1980;

142. Clause six of Article 1 of Legislative Decree No. 52 promulgated in Official Gazette No. 326 of November 28, 1980, and the amendments thereto issued by Article 79 of Law No. 6 promulgated in Official Gazette No. 97 of December 29, 1988 and by Article 6 of Law No. 63 promulgated in Official Gazette No. 366 of January 30, 1990;

143. Clause ten of Article 2 of Decree No. 54 promulgated in Official Gazette No. 369 of January 30, 1981;
144. Article 6 of Agreement No. 4595 promulgated in Official Gazette No. 383 of February 19, 1981;
145. Article 8 of Decree No. 914 promulgated in Official Gazette No. 393 of March 9, 1981;
146. Article 41 of Law No. 56 promulgated in Official Gazette No. 409 of March 31, 1981;
147. Article 116 of Law No. 59 promulgated in Official Gazette No. 417 of April 10, 1981;
148. Article 80 of Law No. 74 promulgated in Official Gazette No. 64 of August 24, 1981;
149. Article 2 of Law No. 76 promulgated in Official Gazette No. 80 of September 15, 1981, and the amendments thereto issued by Law No. 85 promulgated in Official Gazette No. 205 of March 19, 1982;
150. Article 6 of Law No. 78 promulgated in Official Gazette No. 89 of September 28, 1981;
151. Article 4 of Law No. 79 promulgated in Official Gazette No. 93 of October 2, 1981;
152. Sole Article of Agreement No. 413 promulgated in Official Gazette No. 119 of November 13, 1981;
153. Articles 19, 23 and 26 of Decree No. 742, and Articles 24 and 27 of Decree No. 743 promulgated in Official Gazette No. 209 of March 25, 1982;

154. Article 22 of Agreement No. 2182 promulgated in Official Gazette No. 405 of January 6, 1983;

155. Article 241 of Decree No. 1529 promulgated in Official Gazette No. 436 of February 22, 1983, and the amendments thereto issued by Article 19 of Decree No. 857 promulgated in Official Gazette No. 213 of June 24, 1985;

156. Article 4 of Decree No. 1610 promulgated in Official Gazette No. 456 of March 21, 1983;

157. Article 1 of Agreement No. 1653 promulgated in Official Gazette No. 475 of April 20, 1983;

158. Article 2 of Law No. 135 promulgated in Official Gazette No. 507 of June 6, 1983;

159. Articles 3 and 4 of Law No. 138 promulgated in Official Gazette No. 515 of June 16, 1983, and the amendments thereto issued by Articles 3 and 4 of Law No. 182 promulgated in Official Gazette No. 805 of August 10, 1984 and Article 10 of Law No. 2 promulgated in Official Gazette No. 150 of March 22, 1985;

160. Article 1 of Decree No. 1985 promulgated in Official Gazette No. 561 of August 22, 1983;

161. Article 3 of Decree No. 2204 promulgated in Official Gazette No. 614 of November 9, 1983;

162. Article inserted by Decree No. 228 promulgated in Official Gazette Supplement No. 73 of November 24, 1988 after Article 30 of Decree No. 2331 promulgated in Official Gazette No. 649 of December 28, 1983;

163. Numeral 5 of Article 65 of Agreement No. 9351 promulgated in Official Gazette Supplement No. 676 of February 3, 1984;

164. Article 2 of Agreement No. 77 promulgated in Official Gazette No. 712 of March 28, 1984, and the amendments thereto issued by Agreement No. 388 promulgated in Official Gazette No. 471 of July 3, 1990;

165. Article 2 of Agreement No. 2143 promulgated in Official Gazette No. 726 of April 17, 1984;

166. Article 77 (b) of Agreement No. 8967 promulgated in Official Gazette No. 799 of August 2, 1984, amended by Agreement No. 5721 promulgated in Official Gazette No. 468 of June 28, 1990;

167. Article 3 of Law No. 175 promulgated in Official Gazette No. 801 of August 6, 1984;

168. Articles 6 and 7 of Law No. 182 promulgated in Official Gazette No. 805 of August 10, 1984, and the amendments thereto issued by Decree Law No. 4 promulgated in Official Gazette No. 252 of August 19, 1985;

169. Article 30 of Law No. 181 promulgated in Official Gazette No. 805 of August 10, 1984, and the Article inserted after Article 30 by Law No. 113 promulgated in Official Gazette No. 612 of January 28, 1991;

170. Article 3 of Agreement No. 376 promulgated in Official Gazette No. 29 of September 20, 1984;

171. Article 3 of Agreement No. 2284 promulgated in Official Gazette No. 105 of January 15, 1985;

172. Article 2 of Law No. 3 promulgated in Official Gazette No. 183 of May 10, 1985;

173. Article 9 (b) of Agreement No. 219 promulgated in Official Gazette No. 195 of May 29, 1985;

174. Article 1 of Decree No. 1157 promulgated in Official Gazette No. 280 of September 26, 1985;

175. Article 5 of Decree No. 1385 promulgated in Official Gazette No. 333 of December 12, 1985;

176. Article 28 (l) of Agreement No. 448 promulgated in Official Gazette Supplement No. 355 of January 15, 1986;

177. Article 23 of Decree No. 1897 promulgated in Official Gazette No. 450 of June 4, 1986;

178. Article 29 of Decree No. 1951 promulgated in Official Gazette No. 458 of June 16, 1986, and the amendments thereto issued by Article 14 of Decree No. 2034 promulgated in Official Gazette No. 483 of July 21, 1986;

179. Article 40 (c) of Agreement No. 275 promulgated in Official Gazette No. 465 of June 25, 1986;

180. Article 16 of Resolution No. 468 promulgated in Official Gazette No. 498 of August 12, 1986;

181. Article 7 of Resolution No. 953 promulgated in Official Gazette No. 754 of August 21, 1987;

182. Note: Numeral repealed by Law 52, published in Gazette Supplement 439 of May 12, 1994.

183. Article 29 (d) of unnumbered Resolution promulgated in Official Gazette No. 835 of December 18, 1987;

184. Articles 2 and 4 of Law No. 92 promulgated in Official Gazette No. 934 of May 12, 1988;

185. Article 30 of Agreement No. 10752 promulgated in Official Gazette No. 986 of July 26, 1988;

186. Article 11 of Law No. 1 promulgated in Official Gazette No. 41 of October 6, 1988;
187. Articles 2, 4 and 6 of Decree No. 248 promulgated in Official Gazette No. 78 of December 1, 1988;
188. Article 4 of Decree No. 642 promulgated in Official Gazette No. 200 of May 30, 1989, and the amendments thereto issued by Decree No. 854 promulgated in Official Gazette No. 263 of August 29, 1989;
189. Article 1 of Agreement No. 244 promulgated in Official Gazette No. 211 of June 14, 1989;
190. Article 4 of Law No. 34 promulgated in Official Gazette No. 231 of July 12, 1989;
191. Article 2 of Law No. 40 promulgated in Official Gazette Supplement No. 248 of August 7, 1989;
192. Article 4 of Agreement No. 303 promulgated in Official Gazette No. 254 of August 16, 1989;
193. Clause two of Article 1 of Decree No. 871 promulgated in Official Gazette No. 264 of August 30, 1989;
194. Article three of Decree No. 899 promulgated in Official Gazette No. 276 of September 15, 1989;
195. Article 1 of Law No. 48 promulgated in Official Gazette No. 281 of September 22, 1989;
196. Article 9.4 (c) of Agreement No. 2070 promulgated in Official Gazette No. 314 of November 14, 1989;

197. Article 31 (n) and Article 35 (d) of Agreement No. 521 promulgated in Official Gazette Supplement No. 319 of November 21, 1989;

198. Final clause of Article 50 of Law No. 56 promulgated in Official Gazette No. 341 of December 22, 1989, and the amendments thereto issued by Article 24 of Law No. 72 promulgated in Official Gazette No. 441 of May 21, 1990;

199. Article 2 of Law No. 57 promulgated in Official Gazette No. 344 of December 28, 1989;

200. Article 2 (j) of Agreement No. 54 promulgated in Official Gazette No. 379 of February 16, 1990;

201. Article 113 of Decree No. 1257-A promulgated in Official Gazette Supplement No. 379 of February 16, 1990;

202. Article 2 of Decree No. 1256 promulgated in Official Gazette No. 380 of February 19, 1990;

203. Clause one of Article 8 of Decree No. 1284 promulgated in Official Gazette Supplement No. 385 of February 28, 1990, and the amendments thereto issued by Decree No. 1855 promulgated in Official Gazette No. 532 of September 28, 1990;

204. Article 3 of Decree No. 1279-A promulgated in Official Gazette No. 402 of March 23, 1990;

205. Final clause of Article 31 of Law No. 73 promulgated in Official Gazette No. 442 of May 22, 1990;

206. Clause one of Article 6 of Law No. 72 promulgated in Official Gazette No. 441 of May 21, 1990;

207. Article 1 of Agreement No. 282 promulgated in Official Gazette No. 458 of June 14, 1990;

208. Article 43 of Law No. 107 promulgated in Official Gazette No. 520 of September 12, 1990;

209. Article 108 of Law No. 108 promulgated in Official Gazette No. 523 of September 17, 1990;

210. Article 2 of Law No. 115 promulgated in Official Gazette No. 612 of January 28, 1991;

211. Article 2 of Decree No. 2345 promulgated in Official Gazette No. 667 of April 19, 1991;

212. Article 2 of Law No. 122 promulgated in Official Gazette No. 676 of May 3, 1991;

213. Article 15 (m) and Article 17 (e) of Decree No. 2543 promulgated in Official Gazette Supplement No. 716 of July 1, 1991;

214. Article 10 of Agreement No. 51 promulgated in Official Gazette No. 722 of July 9, 1991;

215. Article 19 of Resolution No. 91.1.5.3.007 promulgated in Official Gazette No. 732 of July 23, 1991; and

216. Article 10 of Decree No. 2710 promulgated in Official Gazette No. 769 of September 13, 1991.

Article 173.

The following provisions are hereby repealed:

1. Article 7 of Decree 489 promulgated in Official Gazette No. 65 of September 22, 1970;

2. Agreement No. 316 promulgated in official Gazette No. 151 of September 25, 1972;

3. Article 1 of Decree No. 10 promulgated in Official Gazette No 469 of January 10, 1974.

Article 174.

The Law Establishing the Development Bank of Ecuador (BEDE) issued by Decree No. 774 promulgated in Official Gazette No. 183 of September 30, 1976 and the BEDE Statutory Law issued by Decree No. 3731 promulgated in Official Gazette No. 8 of August 22, 1979, and the amendments thereto issued by Decree Law No. 14 promulgated in Official Gazette No. 257 of August 26, 1985 are hereby repealed.

Article 175.

The Organic Law on Financial Administration and Control issued by Decree No. 1429 promulgated in Official Gazette No. 337 of May 16, 1977 is hereby amended in the following articles:

1. The phrase "overdraft accounts with the Central Bank of Ecuador" in Article 112 is hereby deleted;
2. The phrase "General Manager of the Central Bank of Ecuador" is hereby replaced with "General Manager of the State Bank" in Article 136;
3. The phrase "Trust fund with the Central Bank" is hereby replaced with "Trust fund with the State Bank" in Article 138;
4. The phrase "Central Bank of Ecuador" is hereby replaced with "State Bank" in Article 140;
5. The phrase "Manager of the Central Bank of Ecuador" is hereby replaced with "Manager of the State Bank" in Article 142; and
6. The phrase "Central Bank of Ecuador" is hereby replaced with "State Bank" in Article 196.

Article 176.

The phrase "Development Bank of Ecuador or BEDE" is hereby replaced in all of the legal provisions containing it with "State Bank," particularly in the following:

1. Article 12 of the Law on Financial Companies promulgated in Official Gazette No. 686 of May 15, 1987;
2. Article 12 (b) of the Law on the National Corporation in Support of Popular Economic Units (CONAUPE) issued by Law No. 44 promulgated in Official Gazette No. 257 of August 21, 1989;
3. Article 10 of the Regulations on the Issue of Financial Certificates enacted by Resolution No. 91-441 promulgated in Official Gazette No. 607 of January 21, 1991;
4. Articles 10 and 12 of the Regulations on Domestic Public Debt Contracts issued by Decree No. 500 promulgated in Official Gazette No. 131 of February 25, 1985;
5. Articles 1, 4, 5 and 6 of Decree No. 324 promulgated in Official Gazette No. 104 of January 9, 1989, establishing the Interinstitutional External Credit Monitoring Committee (CISCE);
6. Articles 3, 4, 5 and 10 of the Sectional Development Law issued by Law No. 72 promulgated in Official Gazette No. 441 of May 21, 1990; and
7. Articles 14, 15, 21 and 23 of the Regulations on the Sectional Development Law issued by Decree No. 2540 promulgated in Official Gazette No. 721 of July 8, 1991.

TEMPORARY PROVISIONS

FIRST: Until such time as the Monetary Board issues the regulations stipulating the reserves to be kept by public and private sector financial institutions, the percentages and conditions set forth in the current regulations on bank reserves shall remain in force.

SECOND: Until such time as the Monetary Board establishes new limits and conditions on the issue of guarantees, sureties and other contingents, limits on the growth of loans and

investments, issue of debentures, bonds and other credit instruments, the limits in effect on the date of entry into force of this law shall be maintained.

THIRD: Until such time as the Monetary Board regulates the spreads referred to in Article 39 of this Law, the same proportions referred to in the current regulations on minimum proportions of capital and reserves according to asset categories, concentration levels for loans and operations with connected and related firms shall be maintained.

FOURTH: Until such time as the Monetary Board stipulates otherwise, the regulations issued to date shall remain in force, provided that such regulations do not run contrary to this Law. With regard to the system of foreign exchange penalties imposed for non-fraud related infractions, the regulations issued shall remain in force and the Monetary Board shall issue the respective rules within a period of 120 days.

FIFTH: At the request of the Ministry of Finance, the National Government shall set the capital of the Central Bank of Ecuador through Executive Decree within 540 days of entry into force of this Law. Should capitalization be required, the National Government shall also determine the terms of payment.

Note: Provision amended by Law No. 15, published in Official Gazette 71 of November 23, 1992.

Note: Provision amended by Law No. 33, published in Official Gazette 217 of June 23, 1993.

SIXTH: The regulations in force on the date of enactment of this Law shall remain mandatory, if expressly declared by the Board, until such time as it issues new regulations within 540 days of entry into force of this Law.

Note: Provision amended by Law No. 15, published in Official Gazette 71 of November 23, 1992.

Note: Provision amended by Law No. 33, published in Official Gazette 217 of June 23, 1993.

SEVENTH: Until such time as the State Bank organizes itself and can carry out its activities throughout the country, the Central Bank shall continue to exercise the powers and fulfill the obligations assigned by this Law to the State Bank, within a maximum of 540 days from the date of entry into force of this Law.

The State Bank shall retain the structure of the Development Bank of Ecuador until such time as its By-laws are approved. BEDE officials and staff shall continue to provide their services in the State Bank until they have been confirmed in their functions.

Note: Provision amended by Law No. 33, published in Official Gazette 217 of June 23, 1993.

EIGHTH: The current Monetary Board shall continue to serve until August 10, 1992. The first Monetary Board shall consist of the voting members not referred to in (d), (e) and (f) of Article 78 of this Law. Said members shall remain in office for a term of two years and shall subsequently be elected by their own electoral colleges for the four-year period established in said Article.

NINTH: Within 540 days of the date of entry into force of this Law, the Monetary Board shall forward the draft By-laws of the Central Bank of Ecuador to the President of the Republic of Ecuador for approval through Executive Decree.

Note: Provision amended by Law No. 15, published in Official Gazette 71 of November 23, 1992.

Note: Provision amended by Law No. 33, published in Official Gazette 217 of June 23, 1993.

TENTH: When the Monetary Board has been definitively established, it shall appoint the General Manager of the Central Bank. Said General Manager may not be appointed from among the members of the Monetary Board.

ELEVENTH: The Monetary Board shall establish two schedules. When the Central Bank has been capitalized pursuant to temporary provision six of this Law, the first schedule shall be established to refund at par the series "A" shares indicated in Article 111 of the previous Law on the Monetary System corresponding to contributor private banks, such refund to be made within a maximum of six months. The second schedule shall apply to the refund by the Ecuadoran Housing Bank of the investments made in housing bonds by private banks, concerning which the Ministry of Finance shall compensate the Ecuadoran Housing Bank through a capital contribution equivalent to the mandatory investments indicated above. Said refund, including interest accrued up to the date of payment, shall be made within a maximum of one year from the date of entry into force of this Law.

TWELFTH: All administrative claims currently being processed against resolutions issued by Central Bank authorities shall continue to be heard by said Central Bank and by the Monetary Board until the final administrative ruling has been made. The Law on the Monetary System and the Law on International Exchange Rates in effect on the date of issue of this Law shall be applied.

THIRTEENTH: Within 540 days of entry into force of this Law, the Central Bank of Ecuador shall transfer to the State Bank the balances of the National Treasury Master Current Account and the current accounts or other types of accounts of public sector entities or

organizations for which it served as official depository, and shall conciliate them with the respective account holders.

The Central Bank of Ecuador shall also transfer the books and other accounting records, signatures, special authorizations and any documents relating to the management of these accounts, and the automated systems and equipment required to ensure that the State Bank can carry out its functions as depository of public funds.

The Central Bank shall transfer all court-ordered deposits to the State Bank in the same time frame. Until such time, such deposits shall continue to be handled in the Central Bank.

Note: Provision amended by Law No. 15, published in Official Gazette 71 of November 23, 1992.

Note: Provision amended by Law No. 33, published in Official Gazette 217 of June 23, 1993.

FOURTEENTH: The contracts, agreements and all other legal acts concluded under the Laws on the Monetary System, International Exchange Rates, and the BEDE Development Bank of Ecuador today repealed, shall remain in force subsequent to approval of this Law, pursuant to the contractual conditions under which they were signed. However, with respect to the application of administrative procedures and the bodies to be resorted to for the corresponding formalities, they shall be subject to this Law.

In terms of rights, obligations, contracts, agreements and other legal acts of the Central Bank of Ecuador, the scope of this provision is limited to the matters transferred to the State Bank by this Law.

The Central Bank of Ecuador shall surrender to the State Bank the trust contracts, authorizations for withholding income, along with the accounting records and all other documents relating to the function of trustee of public funds within 540 days of entry into force of this Law.

Note: Provision amended by Law No. 15, published in Official Gazette 71 of November 23, 1992.

Note: Provision amended by Law No. 33, published in Official Gazette 217 of June 23, 1993.

FIFTEENTH: Any lawsuits in which the Central Bank of Ecuador or the Development Bank of Ecuador are currently involved, limited to the matters indicated in the preceding temporary provision, as plaintiff or defendant shall continue to be subject to the legislation in force up to the entry into force of this Law. Such lawsuits as well as actions or claims of any kind legally filed by or against the Central Bank of Ecuador or the Development Bank of

Ecuador shall be understood to have been filed by or against the State Bank, and said State Bank may continue the lawsuit, action or claim.

SIXTEENTH: The Central Bank of Ecuador shall transfer to the State Bank the movable and immovable assets it requires to accomplish the functions entrusted to it by this Law as depository of public funds, and the Superintendency of Banks shall determine the fair price for such transfer.

The value of assets transferred by the Central Bank to the State Bank shall be assumed by the Central Government through the Ministry of Finance and shall be considered in determining the capitalization of the Central Bank of Ecuador.

SEVENTEENTH: Staff members currently providing services in the Central Bank of Ecuador in the areas required by the State Bank may move to the State Bank at their own discretion, with due consideration of the functions they performed and their professional training, under the same financial conditions. BEDE officials and staff shall move automatically to the State Bank, except in cases in which they must be appointed by the Board of Directors.

For staff-transfer purposes, the Central Bank and the BEDE shall transfer to the State Bank the reserve funds, pension funds and funds of any other type accumulated by respective officials and staff members. The State Bank shall assume all obligations deriving from this operation, and shall recognize the seniority of staff members from the Central Bank or the BEDE. Under no circumstances shall transferred workers lose their rights acquired as Central Bank of Ecuador or BEDE employees.

EIGHTEENTH: Until such time as the State Bank is in a position to grant loans to public sector development finance institutions, the Central Bank may continue to provide such financing, but not beyond 540 days of entry into force of this Law and within the provisions contained in the Monetary and Financial Program.

Note: Provision amended by Law No. 15, published in Official Gazette 71 of November 23, 1992.

Note: Provision amended by Law No. 33, published in Official Gazette 217 of June 23, 1993.

NINETEENTH: For the purpose of complying with the above provisions and resolving any problems arising from the transfer of functions and assets from the Central Bank of Ecuador and the BEDE to the State Bank, a special commission shall be established and shall operate as long as required to accomplish its objectives. Said Commission shall have broad powers to perform its tasks and shall operate with the assistance of the Superintendency of Banks.

The Commission shall be chaired by a delegate from the Superintendency of Banks and shall also be composed of two delegates from the Central Bank and two delegates from the State Bank.

TWENTIETH: The State Bank shall assume the revenue and in general shall also assume all sources of financing held by the BEDE up to the entry into force of this Law.

TWENTY-FIRST: Within 540 days, the Board of Directors of the State Bank shall submit the proposed By-Laws for the State Bank to the President of the Republic of Ecuador for his consideration.

Note: Provision amended by Law No. 15, published in Official Gazette 71 of November 23, 1992.

Note: Provision amended by Law No. 33, published in Official Gazette 217 of June 23, 1993.

TWENTY-FIRST-A: All acts and contracts concluded between the Central Bank of Ecuador and the National Development Bank from May 7, 1993 up to the entry into force of this Law are hereby declared revalidated without prejudice to any responsibilities that may be established by the corresponding supervisory body.

Note; Temporary provision issued via Law No. 33, published in Official Gazette 217 of June 23, 1993.

TWENTY-FIRST-B: The first renewal of members of the Central Bank Board of Directors as determined in the Political Constitution of the Republic of Ecuador shall be implemented by the National Congress by drawing lots.

Note: Provision issued via Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.

TWENTY-FIRST-C: For this sole occasion, the report referred to in Article 79 shall be presented within ten days of designation of the first members of the Board of Directors, and designated parties shall comply with requirements set forth in the Law within the same period.

Note: Provision issued via Law No. 12, published in Official Gazette Supplement 20 of September 7, 1998.